Non-Standard Finance plc
Annual report and accounts
2015

Implementing our strategy

NON-STANDARD
FINANCE

On completion of the acquisition of Everyday Loans, **Non-Standard Finance plc** will have established a portfolio of consumer credit businesses, focused on servicing the needs of approximately 12 million UK adults who do not meet the lending criteria of the UK's mainstream institutions, or choose not to borrow from them.

Our target sub-sectors cover home credit, branch-based unsecured consumer lending and guaranteed loans. We have acquired (or agreed to acquire) businesses that need additional professional support and expertise to develop the sophistication required to meet the increasing thresholds of regulatory compliance and/or require additional capital in order to develop and sustain attractive growth rates. Through a combination of operational improvements and complementary acquisitions, Non-Standard Finance ('NSF') is focused on executing strategies that create significant shareholder value.

By treating customers fairly, delivering excellent service and lending responsibly, we are establishing a sustainably profitable group of businesses that serve an important socio-demographic cluster, and generate attractive returns on equity.

The market

12m

UK adults

£70bn

Annual advances of non-standard unsecured consumer credit

Highlights 2015

Listing on the London Stock Exchange and £262 million of equity capital raised

One acquisition completed and a second due to complete by the end of April 2016

NSF will be established in all three target sub-sectors

Operational

- All initial strategic goals achieved in 11 months
- Acquisition of Loansathome4u completed, providing a solid platform to enter the home credit market
- New management appointed at Loansathome4u to reinvigorate the business, attract more agents and grow the customer base
- Acquisition of Everyday Loans due to complete by the end of April 2016, extending NSF's operations into the high growth branch-based lending and guarantor loans markets*

Financial

- Successful IPO raising £102 million, with high quality cornerstone investment from Woodford Investment Management LLP, Invesco Limited and Marathon Asset Management LLP
- Revenues of £14.7 million and adjusted operating profit** of £2.1 million for Loansathome4u, for the period from its acquisition on 4 August 2015 to 31 December 2015
- Group loss on ordinary activities before tax of £16.1 million, after central costs of £2.7 million; exceptional costs*** of £6.1 million; and fair value adjustments and amortisation of acquisition intangibles of £9.5 million
- Loss after tax of £13.1 million equating to a loss per share of 21.25p based on weighted average shares in issue of 61.5 million

* See the Financial Review for explanation of Everyday Loans' unaudited results throughout the Annual Report.

** Adjusted operating profit is defined as operating profit before fair value adjustments, amortisation of acquisition intangibles and exceptional costs.

*** Exceptional costs related to the acquisition and subsequent restructuring of Loansathome4u and the acquisition of Everyday Loans .

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Non-Standard Finance At a glance

On completion of the acquisition of Everyday Loans, Non-Standard Finance will have established a portfolio of companies in the UK's non-standard consumer finance sector.

Our businesses offer fairly priced and appropriate financial services to approximately 12 million UK adults who do not meet lending criteria for mainstream financial services businesses, or who choose not to borrow from them. Our objective is to generate substantial shareholder value through strategic investment and operational improvements, as well as additional complementary acquisitions.

What we do

We currently provide home credit and on completion of the acquisition of Everyday Loans we will also provide branch-based unsecured consumer loans and guaranteed loans. By treating customers fairly, delivering excellent service and lending responsibly, the Company plans to establish a sustainably profitable group of businesses serving an important socio-demographic cluster, aiming to achieve a 20% return on assets.

An increasingly complex regulatory framework has created challenges for existing providers operating in the non-standard finance segment of the UK financial services industry. This has created a substantial opportunity for us to deliver 'best in sector' compliance, using our considerable experience in all aspects of financial and consumer regulation.

The Company intends to add value to acquired companies and businesses by:

- **applying** the Board's longstanding experience and knowledge in originating, growing and maintaining profitable non-standard consumer finance businesses;
- **building** a strong, highly professional management team;
- **deploying** the Board's substantial regulatory expertise, having operated regulated businesses in non-standard consumer finance markets for over 20 years, working with trusted, conduct-focused management teams; and
- **providing** a solid platform to finance both organic and non-organic growth through a diligent process of capital deployment and management control.

Our approach on acquisitions

In evaluating acquisition opportunities, the Directors seek businesses that will enable the Group to:

- **grow lending balances** by at least 20% per annum on average;
- **achieve strong yields** underpinned by APRs of at least 50% to 100% in unsecured lending;
- **carefully manage impairment levels** implying an attractive ratio of risk to APR;
- **maintain** a cost to income ratio of approximately 50% or lower once the business reaches appropriate scale;
- **ensure** good customer outcomes and the fair treatment of customers;
- **implement** an efficient funding and capital structure; and
- **generate** strong cash flow, funding the payment of regular and growing dividends over time.

In making its acquisitions, the above factors and other considerations relevant to NSF's business objectives will be considered by the Directors.

Managing growth

Through a series of carefully structured management processes and controls we ensure all our businesses: have access to appropriate funding; implement strong management controls; employ rigorous credit standards; offer attractive and competitive product pricing; roll out and implement effectively new compliance protocols; and improve IT systems. The Directors believe that such changes will deliver much improved customer outcomes and create shareholder value.

At the time of its Admission to the main market of the London Stock Exchange, the Company outlined a strategy to acquire up to three non-standard finance businesses. On completion of the acquisition of Everyday Loans, this objective will have been met and the business will be operating in all three of its target sub-sectors – home credit, branch-based unsecured consumer loans and guaranteed consumer loans.

An experienced Board

Led by John van Kuffeler, our Board is a highly experienced and knowledgeable group of professionals in the non-standard financial services segment of the UK financial services industry. The Directors have significant collective experience of acquiring and developing businesses in this segment and have a proven track record of delivering operational improvements and creating significant value for shareholders.

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Loansathome4u

Loansathome4u is one of the largest providers of unsecured personal loans in the UK's home credit market, serving approximately 92,000 customers from 40 branches and through nearly 700 agents throughout England, Wales and Scotland. In the period from acquisition in August to 31 December 2015, Loansathome4u produced revenues of £14.7 million and an adjusted operating profit of £2.1 million. As at 31 December 2015 its loan book totalled £28.4 million.

› **Go to page 08 for Divisional review**

Everyday Loans

Completion of its acquisition by NSF is anticipated by the end of April 2016. Everyday Loans provides unsecured consumer loans, primarily on a face-to-face basis, via its network of 36 branches across the UK. It serves approximately 35,000 customers. In the 12 months to 30 June 2015, the business produced revenues of £42.4 million and an adjusted operating profit of £16.2 million. As at 30 June 2015 its loan book totalled £102.3 million.

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Trusttwo

To be acquired as part of Everyday Loans, Trusttwo currently services approximately 2,000 customers. It provides guaranteed loans online to UK residents who have a limited or impaired credit history in association with a guarantor whose creditworthiness supports their borrowing. The smallest of NSF's three divisions, Trusttwo will be a platform for future expansion into a large and concentrated addressable market. Trusttwo's results are included in the results of Everyday Loans for the year to 30 June 2015.

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Chairman's statement

I am delighted to present Non-Standard Finance plc's first Annual Report and Accounts for the period ended 31 December 2015 – a transformational period in which we achieved all our stated strategic objectives at the time of our IPO.

We established NSF as a cash shell with a Standard Listing on the London Stock Exchange in February 2015, raising £102 million from a blue chip list of institutional investors and wealth managers who recognised the opportunity of building a sizeable company in this sector with progressive growth in profits and dividends. In less than 11 months since our listing we have completed one acquisition and announced a second, raising a further £180 million from existing and new shareholders including shares to the value of £20 million to be issued to the vendor of Everyday Loans at completion. On completion of our second acquisition we will have businesses in all three of our target sectors of home credit, branch-based unsecured lending and guaranteed loans. We are now focused on growing these businesses organically or with bolt-on acquisitions as appropriate.

Strategy

Since the Company's successful IPO your Board has wasted no time in implementing its strategy of building a group of businesses operating in our target sectors in the non-standard unsecured consumer lending market.

Our businesses serve an important role in their local communities, helping the significant proportion of the UK's population that does not meet the credit requirements set by mainstream financial institutions, or chooses not to borrow from them, and therefore turns to the non-standard finance segment for alternative sources of credit.

NSF addresses this market of approximately 12 million people by creating access to fairly priced and appropriate financial services in non-standard lending – most customers in the non-standard finance sector are able to service their debt if products are tailored to fit their circumstances. We have extensive experience and are confident that we are delivering 'best in sector' regulatory compliance; lending responsibly; and treating customers fairly – together resulting in good customer outcomes.

In everything we do, our focus is on creating growth underpinned by treating customers fairly, delivering excellent service and lending responsibly. As a result of this approach we are establishing a sustainable and profitable group of businesses, aiming to achieve a 20% return on assets in the medium term.

Acquisitions

Loansathome4u

Our first acquisition, Loansathome4u, was announced on 7 July 2015, just four and a half months after our Stock Exchange Listing. In this transaction, we paid £82.4 million for the home credit division of S&U plc, called Loansathome4u, which had 100,000 customers and 39 branches throughout the UK with revenues of £38.3 million and historical pre-tax profits of £8.4 million for the year ended 31 January 2015 on a net loan book of £34.6 million as at 31 January 2015.

In order to take advantage of the considerable market opportunity to double the size of the business over three to five years, we immediately recruited a team of experienced home credit professionals – many of whom we had worked with before. We also decided to substantially enhance Loansathome4u's IT capabilities, risk and data analysis, compliance function, marketing and field operations, thereby increasing the cost base by approximately £2 million on an annual basis but creating a platform for substantial future growth. We also established a more timely approach to recognising impairment, reducing the net carrying value of the loan book at completion of the acquisition on 4 August from £29.9 million to £22.6 million; and writing off the fully provided balances of 13,000 customers reduced the active customer count to 87,000. It is important to note that the above additional costs reduce the historical annual run rate of pre-tax profits to £6.4 million and future growth will be measured from the above figures.

In October 2015 we had completed the operational upgrade of the business and began implementing our growth plans. By the end of 2015 we had grown the number of agents by 13% from 557 to 630; and the number of customers by 6% from 87,000 to 92,000. During the first quarter of 2016 growth has continued and we now have more than 700 agents, (a 26% increase from acquisition). We are also opening new branches in Kirkcaldy, Ashington, Newton Aycliffe and north Manchester, adding to our platform for sustained future growth.

The financial results of Loansathome4u during the few months under our ownership in 2015 reflect the costs of the significant changes we made to the business and the adjusted operating profit of £2.1 million (operating loss of £3.9 million on a statutory basis) is not representative of its future growth and profit potential. The current year has started well and our growth is on target.

Everyday Loans

Four months after completing our first acquisition, we announced our second acquisition, Everyday Loans, for an enterprise value of £235 million. As part of the transaction, we raised £160 million of new equity, with funds received in January 2016, and £85 million of debt to finance the acquisition and future loan book growth. We will also issue shares to the value of £20 million to Secure Trust Bank PLC, the current owner of Everyday Loans, at completion which is expected to take place by the end of April 2016, following FCA change of control approval.

Everyday Loans is the largest branch-based unsecured consumer lender in the UK and operates from a network of 36 branches serving approximately 35,000 customers. The business has an emphasis on in-depth interviews with prospective borrowers and is enjoying significant growth in a market which was left abandoned by its participants following the financial crisis of 2008.

Its historical adjusted operating profit was £16.2 million in the 12 months to 30 June 2015 on a net loan book of £102 million as at 30 June 2015. Loan book growth has averaged around 20% per annum over the past two years. Its management team has been in place for 10 years and is recognised as one of the most experienced in the sector.

Our plans include growing the branch network, expanding the customer base and implementing operational efficiencies to improve customer conversion rates. However, these will not cause any disruption to the business and we expect to continue growing the loan book and customer base so as to double the size of the business in four to five years.

Trusttwo

Trusttwo is a small guaranteed loan operation within the Everyday Loans business. Trusttwo accounted for £6 million of the Everyday Loans loan book as at 30 June 2015 and 2,000 of its customers as at the same date.

The guaranteed loan market is a fast growing sector allowing mainly younger customers to establish a better credit rating during the period of the loan.

We will be substantially enhancing this business after completion with a view to building it into a significant market participant in this sector.

Results

The results for the Group reflect significant corporate activity, specifically our IPO, acquisitions and transition from a cash shell to an operating group with a statutory loss before tax of £16.1 million based on an adjusted operating profit of £2.1 million at Loansathome4u (statutory loss of £3.9 million) reduced by central costs of £2.7 million; exceptional costs of £6.1 million; and fair value adjustments and amortisation of acquisition intangibles of £9.5 million. The statutory loss before tax is partly offset by a tax credit of £3.0 million leading to a statutory loss after tax of £13.1 million equating to a loss per share of 21.25p.

The statutory loss is not indicative of the underlying performance of the Group and the Financial review provides further detail on the Group's illustrative enlarged Group financial results based on £6.4 million of operating profits from Loansathome4u for the year ended 31 January 2015 and £16.2 million from Everyday Loans and Trusttwo for the year ended 30 June 2015. Adding these two sets of results together with the 2015 central costs of £2.7 million produces an underlying illustrative enlarged Group operating profit of approximately £20 million on an annualised basis. This number will be reduced by: the interest payable on the debt funding taken on to acquire Everyday Loans; interest payable on any further debt raised to support loan book growth at Loansathome4u; and also by taxation – but it should be seen as the benchmark against which our growth plans should be measured.

Regulation

Loansathome4u operates under an interim consumer credit permission from the Financial Conduct Authority and submitted its application for full authorisation in June 2015. Supplementary information has been supplied to the FCA following our completion of the acquisition of the company and we expect to receive full authorisation during 2016.

The Everyday Loans group operates as two regulated entities with a mixture of interim permissions and full authorisations for various activities and submitted the appropriate applications for full permissions in January and October 2015. Full authorisation is also expected during 2016.

Board

The NSF Board includes some of the most knowledgeable and experienced professionals in our sector. We have a long history of collaboration between team members and extensive experience of non-standard consumer finance, making acquisitions and operational improvements. I firmly believe that our track record of successful management and investment in non-standard consumer lending demonstrate NSF's ability to generate value for investors and complete operational improvements at our target acquisitions.

Outlook

Having established the foundation upon which we will grow the Group, the business is performing in line with management's expectations. During the year, we will aim to secure additional debt funding for Loansathome4u to support loan book growth. We look to the future with optimism and are confident of achieving our stated goal of growing the loan books in our operating businesses by 20% in 2016 while maintaining our current revenue yield, operating margins and conservative approach to underwriting risk. We intend to review our dividend policy during the first half of 2016 and, subject to our financial performance and the Group's funding requirements, intend to commence payment of dividends during the second half of 2016.

Finally, I thank all of our staff, agents, management, advisers and my fellow Board members for their tireless efforts in 2015. Their diligence and dedication are at the heart of our success in 2015 and I am proud of our achievements together.

John van Kuffeler
Chairman

Market overview

Regulated by the Financial Conduct Authority, non-standard consumer finance is the provision of secured and unsecured credit to consumers outside the mainstream retail financial services sector. It is estimated that in 2015 the size of the UK's non-standard finance unsecured market was approximately £70 billion in new loans per annum.

Customers in the non-standard market typically fail to meet the lending requirements of high street financial institutions for a number of different reasons. Credit checks might show, for example, that a loan applicant's income is too low; they might be self-employed with variable incomes; they might be credit impaired; or they perhaps might not otherwise meet the requirements of mainstream financial institutions by, for example, not having a permanent address in the UK. Many customers also simply do not like the typical mainstream credit approach, having had previous poor experience, and seek a more personal, understanding and tailored service.

It is estimated that approximately 12 million adults in the UK do not meet the credit requirements set by mainstream financial institutions, or choose not to borrow from them, and therefore turn to the non-standard finance segment for alternative sources of credit. Many of these people are able to service debt when products are tailored to fit their particular circumstances and, with careful management, such individuals can be extended credit on terms that reflect an appropriate level of risk.

Market structure

Businesses operating in non-standard consumer finance are mainly non-bank finance companies and the majority of these focus on delivering only a few financial products. Following the financial crisis, mainstream banks and lenders significantly withdrew from the non-standard finance sector. The market now predominantly comprises specialist businesses, including 'challenger' banks as well as entrepreneurial start-ups. Many have been set up comparatively recently as their management teams seek to benefit from the new opportunities afforded by the effective cessation of mainstream lending to some consumer categories.

This creates an exciting opportunity for NSF. Many of these firms are relatively immature and have reached a stage of development where access to NSF's professional management expertise and additional investment can help them grow further. Our support might include access to funding; the implementation of stronger management controls; more rigorous credit standards; improved product pricing; new compliance protocols; and an improvement in IT systems.

£70bn

Annual advance of unsecured non-standard consumer credit

Products

A wide range of products is available to non-standard finance consumers, of which NSF's target sub-sectors comprise the following areas:

- **Guaranteed consumer loans –** a relatively new sector, where generally £2,000 to £7,500 is lent to an individual with the loan guaranteed by a family member or friend who is typically a home owner
- **Branch-based unsecured loans –** made to those on lower incomes or with impaired credit ratings, typically for amounts between £1,000 and £7,500, with a fixed monthly repayment period, normally between one and three years
- **Home credit –** the provision of loans of £100 to £1,000, which are repaid to self-employed agents who visit customers on a weekly basis. This is a profitable and mature sub-sector of the market, with approximately 1.5 million to 2 million active customers. The service provides those on low or variable incomes with certainty as no default interest or charges are ever made.

NSF's focus on home credit and unsecured branch-based lending necessitates face-to-face contact with the vast majority of customers, ensuring that we fully understand their financial situation. As a result, we can lend responsibly with positive customer outcomes.

Market trends

Recent regulatory reforms have significantly increased capital requirements and conduct-related obligations for retail financial services providers. Further incoming regulation will impose additional and substantial restrictions on the non-standard finance sector. However, increased regulation is not intended to deprive nearly a quarter of the UK population of credit and the FCA recognises that the continuing provision of credit is only possible if commercial returns are in line with risks. NSF believes that the recent tightening of regulation aimed at non-standard finance provision creates an opportunity for it to deliver 'best in sector' compliance and its management team has considerable experience in all aspects of OFT/FSA/FCA regulation.

NSF's objective is to implement an operating strategy that generates shareholder value through operational improvements as well as potentially through additional complementary acquisitions. By treating customers fairly, delivering excellent service and lending responsibly, the Company is establishing a sustainably profitable group of businesses serving an important socio-demographic cluster that the Directors believe can achieve 20% return on assets.

Regulation

The provision of non-standard finance is a regulated activity in the UK and all businesses acquired by the Group are regulated by the Financial Conduct Authority ('FCA'). The FCA assumed responsibility for the sector's regulatory regime from the OFT on 1 April 2014. Since that time an 'interim permission' regime under the Financial Services and Markets Act ('FSMA') has been in operation, allowing licensed consumer credit companies to apply for permission to continue in business without needing immediate authorisation. Companies will nonetheless have to apply for authorisation by 31 March 2016 in order to continue conducting regulated consumer credit activities.

Every firm authorised by the FCA, including those with an interim permission, must comply with high-level standards set by the FCA. These include:

- the FCA's Principles for Businesses, which are general statements of the fundamental obligations that firms regulated by the FCA must comply with under the regulatory system. They are regarded by the FCA as the basis for most of its other more detailed rules and guidance and include, for example, requirements for a firm to treat its customers fairly, to conduct its business with integrity and to deal with its regulators in an open and cooperative way; and
- the rules in the FCA's Senior Management Arrangements, Systems and Controls sourcebook, which require firms to organise and control their affairs responsibly and effectively, and impose, among other things, general organisational requirements relating to governance, requirements relating to the skills, knowledge and expertise of staff, responsibilities relating to outsourcing, record-keeping requirements and rules relating to conflicts of interests.

Consumer credit firms must also comply with detailed conduct of business provisions. These require such firms, among other things:

- to conduct a creditworthiness assessment of a customer before entering into an agreement with them;
- to be transparent when dealing with debtors;
- to treat debtors fairly;
- to exercise forbearance and consideration, particularly towards debtors experiencing difficulty;
- to act proportionately when recovering debts;
- to establish and implement clear, effective and appropriate policies and procedures for engaging with debtors and other relevant parties; and
- to establish and implement clear, effective and appropriate policies and procedures for identifying and dealing with particularly vulnerable debtors.

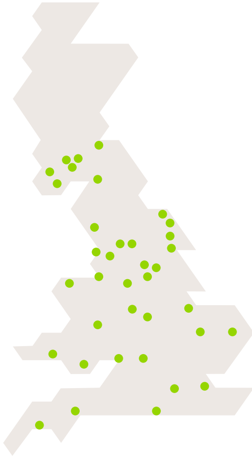
NSF is an enthusiastic supporter of the regulatory changes that have come into force. We believe they will do much to improve conduct in the industry and remove marginal businesses lacking the necessary capabilities to responsibly and sustainably operate consumer-facing businesses.

Market opportunity

Approximately 12 million UK adults do not meet the lending criteria of mainstream lenders

Divisional overview
Loansathome4u

On 7 July 2015 the Company announced that it had agreed to acquire the entire issued share capital of SD Taylor, the home credit business of S&U plc, trading as Loansathome4u. The Loansathome4u acquisition completed on 4 August 2015.



