nsfgroup

Making a difference by being different

Non-Standard Finance plc
2017 Annual Report & Accounts

When lending direct, we aim to meet all our customers face-to-face. Whilst more expensive to operate than other models, it means we can lend when others can't (or won't).

Meet our customers

Edwin's story
We lend a hand when most others won't.

→ Page 10

Stephen's story
We offer responsible, affordable lending with the human touch, meeting most of our customers face-to-face.

→ Page 14

Glenda's story
Regulation has helped us to improve our offer.

→ Page 18

2017 highlights

Serving over 168,000 customers through a network of over 120 locations, we are a leading player in the non-standard finance sector.

Reported results

Combined loan book
£259.8m
+44% (2016: £180.4m)

Revenue
£107.8m
+48% (2016: £72.8m)

Operating profit
£3.8m
n/a (2016: loss of £(5.2)m)

Basic and fully diluted loss per share
(3.26)p
-25% (2016: (2.60)p)

Dividend per share
2.20p
+83% (2016: 1.20p)

Normalised results[1]

Combined loan book[2]
£247.9m
+30% (2016: £191.4m)

Revenue
£119.8m
+48% (2016: £81.1m)

Operating profit
£26.9m
+72% (2016: £15.6m)

Basic and fully diluted earnings per share
4.25p
+38% (2016: 3.09p)

Dividend per share
2.20p
+83% (2016: 1.20p)

Operational highlights

- Strong growth across all three business divisions
- Reduced rate of impairment
- 34 new locations opened
- Over 650 new staff and self-employed agents added
- Full FCA permissions for Loans at Home received on 16 May 2017
- Acquisition of George Banco, completed on 17 August 2017
- £260m of new long-term funding completed in August 2017
- Full FCA permissions for George Banco received on 28 September 2017

→ Visit our website for further information **www.nsfgroupplc.com.**

1. Before fair value adjustments, amortisation of acquired intangibles, exceptional items and temporary additional commission.
2. Before fair value adjustments. 2016 has been adjusted to include George Banco.

A leading provider of unsecured credit

£248m
Net loan book[1]

168,000+
Customers

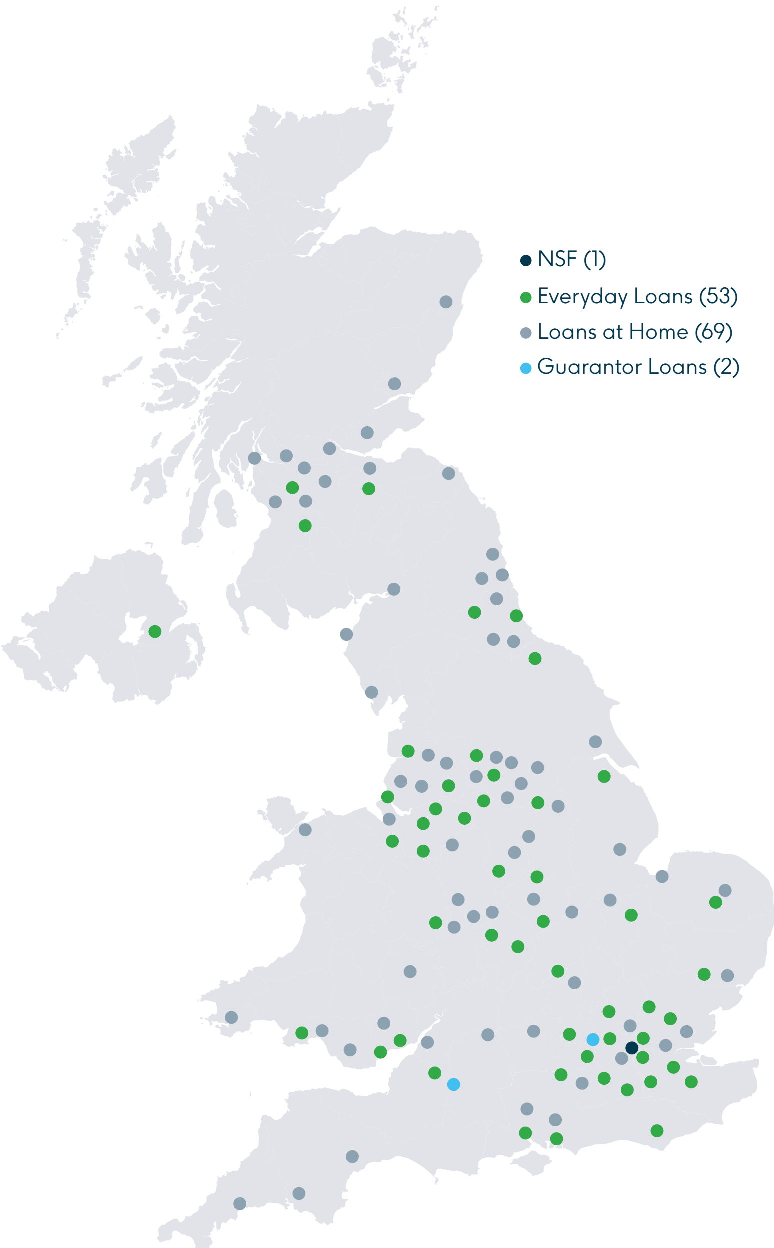
120+
Locations

750+
Staff

1,000+
Self-employed agents

£197m
Net debt

Formed in 2014, Non-Standard Finance has over 120 locations across the UK.



1 Before fair value adjustments.

Every adult should have access to credit they can afford to repay – we help consumers that are either unable or unwilling to borrow from mainstream financial institutions.

Branch-based lending

Everyday Loans
The UK's largest branch-based provider of unsecured loans to sub-prime borrowers.

Loan book[1]

£148.5m

+21% (2016: £122.4m)

→ See page 42

Home credit

Loans at Home
The UK's third largest provider of unsecured home credit.

Loan book[1]

£51.2m

+53% (2016: £33.4m)

→ See page 44

Guarantor loans

George Banco and TrustTwo
The clear number two player in a fast-growing market.

Loan book[2]

£48.2m

+35% (2016: £35.6m)

→ See page 47

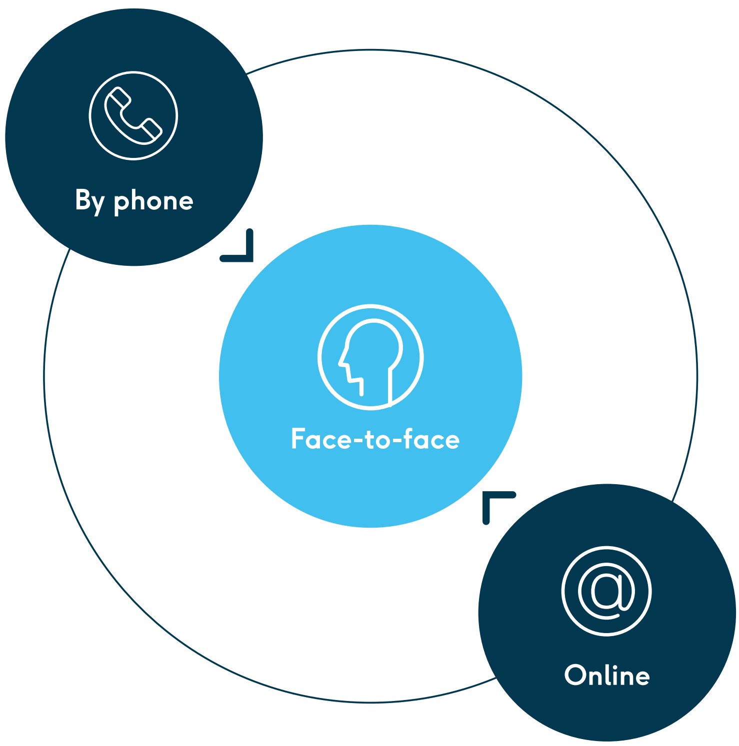
1. Before fair value adjustments.
2. Before fair value adjustments and including George Banco.

Customer touch points

Unlike most of our competitors, when lending direct we aim to meet all our customers face-to-face. The quality of our customer relationships and how we manage them are key drivers of our long-term success.

Online/by phone
Our first point of contact is often by phone or online when we confirm the customer's details and start the loan application process.

Face-to-face
In branch-based lending and home credit, meeting the customer face-to-face is an important part of our lending process.



A year of progress

2017 was another year of substantial progress for the Group. We delivered strong loan book growth in all three business divisions whilst the overall rate of impairment declined. We also completed the acquisition of George Banco for an enterprise value of approximately £53.5m and more than doubled our committed debt facilities to £260m. Having delivered overall loan book growth of more than 20% in 2017, we remain on course to also achieve a 20% return on assets in each of our three divisions.

2017 results

The Group's performance in 2017 was ahead of our original expectations, driven by a strong performance from Everyday Loans and also by a sharp uplift at Loans at Home which benefited from operational challenges at a major competitor. It also includes a maiden contribution from George Banco whose results were consolidated from the middle of August 2017.

Reported revenues were £107.8m (2016: £72.8m) and the Group produced an operating profit of £3.8m (2016: operating loss of £5.2m). Higher interest costs and the impact of exceptional charges resulted in a reported loss per share of 3.26p (2016: loss per share of 2.60p).

On a normalised basis and excluding temporary additional commission, the Group's underlying performance was strong, delivering a 35% increase in pre-tax profit to £16.4m (2016: £12.1m) and earnings per share of 4.25p (2016: 3.09p).

Strategy

Our strategy remains unchanged. We remain focused on serving the needs of consumers who are unable or unwilling to borrow from mainstream institutions through three distinct business divisions: branch-based lending, home credit and guarantor loans. Each of these segments offers significant opportunity for growth and having already achieved our target of 20% loan book growth across the Group as a whole, we remain on course to also deliver a 20% return on assets in each of our operating divisions. This will be achieved through the execution of the three elements of our business strategy:

- Being a leader in our chosen markets;
- Investing in our core assets; and
- Acting responsibly.

Each of these is explained in more detail in the Strategic Report on pages 6 to 53.

Management

During 2017 we made a number of changes to the senior management in each of our three business divisions. These changes resulted in a marked increase in both ambition and pace of execution – a combination that is feeding through into enhanced operational and financial performance.

As Everyday Loans accounts for over half our business, we appointed one of our founding Directors, Miles Cresswell-Turner, to lead the business in May 2017. Davie Thompson became CEO of Loans at Home in January 2017 and brings over 30 years' experience in the home credit industry, 18 of which were working with John van Kuffeler. Marc Howells, the Managing Director of George Banco, became CEO of our newly formed Guarantor Loans Division comprising both George Banco and TrustTwo in September 2017.

As a Board, we have long recognised the value of strong leadership, not just in helping to achieve short-term goals but also in shaping the culture and long-term potential of each of our business divisions.

Culture

In last year's Annual Report I set out the process that we had initiated to identify the core elements that underpin the culture of each of our businesses and the target behaviours that we believe will enable us to succeed. This effort continued throughout 2017 and thanks to the drive and determination of our new business leaders, we have been able to refine and start to embed these values across the Group as part of our appraisal and reward process.

Our values:

- **Doing the right thing:** we recognise our collective responsibility for delivering great outcomes – not just for our customers but also our other stakeholders. We don't cut corners and always seek the path that is right before the path that is easy.
- **Integrity:** we expect our people to respect colleagues and other key stakeholders and to do what we say we will do.
- **Shared purpose delivered through teamwork:** we have clear strategic and operational goals and expect all of our people to understand and share in that vision. Our businesses are complex, combining many different elements to achieve our overall objectives. By working together we are likely to solve problems more effectively than trying to do things on our own.
- **Clear communication:** we listen carefully to those dealing directly with our customers; we are well-informed and believe it's our duty to speak up when we disagree, or believe something is not right; we celebrate success and don't blame others when something goes wrong, always learning from our mistakes.
- **Entrepreneurial leadership:** we lead by example, using our initiative and not just waiting to be told what to do; knowledgeable and inquisitive, we are prepared to try new things so we can perform better and be the best we can be.

Employee engagement is a key measure that we monitor closely to determine how effectively we are promoting these values and to confirm that we are upholding the high standards we expect. During 2017 we hosted a series of management conferences and also launched a Group-wide intranet. This is proving popular among staff as a source of the latest Company news as well as a repository for useful documents and procedures. An abridged version of the intranet is also available to all of our self-employed agents that represent an important stakeholder group. Our latest internal surveys show that our people are well-engaged and, whilst not complacent, we are pleased with the progress made so far (see the survey results on page 35).

Effective reporting systems and controls help the Board to manage and mitigate risk, but cannot eliminate it altogether. Throughout 2017 the Board received regular updates from each of the operational management teams and also made a number of site visits to operations around the country, spending time with staff, self-employed agents and customers. In addition, my three executive colleagues visited our front-line operations on a regular and sometimes weekly basis. Hearing first-hand about operational issues and how they are impacting the experience of our customers helps us to refine our operations and strategic priorities.

Regulation

Each of our businesses is fully licensed by the FCA and we remain supportive of their efforts to maintain a rigorous regulatory framework, ensuring the protection of consumers, effective competition and a well-functioning market. We also welcome their recent High-Cost Credit Review Update in which they note:

"Consumers can benefit from using high-cost credit where repayments are sustainable and appropriate forbearance is shown if they have temporary repayment problems." [1]

Whilst supportive of the FCA's objectives, we believe that any potential gains from additional regulation must always be measured against the cost of achieving them. As well as executing the sometimes significant changes required of firms as part of the FCA's licensing process, there has also been a near continuous flow of consultations, in-depth research and proposed regulatory changes that regulated firms have to address (see 'An evolving regulatory landscape' on page 28).

Even for well-capitalised groups such as NSF, this adds significantly to both the regulatory burden and the uncertainty of managing a business in an ever-shifting regulatory landscape. Smaller firms may be less well-placed to meet these demands and may look to exit the market, resulting in less choice for customers.

We are pleased that the FCA appears to have no major concerns regarding branch-based lending or guarantor loans. In home credit however, the FCA has said that it may look to introduce measures that it believes will reduce the risk of harm and/or consumer detriment. However, we do not believe it has provided any clear evidence that such harm or detriment exists in the home credit market.

1. High-Cost Credit Review Update – FCA, 31 January 2018.

In fact, we would argue that the contrary is true: customer complaints are low, customer satisfaction is high and the very design of the home credit product means that the risk of customer detriment or financial distress from late payment is low.

We continue to engage actively with the FCA, on a number of levels, both directly as well as through industry associations. We are determined to demonstrate the important service that home credit provides to over a million UK consumers, for whom mainstream credit may be either out of reach or less suited to their needs.

Board

We were delighted to welcome Niall Booker to join the Board as an independent Non-Executive Director in May 2017. Niall has brought a wealth of experience from his time at HSBC, Household and more recently Co-operative Bank where he was CEO until December 2016.