UK presence

Loansathome4u has 40 branches throughout England, Wales and Scotland, as well as its head office in Solihull

"The focus for 2016 will be to grow the business through expanding our agency force and increasing customer recruitment... by creating a culture of openness, compliance, achievement, fairness and reward."

Mark Bardsley
CEO, Loansathome4u

Loansathome4u fully meets Non-Standard Finance's acquisition criteria by virtue of its top three market position in the home credit market, with 77 years of history; strong brand recognition through its doorstep model supporting customer and agent relationships; and a high quality loan book compared to the wider home credit market, with good underwriting and sensitive customer management.

The acquisition of the business represented a significant transaction for the Company, creating a platform for further growth and business development. The £82.4 million final purchase price represented 12.5x historic net operating profit after tax and 2.5x tangible book value.

Loansathome4u operates from one head office and 40 branches (39 at acquisition) throughout England, Wales and Scotland. It employs over 300 people and operates through a network of approximately 700 (557 at acquisition) agents. These employees and self-employed agents provide a home credit service to 92,000 customers.

Following acquisition, Loansathome4u is run as a division of NSF, led by Mark Bardsley. Mark is a former Managing Director of Shopacheck Financial Services and previously a senior executive at Provident Financial and International Personal Finance. Having taken control of the business in August 2015, NSF began implementing its strategy for Loansathome4u, focusing on:

- expanding the branch network and agent workforce to grow the customer base;
- upgrading and reforming the business's compliance function to support best-in-class customer outcomes; and
- recruiting additional management to support the creation of a larger business, including a Chief Financial Officer, Compliance Director, Risk Director and Commercial Director.

The focus for 2016 will be:

- growing the business through expanding the number of agents and increasing customer recruitment;
- supporting agent recruitment through clearly differentiating the business as the best company to work for;
- developing online customer recruitment to support customer growth; and
- creating a culture of openness, compliance, achievement, fairness and reward;
- introducing technology – in particular mobile technology – to support process and service improvement, and to assist compliance monitoring and efficiency;
- introducing improved credit systems and processes to support lending decisions and compliance; and
- improving people development and performance management.

Loansathome4u's leadership team has already been strengthened with the addition of lead compliance, risk and finance appointments; and its operational processes – including compliance function – have been comprehensively upgraded to reflect best practice. At the customer-facing level, the agent workforce has expanded, with the addition of agents from other home credit providers as they withdraw from the market. These agents are typically experienced in customer recruitment, helping the wider business to achieve its customer growth targets. They also have the advantage of being experienced in lending and developing customer relationships.

Since acquisition, the business has experienced a strong increase in agent and customer numbers. This is expected to continue into 2016.

Looking to the future, NSF will seek further bolt-on acquisition opportunities in the home credit sub-sector as it consolidates, in light of regulatory impact and evolving market dynamics.

92,000

Customers

700

Agents

Loans 4U at home

Divisional overview
Everyday Loans

On 4 December 2015 the Company announced that it had entered into an agreement to acquire the branch-based unsecured lending and guaranteed loans business of Secure Trust Bank PLC for an enterprise value of £235 million. Completion is expected by the end of April 2016.

"The acquisition of Everyday Loans by NSF opens up substantial opportunities to accelerate growth and serve a broader customer base – the whole team at Everyday Loans is excited about our future as part of the NSF family.'

Danny Malone
Chief Executive, Everyday Loans

Everyday Loans meets NSF's acquisition criteria as it enables entry into two of the Company's target sub-sectors, creating a platform for entry into the guaranteed loans market alongside unsecured branch-based lending.

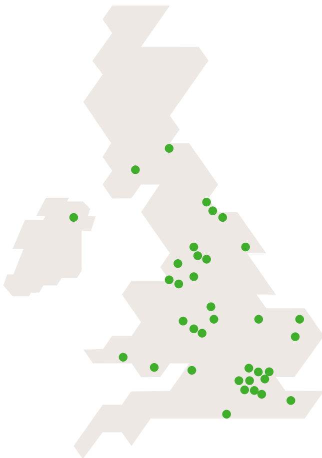
It is the UK's leading provider of branch-based loans for customers with limited or impaired credit histories and features a high-quality loan book with relatively low impairments and excellent customer satisfaction levels.

The business operates from a network of 36 branches, serving approximately 35,000 customers throughout the UK. Everyday Loans' network of branches enables its staff to meet potential customers face-to-face and ensure that their applications are appropriately vetted. Its branch-based model facilitates responsible lending decisions by assessing customers' propensity and ability to repay based on interviews with applicants and verification of supporting documentation. Everyday Loans holds a significant advantage over its online competitors when judging the credit quality of loan applicants, demonstrated through the historic track record of its loan book. Face-to-face customer interaction also supports high customer satisfaction levels, so existing customers are more likely to do business with Everyday Loans in the future and refer new customers to its business.

Following the acquisition, Everyday Loans will be run as an independent division.

The Company believes that with focused investment there is a significant opportunity to accelerate growth through:

- widening the customer constituency – by applying the Company's knowledge and experience in the sector and its extensive performance data, Everyday Loans will be able to serve a broader range of potential customers; and
- accelerating the branch expansion programme – so that the existing and future customers are more able to find a branch in proximity to their community, thereby driving improved application conversion rates. Everyday Loans has opened just seven branches since 2012 but by using available capital and expertise, a renewed programme of branch expansion can support its sustainable growth.



UK presence

Everyday Loans has 36 branches throughout England, Wales, Scotland and Northern Ireland

35,000

Customers

£96m

Loan book as at 30 June 2015

everyday loans

Divisional overview
Trusttwo

The Group's third operating division, Trusttwo, will be acquired as part of the Everyday Loans transaction.

"Trusttwo has established itself as a participant in the guaranteed loan market but we believe we can build a much larger business leveraging both the Everyday Loans infrastructure and the NSF Board's experience in non-standard lending."

Trusttwo is a young business which, following a pilot phase in 2013, was launched in 2014. It provides loans to UK residents who are typically in a younger age bracket and exhibit either a limited or impaired credit history.

Applicants complete an online application form in which they nominate a guarantor who meets mainstream prime risk lending requirements. No upfront fees are charged for the application process. After the applicant's guarantor consents to the arrangement via an online link, successful applications result in the loan being paid into the guarantor's account, for transfer to the applicant, in order to counter fraudulent applications since guarantors bear ultimate responsibility for repayment of the loan.

Loans can be used for almost any purpose and range in size from £1,000 up to £7,500, repayable in fixed monthly instalments over 13 to 60 months requiring no direct security (with overpayments allowed at any time without penalty). Interest rates range from 39.9% to 49.9%, with a representative APR of 39.9%.

Guarantors are normally family members (not partners or spouses) but can also be friends or colleagues. By taking a guaranteed loan, customers benefit from a better rate of interest than they would otherwise have been able to secure on their own, thus potentially removing the need for them to have to resort to higher-cost credit solutions. When these borrowers make their loan repayments on time, it can help improve their credit rating and make access to cheaper high-street lending possible in the future.

Trusttwo's platform has significant capacity for growth in what is a large and concentrated marketplace where the predominantly online nature of the application and client servicing process translates into low operating costs. The 12 leading market participants lend money to customers utilising wider size and interest rate parameters than Trusttwo, meaning that there is an opportunity to expand its product range organically and through targeted bolt-on acquisitions.

Looking to the future, Trusttwo's guaranteed loans operations will continue to be run within Everyday Loans' corporate structure. However, they will benefit from an accelerated growth strategy whereby:

- the management team will be enhanced with additional selected hires to increase its capabilities; and
- the business will focus on increased lead generation from the broker network.

2,000

Customers

£6m

Loan book as at 30 June 2015

TrusTwo
JOINED UP BORROWING

Financial review

The Group's results for its first accounting period to 31 December 2015 reflect the development of the Group from a newly quoted cash shell into a group comprising a holding company and one operating business following the acquisition of Loansathome4u on 4 August 2015.

To provide a clear view of the key elements of the Group's performance, its financial results break out the performance of Loansathome4u from central costs. It is expected that in addition to this segmental analysis, future accounting periods will also show Everyday Loans and Trusttwo as separate divisions following completion of their acquisition.

Group results

The Group delivered a statutory loss before tax of £16.1 million with a tax credit of £3.0 million resulting in a statutory loss after tax of £13.1 million. This equates to a loss per share of 21.25p based on a weighted average number of shares in issue of 61,502,789. The statutory loss before tax includes a contribution from Loansathome4u from 4 August 2015 only, with the result that the Group produced an adjusted operating loss before fair value adjustments, amortisation of acquired intangibles and exceptional items of £0.5 million from revenues of £14.7 million.

On the acquisition of Loansathome4u, intangible assets were recognised for the acquired customer list, agent relationships and the 'Loansathome4u' brand. In addition, the difference between the net book value of the loan book and its fair value based on discounting expected future cash flows was recognised as a fair value adjustment to the carrying value of the loan book at acquisition. Amortisation of £4.0 million for these intangible assets has been recognised in administrative expenses together with a £5.5 million reduction in reported revenues to reflect the unwind of the loan book fair value adjustment. These amounts combined with the adjusted operating loss of £0.5 million and exceptional costs of £6.1 million relating to the acquisition and subsequent restructuring of Loansathome4u and the 2016 acquisition of Everyday Loans produced the statutory loss before tax of £16.1 million.

As the Company was incorporated on 8 July 2014, there are no comparative figures for the prior period.

Consolidated statement of comprehensive income for the period from incorporation (8 July 2014) to 31 December 2015

	Before fair value adjustments, amortisation of acquired intangible and exceptional items £'000	Fair value adjustments, amortisation of acquired intangible and exceptional items £'000	Total £'000
Revenue	**14,657**	**(5,456)**	**9,201**
Cost of sales	(3,858)	–	(3,858)
Administrative expenses	(11,340)	(4,030)	(15,370)
Adjusted operating loss	**(541)**	**(9,486)**	**(10,027)**
Exceptional costs	–	(6,135)	(6,135)
Net interest income and charges	70	–	70
Loss before tax	**(471)**	**(15,621)**	**(16,092)**
Tax	1,271	1,751	3,022
Profit/(loss)	**800**	**(13,870)**	**(13,070)**
Loss per share			**(21.25p)**

Balance sheet

	31 Dec 15 £'000
ASSETS	
Non-current assets	
Goodwill	40,176
Intangible assets	14,119
Property, plant and equipment	1,718
	56,013
Current assets	
Inventories	3
Amounts receivable from customers	28,412
Trade and other receivables	10,275
Cash and cash equivalents	7,320
	46,010
Total assets	**102,023**
LIABILITIES AND EQUITY	
Current liabilities	
Trade and other payables	13,803
Deferred tax liability	3,057
Total liabilities	**16,860**
Equity attributable to owners of the parent	
Share capital	5,264
Share premium	92,714
Retained loss	(13,070)
	84,908
Non-controlling interests	255
Total equity	**85,163**
Total equity and liabilities	**102,023**

Balance sheet

The balance sheet of the Group reflects the net proceeds from the Company's IPO in February 2015 and the acquisition of Loansathome4u in August 2015 and the recognition of a number of intangible assets together with a substantial goodwill balance.

Funding and liquidity

As at 31 December 2015 the Group had net cash of £7.3 million with no debt. This cash balance reflects the net proceeds of the Company's IPO less cash expenses incurred during the period, including the purchase of Loansathome4u and the central costs of the Company. The period-end cash balance also reflects the seasonal peak in lending that takes place in December at Loansathome4u. In January 2016 the Group received the proceeds of the £160 million equity raise and this amount less the costs of raising the funding is due to be used to fund the acquisition of Everyday Loans together with the issue of shares to the value of £20 million to the owner of Everyday Loans and the draw down of approximately £65 million of the debt facility of £85 million entered into in December 2015.

Financial review continued

Loansathome4u for the period from 4 August 2015 to 31 December 2015

	Before fair value adjustments and exceptional items £'000	Fair value adjustments and exceptional items £'000	Total £'000
Revenue	**14,657**	**(5,456)**	**9,201**
Cost of sales	(3,858)	–	(3,858)
Administrative expenses	(8,656)	–	(8,656)
Adjusted operating profit	**2,143**	**(5,456)**	**(3,313)**
Exceptional items	–	(593)	(593)
Profit before tax	2,143	(6,049)	(3,906)

Loansathome4u

The results of Loansathome4u cover the period from its acquisition on 4 August 2015 to 31 December 2015. A number of operational and structural changes were implemented immediately following completion, including the replacement of the incumbent senior management team with a stronger and larger team that the Directors believe are better placed to execute the Group's business strategy and achieve its ambitious growth plans.

The associated cost of implementing these changes is shown as exceptional costs as they are non-recurring items. Loansathome4u generated revenues of £14.7 million and, before exceptional costs, produced an adjusted operating profit of £2.1 million (statutory loss of £3.9 million). Given the short period of trading covered by these results it is not meaningful to calculate relevant Key Performance Indicators ('KPIs) for Loansathome4u as these are based on annual performance.

Loan book

	At 31 Dec 15 £'000
Customer number ('000)	92
Period-end receivables	28,412

Loan book

During the period to 31 December 2015, the Directors reviewed the process and methodology by which loans issued by Loansathome4u are assessed for impairment and whether a provision needs to be made based on historical performance of loans to existing and new customers.

As a result of this review, the Company has adopted a new approach that includes the more timely recognition of impairment. As a result, Loansathome4u's impairment provision was increased at acquisition to reflect this new approach. The Directors also reviewed the process used to determine the point at which a customer's balance should be written off and the relevant customer removed from the active customer metrics. The conclusion of this review was that customer balances should be written off more quickly than previously, with a consequent impact on active customer numbers which reduced from 100,000 to 87,000. The table above shows customer numbers and year-end receivables at 31 December 2015 based on the new approach and establishes a base level for KPI reporting in future periods.

Central costs

	8 Jul 14 to 31 Dec 15 £'000
Administrative costs	(2,684)
Net interest income and charges	70
Amortisation of intangible assets	(4,030)
Exceptional costs	(5,542)
Loss before tax	(12,186)

Central costs

Administrative expenses for the period totalled £2.7 million and include advisory and other related expenses associated with the review of potential acquisition targets as well as the ongoing head office costs for the Company. In addition, the Company incurred £5.5 million of transaction-related costs associated with the acquisitions of Loansathome4u and Everyday Loans and £4.0 million of amortisation of intangible assets recognised on the acquisition of Loansathome4u.

Unaudited illustrative enlarged Group results

	Loansathome4u 12 months to 31 Jan 15 £'000	Everyday Loans 12 months to 30 Jun 15 £'000	Central costs 8 Jul 14 to 31 Dec 15 £'000
Revenue	38,298	42,446	–
Operating profit	6,410	16,206	(2,684)
Interest payable	–	(3,653)	–
Profit before tax	6,410	12,553	(2,684)
Period end net loan book	34,622	102,522	–

Unaudited illustrative enlarged Group results

The results for the period from 8 July 2014 to 31 December 2015 include the results of Loansathome4u only from 4 August 2015 and are significantly affected by exceptional items, fair value adjustments and the amortisation of acquisition intangibles. The table above sets out illustrative results for the enlarged Group to provide a picture of the Group's underlying historical performance assuming completion of the acquisition of Everyday Loans.

The illustrative enlarged Group results combine:

- the adjusted operating profit of Loansathome4u for the year ended 31 January 2015 reduced by £2 million to reflect investment in its cost base post-acquisition;
- the adjusted operating profit of Everyday Loans for the 12 months ended 30 June 2015;
- central costs for the period from 8 July 2014 to 31 December 2015; and
- estimated interest expense assuming debt of £65 million was drawn down for a 12 month period.

The figures in the above table are unaudited, have been prepared for illustrative purposes only and do not represent the Company's actual financial position. The results of Loansathome4u are based on the approach to loan book impairment recognition previously adopted by S&U plc, which owned Loansathome4u during the year ended 31 January 2015 (see note 23 for further details on the impact of the change in accounting estimate). The results of Everyday Loans incorporate the unaudited results for the six months to 30 June 2015 and the statutory results for the year ended 31 December 2014 less the unaudited results for the six months to 30 June 2014.

Nick Teunon
Chief Financial Officer

Responsible lending

From the very beginning, the Company and its Directors have been committed to responsible lending.

By treating customers fairly, delivering excellent service and lending responsibly, the Company plans to establish a sustainably profitable group of businesses serving an important socio-demographic cluster, aiming to achieve 20% Return on Assets ('RoA').

The Company believes there is a fundamental link between our strategy and financial performance, and the social and corporate context in which we operate.

We will review our approach to lending responsibly each year, and over 2016 we will outsource the monitoring process to ensure we adhere to best practice and that we monitor outcomes.

Overview

As a business established to acquire, operate and build companies or businesses in the UK's non-standard consumer finance sector, Non-Standard Finance is committed to behaving in an ethical and fair manner.

Our customers are at the heart of all that we do. They are critical to NSF's development and, ultimately, our long-term profitability.

There are approximately 12 million people in the UK who are not served by high street banks and NSF is committed to delivering a reliable, responsible and professional service to this group.

Our ambition is to be a leading lender in the sector, with the highest levels of customer satisfaction and lowest number of complaints. To ensure we can deliver this, we make it our priority to understand our customers' needs, income and expenditure and that all our communication is transparent and clear. We are fully committed to treating our customers fairly and as such we endeavour to meet their expectations of high-quality service.

Our priorities in lending responsibly

As part of our overarching policy for NSF we are committed to:

- responsibly offering credit to consumers and in so doing comply with both the letter and spirit of regulation governing such activities;
- appropriately assessing the credit needs of each customer together with the affordability of planned repayments in order to provide every customer with financial products and services that match their circumstances;
- operating a transparent pricing structure offering products that suits our customers' needs;
- delivering best-in-class service, building sustainable long-term customer relationships to fully understand them and their needs;
- showing forbearance if customers experience difficulties with repayments;
- being a responsible employer, enhancing employee skills and helping them build long-term successful careers;
- treating our suppliers fairly; and
- building a sustainable long-term business for shareholders, earning appropriate returns.

Acquisitions

Meeting NSF's strict policy on responsible lending forms a significant part of the due diligence in our acquisition process. Not only must all acquisition targets be capable of meeting all FCA requirements, we also work with external legal experts to analyse all aspects of the target's customer service and responsible lending. We independently assess each potential acquisition, including spending time with company agents and customer service staff to fully understand their customer interaction process.

If a target business does not meet our criteria then we have no hesitation in halting the acquisition process. This is behind our decision not to pursue opportunities in the rent-to-own/hire purchase sector, due to a lack of transparency on core product pricing and selling of ancillary services.

Regulation

Appropriate regulation of the consumer finance industry is critical to our operation and engrained in our way of working. We welcome major industry regulatory changes from the FCA and NSF's approach is inherently compliant with FCA regulations and their ambitions. Following the move in regulatory overview in the consumer finance sector from the OFT to the FCA on 1 April 2014, a company must now be authorised to carry on 'regulated activities' by way of business in the UK, including lending/credit lending under the Financial Services and Markets Act ('FSMA').

Since 1 April 2014, an 'interim permission' regime under FSMA has been in operation, allowing licensed consumer credit companies to apply for permission to continue in business without needing immediate authorisation under FSMA. Sectors within the consumer finance industry including home credit have applied for authorisation from the FSMA to continue conducting regulated consumer credit activities. We expect the FCA to conduct its own diligence process in early 2016 with full permission granted to Loansathome4u in 2016.

The FCA's principles for business govern how NSF aims to deal with its customers at all stages of our relationship with them:

- Integrity – A firm must conduct its business with integrity.
- Skill, care and diligence – A firm must conduct its business with due skill, care and diligence.
- Management and control – A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
- Market conduct – A firm must observe proper standards of market conduct.
- Customers' interests – A firm must pay due regard to the interests of its customers and treat them fairly.
- Communications with customers – A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another customer.
- Conflicts of interest – A firm must manage conflicts of interest fairly, both between itself and its customers.
- Customers: relationships of trust – A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgement.

Employees

The skills, motivation and energy of our workforce are key drivers for our success. Our structure ensures that our staff are aware of our goals and are clear on how their roles help NSF to succeed.

We seek to ensure we have appropriate processes to offer learning and development opportunities for all staff. As part of our commitment to treating customers fairly, delivering excellent service and lending responsibly, our 700 self-employed agents are all required to undergo training to ensure that we are responsive to each customer's individual needs. The training programme includes: new starter training, agent monitoring, call monitoring, written training, informal feedback from branch managers and colleague assessment programmes.

Environmental and community

Following the development of our approach to responsible lending in 2015, we will be looking at addressing our environmental and community impacts in 2016 and developing further initiatives to support the customer communities that we serve.

Treating Customers Fairly ('TCF') is a significant pillar of the FCA regime and is embedded throughout Loansathome4u's policies, practices and procedures. Our TCF policy is centred on the guidance provided by the Financial Conduct Authority ('FCA') to ensure we consistently deliver fair outcomes to our customers and take responsibility to the Group, colleagues and agents, providing an enhanced service quality to customers, based on a culture of openness and transparency.

The FCA's six key themes (or TCF Outcomes) are central to our way of operating and dealing with our customers.