Final dividend

Having declared a half-year dividend of 0.50p per share in August 2017, the Board is pleased to recommend a final dividend of 1.70p per share (2016: 0.9p), making a total of 2.20p for the year as a whole (2016: 1.20p). If approved by shareholders, this final dividend would mean that we had reached our target of a payout ratio of at least 50% of 2017 normalised post-tax earnings, before temporary additional commission. If approved at the AGM, the final dividend would be paid to those shareholders on the Company's share register on 18 May 2018, with payment being made on 15 June 2018.

Outlook

Each of our three business divisions has excellent growth prospects and is a top three player in its individual market segment. Each is led by a highly experienced management team and has the potential to deliver a 20% return on assets before central costs. With £260m of committed debt facilities in place, we are well-funded and we are optimistic about the Group's prospects.

Charles Gregson
Non-Executive Chairman
28 March 2018

We're changing the narrative about non-standard finance:

We lend a hand when most others won't

→ Read how we lend a hand when most others won't on page 10

We offer responsible, affordable lending with the human touch, meeting most of our customers face-to-face

→ Read how we offer responsible, affordable lending, with the human touch on page 14

Regulation has helped us to improve our offer

→ Read how regulation has helped us to improve our customer offer on page 18

"Having been in the sector for over 35 years, I can honestly say that the common misconceptions about our industry are not new. However, at NSF the reality is certainly very different and we are changing the narrative around non-standard finance. NSF was founded exactly because we recognised the opportunity to build a sustainable and profitable business by being at the vanguard of best practice, meeting the highest standards of regulatory compliance and by delivering great outcomes for customers."

John van Kuffeler

John van Kuffeler
Group Chief Executive

How we are changing the narrative:

We lend a hand when most others won't

Edwin's story: "I can manage and I know there's help when I need it."

"I'm not as quick on my feet as I used to be."

"When my agent, Michelle, comes round she calls me first and I go to the window and drop the keys down to her so that I don't have to go all the way downstairs. While she comes upstairs, I put the kettle on and make her a cup of coffee – "best cup of coffee ever" she tells me. Anyway, I needed some Euros for my grand-kids that were going away on holiday – it was their first time abroad and so it was a bit special. Anyway, Michelle did my loan for me and then went off to the post office to get the Euros – I don't really understand foreign money but she did it all for me and brought it back. Sometimes she says she's up and down my stairs like a yo-yo!"

Edwin, Sheffield

Our story:

An estimated ten million people in the UK are unable to borrow from their high-street bank, many of which have been closing branches and are reluctant to lend to those on low or variable incomes. Home credit is a business model that has been operating since 1880. With a high level of personal engagement, it is often one of few sources of regulated credit available for those at the lower end of the income scale.

Loans at Home is the third largest home credit operator in the UK and each of our 1,000 self-employed agents is out seeing their customers every week, chatting about their lives, making sure they are on-track and, importantly, that nothing has changed that we need to know about. Living on low income can be particularly challenging when things happen that are not expected. By building long-term relationships, we are well-placed to understand the needs of our customers and so can support them through difficult times should they need a bit of extra help. It is this intimate customer knowledge that makes home credit so unique and allows us to lend to those that many either will not, or cannot.

Lending money to a customer in trouble or who cannot afford a loan is the last thing an agent wants to do. The customer is likely to run into difficulty quite quickly which means that they cannot repay – this is not good for them or the agent. If circumstances do change and a customer perhaps needs some more time with their payments, we are only too happy to work out a revised schedule that works for the customer and at no extra cost.

1.6m

An estimated 1.6m customers use home credit in the UK (Source: FCA).

53%

Loans at Home grew its loan book before fair value adjustments by 53% in 2017.

Why are our APRs so high?

This is a question we often get asked. To answer it, we need to explain what happens to the revenue we generate.

The chart shown here illustrates what happens to NSF Group revenue, based upon the 2017 normalised results. Whilst each of our three businesses has different dynamics, we have sought to provide an NSF overview as follows:

Impairments

Lending to customers with low or impaired credit ratings is a risky business and a significant proportion of revenue is lost through the impairment of loans that don't get repaid. Higher risk customers tend to result in higher impairments and so when lending to such customers, lenders look to charge higher APRs.

People costs

Staff and self-employed agent costs are significant given the scale of our face-to-face networks through which we engage with our customers, either in a branch, or in their home. In home credit, temporary additional commission paid to newly-arrived agents is key to allowing them the time to build up a sufficient number of customers in order to earn their target level of income through our regular commission structure.

Other admin costs

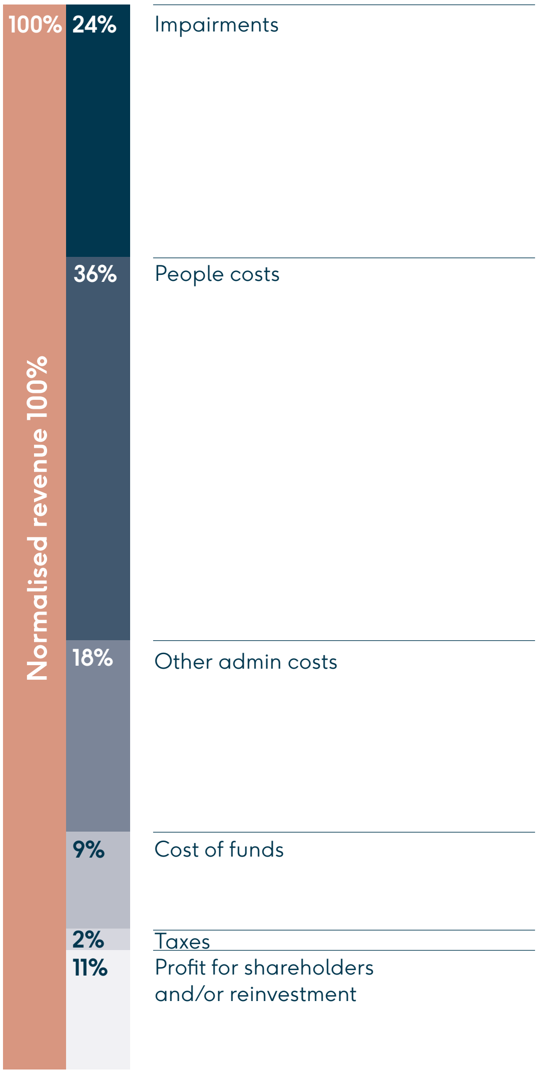
Property, IT and other infrastructure and support-related costs are significant for branch-based lending and home credit, requiring higher APRs. Business models with lower infrastructure costs may be able to charge lower APRs.

The size and term of loans being offered are also factors in driving APRs – smaller, short-term loans (like those in home credit) tend to attract higher APRs as many of the costs of delivery are the same, irrespective of the size or term of loan issued.

Cost of funds and taxes

Whilst we have sourced significant equity capital, the majority of our loan book is funded by debt facilities provided by third-party credit funds. After paying taxes due, the balance is used to reward shareholders through dividend payments, share buy-backs and/or by reinvesting funds to deliver future growth.

Why are our APRs so high?



How we are changing the narrative:

We offer responsible, affordable lending with the human touch, meeting most of our customers face-to-face

Case study: Branch-based lending

Stephen's story: "Everyone at the branch was fantastic!"

"I was looking for a loan to complete my Site Management qualification."

"I was looking for a loan to complete my Site Management qualification so that I could get back onto my feet after a rocky business experience that impacted my credit rating. Having an impaired credit history isn't something I felt comfortable talking about, however everyone at the branch was fantastic and they never judged me. I told them my whole story and having explained everything in detail, they approved my loan so that I could rebuild my finances and my credit score. Since then I've been able to borrow small amounts from time to time to pay for my training courses. Whilst some say I might get a better rate if I shopped around, I will keep going back to the branch because the service is top notch. I have got stability back in my life and it is all due to the great and professional team at the branch in Newport. Thank you!"

Stephen, Newport

Our story:

1 million

Everyday Loans processed over one million applications in 2017.

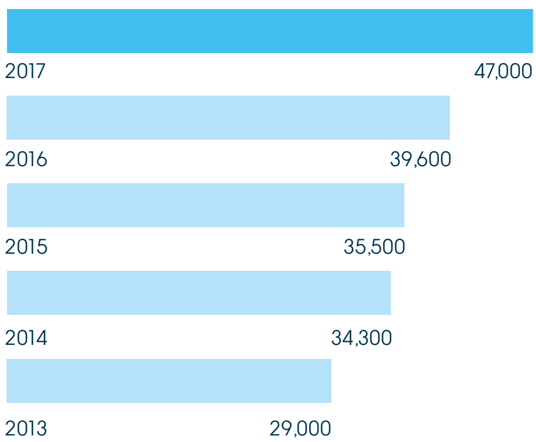
Our customers: *Our branch-based lending customers tend to earn average incomes and are looking to borrow between £3,000 and £4,000 over three years.*

Everyday Loans is the UK's largest branch-based provider of unsecured credit to the credit impaired. With 53 branches at the end of 2017, we plan to open a further 12 branches in 2018. Unlike many of our competitors, we see meeting the customer as an essential part of our underwriting process as it helps us to make better lending decisions.

As part of our cultural review (see Culture and Stakeholder Management on page 50), Everyday Loans defined its purpose as being 'to help make people's everyday lives better.' We know that issuing a loan that a customer doesn't want, or that won't address their need, is not going to help them.

In 2017 Everyday Loans processed over one million applications but lent money to just 3% of those that applied – we are therefore highly selective about who we are prepared to lend money to. Of those we do lend to, on balance we tend to provide customers with slightly smaller loans than they originally ask for, particularly when serving a customer for the first time. Once we have built a good relationship with them and they have proven their ability to repay as planned, we may be prepared to extend further credit to them and, depending upon the circumstances, on better terms.

Customer numbers



How we are changing the narrative:

Regulation has helped us to improve our offer

Glenda's story: "With a guarantor, I was able to borrow at a rate I could afford."

"I approached George Banco to see if I could improve my poor credit rating as it had been affected by some issues in the past. I found that with a guarantor I was able to borrow at a rate I could afford."

"My mum agreed to be my guarantor as she knew that improving my credit score would help to get myself straight. Having taken out a 24-month loan, which I paid off as due, I then found myself in a tight spot having been made redundant. While I was confident of being able to secure another permanent job, I needed some cash to tide me over in the meantime and went back to the team at George Banco who agreed to help me, again with my mum as guarantor. As I had kept up with my payments on my first loan, the team were able to offer me a new loan at a lower APR. Having sorted myself out, I now have a great full time job as a sales and customer services representative. Thank you George Banco!"

Glenda, Preston

Our story:

Each of our businesses is fully licensed by the FCA.

Our customers:
Our guarantor loan customers tend to earn just under the national average and are looking to borrow £3,000-£4,000 over 3-5 years.

Formalising a process that has long been used to extend credit to those that might otherwise be unable to borrow on their own, guarantor loans have become one of the fastest growing segments of the UK's non-standard finance market. Our Guarantor Loans Division, comprising the George Banco and TrustTwo brands, is the clear number two provider of guarantor loans in the UK. With a loan book of £48.2m (before fair value adjustments) and over 17,000 customers at the end of 2017, our approach is always to ensure that by providing credit we are genuinely meeting the customer's needs.

Since assuming control of the UK's consumer credit market in 2014, the FCA has raised standards across the non-standard finance sector through a rigorous licensing process as well as through ongoing supervision of all licensed lenders. Since acquiring TrustTwo in 2016 and George Banco in August 2017, we have received all of the requisite permissions to operate from the FCA. However, we are never complacent and are always looking to improve our processes and procedures to ensure the delivery of great outcomes for our customers. This includes incorporating mechanisms into our employee incentives that reward best practice and 'doing the right thing' from the customer's perspective.

30%+

The UK's guarantor loans market is estimated to be growing at 30%+ per annum.

Customer numbers

2017	17,400
2016	3,300

Opportunities for growth

1 There is significant demand for non-standard finance in the UK

Over ten million consumers are either unwilling or unable to borrow from mainstream financial institutions[1]

20% of the adult population = **c.10m** people

Customer characteristics

Customers are low paid or on variable income	**18.4%** Proportion of total jobs that are deemed to be low-paid jobs[2]	**15%** of the UK workforce is self-employed[3]
Customers have low credit status/are credit impaired	over **1.1m** County Court Judgments[4]	**3.1m** used an unauthorised overdraft facility[5] in last 12 months

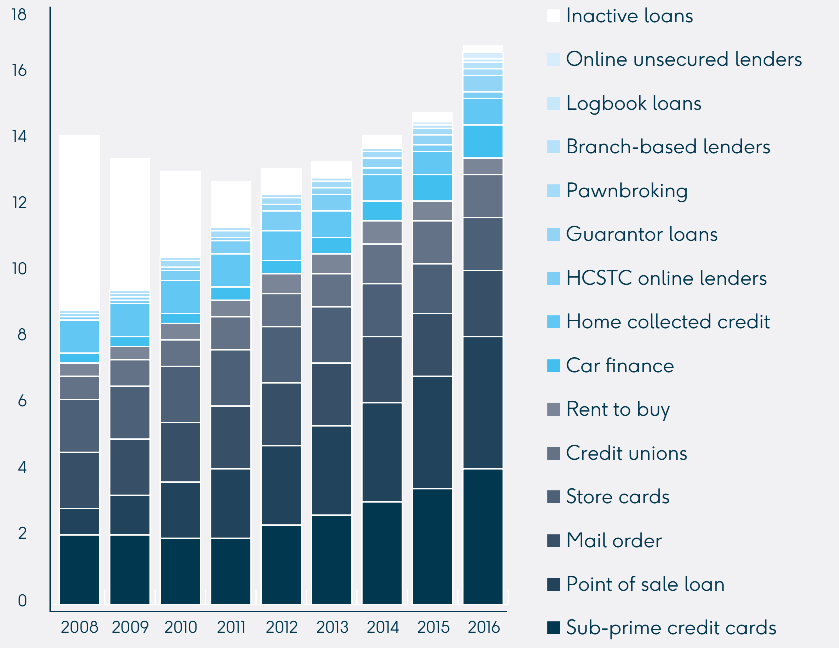
1 LEK – Executive Insights Volume XVIII, April 2016.
2 Low pay is defined as the value that is two-thirds of median hourly earnings. For example, median hourly earnings for full-time employees in 2017 was £14.00, therefore low pay employees are considered to be anyone earning below two-thirds of £14.00, which is £9.33 – ONS: Annual Survey of Hours and Earnings, 26 October 2017.
3 ONS UK Labour market, May 2017.
4 Registry Trust Limited, 12 March 2018.
5 FCA – 'Understanding the financial lives of UK adults', October 2017.