	TCF Outcomes	How we achieve them	Examples
Outcome 1	Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture.	Ensure we always have the customer's interests at heart, compliant with the highest standards of regulation and industry good practice.	• Clearly defined policies and procedures that prioritise TCF. • Ensure communications with customers are clear, fair and not misleading. • Lending and collections processed are focused on achieving fair outcomes for customers and ensuring they do not feel pressurised.
Outcome 2	Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.	Products and services are designed to meet the needs of identified consumer groups and are targeted accordingly.	• We do not charge customers default interest or related charges. • The face-to-face delivery of our products means that we are regularly in contact with our customers and can be responsive to their individual needs and circumstances. • Eligibility processes (e.g. affordability checks) designed to ensure that products are supplied appropriately.
Outcome 3	Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale.	Clear, fair and not misleading when we speak to our customers.	• Financial Promotions Policy in place to ensure that our marketing is clear, fair and not misleading. • Agents are trained to provide clear explanations and to ensure that the customer understands the risks, rights and obligations under the credit agreement, including total cost of credit and the weekly repayment commitment. • A dedicated customer contact centre.
Outcome 4	Where consumers receive advice, the advice is suitable and takes account of their circumstances.	Clear, fair and not misleading when we advise our customers.	• Training for colleagues and agents to understand who the product is suitable for. • Specific policies and procedures in respect of customers who may be vulnerable (for example, due to disability). • Clear colleague and agent training, including management providing agents with regular and appropriate updates in any regulatory changes. • Appropriate signposting to free and independent sources of advice.
Outcome 5	Consumers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect.	Customer service is focused on being responsive and delivering positive outcomes for our customers.	• Regular management dual-visit assessments. • Defined processes to ensure customers understand how product features will operate. • Clear complaints procedures.
Outcome 6	Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.	Deal with our customers in a fair way and be clear about their rights.	• Provide clear information to customers on their statutory rights to withdraw from the credit agreement or to make payments ahead of time. • Our agents understand and adhere to the Company's complaints policy. • Compliance monitoring arrangements.

Board of Directors

Clockwise from left to right.

Heather Jane McGregor 53

Independent Non-Executive Director

Heather McGregor is the Managing Director and principal shareholder of the executive search firm Taylor Bennett, having bought the company from its founders in 2004. In her early career she worked in financial PR and investor relations before joining ABN Amro as a sellside analyst. She then spent eight years with the bank, working in London, Hong Kong, Singapore and Tokyo, before joining Taylor Bennett in 2000. She has an MBA from the London Business School and a PhD from the University of Hong Kong. Heather was the founder of the Taylor Bennett Foundation, which works to promote diversity in the communications industry. She is also an experienced writer and broadcaster in the national media.

Committee membership

Heather is a member of the Nomination Committee, Audit Committee, Remuneration Committee and Risk Committee

Charles Gregson 68

Non-Executive Director

Charles is Chairman of ICAP Plc. Charles was Chairman of Wagon Finance Group Limited from 1996 to 2006, Non-Executive Director and Deputy Chairman of Provident Financial plc from 1998 to 2007 and Non-Executive Director of International Personal Finance Plc from 2007 to 2010. Charles is a former Chairman of CPP Group Plc and of St James's Place Plc. He is also a Non-Executive Director of Caledonia Investments Plc. Charles was Executive Director of United Business Media Plc (formerly MAI Plc) from 1985 to 2003 and Global CEO and Chairman of PR Newswire from 2003 to 2009. As part of his responsibilities at United Business Media Plc, Charles built Harlow Meyer Savage from a small money broking business into the international business of Garban PLC, a listed company with offices in 25 countries which later merged with ICAP Plc.

Committee membership

Charles is a member of the Nomination Committee, Audit Committee, Remuneration Committee and Risk Committee

Robin Ashton 58

Non-Executive Director

Robin spent 24 years at Provident Financial plc, joining the Board in 1993 initially as Finance Director, then Deputy Chief Executive in 1999 and Chief Executive in 2001, leaving in early 2007 prior to the demerger of Provident's international business. Robin then spent a year as Chief Executive of London Scottish Bank plc. He is currently also Chairman of Leeds Building Society and a Non-Executive Director of Shawbrook Bank. Robin has extensive experience in retail financial services in both the UK and internationally.

Committee membership

Robin is a member of the Nomination Committee, Audit Committee, Remuneration Committee and Risk Committee

Miles Cresswell-Turner 53

Executive Director

Prior to becoming Executive Director, full-time, at NSF on 1 January 2016, Miles was a partner in Duke Street LLP who specialised in the finance sector and who led on the acquisitions by Duke Street LLP of Marlin Financial Group Limited and UKWM Limited. Before becoming a partner at Duke Street LLP, Miles was a partner at Palamon Capital Partners LLP from 1998 to 2008, where he led the investment in Towry Law plc. Prior to Palamon Capital Partners LLP, Miles spent seven years as a director in the Leveraged Finance Department of HSBC Investment Bank.

Nick Teunon 49

Chief Financial Officer

Nick was Chief Financial Officer of Marlin Financial Group Limited, the consumer debt purchasing company, from August 2013 until June 2014. Prior to that, Nick spent five years as Chief Financial Officer of FTSE International. Nick also spent seven years as Group Finance & Strategy Director of the Press Association. At both FTSE International and the Press Association, Nick was responsible for all mergers and acquisitions activity and related debt funding, in addition to leading the finance function. Nick has previous experience as Finance Director of a public company based on his time at Water Hall Group plc.

John van Kuffeler 67

Executive Chairman

John was Chief Executive and then Chairman of Provident Financial plc for a combined total of 22 years until December 2013. John was Chairman of Marlin Financial Group Limited, the consumer debt purchasing company, for four years until its sale in February 2014, and was also Chairman of Hyperion Insurance Group Limited for five years until December 2013. John was previously Chief Executive of Brown Shipley Holdings PLC which included Medens Trust Limited, a consumer car finance company, and was Chairman of the credit committee of Brown Shipley Holdings PLC's main banking subsidiary, Brown, Shipley & Co. Limited.

Committee membership

John is a member of the Nomination Committee

Directors' report

The Directors present their report for the period ended 31 December 2015.

Introduction

For the purposes of the disclosures required under the Disclosure and Transparency Rules and the Listing Rules of the UKLA, cross references are made where appropriate to other sections of the Annual Report.

The Company was incorporated under the name Non-Standard Finance plc as a public company limited by shares on 8 July 2014 and listed on the London Stock Exchange in February 2015.

Directors

The following have served as Directors of the Company during 2015:

Director	Date of appointment
John van Kuffeler	8 July 2014
Nick Teunon	8 August 2014
Robin Ashton	10 December 2014
Miles Cresswell-Turner	10 December 2014
Charles Gregson	10 December 2014
Heather McGregor	10 December 2014

Full biographical details of the Directors can be found on page 21. No other Directors have been appointed to serve during the period from incorporation of the Company to 31 December 2015, or subsequently.

All Directors shall retire from office and will offer themselves for reappointment by the members at the Company's first upcoming Annual General Meeting.

Dividends

The Directors have not declared any final or interim dividends for the financial period ended 31 December 2015. During the first half of 2016, the Directors intend to review the dividend policy and, subject to the performance of Loansathome4u, Everyday Loans and the funding requirements of the Company, intend to commence payment of dividends during the second half of 2016. The Directors expect that the strong cash flow generating capabilities of the types of businesses the Company may acquire should allow for the payment of regular and growing dividends over time.

Share capital

The share capital of the Company consists of 105,284,445 Ordinary Shares of £0.05 each as at 31 December 2015. Following the period-end a further 188,235,825 Ordinary Shares were allotted. Further details on the Company's share capital can be found in note 21 to the financial statements on page 72.

The Company's issued Ordinary Share capital ranks pari passu in all respects and carries the right to receive all dividends and distributions declared, made or paid on or in respect of the Ordinary Shares. There are currently no redeemable non-voting preference shares of the Company in issue.

There are no restrictions on the transfer of Ordinary Shares or on the exercise of voting rights attached to them, which are governed by the Company's Articles of Association and relevant UK legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or in voting rights.

The Company has not acquired its own shares during the financial year.

Substantial shareholdings

In accordance with Disclosure and Transparency Rules DTR5, the Company as at 29 January 2016 has been notified of the following disclosable interest in its issued Ordinary Shares.

Invesco Asset Management	28.83%
Woodford Investment Management	22.25%
Marathon Asset Management LLP	10.82%
Toscafund Asset Management LLP	4.01%
Jupiter Asset Management Limited	3.04%

Directors' interests in shares

Details of the Directors' shareholdings as at 29 February 2016 are as follows:

Director	Number of Ordinary Shares held
John van Kuffeler	2,114,474
Nick Teunon	30,921
Miles Cresswell-Turner	490,132
Robin Ashton	128,947
Charles Gregson	247,083
Heather McGregor	36,939

The Directors are subject to a lock-up agreement with respect to the transfer of Ordinary Shares held by them, which will terminate one year following completion of the acquisition of Loansathome4u.

Detailed information on share ownership by the Directors and information concerning Directors' contractual arrangements and entitlement under share-based remuneration can be found in the Directors' Remuneration Report on pages 35 to 49.

Powers of the Directors

Subject to the Company's Articles of Association, UK legislation and any directions given by special resolution, the business of the Company is managed by the Board of Directors. Details of the matters reserved for the Board can be found in the Corporate Governance Report on pages 26 to 29.

Articles of Association

The Company's Articles of Association were adopted with effect from December 2014. The Articles of Association may only be amended by special resolution at a general meeting of the Company's shareholders.

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 period. The Company maintains Directors' and Officers' liability insurance which gives appropriate cover for any legal action brought against its Directors. The Company also maintains Public Offering of Securities Insurance, which was undertaken prior to the Company's IPO.

Political donations

No political donations were made by the Company during the financial period ended 31 December 2015.

Significant agreements

There are no agreements between the Company or any subsidiary company in the Group and any of its employees or any Director which provide for compensation to be paid to an employee or a Director for loss of office as a consequence of a takeover of the Company.

Financial instruments

The financial risk management and internal control processes and policies, details of hedging policy and exposure to the risks associated with financial instruments can be found in note 29 to the financial statements.

Environmental matters

We will be looking at addressing our environmental and community impacts in 2016 and developing policies.

Employees

The skills, motivation and energy of our workforce are key drivers for our success. Our structure ensures that our staff are aware of our goals and are clear on how their roles help NSF to succeed.

We seek to ensure we have appropriate processes to offer learning and development opportunities for all staff. As part of our commitment to treating customers fairly, delivering excellent service and lending responsibly, our 700 self-employed agents are required to receive ongoing training to ensure that we are responsive to each customer's individual needs. The training programme includes: new starter training, agent monitoring, call monitoring, written training, informal feedback from branch managers and colleague assessment programmes.

The Company is also committed to employment practices which follow best practice and intends to set up share schemes which will allow employees to share in the Company's success. The Company anticipates further developments in its employee involvement programmes as it grows in size.

Directors' report continued

Related party transactions
Details of related party transactions can be found in note 26 of the financial statements on page 74.

Future business developments
Information on the Company and its subsidiaries' future developments can be found in the Chairman's Statement on pages 4 and 5.

Subsequent events
Since the end of the financial year, the Company completed a £160 million equity raising via a placing and open offer of new Ordinary Shares at 85 pence per new Ordinary Share to fund the acquisition of Everyday Loans. The acquisition should complete by the end of April 2016 and subsequent to this, a further £20 million of Ordinary Shares will be allotted and circa £65 million will be drawn down from the Company's debt facility.

Going concern
The Directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. Further information about those risks and how they are being managed or mitigated can be found in the Risk Committee Report on pages 33 and 34. On this basis, the Directors consider it appropriate to adopt the going concern basis in preparing the Company's financial statements. The Directors will continue to monitor the Company's risk management and internal control systems.

Annual General Meeting ('AGM')
The AGM will be held at 11 am on 30 March 2016 at 10 Greycoat Place, London SW1P 1SB. The Notice of the Meeting, together with an explanation of the items of business, will be contained in a circular to shareholders to be dated 7 March 2016.

Disclosure of information under Listing Rule 9.8.4R
For the purposes of LR 9.8.4R, the information required to be disclosed can be found in the following sections of the Annual Report and financial statements.

Listing Rule requirement	Location in Annual Report
A statement of the amount of interest capitalised during the period under reviews and details of any related tax relief.	Not applicable
Information required in relation to the publication of unaudited financial information.	Not applicable
Details of any long-term incentive schemes.	Directors' Remuneration Report, pages 35 to 49
Details of any arrangements under which a Director has waived emoluments, or agreed to waive any future emoluments, from the Company.	Not applicable
Details of any non-pre-emptive issues of equity for cash.	Not applicable
Details of any non-pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking.	Not applicable
Details of parent participation in a placing by a listed subsidiary.	Not applicable
Details of any contract of significance in which a Director is or was materially interested.	Not applicable
Details of any contract of significance between the Company (or one of its subsidiaries) and a controlling shareholder.	Not applicable
Details of any provision of services by a controlling shareholder.	Not applicable
Details of waiver of dividends or future dividends by a shareholder.	Not applicable
Board statements in respect of relationship agreement with the controlling shareholder.	Not applicable

Auditors

Deloitte LLP, the external auditor for the Company, was appointed in 2014 and a resolution proposing their reappointment will be proposed at the forthcoming AGM.

Directors' statement as to disclosure of information to auditors

Each Director at the date of approval of the Annual Report confirms that so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware. Each Director has taken all the steps that he ought to have taken as a Director in order to make her/himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with section 418 of the Companies Act 2006.

Statement of Directors' Responsibilities

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

Each of the Directors confirms that, to the best of their knowledge:

- the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development or performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties.

Each of the Directors also confirms that they consider the Annual Report and financial statements 2015, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Approved by the Board on 4 March 2016 and signed by the order of the Board

Nick Teunon
Chief Financial Officer and Company Secretary
4 March 2016

Corporate governance report
Chairman's introduction

Dear Shareholder,

I am pleased to introduce our first Corporate Governance Report since our successful IPO in 2014. This report, which incorporates reports from the Audit, Remuneration, Nomination and Risk Committees on pages 30 to 49, describes how the Board has applied the principles of the UK Corporate Governance Code as published by the Financial Reporting Council in September 2014 (the 'Code').

The Company seeks to comply with the provisions and principles of good corporate governance and code of best practice as set out in the Code in so far as it is practicable for a company of its size and structure. As the Company has a standard listing on the London Stock Exchange, it is not required to comply with the principles of corporate governance as set out in the Code. Furthermore, since the Company listed only recently, it has not been practicable to fully comply with the provisions of the Code; however the Board is committed to ensuring the highest standards of corporate governance and will endeavour to achieve full compliance within a reasonable period of time.

The Board is responsible for and committed to maintaining and developing procedures to ensure that good standards of corporate governance operate across all levels of the Group.

This year has been an exciting start to the Company's life. As a Board, we have focused on implementing a strong governance framework and values throughout the organisation and on tying those values to our strategy. For shareholders, our aim is to deliver significant growth and the development of a strong governance framework is key to that achievement.

Highlights of the financial year

During 2015, the Board was heavily involved with the IPO and subsequent acquisitions that were undertaken. In that connection, we focused on engagement with our investors by delivering a number of formal presentations. We intend to hold a capital markets day in the second quarter of 2016 and hope to engage with our investor community further.

Ensuring that our business operates within a robust risk framework is of utmost importance to the Board. Aligned with our vision to deliver 'best in sector' lending, we focused on risk management and the development of a robust risk framework through the work of our Risk Committee. Further information on risk management can be found on pages 33 and 34.

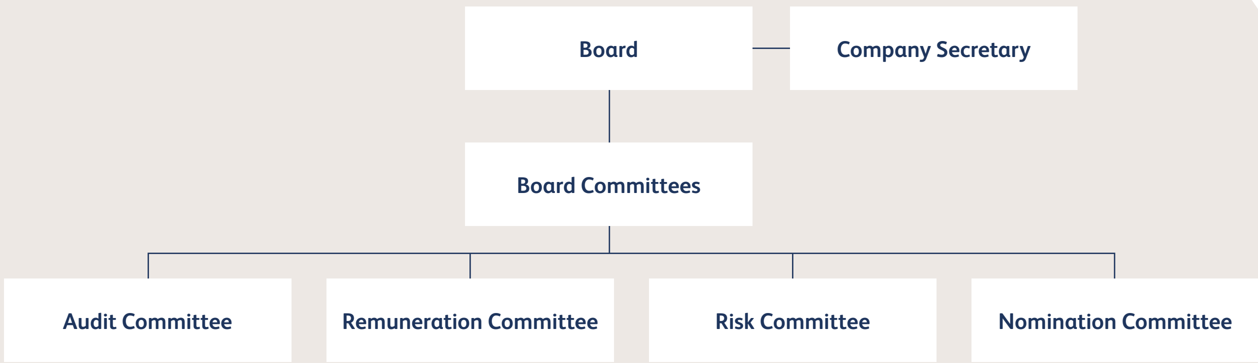
We established our Remuneration Committee in March 2015 following the IPO and the Committee met twice in 2015. The Committee recognises that the Company's acquisitive nature means that it must ensure it retains existing management and that key future hires are capable of managing an entity of the size that we expect to grow to. It wants to be able to attract and retain the right talent and recognised that our existing incentive arrangements are limited and has therefore undertaken a review of our remuneration policy to ensure it is fit for purpose going forward.

The future

We aim to embed the corporate governance principles within our corporate policies, which in turn will strengthen the corporate governance framework and ensure consistency throughout the Group. The Board will continue to ensure that governance processes are documented and implemented and, where appropriate, continually improved.

John van Kuffeler
Chairman
4 March 2016

Governance framework



Statement of compliance with the Code:

The Company has not complied throughout the financial year with all the provisions set out in the Code.

Contrary to provisions A.2.1 and A.3.1 of the Code, the Chairman is a non-independent executive. The Board believes, however, that it combines a broad range of skills, experience and personalities which secures the necessary level of challenge and insight to enhance executive performance.

Given that only one director is considered to be independent, the Company did not meet requirements B.1.2, B.2.1, C.3.1 and D.2.1 of the Code. The Board considered these provisions to not be appropriate due to the nature of the Company both pre- and post-acquisitions.

The Board has not appointed a Senior Independent Director, and therefore does not comply with provision A.4.1 of the Code. This provision is not considered to be appropriate due to the relatively small size of the Board and the fact that the Board only includes one independent Non-Executive Director.

Contrary to provision B.6.1, A.4.2 and B.6.3 of the Code, due to the short period of time since the Board was constituted in connection with the Company's IPO and recent acquisitions, a performance evaluation of the Board and its Committees was not undertaken in 2015. In addition, the Chairman and Non-Executive Directors have not met without the Executive Directors present, nor have the Non-Executive directors met to appraise the Chairman's performance.

How the Board operates

Board composition

The names of the Directors and their biographical details are set out on page 21.

The Board of the Company comprises six directors, all of whom have served throughout the financial year, including:

- Executive Chairman.
- 2 Executive Directors.
- 3 Non-Executive Directors.

The Board and its Committees are considered to have an appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively.

Independence

The Board determines Heather McGregor to be an independent Non-Executive Director. The Board's assessment is based on the fact that Heather McGregor receives no additional benefits from the Group, has not previously held an executive role within the Group and has served less than nine years on the Board. The Board believes that there are no current or past matters which are likely to affect Heather McGregor's independent judgement and character.

The Board does not consider Charles Gregson or Robin Ashton to be independent as they are the holders of Founder Shares. More details on the Founder Shares are set out in the Remuneration Report on pages 35 to 49. The Board would determine Charles Gregson and Robin Ashton to be independent Directors in the event that they did not hold Founder Shares.

The Board has considered the balance between the independent and non-independent Directors and considers it to be satisfactory at this stage in the Company's life. The Nomination Committee will consider the composition of the Board on an ongoing basis commencing in 2016.

Roles and responsibilities of the Board

The Board is responsible to the shareholders for the overall conduct of the Group's business and for the long-term success of the Company. The Board has established the corporate governance values of the Company and will continue to have overall responsibility for setting the Company's strategic aims, defining the business plan and strategy and managing the financial and operational resources of the Company.

Each of the Directors demonstrates commitment to their respective roles and has sufficient time to meet their commitment to the Company. The Non-Executive Directors' other significant commitments were disclosed to the Board before their appointment.

Role of Executive Directors

The Executive Directors are responsible for all matters affecting the performance of the Group and for the implementation of strategy, policies, budgets and the financial performance of the Group. The Executive Directors provide specialist knowledge and experience to the Board and successfully lead and manage the risk and finance functions across the Group.

Role of Non-Executive Directors

The Non-Executive Directors are responsible for providing constructive challenge and help develop proposals on strategy. They provide an external focus to the Board's discussions and continually review management's performance.

Corporate governance report continued

Each Non-Executive Director has been appointed for fixed periods of three years, subject to confirmation by shareholders. Their letters of appointment may be inspected at the Company's registered office or can be obtained on request from the Company Secretary.

The Board has not appointed a Senior Independent Director, as this provision is not considered to be appropriate due to the relatively small size of the Board and the fact that the Board only includes one independent Non-Executive Director. The Non-Executive Directors are available to shareholders if they have any concerns, which contact through the normal channels of Chairman or other Executive Directors has failed to resolve or for which such contact is inappropriate.

Chairman

The Chairman is responsible for the proper function of the Company's Board of Directors who oversee the strategic direction of the Group. He sets the Board meeting agendas with the Company Secretary, to ensure that the Board devotes its attention to the right matters, and facilitates and encourages active engagement and appropriate challenge by all Directors.

The Chairman of the Company is a non-independent executive. The Board believes, however, that it combines a broad range of skills, experience and personalities which secures the necessary level of challenge and insight to enhance executive performance.

Company Secretary

The Company Secretary acts as secretary to the Board and to its Committees. He ensures that all Directors have full and timely access to all relevant information to ensure that fully informed decisions can be reached. He is also responsible for ensuring that correct Board procedures are followed and for advising on governance matters and ensures good information flows within the Board and its Committees and between senior management and the Non-Executive Directors. The Company Secretary supports the Chairman in setting the agenda for each Board meeting. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Description of the main features of your internal control and risk management systems in relation to the financial reporting process

The Board is responsible for the overall system of internal controls and risk management systems for the Group and for annually reviewing its effectiveness. The Company's system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. The risk management framework is embedded within our management and governance processes and it is the intention of the Board to improve this further during 2016.

The Company has operating policies and controls in place covering a range of issues including financial reporting, capital expenditure, and appropriate employee policies. These policies are designed to ensure the accuracy and reliability of financial reporting and govern the preparation of financial statements. During the coming year, the Board intends to ensure that such policies are embedded in each subsidiary.

The Board is ultimately responsible for the Group's system of internal controls and risk management and discharges or intends to discharge its duties in this area by:

- reviewing financial budgets, KPIs, forecasts and covenants on a monthly basis;
- receiving regular reports which provide an assessment of key risks and controls;
- scheduling annual Board reviews of strategy including reviews of the material risks and uncertainties facing the business;
- receiving reports from Management on the risk and control culture within the Group;
- ensuring there is a clear organisational structure with defined responsibilities and levels of authority; and
- ensuring there are documented policies and procedures in place.

Through the Risk Committee, the Board reviews the assessment of risks and the risk management framework. The Finance Department is responsible for preparing the Group financial statements using a well-established consolidation process and ensuring that accounting policies are in accordance with International Financial Reporting Standards. All financial information published by the Group is subject to the approval of the Audit Committee.

The Board, with advice from the Risk and Audit Committees, is satisfied that an effective system of internal controls and risk management is in place which enable the Company to identify, evaluate and manage key risks. Further details of specific material risks and uncertainties facing the business can be found on page 34.

Matters reserved for the Board

The Board's full responsibilities are set out in the matters reserved for the Board and its powers and duties are set out in the Company's Articles of Association and the relevant regulations applicable to the Company as a public listed company registered in England and Wales.

The Board is primarily responsible for:

- The overall leadership and setting of values and standards.
- Determining the strategic direction of the Group, including the approval of the Group's strategic aims and objectives.
- Approvals of the annual operating and capital expenditure budgets and any material changes to them.
- Oversight of the Group's operations.
- Review of performance in light of the Group's strategic aims, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.
- Approval of the annual and half-year results.
- Ensuring adequate succession planning for the Board and senior management.
- Determining the Company's remuneration policy.
- Approving major capital projects, acquisitions and divestment.
- Promoting good governance and seeking to ensure that the Company meets is responsibilities towards all stakeholders.
- Overall risk management.
- Approval of internal regulations and policies.
- Ensuring maintenance of a sound system of internal control and risk management.

Activities during the financial year

- Long-term vision and strategy.
- Acquisition of Loansathome4u and agreement to acquire Everyday Loans.
- Financial performance.
- Remuneration policy.
- 2016 budget and strategy.
- Regulatory environment.

Board focus for 2016
A summary of the Board's focus and objectives for 2016 can be found in the Chairman's Statement on pages 4 and 5.

Board Committees
The Board also delegates authority to its Committees to carry out certain tasks on its behalf, so that it can operate efficiently and give the right level of attention and consideration to relevant matters. During 2015, the Board established an Audit, Nomination, Remuneration and Risk Committee, each of which operates within defined terms of reference. The composition and role of each of the Committees is set out in the following pages.

The Company does not comply with provisions of the Code in relation to the composition of the Audit, Remuneration or Nomination Committee. The Board considered these provisions to not be appropriate due to the nature of the Company both pre- and post-acquisitions.

Attendance at Board and Committee meetings

	Board meetings	Audit Committee	Remuneration Committee	Risk Committee
John van Kuffeler	9/9	–	–	–
Nicholas Teunon	9/9	–	–	–
Miles Cresswell-Turner	9/9	–	–	–
Charles Gregson	8/9	2/2	2/2	1/1
Robin Ashton	9/9	2/2	2/2	1/1
Heather McGregor	9/9	1/2	2/2	1/1

Members of senior management and other advisers attended Board and Committee meetings by invitation. The Board has 11 scheduled meetings for 2016 and will hold additional meetings as and when required.

Board diversity
The Company recognises the importance of diversity both at Board level and throughout the whole organisation. The Board remains committed to increasing diversity. Consequently, diversity is taken into account during each recruitment and appointment process, working to attract outstanding candidates with diverse backgrounds, skills, ideas and culture.

Conflicts of interest
Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Company, unless that conflict is first authorised by the Directors. The Companies Act 2006 and the Company's Articles of Association require the Board to consider any potential conflicts of interest. The Board considers and, if appropriate, authorises each Director's reported actual and potential conflict of interest, taking into consideration what is in the best interests of the Company and whether the Director's ability to act in accordance with his or her wider duties is affected. All potential conflicts approved by the Board are recorded in a Conflicts of Interest Register, which is reviewed by the Board at least quarterly to ensure that the procedure is working effectively.

Induction and professional development
The Company has a policy in place to ensure that all new Board appointments receive a full, formal and tailored induction with opportunities to meet major shareholders. There were no new appointments to the Board during 2015, therefore induction was not undertaken. Adhering to the requirements of the Code, the Chairman regularly reviews and agrees with each Director their training and development needs, taking into account their individual qualifications and experience. The Directors have full access to a regular supply of financial, operational, strategic and regulatory information to help them discharge their responsibilities and keep themselves up to date.

Independent advice
All Directors have access to independent professional advice at the Company's expense and all Board Committees are provided with sufficient resources to undertake their duties.

Evaluation
Contrary to provision B.6.1 of the Code, due to the short period of time since the Board was constituted in connection with the Company's IPO and recent acquisitions, a performance evaluation of the Board and its Committees was not undertaken in 2015. In addition, the Chairman and Non-Executive Directors have not met without the Executive Directors present nor have the Non-Executive Directors met to appraise the Chairman's performance. Beginning in 2016, a formal and rigorous performance evaluation of the Board and its Committees will be carried out annually to ensure that they continue to be effective and that each of the Directors demonstrates commitment to his respective role.

Relations with shareholders
The Chairman ensures that the views of shareholders are communicated to the Board and discusses the Company's governance and strategy with major shareholders. The Board aims to foster close relations with its investors and analysts and, as part of this, a capital markets day of the Company will be held during the final half of 2016.

During 2015, the Company held formal presentations in relation to the acquisition of Loansathome4u and agreement to acquire Everyday Loans. In addition, one-to-one meetings were held with a number of the major shareholders throughout the course of the year. The Company presented to a number of its major shareholders prior to the acquisition and associated funding of Everyday Loans.

Annual General Meeting ('AGM')
The Chairmen of the Audit, Remuneration, Nomination and Risk Committees will be available at the Company's first AGM to answer any questions. All shareholders have at least 20 clear days' notice of the AGM.

The AGM of the Company will be held at 10 Greycoat Place, London SW1P 1SB on 30 March 2016 at 11.00 am.

Election and re-election of Directors
As per the provisions of the UK Corporate Governance Code and the Company's Articles of Association, all Directors will submit themselves to election by the shareholders at the 2015 AGM and at every AGM thereafter.

Audit Committee report

for the period ended 31 December 2015

Membership

The Committee currently consists of all Non-Executive Directors, one of which is independent. The provisions of the UK Corporate Governance Code require that the Audit Committee comprises independent Non-Executive Directors. Given that only one director is considered to be independent, the Company did not meet the requirements of the Code in this regard. The Board is assured that the members of its Audit Committee have recent and relevant financial experience. In particular, the Chairman of the Committee is a qualified Chartered Accountant and the former Finance Director of Provident Financial, a leading listed non-standard consumer lender.

Robin Ashton	Chairman, Non-Executive Director
Charles Gregson	Non-Executive Director
Heather McGregor	Independent Non-Executive Director

The names of the Directors and their biographical details are set out on page 21.

Meetings and attendance

The Committee met on two occasions during the year.

The Directors above met on one occasion for a discussion with the external auditor without executive management present.

Committee meetings are attended by the joint CFO/Company Secretary. The external auditor is invited to attend meetings of the Committee and other non-members are sometimes invited to attend all or part of any meeting as and when appropriate and necessary.

Role and responsibilities

The key objective of the Committee is to provide assurance to the Board as to the effectiveness of the Company's internal controls and the integrity of its financial records and externally published results. In doing so, the Committee operates within its terms of reference. The primary functions of the Committee include:

- Monitoring the integrity of the financial statements including the annual and half-yearly reports of the Company and any other formal announcements relating to the Company's financial performance and reviewing significant financial reporting judgements contained in them.
- Advising the Board on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable.
- Reviewing the adequacy and effectiveness of the Company's internal financial controls.
- Reviewing: (i) the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns about possible wrongdoing in financial reporting or other matters; (ii) the Company's procedures for detecting fraud; and (iii) the Company's systems and controls for the prevention of bribery.
- Making recommendations to the Board in relation to the appointment, re-appointment and removal of the Company's external auditor, providing recommendations on their remuneration and approving the terms of engagement of the external auditor.
- Assessing the external auditor's independence and objectivity and the effectiveness of the audit process.
- Overseeing the relationship with the external auditor.
- Developing and implementing policy on the engagement of the external auditor to supply non-audit services.

Significant issues and areas of judgement considered by the Committee

The significant issues and areas of judgement considered by the Committee were:

1. **The treatment of the costs of the Company's IPO on 19 February 2015.** The Committee reviewed the allocation of costs between those for fund-raising (to be charged to share capital) and those for the listing process (to be allocated to the income statement) and considered the apportionment methodology to be rational and in line with IAS 32. All of the costs of £5.1 million had been charged to share capital, while the apportionment methodology suggested that £64,000 should have been allocated to the income statement. The Committee concluded that this amount was immaterial and that an adjustment would not be required.
2. **The fair value charge on the issue of the Founder Shares.** The Committee determined that the shares were an equity settled share based payment without vesting conditions. The fair value of the shares was therefore only measured once at issue. It was concluded that there was no fair value charge under IFRS 2.
3. **The accounting for the acquisition of Loansathome4u.** The Committee reviewed the accounting for the acquisition of Loansathome4u which included the identification and valuation of a number of intangible assets and the calculation of the fair value of the loan book at acquisition. The Committee concluded that the amounts recognised and the useful economic lives assigned to the assets were appropriate. The Committee also considered the carrying value of the goodwill arising on the acquisition and concluded that the recoverable amount for the goodwill exceeded its carrying value.

4. **Approach to revenue recognition and impairment of customer receivables at Loansathome4u.** The Committee reviewed the approach to revenue recognition and impairment of customer receivables at Loansathome4u. It considered that no significant changes were required to the approach to revenue recognition but concluded that loans should in future be deemed to be impaired when the cumulative amount of between two and four contractual weekly payments (depending on the length of relationship with the customer) had been missed in the previous 13-week period.
5. **Going concern and viability statement.** The Committee assessed the Company's viability over a three-year period to December 2018 based on the Group's three-year strategic plan. The Committee discussed the potential financial and operational impacts of the principal risks and uncertainties facing the Group and the likely effectiveness of current and available mitigating actions, in particular noting the ability of the Group to reduce lending at the point of peak seasonal demand and the Company's intention to raise additional debt funding to support the Company's lending ambitions. The Committee concluded that it was reasonable to expect that the Company and the Group would be able to continue in operation and meet all of their liabilities as they fell due up to December 2018.

External audit

The Company's auditor is Deloitte LLP, who was appointed on 22 October 2014.

The Committee is responsible for assessing the efficacy of the external auditor, for considering the reappointment of the external auditor, making recommendations to the Board and for monitoring the independence and objectivity of the external auditor.

The Committee also reviews the performance of the auditor taking into consideration the services and advice provided to the Company and the fees charged for these services. Details of the auditor's total fees for the year can be found on page 65.

On the basis of the auditor's performance, the Committee considers Deloitte's selection to be in the best interests of the Company and has recommended to the Board that Deloitte should be proposed for reappointment at the forthcoming Annual General Meeting. Deloitte has indicated its willingness to continue in office.

The Committee has considered the independence of Deloitte and the level of non-audit fees and believes that the independence and objectivity of the external auditor are safeguarded and remain strong. The Committee will continue to review the qualification, expertise, resources and independence of the external auditor and the effectiveness of the audit process during the next financial year.

Non-audit work

The Committee monitors the level of non-audit work carried out by the external auditor and seeks assurances from the auditor that it maintains suitable policies and processes ensuring independence, and monitors compliance with the relevant regulatory requirements on an annual basis.

During 2015, the level of non-audit fees amounted to £1.76 million. The non-audit work carried out during the year related to acting as reporting accountant on the three prospectuses issued by the Company during the year, financial and tax due diligence on acquisitions and advice on tax and risk matters. The fees paid to the external auditor are set out in note 5 on page 65. The fees for non-audit work carried out this year represent 748% of audit fees. The Committee expects that the level of non-audit work will decrease to less than the current audit fee over the next three years.

The Company at present does not have a formal non-audit work policy, however this is one of the focus areas for the Committee next year. The Committee has challenged the appointment of the external auditor for non-audit work during the period and expects them to clearly demonstrate their independence on an ongoing basis through their work and at Committee meetings.

Internal audit

Due to the size of the Group and the acquisition activity that had occurred during the year, the Committee deemed the appointment of an internal auditor unnecessary during 2015. The Committee intends to consider the appointment of an internal auditor during 2016.

Nomination Committee report

for the period ended 31 December 2015

The principal purpose of the Committee is to monitor the balance of skills, knowledge, experience and diversity on the Board and recommend any changes to the composition of the Board.

Membership

John van Kuffeler	Chairman
Robin Ashton	Non-Executive Director
Charles Gregson	Non-Executive Director
Heather McGregor	Independent Non-Executive Director

The provisions of the UK Corporate Governance Code require that the Nomination Committee comprises of independent Non-Executive Directors. Given that only one Director is considered to be independent, the Company did not meet the requirements of the Code in this regard. Given the make-up of the Group and its current stage of development, the Board considers that despite not meeting this requirement, the Nomination Committee can fulfil its role effectively.

The biographies of the members are set out on page 21.

Meetings and attendance

The Committee did not meet formally between 17 March 2015, the date of its formation, and 31 December 2015. The first meeting of the Nomination Committee will take place in 2016.

Prior to the creation of the Nomination Committee, as part of the preparations for the acquisition of Loansathome4u and Everyday Loans, the Board received a detailed report on the skills and experience of the members of the management team as part of its consideration of succession planning.

Role and responsibilities

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition and make-up of the Board and any other Committees of the Board. To fulfil that role, the Committee's primary functions include:

- Following an evaluation of the balance of skills, experience, independence and knowledge of the Board, identifying and nominating candidates to fill Board vacancies and making appropriate recommendations to the Board for the appointment of Directors.
- Regularly reviewing the structure, size and composition of the Board and making recommendations to the Board with regard to any changes.
- Considering and formulating succession planning for Directors and senior executives.
- Responsibility for ensuring progressive refreshing of the Board.

Diversity

While the Company pursues diversity, including gender diversity, throughout the business, and the Board endorses the aspirations of the Davies Review on Women on Boards, the Board is not committing to any specific targets. Our Board currently has one female Director. The Committee will give due consideration to Board balance and diversity when recommending new appointments to the Board. The Board will also ensure that its own development in this area is consistent with its strategic objectives and enhances effectiveness.

Areas of focus in 2016

The Committee will continue to fulfil its general responsibilities, with particular emphasis on compliance with the UK Corporate Governance Code and succession planning.

Risk Committee report

for the period ended 31 December 2015

The principal purpose of the Committee is to assist the Board in its oversight of risk within the Company with particular focus on risk appetite, risk profile and the effectiveness of the Company's internal controls and risk management systems.

Membership and attendance

The Committee comprises of the Non-Executive Directors of the Company.

Heather McGregor	Chairman, Independent Non-Executive Director
Charles Gregson	Non-Executive Director
Robin Ashton	Non-Executive Director

There is cross-membership between each of the Board's Committees to ensure that all material risk issues are appropriately identified, communicated and taken into account in the decisions of each Committee. The Committee met once during the year. In addition, the Committee Chair attended meetings with both the Executive Directors and management at Loansathome4u and also participated in customer visits to further assess the Company's risks.

The joint CFO/Company Secretary regularly attends Committee meetings. Other relevant parties are also invited to attend the meetings as appropriate.

Role and responsibilities

The Board has delegated the oversight of risk management to the Committee, although it retains overall accountability for the Company's risk profile.

The Committee's primary functions include:

- The assessment of risks and the Company's risk management framework. The Committee takes account of the current and prospective macroeconomic and financial environment in order to advise the Board in respect of the most appropriate configuration of the Company's overall risk appetite, tolerance and strategy. In doing so, the Committee considers the Company's ability to identify and manage new risk types, reviews any material breaches of risk limits and reviews the effectiveness of the Company's internal controls and risk management systems.
- Responsibility for overseeing and challenging stress and scenario testing, the provision of advice in relation to risk and for the formulation of the Company's risk policies.
- Working closely with the Audit Committee in order to fully review the effectiveness of the Company's risk management and internal control systems.

Activities during the period

The Committee performed a comprehensive review of the Company's risk management and internal control systems, including all material, financial, operational and compliance controls, identifying the key risks affecting the Company, which are set out on page 34.

A key theme of the Committee's first period has been the implementation of appropriate risk management strategies. The Committee worked on the development of the Company's risk management capabilities by creating an effective enterprise risk management framework and by undertaking detailed analysis of the key risks faced by the business.

During the year it was announced that the proposed Senior Managers' Regime ('SMR') would be extended to include consumer credit firms. The Committee will continue to monitor how this developing regulation will affect the Company's business when it comes into force in 2018.

In performing its duties, the Committee had access to the services of the CFO/Company Secretary, risk professionals and management at Loansathome4u and external professional advisers.

Viability statement

The Directors have assessed the Company's viability over a three-year period to December 2018. This is based on the three years of the strategic plan which gives greater certainty over the forecasting assumptions used.

In making their assessment, the Directors took account of the Company's current financial and operational positions and the anticipated completion of the acquisition of Everyday Loans. They noted the need to renew the debt facilities taken on to fund the acquisition of Everyday Loans at the end of the current three-year term and have concluded that it is reasonable to assume that the facilities will be extended or replaced with similar facilities in December 2018. In addition, they discussed the potential financial and operational impacts of the principal risk and uncertainties set out on page 34 and the likely effectiveness of current and available mitigating actions, in particular noting the ability of the Group to reduce lending at the point of peak seasonal demand and the Company's intention to raise additional debt funding to support the Company's lending ambitions.

Based on this assessment, the Directors have a reasonable expectation that the Company and the Group will be able to continue in operation and meet all of their liabilities as they fall due up to December 2018.

Areas of focus in 2016

The Committee intends to continue to develop and improve and embed the Company's risk management framework and, as part of this, conduct a thorough assessment of risks at Everyday Loans.

Principal risks and uncertainties

The Directors option that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

Risk	Definition		Mitigation
Conduct risk	The risk of poor outcomes for customers due to:	• Offering inappropriate products • Failing to assess affordability • Failing to identify vulnerable customers • Failing to show forbearance when customers struggle with repayment	• Agent and staff training in place • Internal monitoring of customer complaints • Remuneration for agents linked to collections reducing incentive to miss-sell • Application of appropriate policies for affordability assessment, identification and treatment of vulnerable customers and forbearance
Regulatory risk	The risk of loss to the Company due to changes in regulation and/or failure to comply with relevant regulations including:	• Failure to obtain a permanent licence from the FCA • Restrictions on activities or product features	• In-house and regulatory adviser monitoring of proposed regulatory changes • Advice from regulatory advisers • Development of open relationships with regulators
Credit risk	Risk of losses due to higher than expected defaults due to:	• Adding new agents and customers at faster rates than previously • Macroeconomic changes to the lending environment • Poor underwriting of loans	• Detailed weekly and monthly management information on credit performance • Ongoing development of credit decisioning processes • Regular credit committee review of policies and outcomes
Business risk	Risk of loss from the failure of the Group's strategy or management action including:	• Acquisition risk • Competition	• The Company conducts detailed due diligence on all acquisitions and takes advice from its advisers on valuation and funding options • The Company monitors both direct and indirect competition on a regular basis, adjusting its strategy as required
Operational risk	The risk of loss resulting from:	• Threats to agent safety making it unsafe to operate a home collection • Challenges to the self-employed status of agents resulting in higher costs • Failure to recruit and retain key staff • IT systems failure	• Agents undergo regular safety training and incidents are carefully monitored and followed up • The Company continuously monitors the status of its agents with input from its tax advisers • The Company ensures that effective recruitment, retention and incentive programmes are in place • IT policies and procedures are in place to minimise risks to IT systems in addition to the Company's disaster recovery plan
Liquidity risk	The risk that the Company may not be able to meet its obligations as they fall due as a result of:	• The inability to borrow to fund lending (particularly during the pre-Christmas lending period) • The failure to renew or replace existing debt facilities as they become repayable	• The Company's short-term loans to customers provide a natural maturity hedge against medium-term borrowings • The Company's funding strategy is to borrow from more than one source and to ensure different maturity dates for debt facilities

Directors' remuneration report

This report has been prepared in compliance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013 (the 'Regulations') as well as the Companies Act 2006. This report is set out in the following key sections:

Part A: Annual Statement

2015 was a key year for Non-Standard Finance with the successful IPO in February. In August, the Company completed its first acquisition of the Home Credit Division of S&U plc, which trades as Loansathome4u, for £82.4 million and, in December, the Company announced its intention to raise approximately £160 million to part-fund the proposed acquisition of Everyday Loans for a total consideration of £235 million, which is expected to complete by the end of April 2016. These acquisitions will allow the Company to operate in all of its current target sub-sectors. As set out earlier in this Annual Report, we have already made good progress in building a multi-faceted non-standard consumer finance business.