2 There is a shortfall in supply

Whilst there has been strong growth in consumer credit in the UK in recent years, the FCA has confirmed that this has been driven by prime customers, not those with lower credit scores[6]. We believe that non-standard customers have in fact been starved of credit since the financial crisis due to a number of factors, including:

- a reduction in the total amount of credit available to sub-prime borrowers following the financial crisis as many mainstream lenders left the market (see inactive loans in chart);
- reduced supply of high-cost short-term credit ('HCSTC') following FCA intervention;
- barriers to entry have increased including strict regulatory requirements and the need for a robust compliance infrastructure;
- lending to this segment is highly specialised and there is a limited pool of managerial talent; and
- many non-standard lenders struggle to access long-term, low-cost funding to support future growth.

The supply of non-standard finance in the UK – outstanding receivables



Source: LEK – Executive Insight Volume XVIII, April 2016 and Company estimates.

3 External drivers are mostly favourable

Macroeconomic

- ✓ Record rates of employment/low unemployment
- ✓ Incomes of the lowest 10% of earners have risen by 16.2% since 2013[7]
- ✓ Having peaked at 3.1% per annum, inflation has now reduced to 2.7%[8]
- ✗ Brexit creates general uncertainty but is unlikely to affect most of our customers

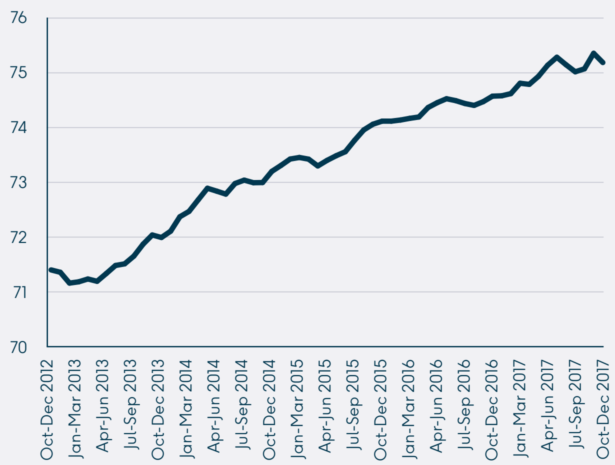
Competition

- ✓ Limited number of large, profitable and well-capitalised firms
- ✓ Many mainstream lenders left the market post-2008
- ✓ High barriers to entry with few new entrants in recent years
- ✗ Technology evolution may mean that new business models emerge

Regulation

- ✓ Strict regulatory framework ensures a level playing field for all operators
- ✓ FCA has indicated no material issues for branch-based lending or guarantor loans
- ✗ FCA is examining home credit
- ✗ Continuous evolution of the regulatory framework

Employment rate %



Source: ONS – UK Employment rate (people aged 16-64 years) seasonally adjusted.

6 www.FCA.org.uk/insight/whos-driving-consumer-credit-growth.
7 ONS – Annual survey of Hours and Earnings.
8 ONS – Consumer price inflation, UK: February 2018.

A relationship driven model

Our purpose

To help those who need credit but are either unwilling or unable to borrow from mainstream institutions.

Building personal relationships is key and enables us to balance the delivery of great outcomes for our customers and attractive returns for shareholders.

What sets us apart

Culture

Providing 'a helping, but firm hand', to our customers is an ethos that runs deep through each of our businesses. We are entrepreneurial and are not afraid to try new things. We listen carefully, learn fast and don't blame others when we make mistakes. Instead, we learn from them so that we can improve outcomes for our customers and deliver greater long-term returns for our shareholders.

→ See Culture and stakeholder management section on page 50

Management

NSF is led by a highly experienced Board and senior management team with unrivalled knowledge of the sector and a proven track record of creating value for shareholders.

→ See Governance section on page 54

Infrastructure

Our extensive branch and agent networks mean we are able to have face-to-face contact with our customers. We also develop sophisticated technology platforms which improve our customer service and collection capabilities. Whilst more expensive to operate then many other business models, our infrastructure is highly scalable.

Compliance and risk management

We have developed a robust risk management framework and established a Risk Committee which oversees risk assessment and advises the Board on the Company's overall risk appetite, tolerance and strategy.

→ See Principal risks section on page 36

Access to long-term funding

The Group is financed through a combination of long-term debt and equity and has sufficient funding to meet the current growth plans of each of our business divisions.

→ See Financial review on page 39

What we do

Source long-term capital › **Develop focused, tailored and affordable loan products** › **Attract customers**

Lend responsibly

- Identify suitable customers
- Assess credit via external and internal scorecard
- Understand customer needs
- Assess affordability (income and expenditure)
- Tailor product to suit their needs
- Ensure customer understands

By phone → **Face-to-face** ← **Online**

Collect responsibly

- Encourage timely payment
- Show forbearance if and when required
- Identify vulnerability
- Suggest sources of support if in difficulty

Manage risks

- Conduct
- Regulation
- Credit
- Liquidity
- Competition
- Business strategy and operations
- Reputation
- Cyber risk

Manage costs

- Network costs
- Interest
- Taxes
- Losses/ impairments

Reward providers of capital

- Debt
- Equity

Reinvest in our core assets

- Networks
- People
- Technology
- Brands

How we create value

Customers

Feefo rating[1]
4.8/5
(2016: 4.8/5)

Trust Pilot[3]
91%

Net promoter scores[2]
97%
(2016: 98%)

FOS complaints[4]
0.00%
(2016: 0.02%)

Shareholders

Loan book growth

Branch-based lending
21%
(2016: 18%)

Home credit
53%
(2016: 19%)

Guarantor loans
35%
(2016: 19%)

Return on assets

Branch-based lending
17.0%
(2016: 17.1%)

Home credit
9.1%
(2016: 6.7%)

Guarantor loans
13.4%
(2016: 8.5%)

Payout ratio[5]
52%
(2016: 36%)

People

Total training days[6]
9,249
(2016: 2,107)

Communities

Number of staff
751
(2016: 537)

Number of branches/offices
125
(2016: 88)

Number of self-employed agents
1,005
(2016: 785)

1. www.Feefo.com is a third-party customer review site. It invites customers at Everyday Loans and TrustTwo to review our performance. The rating shown is the aggregation of all scores received for Everyday Loans with a maximum score of 5. The same score for TrustTwo was 4.7 out of 5.
2. Percentage of customers that were 'very satisfied' or 'quite satisfied' with overall services at Loans at Home – last survey based on 299 responses (January to December 2017) (2016: 896 responses (April to December 2016)).
3. TrustPilot.com is an online review community website. Based on 2,413 reviews, 91% rated George Banco as 'Excellent'. No data is available for 2016.
4. Number of upheld cases at the Financial Ombudsman Service as a percentage of 250,483 loans written in 2017: Everyday Loans: 3 cases; TrustTwo and George Banco: 3 cases; Loans at Home: 6 cases.
5. Based upon 2017 normalised earnings per share (before temporary additional commission) of 4.25p and a total dividend per share of 2.20p.
6. Total for Everyday Loans, Loans at Home (staff and agents), TrustTwo and George Banco in 2017.

We're well-positioned to meet the demand for non-standard finance

"2017 was a year of delivery with significant organic loan book growth whilst impairment reduced from 29% to 24% of normalised revenue. I am pleased to say that these trends have continued into the current year. With strong market positions in each of our chosen segments, a clear plan for growth and long-term funding in place, we remain confident in the full year outlook and are pleased to recommend a final dividend of 1.70p per share making 2.20p for the year as a whole (2016: 1.2p), an increase of 83% over the prior year."