Dear Shareholder

I am pleased to present to you our first Directors' Remuneration Report for Non-Standard Finance plc ('NSF'). This offers me the opportunity to explain the background to the establishment of the Remuneration Committee and its work since IPO.

NSF established its Remuneration Committee in March 2015 following the IPO in February 2015. In the lead-up to the initial share offering, the Board as a whole reviewed its size, structure and composition, and the scale and structure of the Directors' fees (taking into account the interests of shareholders and the performance of the Company).

The Remuneration Committee recognises that the acquisitive nature of NSF means that it must ensure it retains existing management and that key future hires are capable of managing an entity of the size that NSF expects to grow to. As a Committee we want to be able to attract and retain the right talent. We are conscious that our existing incentive arrangements are limited and we have therefore undertaken a review of our remuneration policy to ensure it is fit for purpose going forward.

Our Directors' Remuneration Policy

The incentive arrangements currently include a modest salary, bonus and Founder Share scheme for founding Executive Directors. The Founder Share scheme is subject to performance, although the conditions can be met one year post-acquisition and it does not provide a lock-in for participants. Further, new joiners are not able to be part of the Founder Share scheme. As such, the Committee will keep the scheme and its part in rewarding and retaining key executives under review. Once the scheme has vested, the Committee fully expects to seek to introduce a new long-term incentive arrangement to address these issues. We are confident that the existing team is central to delivering our ongoing strategy and we would like to implement a framework that retains and rewards them while also enabling us to attract new talent as and when it is needed.

Our review of market remuneration shows that NSF is currently positioned at lower quartile when compared to financial companies of a similar size and as we grow we would expect to fall further behind. Nevertheless, the executive team and the Committee together are keen to take a prudent approach that focuses first and foremost on delivering value to shareholders.

Directors' remuneration report continued

Part A: Annual Statement continued

With this in mind we propose to adopt a policy that minimises our fixed costs as far as possible but provides sufficient incentive opportunity to drive and deliver our strategy.

The policy to be applied for three years from 1 January 2016 is set out in detail over the following pages, with key areas of the policy provided below:

- The current fixed level of remuneration for the Executive Directors is to be increased by 15% to bring them to a level closer to, but still lower than, market median for companies of a similar size and industry. The increase is necessary to ensure an appropriate ratio of fixed remuneration between the Executive Directors and the key executives of the two newly acquired companies that is in line with market expectations and practice. Base salaries will be reviewed annually to ensure they are sufficient and not presenting an obstacle to hiring new talent.
- Recognising the continued growth aspirations for the Company to deliver ongoing superior returns for shareholders, Executive Directors will be eligible to participate in market competitive annual bonus arrangements. Under the plan the Executive Directors will have the opportunity to receive appropriate levels of reward reflective of our annual operating and financial performance.
- Executive Directors will be required to maintain a material stake in the Company.

Designing a pay structure, particularly for the first time following our IPO, involves various judgements. We believe that, on behalf of all shareholders, we have fulfilled our objectives of developing an appropriate market and performance-oriented approach which will attract and retain our Executives.

Business context and Committee decisions on remuneration

As you will have read earlier in this Annual Report, this was a key first period for NSF with important results:

- Listing on the London Stock Exchange and £262 million of equity capital raised.
- One acquisition completed and a second acquisition announced.
- New management appointed at Loansathome4u to reinvigorate the business, attract more agents and grow the customer base.

The Committee believes that the business has excellent prospects in being able to deliver its strategy of creating a multi-faceted non-standard consumer finance business following the acquisitions referred to above.

The Company's achievements in 2015 and its prospects for future periods underpinned our decision at year-end to award John van Kuffeler a bonus of £215,000 (100% of maximum), £155,000 for Nick Teunon (100% of maximum) and £101,000 for Miles Cresswell-Turner (100% of maximum). The Committee determined the bonus outcomes on a discretionary basis recognising the significant progress made by the Executive Directors in implementing NSF's strategy. In line with the bonuses agreed with the Executive Directors under their contracts of employment, we intend to set the on-target bonus opportunity for financial year 2016 at 75% of base salary and to set the maximum bonus opportunity at 100% for 110% achievement of target. Threshold vesting at 25% of base salary will be set at 90% of target. Straight-line vesting will apply between these points.

The bonus will be subject to performance against a combination of financial and non-financial targets split 70% financial and 30% non-financial, though these are interdependent such that payment under one element depends on meeting the threshold for the other element. For financial year 2016, the financial target will be budgeted profit before tax and the non-financial targets will include conduct-based measures which ensure delivery of good customer outcomes through appropriate affordability assessments and appropriate treatment of vulnerable customers together with appropriate collections, arrears and forbearance practices.

In relation to salary, the Board's policy on Admission was to position salaries broadly in line with those UK-listed companies of a similar size and complexity. The Committee determined, in light of being positioned at lower quartile when compared to financial companies of a similar size and of the salaries of the key executives of Loansathome4u and Everyday Loans, to increase salary levels for the 2016 financial year by 15%.

On IPO the Executive Directors were awarded Founder Shares in Non-Standard Finance Subsidiary Limited. Under the terms of these shares the Executive Directors have the option to require the Company to purchase some or all of their Founder Shares, subject to:

A. the Group making acquisitions with a combined value of at least £50 million; and
B. within five years of A. shareholders receiving a 25% increase in total shareholder value or 8.5% CAGR (measured on the basis of exceeding such price for 20 trading days out of 30 successive trading days).

The purchase price for the exercise of this option may be paid by the Company in Ordinary Shares or as a cash equivalent at the Company's option. The number of Ordinary Shares required to settle all such options is the number of shares that would have represented 5% of the Ordinary Shares of the Company on (or immediately after) Admission if such Ordinary Shares had been issued at the time of Admission. The equivalent cash value is calculated on exercise of the option as the estimated total price of the Ordinary Shares that would have been issued if the option had been settled in Ordinary Shares rather than cash, based on the mean of the closing middle market quotations for an Ordinary Share on the London Stock Exchange over the 30 trading days prior to the exercise of the option.

While the Founder Shares are subject to performance, the conditions can be met one year post-acquisition and these shares do not provide a lock-in for participants. Further, new joiners cannot participate in the Founder Shares.

The Company set out on IPO that following an acquisition the Company may put in place a long-term incentive plan for the Executives. As such the Committee will keep the Founder Shares and the part they play in rewarding and retaining key executives under review. Once the Founder Shares have vested, the Committee would expect to seek to introduce a new long-term incentive plan.

We propose to introduce a value creation plan in each of Loansathome4u and Everyday Loans in which key employees in those subsidiaries can participate. Participants in the plan will share in the growth in value of the subsidiaries above a compound annual growth rate of 15% over 3-4 years and thereby encourage participants to deliver growth as early as possible. Vested awards will be satisfied, at the Company's choice, in either cash or shares in the Company. We also propose to introduce a suite of all-employee share plans subject to the usual 10% in 10 years dilution limit.

Format of this report and matters to be approved at our AGM in March 2016

The remainder of this report is split out into the following three sections:

- Our remuneration at a glance (page 38).
- Directors' Remuneration Policy setting out the Company's forward-looking remuneration policy (pages 39 to 45).
- Annual Report on Remuneration providing details of the payments made to Directors in 2015, as well as other statutory disclosures (pages 46 to 49) and which complies with the requirements of the Listing Rules of the UK Listing Authority and the UK 2014 Corporate Governance Code.

At our 2016 AGM, resolutions to approve the new Directors' Remuneration Policy and the Annual Report on Remuneration and this letter will be put to shareholders.

My goal has been to be thoughtful and clear in the layout of both parts of the Directors' Remuneration Report and I ask for your support on both resolutions. We are committed to hearing, and take an active interest in, your views as shareholders. If you would like to discuss any further aspect of our remuneration strategy I would welcome your views.

On behalf of the Remuneration Committee and Board

Charles Gregson
Chairman of the Remuneration Committee
4 March 2016

Directors' remuneration report continued

Part B: Our remuneration at a glance

Ahead of the detailed Directors' Remuneration Policy and the Annual Report on Remuneration, we have below summarised how key elements of the remuneration policy will be implemented for 2016 and the key decisions taken by the Committee in relation to base pay and incentives for the Executives in respect of 2015.

2016 Executive Director remuneration policy

	John van Kuffeler	Nick Teunon	Miles Cresswell-Turner
Base salary	£287,500	£207,000	£230,000
Annual Bonus	Maximum: 100% of salary On-target: 75% of salary Threshold: 25% of salary	Maximum: 100% of salary On-target: 75% of salary Threshold: 25% of salary	Maximum: 100% of salary On-target: 75% of salary Threshold: 25% of salary
Operation for 2016	• Performance measures are weighted 70% financial (profit before tax) and 30% non-financial (including conduct-based measures which ensure delivery of good customer outcomes through appropriate affordability assessments and appropriate treatment of vulnerable customers together with appropriate collections, arrears and forbearance practices). • Threshold vesting will be set at 90% of target with on-target vesting at 100% and maximum vesting at 110%, with vesting on a sliding scale between these points. • Bonus is payable in cash following the end of the financial year.		
Malus and clawback	Malus and clawback provisions will apply under the Annual Bonus at the discretion of the Committee in appropriate circumstances, such as a participant's material underperformance, material misstatement of the accounts, gross misconduct and fraud, regulatory and similar failures or other reason as determined by the Committee.		
Pension	10% of salary	10% of salary	10% of salary
Shareholding requirement	100% of salary over 5 years	100% of salary over 5 years	100% of salary over 5 years

2015 year-end decisions made

	John van Kuffeler	Nick Teunon	Miles Cresswell-Turner
2016 salary review	15% increase to £287,500 from 1 January 2016	15% increase to £207,000 from 1 January 2016	15% increase to £230,000 from 1 January 2016
2015 bonus outcome	100% of bonus paid based on actual salary paid from 19 February 2015 to 31 December 2015, reflecting: • successful acquisitions in all three key target sub-sectors; • the raising of associated further equity and debt funding; and • successful upgrading of management and regulatory compliance at Loansathome4u following its acquisition.		
Value	£215,000	£155,000	£101,000
% of salary/ maximum	100	100	100

Part C: Directors' Remuneration Policy

This section of the report contains details of the Directors' Remuneration Policy that will govern the Company's future remuneration payments. The policy is intended to apply for three years from the start of the 2016 financial year. The policy described in this part is subject to approval by shareholders at the Company's AGM on 30 March 2016. The policy will be displayed on the Company's website, in the Investors section, immediately after the 2016 AGM.

The Committee has established the policy on the remuneration of the Executive Directors and the Chairman. The Board has established the policy on the remuneration of the other Non-Executive Directors.

1. Executive Director remuneration policy

Remuneration strategy

The Company's remuneration strategy is to provide a remuneration framework based on the following principles:

1	2	3	4	5
Attract, motivate and retain Executive and senior management in order to deliver the Company's strategic goals and business outputs	Encourage and support a culture that delivers good customer outcomes and which adheres to FCA best practice	Reward delivery of the Company's business plan and key strategic goals	Adhere to the principles of good corporate governance and appropriate risk management	Align employees with the interests of shareholders and other external stakeholders and encourage widespread equity ownership across the Group

We believe that the remuneration structure in place will continue to support and motivate our Executive Directors, in furthering the Company's long-term strategic objectives including the creation of sustainable shareholder returns.

Furthermore, the Committee are satisfied that the composition and structure of the remuneration package is appropriate and does not incentivise undue risk-taking or reward underperformance. The table below sets out the key elements of the policy for Executive Directors:

Remuneration policy table

Element, purpose & link to strategy	Operation	Maximum opportunity	Performance measures and assessment
Base salary To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the Group.	Salaries are reviewed annually, and any changes normally take effect from 1 January. When determining the salary of the Executives the Committee takes into consideration: • the levels of base salary for similar positions with comparable status, responsibility and skills, in organisations of broadly similar size and complexity; • the performance of the individual Executive Director; • the individual Executive Director's experience and responsibilities; • pay and conditions throughout the Group, including the level of salary increases awarded to other employees; • the level of incentive compensation provided to the Executives under the Annual Bonus.	Annual percentage increases are generally consistent with the range awarded across the Group. Percentage increases in salary above this level may be made in certain circumstances, such as a change in responsibility or a significant increase in the role's scale or the Group's size and complexity. The salaries payable to the Executive Directors from 1 January 2016 are disclosed on page 38.	A broad assessment of individual and business performance is used as part of the salary review. No recovery provisions apply.

Directors' remuneration report
continued

Part C: Directors' Remuneration Policy continued

Remuneration policy table continued

Element, purpose & link to strategy	Operation	Maximum opportunity	Performance measures and assessment
Benefits To provide competitive benefits and to attract and retain high calibre employees.	Reviewed periodically to ensure benefits remain market competitive. Benefits currently include: • Company car for John van Kuffeler. • Life, private medical and income protection insurance. • Other minor benefits as provided from time to time.	Benefit values vary year on year depending on premiums and the maximum potential value is the cost of the provision of these benefits.	No recovery provisions apply.
Pension To provide a competitive Company contribution that enables effective retirement planning.	Pension is provided by way of a contribution to a personal pension scheme or cash allowance in lieu of pension benefits. No recovery provisions apply.	The maximum contribution to a personal pension scheme or cash in lieu is equal to 10% of base salary.	No performance or recovery provisions apply.
Annual Bonus Incentivises achievement of annual objectives which support the Group's short-term performance goals and protects longer-term interests of the Group.	Bonus awards are granted annually following the signing of the Annual Report and Accounts, usually in March of the year following the reporting period in question. Performance period is one financial year, with pay-out determined by the Committee following the year end, based on achievement against a range of financial and non-financial targets. Malus and clawback provisions apply at the discretion of the Committee where the Committee considers such action is reasonable and appropriate, such as a participant's material underperformance, material brand or reputational damage, material misstatement of the accounts, gross misconduct and fraud, regulatory and similar failures or other reason as determined by the Committee.	Maximum awards under the Annual Bonus are equal to 100% of salary. On-target bonus: 75% of salary. Threshold bonus: 25% of salary.	Performance targets will be set annually by the Committee based on a range of interdependent financial and non-financial measures. Financial targets govern the majority of bonus payments, which may include those related to profit before tax. Non-financial measures will include conduct-based measures which ensure delivery of good customer outcomes through appropriate affordability assessments and appropriate treatment of vulnerable customers together with appropriate collections, arrears and forbearance practices. The Committee has the discretion to adjust targets or performance measures for any exceptional events that may occur during the year. As well as determining the measures and targets, the Committee will also determine the weighting of the various measures to ensure that they support the business strategy and objectives for the relevant year.

Element, purpose & link to strategy	Operation	Maximum opportunity	Performance measures and assessment
LTI No LTI for the Executive Directors			
Founder Shares awarded to Executive Directors on IPO	Prior to IPO the Executive Directors, Charles Gregson and Robin Ashton, were awarded Founder Shares in Non-Standard Finance Subsidiary Limited. Under the terms of these shares the holders of the Founder Shares have the option to require the Company to purchase some or all of their Founder Shares. The purchase price for the exercise of this option may be paid by the Company in Ordinary Shares or as a cash equivalent at the Company's option.	The number of Ordinary Shares required to settle all such options is the number of shares that would have represented 5% of the Ordinary Shares of the Company on (or immediately after) Admission if such Ordinary Shares had been issued at the time of Admission.	A. the Group must make acquisitions with a combined value of at least £50 million; and B. within five years of A. shareholders must receive a 25% increase in total shareholder value or 8.5% CAGR (measured on the basis of exceeding such price for 20 trading days out of 30 successive trading days).
All-employee incentives Encourage all employees to become shareholders and thereby align their interests with shareholders.	Eligible employees may participate in the Savings-related Share Option Plan and/or Share Incentive Plan and/or Company Share Option Plan or country equivalent. Executive Directors will be entitled to participate on those same terms.	Maximum participation levels for all staff, including Executive Directors, are set by relevant UK legislation or other relevant legislation.	Not applicable.
Shareholding guidelines To ensure that Executive Directors' interests are aligned with those of shareholders over a longer-time horizon.	The Executive Directors are required to build or maintain (as relevant) a minimum shareholding in the Company over a five-year period. Shares included in this calculation are those held beneficially by the Executive Director and their spouse/life partner.	The shareholding requirement is 100% of salary for Executive Directors.	Not applicable.

Performance measures and targets

The table below sets out the rationale for performance measures chosen in respect of the Annual Bonus:

Element	Performance measures	Rationale	How targets are set
Annual Bonus	A range of financial and non-financial performance measures.	Aligns opportunity with both financial and personal targets.	The performance targets are determined annually by the Committee taking into account market conditions and forecasts.

Discretion with the Directors' Remuneration Policy

The Committee has discretion in several areas of policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. In addition, the Committee has the discretion to amend policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval.

Directors' remuneration report
continued

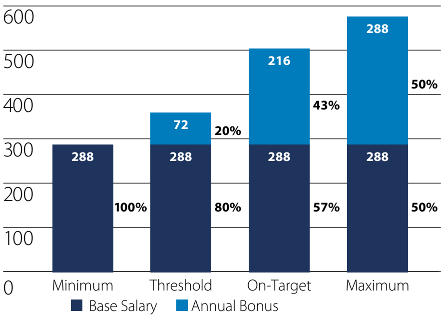
Part C: Directors' Remuneration Policy continued

2. Illustrations of application of remuneration policy

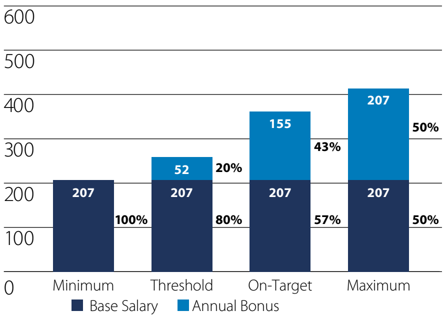
The charts below seek to demonstrate how pay varies with performance for the Executive Directors based on the stated remuneration policy. The charts show an estimate of the remuneration that could be received by Executives Directors under the policy set out in this report. Each of the bars is broken down to show how the total under each scenario is made up of fixed elements of remuneration and the annual bonus.

The charts indicate that a significant proportion of both target and maximum pay is performance related.

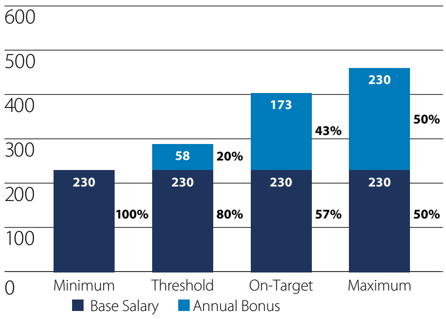
John van Kuffeler (£000)



Nick Teunon (£000)



Miles Cresswell-Turner (£000)



Assumptions used in determining the level of pay-out under given scenarios are as follows:

Element	Minimum	Threshold	On-Target	Maximum
Fixed elements	• Base salary at 1 January 2016 • Estimated value of benefits provided under the policy • Pension – 10% of salary			
Annual Bonus	Nil	25% of maximum	75% of maximum	100% of salary

3. Approach to recruitment and promotions

The Company will pay total remuneration for new Executive Directors that enables the Company to attract appropriately skilled and experienced individuals, but is not, in the opinion of the Committee, excessive. The remuneration package for any new recruit would be assessed following the same principles as for the Executive Directors, as set out in the remuneration policy table.