John van Kuffeler
Group Chief Executive

2017 Full year results

A number of key operational and strategic milestones were achieved in 2017:

Branch-based lending:
- appointed Miles Cresswell-Turner as CEO and strengthened the senior management team
- opened 12 new branches
- launched two new products and added 77 new staff
- processed over 1 million loan applications for the first time

Home credit:
- promoted Davie Thompson to become CEO and invested £5.3m to help drive a 53% increase in the net loan book
- opened 22 new offices
- added over 100 staff and 442 self-employed agents to our network
- completed the roll-out of our latest handheld technology to all agents
- reached over 104,000 customers
- obtained a full licence from the FCA

Guarantor loans:
- acquired George Banco to become the clear number two player
- obtained a full licence from the FCA for George Banco following its acquisition

Group
- refinanced £115m of existing bank facilities with £260m of new long-term funding
- recommended final dividend equates to a payout ratio of more than 50% of underlying earnings

Key performance indicators Year ended 31 Dec 17 Normalised[7]	Branch-based lending	Home credit	Guarantor Loans
Loan book growth	21.3%	53.3%	35.4%
Revenue yield[8]	45.8%	147.0%	35.8%
Risk adjusted margin[9]	37.0%	101.3%	30.3%
Impairments/revenue	19.1%	31.1%	15.3%
Impairments/average net loan book	8.8%	45.7%	5.5%
Operating profit margin	37.2%	6.1%	37.3%
Return on assets[10]	17.0%	9.1%	13.4%

7 Excluding fair value adjustments, the amortisation of acquired intangibles and exceptional items.
8 Revenue as a percentage of average loan book excluding fair value adjustments (12 month average).
9 Revenue less impairments as a percentage of average loan book excluding fair value adjustments (12 month average).
10 Operating profit as a percentage of average loan book excluding fair value adjustments (12 month average).

These achievements contributed to strong loan book growth in all three divisions and the combined net loan book at 31 December 2017 increased by 51% to £247.9m, before fair value adjustments (2016: £164.6m) and to £259.8m (2016: £180.4m) after fair value adjustments. Adjusting for the acquisition of George Banco, the year-on-year increase in the net loan book before fair value adjustments was 30% (2016: £191.4m). A summary of the key performance indicators for each of our businesses is shown on the previous page.

Acquisition of George Banco

GB
GEORGEBANCO.COM

£30m net loan book

Having issued its first loan in 2014, George Banco grew quickly by leveraging its strong broker relationships and had a £30m loan book on acquisition.

NSF now clear #2 in guarantor loans

Our guarantor loans division now has a loan book of £48.2m, up 35% versus the prior year on a pro forma basis.

Earnings enhancing in first full year

The acquisition remains on-track to deliver incremental earnings in 2018.

Strong growth potential

The UK's guarantor loans market is growing strongly and we intend to increase our market share.

This strong growth increased normalised revenue by 48% to £119.8m (2016: £81.1m) and normalised operating profit, before £3.2m of temporary additional commission at Loans at Home, increased by 72% to £26.9m (2016: £15.6m). Normalised operating profit after these costs increased by 71% to £23.7m (2016: £13.8m) and normalised earnings per share increased by 31% to 3.44p (2016: 2.62p). Adjusting for the one-off nature of the temporary additional commission, normalised earnings per share was 4.25p (2016: 3.09p).

The Group's 2017 reported, or statutory results are significantly affected by the acquisition of George Banco, the full year impact of the April 2016 acquisition of Everyday Loans (including TrustTwo), fair value adjustments and the amortisation of acquired intangibles.

Reported revenue after fair value adjustments, was up 48% to £107.8m (2016: £72.8m) while the sale of a non-performing loan portfolio generated other operating income of £1.9m (2016: £0.5m). A 40% increase in administration costs to £77.1m (2016: £54.8m) included £3.2m of temporary additional commission and £2.1m of other Loans at Home related expansion costs. Finance costs increased due to strong loan book growth and the impact of the Group's new financing arrangements (see below) while exceptional items totalled £6.3m (2016: £0.6m) primarily reflecting the write-off of previously capitalised fees associated with prior period debt raising. The net result was that the Group delivered a reported loss before tax of £13.0m (2016: loss of £9.3m) and a reported loss per share of 3.26p (2016: loss per share of 2.60p).

Reflecting our confidence in the outlook, the Board is recommending a final dividend of 1.70p making a total of 2.20p for the year (2016:1.2p). This represents a 50% payout ratio based on adjusted normalised earnings per share (before £3.2m of Loans at Home temporary additional commission) of 4.25p.

Branch-based lending

Our largest business, Everyday Loans, delivered an outstanding performance with a particularly strong second half driven by increased loan volumes, higher yield and lower impairment. The change of pace and ambition was led by a revitalised senior management team under the stewardship of Miles Cresswell-Turner who took over the leadership of the business in May 2017. Normalised operating profit (before fair value adjustments, amortisation of acquired intangibles and exceptional items) was up 53% to £22.7m (2016 £14.8m).

Contributing to this strong growth was the expansion of our branch network with 12 new branches opened during the year and each new branch performing as expected. As a result, there were 53 branches open at the end of 2017, a 47% increase since we acquired the business in April 2016. We also extended our product range in 2017 with the launch of the 'Selfy' loan, a tailored product for self-employed customers, as well as a new 12-month loan that is particularly suited to new customers.

Home credit

Davie Thompson was promoted to CEO of Loans at Home in January 2017 and has overseen a transformational period for the business. Our plan for growth was accelerated by the announcement of a major restructuring by the market leader in February 2017. This resulted in us being approached by large numbers of self-employed agents and management staff that were keen to join Loans at Home. By 31 December 2017 we had added over 440 experienced self-employed agents as well as over 100 staff to our business; we had also opened 22 new offices. While there was an associated investment of £5.3m (comprising £3.2m of Loans at Home temporary additional commission and £2.1m of other expansion related costs), the collections and lending performance of the new agents has been particularly strong and helped to drive a 53% increase in the loan book, a reduction in the rate of impairment and an 11% increase in the number of customers. Before temporary additional commission, normalised operating profit was up 73% to £6.3m (2016: £3.6m); after deducting these costs, normalised operating profit was up 67% to £3.1m (2016: £1.9m).

Guarantor loans

The Group acquired George Banco on 17 August 2017 to become the clear number two in the UK guarantor loans market. Under the leadership of Marc Howells, the CEO of George Banco, our Guarantor Loans Division enjoyed strong loan book growth in 2017, up 35% on a like-for-like basis. This helped to drive normalised operating profit that increased by 497% to £2.7m (2016: £0.5m).

Strategy

We provide unsecured credit to the 10-12 million UK consumers who are unable or unwilling to borrow from mainstream institutions, either because they are on low or variable earnings, are credit impaired, have a thin credit file or have had an unsatisfactory experience of borrowing from mainstream lenders. With a net loan book of almost £250m (before fair value adjustments) and almost 169,000 customers at the end of December 2017, we represent an important source of credit for consumers, credit that many other lenders are not prepared to provide but which plays a meaningful part in helping to drive the UK economy.

Where we differ from many of our competitors is that when lending direct, in addition to conducting a digital credit check, we also aim to meet potential customers face-to-face. Whilst an expensive model to operate, this represents an important part of our underwriting process and helps us to better understand the customer's circumstances and make better lending decisions. Having delivered annual loan book growth of more than 20% in 2017, we remain focused on reaching our second target of a 20% return on assets in each of our operating businesses.