For a new Executive Director who is an internal appointment, the Company may also continue to honour contractual commitments made prior to the internal appointment even if those commitments are otherwise inconsistent with the policy in force when the commitments are satisfied. Any relevant incentive plan participation may either continue on its original terms or the performance targets and/or measures may be amended to reflect the individual's new role, as the Committee considers appropriate. The table below summarises our key policies with respect to recruitment remuneration:

Element	Policy description
Base salary and benefits	• The salary level will be set taking into account a number of factors, including market factors, the individual's experience and responsibilities and other pay structures within the Company and will be consistent with the salary policy for existing Executive Directors. • Benefits may be provided in line with NSF's benefits policy as set out in the remuneration policy table.
Pension	• An Executive Director will be able to receive either a contribution to a personal pension scheme or cash allowance in lieu of pension benefits in line with NSF's policy as set out in the remuneration policy table.
Annual Bonus	• An Executive Director will be eligible to participate in the Annual Bonus as set out in the remuneration policy table. • Awards may be granted up to the maximum opportunity allowable in the remuneration policy table at the Committee's discretion.
Long-term incentives	• If no LTI is currently offered under the remuneration policy for the Executive Directors, the Committee may make a one-off award on recruitment in its discretion.
Maximum variable remuneration	• The maximum annual variable remuneration that an Executive Director can receive may be up to 100% of salary (i.e. Annual Bonus).
Share buy-outs/replacement awards	• The Company may, where appropriate, compensate a new Executive Director for variable remuneration that has been forfeited as a result of accepting the appointment with the Company. Where the Company compensates a new Executive Director in this way, it will seek to do so under the terms of the Company's existing variable remuneration arrangements, but may compensate on terms that are more bespoke than the existing arrangements where the Committee considers that to be appropriate. • In such instances, the Company will disclose a full explanation of the detail and rationale for such recruitment-related compensation. In making such awards the Committee will seek to take into account the nature (including whether awards are cash or share-based), vesting period and performance measures and/or conditions for any remuneration forfeited by the individual when leaving a previous employer. Where such awards had outstanding performance or service conditions (which are not significantly completed) the Company will generally impose equivalent conditions. • The value of the buy-out awards will broadly be the equivalent of, or less than, the value of the award being bought out.
Relocation policies	• In instances where the new Executive is relocated from one work location to another, the Company will provide compensation to reflect the cost of relocation for the Executive in cases where they are expected to spend significant time away from their home location in accordance with its normal relocation package for employees. • The level of the relocation package will be assessed on a case-by-case basis but will take into consideration any cost of living differences; housing allowance; and schooling in accordance with the Company's normal relocation package for employees.
Legal fees	• The Company may, where appropriate, compensate a new Executive Director for legal costs incurred as a result of termination of previous employment in order to accept the appointment with the Company.

Directors' remuneration report continued

Part C: Directors' Remuneration Policy continued

4. Executive Director service contracts and payment for loss of office

Service contracts

When setting notice periods, the Committee has regard to market practice and corporate governance best practice. Executive Directors' service agreements can be terminated by not less than 12 months' prior written notice given by the Executive or by the employer. The table below summarises the service contracts and letters of appointments for our Executive Directors.

	Date of contract	Notice period
John van Kuffeler	19 February 2015	12 months (Executive and Company)
Nick Teunon	19 February 2015	
Miles Cresswell-Turner	1 January 2016	

Note
1 Miles Cresswell-Turner's initial contract dated 19 February 2015 was for 50% time and increased to 80% from 1 October 2015 and to full-time from 1 January 2016.

All service contracts are available for viewing at the Company's registered office and at the AGM.

The Executive Directors are permitted to sit as a Non-Executive Director on the Board of another company with the Company's written consent.

Payments for loss of office

When determining any loss of office payment for a departing Director the Committee will always seek to minimise cost to the Company while complying with the contractual terms and seeking to reflect the circumstances in place at the time. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

The table below sets out, for each element of total remuneration, the Company's policy on payment for loss of office in respect of Executive Directors and any discretion available:

Element	Approach	Discretion
Base salary	12 months under contract	None
Annual Bonus	None payable	Pro-rata bonus may be awarded dependent on reasons for leaving
LTI	n/a	n/a

5. Consideration of employee remuneration and shareholders

Consideration of shareholder views

The Remuneration Committee takes the views of shareholders seriously and these views are taken into account in setting remuneration policy and practice. Shareholder views are considered when evaluating and setting remuneration strategy and the Committee commits to consulting with key shareholders prior to any significant changes to its remuneration policy.

All-employee remuneration

In setting the remuneration policy for Directors, the pay and conditions of other employees of NSF are taken into account, including any base salary increases awarded. The Committee is provided with data on the remuneration structure for management level tiers below the Executive Directors, and uses this information to ensure consistency of approach throughout the Company.

Formal consultation on the remuneration of Executive Directors is not undertaken with employees.

The remuneration policy described above applies specifically to Executive Directors of the Company. The Committee believes that the structure of management and employee reward at NSF should be linked to the Company's strategy and performance. The table below illustrates how the remuneration framework operates below the Executive Directors:

Level as at 31 Dec 2015	Employee numbers	Fixed remuneration	Annual bonus	Long-Term Incentives	All employee share plans	Shareholding guidelines
Senior management	1	✓	✓	✓	✓	
Heads of divisions and/or functions	9	✓	✓		✓	
Other employees	287	✓	✓		✓	

6. Non-Executive Director remuneration policy and letters of appointment

Remuneration policy table

The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors.

The table below sets out the key elements of the policy for Non-Executive Directors:

Purpose	Operation	Maximum opportunity	Performance measures and assessment
Fees			
Core element of remuneration, set at a level sufficient to attract and retain individuals with appropriate knowledge and experience in organisations of broadly similar size and complexity.	The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors. Fee levels are sufficient to attract individuals with appropriate knowledge and experience. Non-Executive Directors are paid a base fee. In exceptional circumstances, fees may also be paid for additional time spent on the Company's business outside of the normal duties. Reviewed annually with any changes generally effective from 1 January. Any increases in fees will be determined based on time commitment and take into consideration level of responsibility and fees paid in other companies of comparable size and complexity. Non-Executive Directors do not receive any variable remuneration element or receive any other benefits.	Current fees are set out in the Annual Report on Remuneration on page 46. Increases in fees will be in line with the median fee levels of comparable companies.	n/a

Letters of appointment

The Non-Executive Directors do not have service contracts but are appointed under letters of appointment. Appointments are reviewed three yearly and new appointments are made following recommendation by the Nomination Committee.

	Date of appointment
Charles Gregson	19 February 2015
Robin Ashton	19 February 2015
Heather McGregor	19 February 2015

No compensation is payable in the event of early termination apart from the notice period. All letters of appointment are available for viewing at the Company's registered office and at the AGM.

Directors' remuneration report
continued

Part D: Annual Report on Remuneration

This Annual Report on Remuneration contains details of how the Company's Remuneration Policy for Directors was implemented during the financial year ended 31 December 2015. This report has been prepared in accordance with the provisions of the Companies Act 2006 and the Regulations. An advisory resolution to approve this report and the annual statement will be put to shareholders at the AGM on 30 March 2016.

1. Single figure remuneration table: Executive Directors – audited

The remuneration of Executive Directors, showing the breakdown between components, is shown below. There are no prior year comparators as the Company was first incorporated in 2014 but had no employees until 2015. Figures provided have been calculated in accordance with the Regulations.

		Base Salary £000	Taxable Benefits £000	Bonus £000	Long-Term Incentives £000	Pension £000	Other £000	Total £000
John van Kuffeler	2015	215	21	215	–	22	–	473
Nick Teunon	2015	155	9	155	–	15	–	334
Miles Cresswell-Turner	2015	101	–	101	–	9	–	211

Notes
1. Taxable Benefits comprise a car in the case of John van Kuffeler and life, medical and income protection insurance in the case of John van Kuffeler and Nick Teunon – the values of which have been included in the Taxable Benefits column.
2. The Executive Directors are entitled to receive a contribution to a personal pension scheme or cash in lieu – the value of which has been included in the Pension column.

Annual Bonus outcomes for the period ended 31 December 2015 – audited

For 2015 the Executive Chairman and the Chief Financial Officer had a maximum Annual Bonus opportunity of 100% of salary. For each Executive Director, the 2015 Annual Bonus determination was based on the successful acquisitions in all three key target sub-sectors, the raising of associated further equity and debt funding and the successful upgrading of management and regulatory compliance at Loansathome4u following its acquisition. The Annual bonus table below provides information on the resulting bonus payment for each Executive Director.

As a result of the discretion exercised by the Remuneration Committee, the bonuses awarded to the Executive Directors are £215,000 for John van Kuffeler (100% of maximum), £155,000 for Nick Teunon (100% of maximum) and £101,000 for Miles Cresswell-Turner (100% of maximum). The 2015 bonuses will be paid in cash. No part of the bonus will be subject to deferral.

Payments to past Directors or for loss of office – audited

During the year there were no payments to past Directors and no payments for loss of office.

2. Implementation of remuneration policy for the Executive Directors for 2016

Base salary

In setting salary levels for the 2016 financial year for the Executive Directors, the Committee considered a number of factors, including individual performance and experience, pay and conditions for employees across the Company, the general performance of the Company, pay levels in other comparable companies, other elements of remuneration and the economic environment. The salaries for 2016 and the relative increases are set out below.

	Base salary £000		
	2016	2015	% change
John van Kuffeler	**£288**	£250	15%
Nick Teunon	**£207**	£180	15%
Miles Cresswell-Turner	**£230**	£200	15%

Pension and benefits

The maximum contribution to a personal pension scheme or cash in lieu is equal to 10% of base salary for all Executive Directors. None of the Executive Directors had prospective rights under a defined benefit pension scheme.

Benefits will be provided to the Executive Directors in line with the Directors' Remuneration Policy.

Annual bonus

Consistent with the Directors' Remuneration Policy the maximum and target bonus potentials for 2016 are:

	Maximum bonus % of salary	On-target bonus % of maximum	Threshold bonus % of maximum
John van Kuffeler	100%	75%	25%
Nick Teunon	100%	75%	25%
Miles Cresswell-Turner	100%	75%	25%

For the 2016 financial year, performance measures include financial measures based on budgeted profit before tax and non-financial measures including conduct-based measures which ensure delivery of good customer outcomes through appropriate affordability assessments and appropriate treatment of vulnerable customers together with appropriate collections, arrears and forbearance practices. Financial and non-financial measures are split 70% financial and 30% non-financial, though these are interdependent such that payment under one element depends on meeting the threshold for the other element.

Threshold vesting will be set at 90% of target with on-target vesting at 100% and maximum vesting at 110%, with vesting on a sliding scale between these points.

The Board is of the opinion that the precise performance targets for the Annual Bonus are commercially sensitive and that it would be detrimental to the interests of the Company to disclose them before the start of the financial year. Actual targets, performance achieved and awards made will be published at the end of the performance period so shareholders can fully assess the basis for any pay-outs.

LTI awards

No LTI awards are to be made.

3. Consideration by the Committee of matters relating to the Directors' remuneration for 2015 and 2016

The Committee complies with the UK Corporate Governance Code. The Committee makes recommendations to the Board, within agreed terms of reference, on remuneration for the Executive Directors and has oversight of remuneration arrangements for senior management. The Committee's full terms of reference are available on the Company's website at www.nonstandardfinance.com.

		Committee meeting		
Members of the Committee during 2015	Independent	September 2015	October 2015	Attendance
Charles Gregson	No	✓	✓	100%
Robin Ashton	No	✓	✓	100%
Heather McGregor	Yes	✓	✓	100%

All Committee members attended all Remuneration Committee meetings that took place while they were members of the Committee. None of the Committee members has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The Executive Chairman and the Chief Financial Officer attend meetings at the invitation of the Committee, but are not present when their own remuneration is being discussed.

The Committee received external advice in 2015 from PwC during the year. Following the Company's IPO the Committee appointed PwC as its advisers after a tender process in May 2015. PwC are considered by the Committee to be objective and independent. PwC are members of the Remuneration Consultants Group and, as such, voluntarily operate under the code of conduct in relation to executive remuneration consulting in the UK. The Committee reviewed the nature of all the services provided during the year by PwC and was satisfied that no conflict of interest exists or existed in the provision of these services. The total fees paid to PwC in respect of services to the Committee during the year were £63,000. Fees were determined based on the scope and nature of the projects undertaken for the Committee. PwC also provides valuation advice and assistance with implementation of the Group's long-term incentive arrangements.

During the financial year, there were two Committee meetings. The matters covered at each meeting are covered in the table below:

September 2015	October 2015
• Review of governance and benchmarking in respect of Executive Director remuneration • Consideration of LTI alternatives	• Review of decisions on Executive Director remuneration

Directors' remuneration report continued

Part D: Annual Report on Remuneration continued

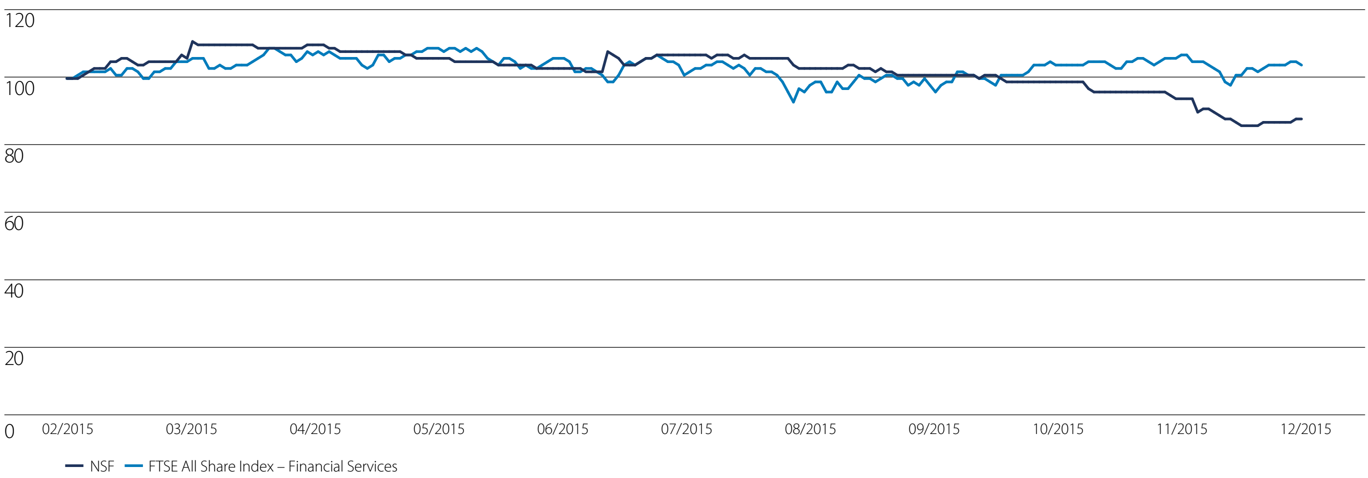
4. Executive Chairman and employee pay

Total Shareholder Returns and Executive Chairman pay since IPO

The Committee believes that the current Executive Directors' Remuneration Policy and the supporting reward structure provide clear alignment with the Company's performance. The Committee believes it is appropriate to monitor the Company's performance against comparable companies.

The chart below illustrates our Total Shareholder Return performance against the FTSE All Share Index – Financial Services.

Total Shareholder Return



There are no prior year comparatives as the Company was first incorporated in 2014 but had no employees until 2015.

This index has been chosen by the Committee as it is considered the most appropriate benchmark against which to assess the relative performance of the Company for this purpose.

Executive Chairman	2015
Single figure of total remuneration (£000)	473
Bonus pay-out (% maximum)	100%
Long-term incentive vesting rates (% maximum)	n/a

Percentage change in the Executive Chairman's remuneration

There are no prior year comparatives as the Company was first incorporated in 2014 but had no employees until 2015.

Relative importance of spend on pay

The table below shows the total pay (including bonuses) for all the Group's employees in the financial period ended 31 December 2015 (employees at Loansathome4u since the date of acquisition).

Total employee remuneration (£'000)	4,530

No returns were made to shareholders in the year.

5. Single figure remuneration table: Non-Executive Directors – audited

The remuneration of Non-Executive Directors showing the breakdown between components is shown below. There are no prior year comparatives as the Company was first incorporated in 2014 but had no Non-Executive Directors until 2015. Figures provided have been calculated in accordance with the Regulations.

		Fees £000	Benefits/Other £000	Total £000
Charles Gregson	2015	50	–	50
Robin Ashton	2015	43	–	43
Heather McGregor	2015	68	–	68

Fees to be provided in 2016 to the Non-Executive Directors

The following table sets out the annual fee rates for the Non-Executive Directors:

		2016	2015	% change
Non-Executive Director fee	Charles Gregson and Robin Ashton	**50**	50	nil
Independent Non-Executive Director fee	Heather McGregor	**75**	75	nil

6. Directors' shareholding and share interests

Shareholding and other interests at 31 December 2015 – audited

Directors' share interests and, where applicable, achievement of shareholding requirements are set out below. In order that their interests are aligned with those of shareholders, Executive Directors are expected to build up and maintain (as relevant) a personal shareholding equal to 100% of their base salary in the Company.

	Shareholding at 31 December 2015			Interests in Founder Shares		
	Number of beneficially owned shares	% of salary held	Shareholding requirement met	Subject to conditions	Vested but unexercised	Total at 29 February 2016
John van Kuffeler	2,114,474	623%	Yes	30	–	30
Nick Teunon	30,921	13%	No	15	–	15
Miles Cresswell-Turner	490,132	181%	Yes	25	–	25
Charles Gregson	223,553			20	–	20
Robin Ashton	128,947			10	–	10
Heather McGregor	13,250			–	–	–
Total	**3,001,277**			**100**	**–**	**100**

Notes
1. Beneficial interests include shares held directly or indirectly by connected persons.
2. Shareholding requirement calculation is based on the share price at the end of the year (£0.8475 at 31 December 2015) and base salaries at 1 January 2016.

At 29 February 2016 Charles Gregson had increased his shareholding to 247,083 shares and Heather McGregor had increased her shareholding to 36,939 shares.

Dilution

The Company funds its share incentives through a combination of new issue and market purchased shares. The Company monitors the levels of share grants and the impact of these on the ongoing requirement for shares. In accordance with guidelines set out by the Investment Association ('IA') the Company can issue a maximum of 10% of its issued share capital in a rolling ten-year period to employees under all its share plans.

Non-Executive positions held by Executive Directors

John van Kuffeler retained fees of £53,462 during the year from his Non-Executive position at Paratus AMC Limited.

7. Shareholding voting

This is the first year that we will be presenting our Directors' Remuneration Policy and Annual Report on Remuneration to shareholders for vote as a public listed company. We will present the full voting results in next year's report.

By order of the Board

Charles Gregson
Chairman of the Remuneration Committee
4 March 2016

Independent auditor's report to the members of Non-Standard Finance plc

Opinion on financial statements of Non-Standard Finance plc	**In our opinion:** • **the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's loss for the period from 8 July 2014 to 31 December 2015;** • **the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;** • **the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and** • **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.** The financial statements comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.
Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the group	We have nothing material to add or draw attention to in relation to: • the directors' confirmation on page 24 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures on pages 33 and 34 that describe those risks and explain how they are being managed or mitigated; • the directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties as to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; • the director's explanation on page 33 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.
Independence	We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.
Our assessment of risks of material misstatement	The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Risk	How the scope of our audit responded to the risk
Acquisition accounting On 4 August 2015, the group acquired SD Taylor Limited from S&U plc for £82.4 million. IFRS 3 requires assets and liabilities acquired to be recognised initially at their fair values. Intangible assets must also be recognised at fair value if they are separable or arise from other contractual rights. The identification of intangible assets and determination of fair values requires the exercise of significant judgement and our work in this respect was focussed on three key areas: • the recognition of a £17.3 million intangible asset in relation to the customer list acquired from S&U plc. This was determined using a discounted cash flow model which required the exercise of management judgement in the estimation of forecast future cash flows, useful economic life and the selection of an appropriate discount rate; • the £5.9 million adjustment to recognise the loan book at fair value which required management judgement in respect of the estimated discounted future cash flows from the acquired loan book as at the acquisition date; and • the completeness of intangible assets identified and the consequent recognition of £40.2 million of goodwill, being the excess of the fair value of the consideration over the fair value of the acquired identifiable assets and liabilities Further detail in respect of management judgements and assumptions is set out within the critical accounting judgements and key sources of estimation uncertainty note and notes 12, 13 and 23 to the financial statements.	We reviewed management's methodology for acquisition accounting against the technical requirements of IFRS 3 which involved independent challenge of management's identification of intangible assets on acquisition. For the customer list acquired we: • challenged the key judgements regarding the forecasted future cash flows, the discount rate and the estimated economic useful life with reference to the historical performance of the loan book; • consulted with our valuation specialists to assess the appropriateness of management's approach to the fair value assessment and discount rate used; • assessed the overall quality of management's budgeting; and • performed sensitivity analysis in relation to the key assumptions in order to assess the potential for management bias. In relation to the loan book fair valuation we: • tested the underlying data used to generate the forecast cash flow model; • challenged the assumptions used in the calculation with reference to historical data; and • consulted with our valuation specialists to assess the appropriateness of the discount rate used. In relation to the completeness of the intangible assets identified and consequent goodwill, we: • challenged the appropriateness of the intangible assets identified by management in comparison to those we would normally expect to see in similar transactions; and • recalculated goodwill and critically assessed management's assessment of the carrying value.
Loan impairment The carrying value of the group's loans to customers prior to impairment provisioning is £30.3 million. Against this, an impairment provision of £1.9 million has been made. The assessment of the group's calculation of provisions for impairment losses against acquired and originated loans requires management to make significant judgements. Key assumptions include determining the impairment trigger and expectations of cash flows from customers. Following the acquisition of Loansathome4u, management introduced a new impairment methodology, which resulted in a more timely recognition of impairment. Management uses historical collection curves, which are generated using SAS scripts (computer programming code), to extract data from the underlying lending system to determine expected cash flows. Changes to these assumptions can have a material impact on the impairment provision. Further detail in respect of the assumptions is set out within the critical accounting judgements and key sources of estimation uncertainty note.	Our IT specialists tested the SAS scripts and data flows from source systems to spreadsheet-based models to test the models' completeness and accuracy. We considered the appropriateness of the newly implemented impairment trigger by comparing the group's loss event definition to previous and recent entity specific experience of asset performance, as well as other organisations with similar asset classes. We challenged the appropriateness of management's key assumptions used in the impairment calculations for loans. This involved assessing the assumptions related to the timing and quantum of cash flows for appropriateness in comparison to current and forecast external market and economic data as well as historical experience at SD Taylor Limited and experience since acquisition. Sensitivity analysis was also performed in relation to the key assumptions in order to assess the potential for management bias.
Revenue recognition Total revenue recognised in the period amounted to £9.2 million. IAS 39 'Financial Instruments' requires that revenue on acquired and originated loans is recognised over the shorter of the contractual and estimated behavioural lives using an effective interest rate and this method requires management to make significant judgements. The most critical and sensitive assumption is the estimated behavioural life of each loan at inception and which directly affects the anticipated timing of cash flows. Changes to this assumption could significantly affect the revenue recognised in any given period. Further detail in respect of the assumptions is set out within the critical accounting judgements and key sources of estimation uncertainty note and note 3 to the financial statements.	We challenged management's assumptions in respect of cash flow estimates for acquired and originated loans, focusing on the timing and level of early settlements which directly impact estimated behavioural lives, as well as the completeness of other directly attributable costs. We considered the estimated behavioural life applied to determine the future expected cash flows by reference to historical experience at SD Taylor Limited and experience since acquisition. Sensitivity analysis was also performed in relation to the key assumptions in order to assess the potential for management bias. We independently recalculated the effective interest rate for each of the group's main products.

Independent auditor's report to the members of Non-Standard Finance plc continued

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 30.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the group to be £800,000. This has been determined by reference to total equity which we consider to be one of the principal considerations for members of the company in assessing the financial position of the group in its first period of operation. Materiality represents less than 1% of equity.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £9,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, our group audit scope primarily focussed on the group's sole trading subsidiary which accounts for 100% of the group's revenue as well as the parent entity. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

All entities within the group have the same engagement partner as the group audit who visited both the company head office as well as that of the sole trading subsidiary.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain directors' remuneration disclosures have not been made. We have nothing to report arising from this matter.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:
- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Other matter

Although not required to do so, the directors have voluntarily chosen to make a corporate governance statement detailing the extent of their compliance with the UK Corporate Governance Code. We have reviewed the part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Respective responsibilities of directors and auditor	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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews. 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/or those further matters we have expressly agreed to report on in our engagement letter 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.
Scope of the audit of the financial statements	An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Mark Rhys
(Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
4 March 2016

Consolidated statement of comprehensive income

for the period from incorporation (8 July 2014) to 31 December 2015

	Note	Before fair value adjustments, amortisation of acquired intangibles and exceptional items £'000	Fair value adjustments, amortisation of acquired intangibles and exceptional items £'000	Total £'000
Revenue	3	**14,657**	**(5,456)**	**9,201**
Cost of sales		(3,858)	–	(3,858)
Administrative expenses		(11,340)	(4,030)	(15,370)
Operating loss	4	**(541)**	**(9,486)**	**(10,027)**
Exceptional items	6	–	(6,135)	(6,135)
Loss on ordinary activities before interest and tax		**(541)**	**(15,621)**	**(16,162)**
Net finance income	9	70	–	70
Loss on ordinary activities before tax		**(471)**	**(15,621)**	**(16,092)**
Tax on loss on ordinary activities	11	1,271	1,751	3,022
Profit/(loss) for the period		**800**	**(13,870)**	**(13,070)**
Total comprehensive profit/(loss) for the period		**800**	**(13,870)**	**(13,070)**

Loss attributable to:	
– Owners of the parent	(13,070)
– Non-controlling interests	–

Earnings (loss) per share

	Note	Period from incorporation to 31 December 2015 Pence
Basic and diluted	10	(21.25)

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

Consolidated statement of financial position

as at 31 December 2015

	Note	31 December 2015 £'000
ASSETS		
Non-current assets		
Goodwill	12	40,176
Intangible assets	13	14,119
Property, plant and equipment	14	1,718
		56,013
Current assets		
Inventories	16	3
Amounts receivable from customers	17	28,412
Trade and other receivables	17	10,275
Cash and cash equivalents	18	7,320
		46,010
Total assets		**102,023**
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	19	13,803
Deferred tax liability	20	3,057
Total liabilities		**16,860**
Equity attributable to owners of the parent		
Share capital	21	5,264
Share premium	22	92,714
Retained loss		(13,070)
		84,908
Non-controlling interests		255
Total equity		**85,163**
Total equity and liabilities		**102,023**

These financial statements were approved by the Board of Directors on 4 March 2016.

Signed on behalf of the Board of Directors.

John van Kuffeler
Chairman

Nick Teunon
Chief Financial Officer

Consolidated statement of changes in equity

for the period ended 31 December 2015

	Share capital £'000	Share premium £'000	Retained loss £'000	Non-controlling interest £'000	Total £'000
At incorporation	–	–	–	–	–
Total comprehensive loss for the period	–	–	(13,070)	–	(13,070)
Transactions with owners, recorded directly in equity:					
Issue of shares	5,264	92,714	–	255	98,233
At 31 December 2015	**5,264**	**92,714**	**(13,070)**	**255**	**85,163**

Consolidated statement of cash flows

for the period ended 31 December 2015

	Note	Period from incorporation to 31 December 2015 £'000
Net cash used in operating activities	24	**(9,532)**
Cash flows from investing activities		
Purchase of property, plant and equipment		(341)
Acquisition of subsidiary	23	(81,111)
Net cash used in investing activities		**(81,452)**
Cash flows from financing activities		
Net finance income		70
Proceeds from issue of share capital		98,234
Net cash from financing activities		**98,304**
Net increase in cash and cash equivalents		**7,320**
Cash and cash equivalents at beginning of period		–
Cash and cash equivalents at end of period	18	**7,320**

Company statement of financial position

as at 31 December 2015

	Note	31 December 2015 £'000
ASSETS		
Non-current assets		
Property, plant and equipment	14	55
		55
Current assets		
Trade and other receivables	17	96,710
Cash and cash equivalents	18	4,965
		101,675
Total assets		**101,730**
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	19	11,121
Total liabilities		**11,121**
Equity attributable to the owners		
Share capital	21	5,264
Share premium	22	92,714
Retained loss		(7,369)
Total equity		**90,609**
Total equity and liabilities		**101,730**

These financial statements were approved by the Board of Directors on 4 March 2016.

Signed on behalf of the Board of Directors.

John van Kuffeler
Chairman

Nick Teunon
Chief Financial Officer

Company number – 09122252

Company statement of changes in equity
for the period ended 31 December 2015

	Share capital £'000	Share premium £'000	Retained loss £'000	Total £'000
At incorporation	–	–	–	–
Total comprehensive loss for the period	–	–	(7,369)	(7,369)
Transactions with owners, recorded directly in equity:				
Issue of shares	5,264	92,714	–	97,978
At 31 December 2015	**5,264**	**92,714**	**(7,369)**	**90,609**

In accordance with the exemption allowed by section 408 of the Companies Act 2006, the Company has not presented its own statement of comprehensive income. The retained loss for the financial period reported in the financial statements for the Company was £7,369,000.

Company statement of cash flows
for the period ended 31 December 2015

	Note	Period from incorporation to 31 December 2015 £'000
Net cash used in operating activities	24	**(93,805)**
Cash flows from investing activities		
Purchase of property, plant and equipment		(64)
Net cash used in investing activities		**(64)**
Cash flows from financing activities		
Net finance income		856
Proceeds from issue of share capital		97,978
Net cash from financing activities		**98,834**
Net increase in cash and cash equivalents		**4,965**
Cash and cash equivalents at beginning of period		–
Cash and cash equivalents at end of period	**18**	**4,965**

Notes to the financial statements
for the period ended 31 December 2015

General information
Non-Standard Finance plc is a public limited company incorporated and domiciled in the United Kingdom. The address of the registered office is 5th Floor, 6 St Andrew Street, London EC4A 3AE.

1. Accounting policies
Basis of preparation
The consolidated and Company financial statements have been prepared in accordance with IFRS as adopted by the European Union and, as regards the parent company financial statements, applied in accordance with the provisions of the Companies Act 2006.

The financial statements have been prepared under the historical cost convention.

Basis of consolidation
The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared to 31 December. Control is achieved where the Company is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration the existence and effect of potential voting rights that currently are exercisable or convertible.

The results of subsidiaries acquired during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions and balances and any unrealised gains and losses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements.

The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 from publishing its individual statement of comprehensive income and related notes.

Going concern
In adopting the going concern assumption in preparing the financial statements, the Directors have considered the activities of its principal subsidiaries, as set out in the Strategic Report, as well as the Group's principal risks and uncertainties as set out in the Corporate Governance Report. The Board of Directors has considered the Group's latest financial projection from the most recent budget, including:
- Funding levels and headroom against committed borrowing facilities.
- Cash flow and liquidity requirements.

Based on these forecasts and projections, the Board is satisfied that the Group has adequate resources to continue to operate for the foreseeable future. For this reason, the Group has adopted the going concern basis in preparing the financial statements.

Changes in accounting policies and disclosures
New and amended Standards and Interpretations issued but not effective for the financial period ending 31 December 2015
At the date of authorisation of these financial statements, the following new and amended Standards and Interpretations are in issue but not yet mandatorily effective and are expected to have a material effect on the financial statements of the Group when they are adopted:

IFRS 9 *Financial Instruments*

The Group are currently assessing the impact of IFRS 9 on the loan book. It is expected that it will increase the level of provisioning and the Board are currently assessing the level of the impact.

The effect of all other new and amended Standards and Interpretations which are in issue but not yet mandatorily effective is not expected to be material.

IFRS 15	*Revenue from Contracts with Customers*
IFRS 10 and IAS 28	*Sale of Contribution of Assets between an Investor and its Associate or Joint Venture*
IFRS 11	*Acquisition of an Interest in a Joint Operation*
IAS 16 and 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
IAS 19	*Defined Benefit Plans: Employee Contributions*
IAS 27	*Separate Financial Statements*
Annual Improvements to IFRS	*2010-2012 Cycle*
Annual Improvements to IFRS	*2011-2013 Cycle*
Annual Improvements to IFRS	*2012-2014 Cycle*

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

Notes to the financial statements continued
for the year period 31 December 2015

1. Accounting policies continued

Business combinations and goodwill
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Goodwill is an intangible asset and is measured as the excess of the fair value of the consideration over the fair value of the acquired identifiable assets, liabilities and contingent liabilities at the date of acquisition.

Goodwill is allocated to cash-generating units ('CGUs')for the purposes of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment is tested by comparing the carrying value of the asset to the discounted expected future cash flows from the relevant CGU. Expected future cash flows are derived from the Group's latest budget projections and the discount rate based on the Group's Weighted Average Cost of Capital ('WACC') at the balance sheet date.

Revenue recognition
Credit charges are recognised in the statement of comprehensive income for all loans and receivables measured at amortised cost using the effective interest rate method ('EIR'). The EIR is calculated using estimated cash flows, being contractual payments adjusted for the impact of customers repaying early but excluding the anticipated impact of customers paying late or not at all. Under IAS 39 credit charges on loan products continue to accrue at the EIR on all impaired capital balances throughout the life of the agreement irrespective of the terms of the loan and whether the customer is actually being charged arrears interest. This is referred to as the gross up adjustment to revenue and is offset by a corresponding gross up adjustment to the loan loss provisioning charge to reflect the fact that this additional revenue is not collectable.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker as required by IFRS 8 'Operating Segments'. The chief operating decision-maker responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors.

The accounting policies of the reportable segments are consistent with the accounting policies of the Group as a whole. Segment profit represents the profit earned by each segment without allocation of investment income, interest payable and tax. This is the measure of profit that is reported to the Board of Directors for the purpose of resource allocation and the assessment of segment performance.

When assessing segment performance and considering the allocation of resources, the Board of Directors review information about segment assets and liabilities. For this purpose, all assets and liabilities are allocated to reportable segments with the exception of cash and cash equivalents, available-for-sale financial assets and current and deferred tax assets and liabilities.

Exceptional items
Exceptional items are items that are unusual because of their size, nature or incidence and which the Directors consider should be disclosed separately to enable a full understanding of the Group's results.

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.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Intangible assets
Intangible assets include acquisition intangibles in respect of the customer list and agent relationship at Loansathome4u and the Loansathome4u brand.

The fair value of the customer list on acquisition has been estimated by calculating the Net Present Value ('NPV') of the discounted cash flows from each new re-loan provided to this, discrete set of known customers. The Board of Directors will re-calculate the NPV at each future accounting date using the same assumptions, limited to the original known customer list.

The fair value of Loansathome4u's agent relationship on acquisition has been estimated by valuing the cost to set up a similar network of trained agents.

The fair value of the brand on acquisition has been estimated by assessing the likely commercial level of royalties that would be payable to a third party were the brand licenced rather than owned, calculated as a percentage of forecast revenues and discounted to the date of the transaction. The Board of Directors will re-value the brand using the same methodology at each future accounting date.

Amortisation is charged to the statement of comprehensive income, unless otherwise agreed, over their estimated useful lives as follows:

Customer list	7 years
Agent network	20% reducing balance
Loansathome4u brand	1½ years

The useful economic life and amortisation method of intangible assets are reviewed at least at each balance sheet date. Impairment of intangible assets is only reviewed where circumstances indicate that the carrying value of an asset may not be fully recoverable.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on the cost of valuation of property, plant and equipment in order to write such cost or valuation over the expected useful lives as follows;

Freehold buildings	2% straight line
Computers	20% straight line
Fixtures and fittings	10% straight line of 20% reducing balance
Motor vehicles	25% reducing balance

Freehold land is not depreciated.

Leases
Rental costs under operating leases are charged to the statement of comprehensive income on a straight line basis.

Inventories
Inventories are stated at the lower of cost and net realisable value.

Share based payments
The cost of share based employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options, is recognised as an employee benefit expense in the statement of comprehensive income. The expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value at the date of grant. The total expense of the grant is adjusted subsequently to reflect the expected quantity of shares or share options achieving the vesting period.

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.

Notes to the financial statements continued

for the year period 31 December 2015

1. Accounting policies continued

Financial instruments

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

Financial assets

Trade and other receivables are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the EIR method.

Amounts receivable from customers

Customer receivables, originated by the Group, are initially recognised at the amount loaned to the customer plus directly attributable costs. Subsequently, receivables are increased by revenue and reduced by cash collections and any deduction for impairment. The Directors assess on an ongoing basis whether there is objective evidence that customer receivables are impaired at each balance sheet date. Objective evidence of impairment is based on the payment performance of loans in the previous 13 weeks as this is considered to be the most appropriate indicator of credit quality. Loans are deemed to be impaired when the cumulative amount of between two and four contractual weekly payments (depending on length of relationship with the customer) have been missed in the previous 13 week period. An impairment loss is calculated by reference to arrears stages and is measured as the difference between the carrying value of the loans and the present value of estimated future cash flows discounted at the original EIR. The assumptions for estimating future cash flows are based upon observed historical data and updated as management considers appropriate to reflect current and future conditions. All assumptions are reviewed regularly to take account of differences between previously estimated cash flows on impaired debt and the eventual losses.

Cash and cash equivalents comprise cash at bank

Financial liabilities and equity

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

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities 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.

2. Critical accounting judgements and key sources of estimation uncertainty

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimated are revised and in any future periods affected.

Determination of CGUs

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). The Board of Directors consider the acquired subsidiary Loansathome4u as one unit and Non-Standard Finance plc, central costs as one unit.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The Value in Use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and apply a suitable discount rate in order to calculate the present value.

The assessment of impairment of goodwill reflects a number of key estimates, which have a material effect on the carrying value of the asset. These include:

- Cash flow forecasts which have been extracted from the budget, which involves inherent uncertainty, particularly in respect of gross loan values, collections performance and the cost base of the business.
- Estimates made on the disposal costs of the business.
- The WACC applied to determine the net present value ('NPV') of future cash flows.

The nature and inherent uncertainty relating to the above judgements and estimates means that the forecast cash flows may be materially different from actual cash flows. A material future reduction in forecast surplus cash flows would necessitate a full impairment review and the possibility of a material impairment charge in future years.

The Group has produced a three year forecast to 31 December 2018 and applied three valuation approaches to establish the recoverable amount of the CGU. These were:

1. A price/total net asset value ('TNAV') multiple based on the return on TNAV of the business, with the multiple calculated by using a regression analysis for comparable speciality finance company valuations over the last two years.
2. A price/earnings multiple based on the assumed earnings growth of the business in the following two years, with the multiple calculated by using a regression analysis for comparable speciality finance company valuations over the last two years.
3. A ten-year average price/earnings multiple for comparable speciality finance companies.

Under the IAS 36 Framework both the value in use and fair value less costs of disposal methods can be used to assess whether impairment is required, but if the first approach used does not imply impairment it is not necessary to apply the second approach. The lowest of the three valuations was used by the Group to compare with the CGU's carrying value. This has not resulted in any impairment of the carrying value at 31 December 2015 as the CGU's recoverable amount exceeds its carrying value. Further disclosure is provided in note 12.

Amounts receivable from customers

The Group reviews its portfolio of loans and receivables for impairment at each balance sheet date. For the purposes of assessing the impairment of customer loans and receivables, customers are categorised into arrears stages as this is considered to be the most reliable indication of payment performance. The Group makes judgements to determine whether there is objective evidence which indicates that there has been an adverse effect on expected future cash flows.

Once a loan is deemed to be impaired, judgement is required to determine the quantum and timing of cash flows that will be recovered, which are discounted to present value based on the EIR of the loan. Customer accounts in Loansathome4u are deemed to be impaired when between two and four contractual weekly payments (depending on length of relationship with the customer) have been missed in the previous 13 weeks. In the weekly home credit business, receivables are deemed to be impaired when the cumulative amount of two or more contractual weekly payments have been missed in the previous 13 weeks, since only at this point do the expected future cash flows from loans deteriorate significantly.

Fair value of acquired loan book

The fair value of the acquired loan portfolio on acquisition has been estimated by discounting expected future cash flows at a rate of 20%. The WACC used by the Group is 15%, with an additional market risk premium being added for the specific loan assets. The difference between fair value and carrying value of the loan portfolio on acquisition will be unwound to revenue in the statement of comprehensive income on an EIR basis over the expected life of the acquired loans. The Board of Directors will re-value, using the same assumptions, the remaining cash flows from the loans that were in place at the time of acquisition, at each future accounting date.

Notes to the financial statements continued

for the year period 31 December 2015

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

Intangible assets – customer list

Loansathome4u's customer list has been allocated a fair value on acquisition as the existing customer base is an important influence on the future prospects of the business.

The customer list has been valued by calculating the NPV of the discounted cash flows from each new loan sold to this discrete set of known customers. The methodology is in line with the Group's existing valuation model used for budgeting purposes.

The calculation of the customer list reflects a number of key estimates, which have a material effect on the carrying value of the asset. These include:

- Cash flow forecasts which have been extracted from the budget produced by Loansathome4u, which involve inherent uncertainty, particularly in respect of gross loan values, collections performance and the cost base of the business.
- Estimates made on the propensity to re-loan to the customer base.
- The WACC applied to determine the NPV of each new re-loan.

The nature and inherent uncertainty relating to the above judgements and estimates means that the forecast cash flows may be materially different from actual cash flows. A material future reduction in forecast surplus cash flows would necessitate a full impairment review and the possibility of a material impairment charge in future years.

Fair value of share arrangements

The Founders have committed £255,000 of capital in NSF Subsidiary Limited in the form of 100 Founder Shares. The Founder Shares grant each holder the option, subject to the satisfaction of both the significant acquisition condition and the performance condition (which can be satisfied, under certain circumstances, if a Founder is removed from the Board), to require Non-Standard Finance plc to purchase some or all of their Founder Shares. Further detail can be found in note 28.

The fair value of the share arrangements was calculated by a third party as £255,000. The amount paid for the shares was also £255,000 and therefore a charge of nil has been recognised in the statement of comprehensive income.

3. Revenue

Revenue is recognised by applying the EIR to the carrying value of a loan. The EIR is calculated at inception and represents the rate which exactly discounts the future contractual cash receipts from a loan to the amount of cash advanced under the loan, plus directly attributable issue costs. In addition, the EIR takes account of customers repaying early.

	Period from incorporation to 31 December 2015 £'000
Interest income	14,657
Fair value unwind on acquired loan portfolio	(5,456)
Total revenue	**9,201**

4. Operating loss for the period is stated after charging/(crediting):

	Period from incorporation to 31 December 2015 £'000
Depreciation of property, plant and equipment	198
Amortisation of intangible assets	4,030
Staff costs (note 8)	5,076
Rentals under operating leases	136
Loss on sale of property, plant and equipment	51
Rentals received under operating leases	(53)

5. Auditors' remuneration

	Period from incorporation to 31 December 2015 £'000
Audit services	
Fees payable to the Company's auditor for the audit of the Group annual financial statements	100
Fees payable to the Company's auditor and their associates for other services to the Group	110
Other services pursuant to legislation	25
	235
Other services	
Other services relating to taxation	27
Services relating to corporate finance transactions	1,705
Other services	26
	1,758

Details of the Group's policy on the use of the auditor for non-audit services are set out in the Audit Committee Report on page 30.