This will be achieved through the continued execution of our business strategy that comprises the following three elements:

1. Being a leader in each of our chosen business segments

We subscribe to the view that leadership is a key driver of long-term success and are well-placed in all three areas of our business:

- **Branch-based lending** – Everyday Loans is the clear market leader in unsecured branch-based lending to the credit impaired with 47,000 customers.
- **Home credit** – Loans at Home is ranked third in the market having grown strongly with over 104,000 customers in 2017.
- **Guarantor loans** – Following the acquisition of George Banco, we are now the clear number two in the market with a loan book of close to £50m and over 17,000 customers.

2. Investing in our core assets

Through suitable investment in people, our distribution networks, technology and brands, we are increasing our capacity to drive further loan book growth whilst at the same time managing operational risks through effective spans of control.

People – establishing a good relationship with our customers through face-to-face contact is at the heart of our business model and in 2017 we increased the size of our workforce by 40% to over 750 full time employees. We also launched a sharesave scheme for all staff so they can participate in the future success of the Group. In home credit, we recruited over 440 experienced self-employed agents taking our total number to over 1,000. Such expansion required significant investment in training and incentives that are focused on rewarding both financial results and the delivery of good customer outcomes.

Distribution networks – we opened 12 new Everyday Loans branches in 2017 taking the total number now open to 53 – we plan to open a further 12 in the first half of 2018.

At Loans at Home we opened 22 new offices to support the rapid expansion of our self-employed agent network and we now have 69 locations (including the head office) across the UK.

Technology – while face-to-face contact lies at the heart of both branch-based lending and home credit, all three of our business divisions rely heavily on 24/7 access to scalable and robust technology. With thousands of customers up and down the country, effective data management and analysis ensures that we can process large volumes of transactions, conduct full credit scoring and lead management and can monitor and optimise our day-to-day business performance.

Brands – securing the trust and confidence of our customers and other key stakeholders is vitally important, especially now that purchase decisions for financial services are increasingly made online or through remote channels. The quality of our service and size of our customer base means that continuing to invest in our brands and reputation is a source of substantial long-term value for the Group.

3. Acting responsibly

As noted in the Chairman's Statement on pages 4 to 5, how we behave as a business is not just defined by prevailing laws or regulations but also by our culture or 'how we do things around here'. Right at the outset and at the very heart of our long-term strategic plan was the vision that Non-Standard Finance plc would represent the very best in consumer credit, with the highest standards of compliance and best practice.

We monitor closely how our behaviour and conduct might impact our key stakeholders, whether they be customers, staff, self-employed agents, suppliers, our environment or the communities where we have a physical presence. Through a number of initiatives across the Group, including a series of employee workshops, we have identified a number of core behaviours that we see as being vital if we are to achieve our strategic goals:

- *Doing the right thing:* we recognise our collective responsibility for delivering great outcomes for our customers, even when others are not looking.
- *Integrity:* we respect colleagues and other key stakeholders and always do what we say we will do.

- *Shared purpose delivered through teamwork:* we have clear goals and expect all of our people to share in that vision. By working together we are likely to solve problems more effectively than trying to do things on our own.
- *Clear communication:* we are well-informed and listen carefully to those dealing direct with our customers; we also speak up when something is not right; we celebrate success and don't blame others when something goes wrong, always learning from our mistakes.
- *Entrepreneurial leadership:* we lead by example and use our initiative, trying new things so we can improve.

By embedding each of these into our employee review protocol we aim to formalise the process by which we recognise and reward these values and behaviours so that we can stand out from our competitors.

Financing

On 3 August 2017 we announced the acquisition of George Banco, the number two provider of guarantor loans in the non-standard sector, for £18.6m (representing an enterprise value of £53.5m). To finance the acquisition and refinance all of the Group's existing debt facilities, as well as to provide additional funding to support future growth, we secured a new £175m term loan facility (the 'Term Loan'), provided by a group of institutional investors, led by Alcentra Limited. The new six-year loan bears an interest rate of LIBOR plus 7.25% per year with interest payable every six months. The same investors also agreed to provide an additional committed facility of up to £50m under the same terms as the Term Loan taking their total commitment to the Group to £225m. In addition, the Group secured a new £35m revolving credit facility provided by Royal Bank of Scotland at an interest rate of LIBOR plus 3.5% per year.

As at 31 December 2017 the Group had cash at bank of £11.0m (2016: £5.2m) and gross borrowings of £208.1m (2016: £87.3m) leaving total headroom on the Group's debt facilities of £51.9m (2016: £12.9m).

Regulation

With each of our three business divisions now fully authorised by the Financial Conduct Authority ('FCA'), we believe we have established a constructive dialogue with the regulator at both an operational as well as at a more strategic level.

The FCA published a number of documents regarding consumer credit in 2017 and while there appear to be no concerns regarding branch-based lending or guarantor loans, through its ongoing review of high-cost credit, the FCA is continuing to improve its understanding of certain segments, including home credit.

Through our regular interactions with the FCA, as well as through formal consultations, we continue to inform the FCA's understanding around home credit and its importance to over a million UK consumers.

In its response to *'Good work: the Taylor Review of modern working practices'*, the Government announced in February 2018 its intention to consult widely on a variety of matters affecting the UK workforce, including employment status. With a network of over 1,000 self-employed agents, the majority of whom are women, we are monitoring these developments closely and will be contributing to the consultations in due course.

A summary of some of the recent regulatory developments that may have a bearing on the Group's business is set out in 'An evolving regulatory landscape' on page 28.

Final dividend

Having declared a half-year dividend of 0.5p per share in August 2017 (2016: 0.3p), the Board is pleased to recommend a final dividend of 1.70p per share (2016: 0.9p), making a total of 2.20p for the year as a whole (2016: 1.2p). If approved by shareholders, based on normalised post-tax earnings before temporary agent commission, this would mean that we had exceeded our medium-term target of a payout ratio of 50%.

If approved at the Company's Annual General Meeting on 14 May 2018, the final dividend would be paid to those shareholders on the Company's share register on 18 May 2018 (the 'Record Date'), with payment being made on 15 June 2018.

Current trading and outlook

We have made a good start to the year with each of our business divisions continuing to deliver strong loan book growth whilst maintaining tight control on impairment. We therefore remain confident about the Group's full year prospects.

John van Kuffeler
Group Chief Executive
28 March 2018

An evolving regulatory landscape

During 2017/18 there were a number of regulatory developments that may have a bearing on the Group's activities and business operations in the future. Some of the more pertinent developments are summarised below.

January 2017

- The FCA published its final guidance on how consumer credit firms should address the matter of default notices in respect of guarantor loans. This was a revision to previous guidance having taken into account a number of responses made.

February 2017

- The FCA closed its call for input into high-cost credit on 15 February 2017. The review covered the payday lending cap, unauthorised overdrafts as well as a broader review of all forms of high-cost credit, including home-collected credit.

April 2017

- The FCA published its *Mission*, *Sector Views* and *Business Plan* for 2017. Each provides a valuable insight into the views, objectives and operating parameters adopted by the FCA in carrying out its duties. They also refer to some of the thematic reviews that the FCA expects to undertake in the future.
- The FCA published a consultation on its proposed measures to address persistent credit card debt and to require credit card firms to use their data to identify customers at risk of financial difficulties.

June 2017

- The FCA published its impact assessment on the amendments to the guarantor lending rules pursuant to PS15/23.

July 2017

- The FCA published its feedback statement following its call for input into high-cost credit and also issued a consultation into creditworthiness and affordability in consumer credit.
- The FCA published *'Occasional Paper No.28 – Preventing financial distress by predicting unaffordable consumer credit agreements: An applied framework'*. Much of this research was used to support proposals in the creditworthiness and affordability consultation also issued on 31 July 2017 (see above).
- The *Taylor Review of Modern Working Practices* was published, making a number of recommendations to government regarding the definition of workers and the principles which workers and employers should be expected to adopt.