6. Segment information

Management has determined the operating segments by considering the segment information that is reported internally to the chief operating decision-maker, the Board of Directors. For management purposes, the Group is currently organised into two operating divisions Central and Loansathome4u. These divisions are the operating segments for which the Group reports its segment information internally to the Board of Directors. The Group's operations are all located in the United Kingdom and all revenue is attributable to customers in the United Kingdom.

	Central £'000	Loansathome4u £'000	Total £'000
Period ended 31 December 2015			
Interest income	–	14,657	14,657
Fair value unwind on acquired loan portfolio	–	(5,456)	(5,456)
Total revenue	**–**	**9,201**	**9,201**
Operating loss before amortisation	(2,684)	(3,313)	(5,997)
Amortisation of intangible assets	(4,030)	–	(4,030)
Operating loss before exceptional items	(6,714)	(3,313)	(10,027)
Transaction costs	(5,542)	–	(5,542)
Redundancy costs	–	(593)	(593)
Finance costs	(3)	–	(3)
Finance income	73	–	73
Loss before taxation	(12,186)	(3,906)	(16,092)
Taxation	1,751	1,271	3,022
Loss for the period	(10,435)	(2,635)	(13,070)
Total assets	67,531	34,492	102,023
Total liabilities	(13,125)	(3,735)	(16,860)
Net assets	54,406	30,757	85,163
Capital expenditure	64	295	359
Depreciation of plant, property and equipment	9	189	198
Amortisation of intangible assets	4,030	–	4,030

All inter-segment transactions are transacted on an arm's length basis. The results of each segment have been prepared using accounting policies consistent with those of the Group as a whole.

Included within the operating loss for Loansathome4u is the fair value adjustment to revenue of £5,456,000, see note 3, resulting in an adjusted operating profit of £2,143,000.

Notes to the financial statements continued
for the year period 31 December 2015

7. Directors' remuneration

	Period from incorporation to 31 December 2015 £'000
Short-term employee benefits	1,152
Post-employment benefits	46

Short-term employee benefits comprise salary/fees, bonus and benefits earned in the year. Post-employment benefits represent contributions by the Group in respect of money purchase pension schemes.

8. Employee information

a) The average monthly number of persons employed by the Group was as follows:

Average number of employees (including Directors)	Period from incorporation to 31 December 2015 Number
Staff	303

Averages are calculated by adding the average of Non-Standard Finance plc's employees since incorporation to the average number of employees of the acquired subsidiaries since acquisition date.

b) Employment costs

	Period from incorporation to 31 December 2015 £'000
Wages and salaries	4,530
Social security costs	456
Pension costs	90
	5,076

9. Finance costs and finance income

	Period from incorporation to 31 December 2015
Bank charges and interest payable	(3)
Bank interest receivable	73
Net finance income	**70**

10. Earnings (loss) per share

	Period from incorporation to 31 December 2015
Retained loss attributable to Ordinary Shareholders (£'000)	(13,070)
Weighted average number of Ordinary Shares at 31 December	61,502,789
Basic and diluted loss per share (pence)	(21.25p)

The loss per share was calculated on the basis of net loss attributable to Ordinary Shareholders divided by the weighted average number of Ordinary Shares. The basic and diluted loss per share is the same, as the exercise of share options would reduce the loss per share and therefore, is anti-dilutive.

	Period from incorporation to 31 December 2015 £'000
Weighted average number of potential Ordinary Shares that are not currently dilutive (note 21)	5,539

11. Taxation

	Period from incorporation to 31 December 2015 £'000
Current tax credit	
In respect of the current year	(1,251)
Total current tax credit	(1,251)
Deferred tax – current year	(1,771)
Total tax credit	**(3,022)**

Tax has been calculated using an annual effective tax rate of 20% on profit before tax.

The difference between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	Period from incorporation to 31 December 2015 £'000
Loss before taxation	(16,092)
Tax on loss on ordinary activities at standard rate of UK corporation tax of 20%:	(3,218)
Effects of:	
Expenses not allowable for taxation	1,214
Changes in unrecognised deferred tax	441
Capital allowances in excess of depreciation	1
Changes in tax rate	(53)
Timing difference	(21)
Tax adjustments arising on date of acquisition	(1,386)
Total tax credit	**(3,022)**

12. Goodwill

	As at 31 December 2015 £'000
Cost and net book amount	
At incorporation	–
Acquisition of subsidiary	40,176
At 31 December 2015	**40,176**

The subsidiary acquired is the CGU Loansathome4u, see note 23 for detail on the acquisition.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a three-year period to 31 December 2018, disposal costs have been estimated at 2% and a discount rate (WACC) of 15% used. The Directors have estimated the discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the market.

At 31 December 2015 the recoverable amount of the goodwill was in excess of its carrying amount by £51.2 million when applying the lowest valuation as specified in the accounting policies.

None of the goodwill is expected to be tax deductible.

Notes to the financial statements continued

for the year period 31 December 2015

13. Intangible assets – Group

	Customer list £'000	Agent network £'000	Brand £'000	Total £'000
Cost				
At incorporation	–	–	–	–
Additions through acquisition	17,312	540	297	18,149
At 31 December 2015	**17,312**	**540**	**297**	**18,149**
Amortisation				
At incorporation	–	–	–	–
Charge for the period	3,869	99	62	4,030
At 31 December 2015	**3,869**	**99**	**62**	**4,030**
Net book value				
At 31 December 2015	**13,443**	**441**	**235**	**14,119**
At incorporation	–	–	–	–

14. Property, plant and equipment – Group

	Freehold land and buildings £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost				
At incorporation	–	–	–	–
Additions	–	54	305	359
Additions through acquisition	194	394	1,038	1,626
Disposals	–	(39)	(30)	(69)
At 31 December 2015	194	409	1,313	1,916
Depreciation				
At incorporation	–	–	–	–
Charge for the period	2	51	145	198
At 31 December 2015	2	51	145	198
Net book value				
At 31 December 2015	192	358	1,168	1,718
At incorporation	–	–	–	–

Property, plant and equipment – Company

	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost			
At incorporation	–	–	–
Additions	9	55	64
At 31 December 2015	**9**	**55**	**64**
Depreciation			
At incorporation	–	–	–
Charge for the period	–	9	9
At 31 December 2015	**–**	**9**	**9**
Net book value			
At 31 December 2015	**9**	**46**	**55**
At incorporation	–	–	–

15. Investment in subsidiaries

Details of the Group's subsidiaries, which are all included in the consolidated financial statements of the Group, are as follows:

Name of company	Principal place of business and country of incorporation	Nature of business	% voting rights and shares held
SD Taylor Limited (trading as Loansathome4u)	United Kingdom	Provision of consumer credit	100% of Ordinary Shares
Non-Standard Finance Subsidiary Limited	United Kingdom	Dormant	100% of Ordinary Shares
Non-Standard Finance Subsidiary II Limited	United Kingdom	Holding company	100% of Ordinary Shares
Non-Standard Finance Subsidiary III Limited	United Kingdom	Holding company	100% of Ordinary Shares

16. Inventories – Group

	£'000
Finished goods	3
	3

17. Amounts receivable from customers – Group

	£'000
Credit receivables	30,335
Loan loss provision	(1,923)
Amounts receivable from customers	**28,412**

The movement on the loan loss provision for the period relates to the provision at Loansathome4u since the date of acquisition. The amounts receivable from customers were recognised at fair value (net loan book value) at the date of acquisition see note 23 for detail.

Notes to the financial statements continued

for the year period 31 December 2015

17. Amounts receivable from customers – Group continued

Analysis of overdue receivables from customers

	£'000
Not past due or impaired	13,538
Past due but not impaired	7,819
Impaired	7,055
	28,412

Past due not impaired:	
One week overdue	4,571
Two weeks overdue	1,696
Three weeks or more overdue	1,552
	7,819

Analysis on movement on loan loss provision

	£'000
At incorporation	–
Charge for the year	3,896
Unwind of discount	(1,973)
At 31 December 2015	**1,923**

The EIR used during the period to 31 December 2015 was 328%.

Interest income on impaired loans was £1,901,000 for the period since acquisition of Loansathome4u to 31 December 2015.

Trade and other receivables – Group

	£'000
Other debtors	8,176
Corporation tax	1,600
Prepayments	499
	10,275

Trade and other receivables – Company

	£'000
Other debtors	8,176
Amounts due from intra-Group	88,493
Prepayments	41
	96,710

Included within other debtors is £8,162,000 of listing and debt expenses relating to the acquisition of Everyday Loans. Following the equity raise in January 2016, the listing expenses have been expensed to the share premium account (see note 27) and the debt raising expenses will be recognised when the debt is drawn down, which will be upon completion of the acquisition of Everyday Loans in 2016.

There are no amounts included in trade and other receivables which are past due but not impaired.

18. Cash and cash equivalents – Group

	£'000
Cash at bank and in hand	7,320

Cash and cash equivalents – Company

	£'000
Cash at bank and in hand	4,965

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.

19. Trade and other payables – Group

	£'000
Trade creditors	4,180
Other creditors	7,407
Accruals and deferred income	2,216
	13,803

Trade and other payables – Company

	£'000
Trade creditors	3,875
Other creditors	6,238
Amounts due to intra-Group	255
Accruals and deferred income	753
	11,121

Included within other creditors is £6,194,000 of listing and debt raising expenses relating to the acquisition of Everyday Loans. Listing expenses were paid in January 2016 when the equity was raised and debt raising expenses will be paid upon completion of the acquisition of Everyday Loans, when the debt is drawn, in 2016.

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

20. Deferred tax

	£'000
At incorporation	–
Recognition of intangible assets at acquisition	(4,828)
Current year credit	1,771
At 31 December 2015	**(3,057)**

The deferred tax liability was recognised on the intangible assets upon acquisition of Loansathome4u. The intangible assets will be amortised in future periods for which tax deductions will not be available.

The deferred tax liability is attributable to temporary timing differences arising in respect of:

	£'000
Accelerated tax depreciation	(115)
Recognition of intangible assets	(2,909)
Other short term timing differences	(10)
Property revaluation	(23)
Net deferred tax liability	**(3,057)**

For the period ended 31 December 2015 the Company has unused tax losses of £1,822,000 available for offset against future profits. However, due to the uncertainty over the likelihood of future profits at the Company level, the deferred asset has not been recognised on the Company or Consolidated statement of financial position.

Notes to the financial statements continued
for the year period 31 December 2015

21. Share capital and share premium
On incorporation, 8 July 2014, the issued share capital of the Company was £1 consisting of one Ordinary Share, fully paid up.

On 5 November 2014, the Ordinary Share of £1 was subdivided into 20 Ordinary Shares of £0.05 each.

On 2 December 2014, the share capital was increased by the issuance of 999,980 Ordinary Shares of £0.05 each at par to John van Kuffeler in settlement of a liability of £49,999.

On 4 February 2015 the share capital was further increased by the issuance of 1,960,527 Ordinary Shares of £0.05 each at a premium of £0.33 each to John van Kuffeler, Nick Teunon, Miles Cresswell-Turner, Robin Ashton and Charles Gregson.

On 19 February 2015, the share capital was further increased by the flotation of the Company and issuance of 102,323,918 Ordinary Shares of £0.05 each at a premium of £0.95 each.

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.

Share movements

	Number
Balance at date of incorporation	–
Shares issued during the period	105,284,445
Balance at 31 December 2015	**105,284,445**

22. Reserves
Details of the movements in reserves are set out in the statement of changes in equity. A description of each reserve is set out below.

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. Transaction costs of £5,140,000 directly relating to raising finance have been deducted from share premium.

	Total £'000
Balance at date of incorporation	–
Premium arising on issue of Ordinary Shares	97,854
Issue costs	(5,140)
Balance at 31 December 2015	**92,714**

23. Acquisition of subsidiary

On 4 August 2015, the Group obtained control of SD Taylor Limited, trading as Loansathome4u through the purchase of 100% of the share capital.

A detailed conversion of Loansathome4u's financial statements, to align accounting policies, has been completed post-acquisition which reduced Loansathome4u's net assets on acquisition by £5,956,000, principally in respect of higher impairment provisions due to the impact of a more conservative approach to recognising impairment.

The provisional fair values of the identifiable assets and liabilities of Loansathome4u as at the acquisition date were as follows:

	Amounts recognised at acquisition date £'000	Fair value adjustments £'000	Total £'000
Intangible assets[1]	–	18,149	18,149
Property and equipment	1,627	–	1,627
Inventories	9	–	9
Amounts receivable from customers[2]	22,591	5,882	28,473
Trade receivables	277	–	277
Cash and cash equivalents	1,296	–	1,296
Trade and other payables[3]	(2,040)	(732)	(2,772)
Deferred tax liabilities[4]	(22)	(4,806)	(4,828)
	23,738	**18,493**	**42,231**
Goodwill			40,176
Total consideration			82,407
Satisfied by:			
Cash			82,407
Net cash outflow arising on acquisition:			
Cash consideration			82,407
Cash and cash equivalents acquired			(1,296)
			81,111

1 £17,312,000 has been attributed to the fair value of Loansathome4u's customer list £540,000 to the agent network and £297,000 to the brand. See to intangible assets note 13.
2 An adjustment to receivables of £5,882,000 has been made to reflect the fair value of the receivables book at the acquisition date.
3 An adjustment of £732,000 to accruals for a recognised dilapidations provision on the properties owned by Loansathome4u.
4 Deferred tax liability £4,806,000 recognised on the intangibles and the fair value adjustment of the receivable book at acquisition.

Transaction costs of £3,417,000 relating to the acquisition of Loansathome4u have been recognised as an expense and included within exceptional costs (attributable to the Central division) in the statement of comprehensive income. The remainder of the acquisition costs within exceptional costs relate to the 2016 acquisition of Everyday Loans.

Loansathome4u contributed £14,657,000 to the Group's revenue and £2,143,000 profit to the Group's adjusted operating loss (statutory loss £3,906,000) for the period from the date of acquisition to the period end date.

The fair value measurement of acquired assets is based upon financial forecasts, which are categorised as level 3 within the IFRS 13 fair value hierarchy.

Notes to the financial statements continued

for the year period 31 December 2015

24. Net cash used in operating activities – Group

	Period from incorporation to 31 December 2015 £'000
Operating loss	(16,162)
Taxation paid	(350)
Depreciation	198
Amortisation of intangible assets	4,030
Fair value unwind on acquired loan book	5,456
Loss on disposal of property, plant and equipment	51
Decrease in inventories	6
Increase in amounts receivable from customers	(5,394)
Increase in receivables	(15,217)
Increase in payables	17,850
Cash used in operating activities	**(9,532)**

Net cash used in operating activities – Company

	Period from incorporation to 31 December 2015 £'000
Operating loss	(8,225)
Depreciation	9
Increase in receivables	(96,710)
Increase in payables	11,121
Cash used in operating activities	**(93,805)**

25. Operating lease commitments – Group

At 31 December 2015, the outstanding commitments under non-cancellable operating leases which fall due are as follows:

	Period from incorporation to 31 December 2015 £'000
Within one year	25
In the second to fifth years inclusive	517
After five years	–
	542

26. Related party transactions

On 2 December 2014, the share capital was increased by the issuance of 999,980 Ordinary Shares of £0.05 each at par to John van Kuffeler in settlement of an 'other payables' liability of £49,999.

27. Subsequent events

Acquisition of Everyday Loans

The Group expects to complete the acquisition of Everyday Loans from Secure Trust Bank PLC for consideration of £235 million by the end of April 2016, subject to FCA change of control approval.

The Company will fund the purchase of Everyday Loans from the December 2015 placing and open offer which raised £160 million through the issue of 188,235,825 new Ordinary Shares at 85 pence per share in January 2016 together with the issue of 23,529,412 new Ordinary Shares at 85 pence per share to Secure Trust Bank PLC at completion and an approximately £65 million draw down from the debt facility of £85 million entered into in December 2015.

28. Share based payments

Equity settled share option scheme

The Founders have committed £255,000 of capital in NSF Subsidiary Limited in the form of 100 Founder Shares. The Founder Shares grant each holder the option, subject to the satisfaction of both the significant acquisition condition and the performance condition (which can be satisfied, under certain circumstances, if a Founder is removed from the Board), to require the Company to purchase some or all of their Founder Shares.

The conditions which must be met in order for the participants to receive any future pay-out can be summarised as follows:

- The Company must achieve an admission to the London Stock Exchange
- The Company must make an acquisition of at least £50 million within two years of the admission date
- The Ordinary Shares must achieve an internal rate of return of 8.5% per annum from the market capitalisation at the admission date
- The Company's market capitalisation must increase by 25% from the market capitalisation at the admission date.

The last two conditions must both be met for a period of 20 out of 30 consecutive days, during the same 30 day period within five years of an acquisition.

The purchase price for the exercise of this option may be paid by the Company in Ordinary Shares or as a cash equivalent at the Company's option. The number of Ordinary Shares required to settle all such options is the number of shares that would have represented 5% of the Ordinary Shares of the Company on (or immediately after) listing if such Ordinary Shares had been issued at the time of listing. The equivalent cash value is calculated on exercise of the option as the estimated total price of the Ordinary Shares that would have been issued if the option has been settled in Ordinary Shares rather than cash, based on the mean of the closing middle market quotations for an Ordinary Share on the London Stock Exchange over the 30 business days prior to the exercise of the option.

The fair value of the share options was assessed to be £255,000 and therefore the Company recognised total expenses of £nil relating to this share option scheme in the period ended 31 December 2015.

40,750 shares were issued to two Directors on 19 February 2015 in lieu of cash for their first year's Director fees. An expense of £40,750 was recognised in the period, reflecting the fair value of the services provided.

29. Contingent liabilities

Non-Standard Finance plc has fees which are contingent on the drawn down of the debt raised for the purchase of the Everyday Loans group, see note 27. These fees total up to £1,440,000 including VAT.

30. Financial Instruments – Group

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

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

The average EIR on financial assets of the Group at 31 December 2015 was estimated to be 328%.

The average EIR on financial liabilities of the Group at 31 December 2015 was estimated to be 4%.

Credit risk

The Group's credit risk inherent in amounts receivable from customers is reviewed under impairment as per note 17. It should be noted that the credit risk at the individual customer level is managed by strict adherence to credit control rules which are regularly reviewed. No individual customer contributed more than 10% of the revenue for the Group. Group trade and other receivables and cash are not considered to have a material credit risk as all material balances are due from highly rated banking counterparties.

Capital risk management

The Board of Directors assess the capital needs of the Group on an ongoing basis and approve all capital transactions. The Group's objective in respect of capital risk management is to maintain a conservative 'gearing ratio' level with respect to market conditions, whilst taking account of business growth opportunities in a capital efficient manner.

Interest rate risk

Interest rate risk is the risk that a change in external interest rates leads to an increase in the Group's cost of borrowing. A 2% movement in the interest rate applied to cash balances during 2015 would not have had a material impact on the Group's result for the year.

Notes to the financial statements continued

for the year period 31 December 2015

30. Financial Instruments – Group continued

Liquidity risk

This is the risk that the Group has insufficient resources to fulfil its operations.

The Group monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due. The Group's liquidity risk is shown in the following tables which measure the cumulative liquidity gap.

	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but no more than 5 years £'000	More than 5 years £'000	Non-interest bearing £'000	Total £'000
At 31 December 2015						
Financial assets	28,412	–	–	–	–	28,412
Other assets	–	–	–	–	66,291	66,291
Cash and cash equivalents	–	–	–	–	7,320	7,320
Total assets	**28,412**	**–**	**–**	**–**	**73,611**	**102,023**
Shareholders' funds	–	–	–	–	(85,163)	(85,163)
Other liabilities	(16,860)	–	–	–	–	(16,860)
Total liabilities	**(16,860)**	**–**	**–**	**–**	**(85,163)**	**(102,023)**
Cumulative gap	**11,552**	**–**	**–**	**–**	**(11,552)**	**–**

The gross contractual cash flows payable under financial liabilities are analysed as follows:

	Repayable on demand £'000	Less than 1 year £'000	More than 1 year but no more than 2 years £'000	More than 2 years but no more than 5 years £'000	More than 5 years £'000	Total £'000
At 31 December 2015						
Trade and other payables	13,803	–	–	–	–	13,803
Deferred tax liabilities	–	3,057	–	–	–	3,057
Other liabilities	**13,803**	**3,057**	**–**	**–**	**–**	**16,860**

Company information

Company details

Registered office and contact details
5th Floor
6 St Andrew Street
London
EC4A 3AE

Website: www.nonstandardfinance.com

Company number
09122252

Independent auditor
Deloitte LLP
Hill House
1 Little New Street
London
EC4A 3TR

Advisors
Brokers
J.P. Morgan Cazenove
Floor 29
25 Bank Street
Canary Wharf
London
E14 5JP

Peel Hunt
Moor House
120 London Wall
London
EC2Y 5ET

Solicitors
Slaughter and May
One Bunhill Row
London
EC1Y 8YY

Walker Morris LLP
Kings Court
12 King St
Leeds
LS1 2HL

Financial communications
Bell Pottinger
Holborn Gate
330 High Holborn
London
WC1V 7QD

Designed and produced by Emperor
www.emperordesign.co.uk +44 (0)20 7729 9090