July 2017 continued

- The FCA published a consultation on staff incentives, remuneration and performance management in consumer credit. The review aims to help firms identify practices that may promote inappropriate behaviour by company representatives that in turn could result in poor customer outcomes.
- The Financial Guidance and Claims Bill, that creates the framework for a single financial guidance body, was introduced in the Queen's speech and had its second reading in the House of Lords.

September 2017

- The FCA published an occasional paper on the ageing population and financial services including the FCA's strategy for mitigating the potential harm arising.

October 2017

- HM Treasury launched a call for evidence to gain further insight from the debt advice sector and creditors about how best to design, implement, administer and monitor a six-week breathing space scheme and statutory debt management plan.
- The FCA published *'Understanding the financial lives of UK adults – Findings from the FCA's Financial Lives Survey 2017'*, an extensive piece of research into how different segments of the UK population interact with regulated financial services. Based on nearly 13,000 face-to-face and online interviews, *Financial Lives* is the FCA's largest tracking survey on consumers and finance.

November 2017

- The FCA published their findings on illegal lending in the UK in a paper titled: *'Shining a light on illegal money lending: consumer experiences of unauthorised lending in the UK.'*
- The FCA published a document detailing its approach to consumers which is intended to broaden the debate started in its *Mission* (published on 18 April 2017) by exploring its approach to regulating for retail consumers.
- The Information Commissioner's Office published its updated guide to the General Data Protection Regulation which is due to come into force on 25 May 2018 including guidance on contracts and liabilities as between data controller and data processors and on obtaining, recording and managing consents.

December 2017

- The FCA published a document detailing its approach to promoting competition in the interests of consumers and not for its own sake. The FCA is focused on keeping markets open to entry and innovation, tackling anti-competitive conduct and intervening to ensure competitive forces drive good outcomes for consumers.
- The FCA published a document explaining the purpose of, and its approach to, authorisation, the public value it delivers and changes the FCA is making to improve its approach. The document describes how authorisation is a tool, primarily to prevent harm from occurring, by ensuring that all regulated firms and individuals meet common sets of minimum standards.

January 2018

- The FCA published an update on progress on the High-Cost Credit Review and thoughts on the direction of travel, with indications on the further work it is undertaking and the planned timelines for that work.

February 2018

- The Government published its response to the *Taylor Review on Modern Working Practices* (see above). At the same time, the Government launched four consultations on the following key areas: employment status; increasing transparency in the labour market; agency workers; and enforcement of employment rights. The consultations close on various dates in May and June 2018.
- The Financial Guidance and Claims Bill, that creates the framework for a single financial guidance body, completed the Committee Stage in Parliament and is expected to enter the Report Stage in the House of Commons in due course.

Strategy

The Group has become the UK's largest branch-based provider of unsecured credit, the second largest provider of guarantor loans and the third largest provider of home credit.

Our strategy is focused on three elements:

1. Being a leader in each of our chosen segments

→ To find out more go to page 30

2. Investing in our core assets

→ To find out more go to page 32

3. Acting responsibly

→ To find out more go to page 34

Our strategy and KPIs

Being a leader in each of our chosen segments

We aim to be the best at what we do – not just from a customer's perspective, but also from that of our employees, our regulator and each of our key stakeholders.

While technology and regulations have changed credit markets considerably, the core elements of what good lending looks like to us have not changed:

- know our customers really well
- tailor our products to suit their needs
- deliver great customer service
- if they get into difficulty, work with them to achieve a satisfactory solution for both borrower and lender

"We may not be the biggest, but we certainly want to be the best at what we do, delivering great customer outcomes and long-term returns for shareholders."

John van Kuffeler
Group Chief Executive

Progress and outlook

Having the right procedures, policies and infrastructure can only get you so far – to deliver on each of the objectives above we must also have the right culture and ethos at all levels of our business. Our investment in training, improved communications and a refreshed incentives programme driven by good customer outcomes, have combined together to help us remain in a leading position in 2017.

Everyday Loans received a Gold Trusted Service certificate in February 2018 from Feefo in recognition of its high rating by customers.

1. www.Feefo.com is a third-party customer review site that invites our customers to review our performance. The rating shown is the aggregation of all scores received and is out of a maximum score of 5. For guarantor loans the score is for TrustTwo only.
2. % of respondents to a customer survey that said they were very satisfied or quite satisfied. 2017 KPI relates to period July, August, September, October, November, December 2017 based on 299 responses. 2016 KPI relates to period April–December 2016 based on 896 responses.
3. Normalised revenue less impairment as a percentage of average loan book, excluding fair value adjustments (12-month average).
4. Normalised operating profit as a percentage of average loan book excluding fair value adjustments (12-month average).

KPI measure	Rationale	Medium-term target	2017 KPI	Status
No. of active customers	Evidence that our reach and quality of service is driving customer volumes.	**Everyday Loans** 60,000	**Branch-based lending** 2016: 39,600 **47,050**	Amber
		Loans at Home 120,000	**Home credit** 2016: 93,600 **104,100**	Amber
		Guarantor loans 30,000	**Guarantor loans** 2016: 3,300 **17,400**	Amber
Customer satisfaction	A lead indicator of future business volumes given our numbers of repeat customers and customer referrals.	**Branch-based lending**[1] >4.5/5	**Branch-based lending**[1] 2016: 4.8/5 **4.8/5**	Green
		Home credit[2] >95%	**Home credit**[2] 2016: 98% **97%**	Green
		Guarantor loans[1] >4.5/5	**Guarantor loans**[1] 2016: 4.7/5 **4.6/5**	Green
Annual loan book growth	By growing our loan book we can invest in reaching more customers and deliver attractive returns to shareholders. We are also careful not to grow too quickly as this can lead to operational challenges, impacting performance.	**Branch-based lending** 20%	**Branch-based lending** 2016: 18% **21%**	Green
		Home credit 20%	**Home credit** 2016: 19% **53%**	Green
		Guarantor loans 20%	**Guarantor loans** 2016: 19% **35%**	Green
Risk adjusted margin[3]	Each of our three businesses has very different dynamics. This measure takes into account the different revenue models as well as the different rates of impairment.	**Branch-based lending** 35%	**Branch-based lending** 2016: 35.1% **37.0%**	Green
		Home credit 95%	**Home credit** 2016: 97.3% **101.3%**	Green
		Guarantor loans 30%	**Guarantor loans** 2016: 31.9% **30.3%**	Green
Return on assets[4]	Measured as normalised operating profit before exceptional items as a percentage of average loan book, this shows we are allocating capital properly and delivering the returns required by our shareholders. Whilst not yet at our target, we made good progress in 2017.	**Branch-based lending** 20%	**Branch-based lending** 2016: 17.1% **17.0%**	Amber
		Home credit 20%	**Home credit** 2016: 6.7% **9.1%**	Amber
		Guarantor loans 20%	**Guarantor loans** 2016: 8.5% **13.4%**	Amber

- **Green** Already achieving medium-term target
- **Amber** On-track to achieve medium-term target
- **Red** Not yet on-track to meet medium-term target

Our strategy and KPIs continued

Investing in our core assets

"We are determined to sustain our strong position in each of our chosen segments and continue to invest in our networks, people, technology and brands."

Nick Teunon
Chief Financial Officer

Everyday Loans opened its King's Heath branch in March 2018.

The nature of our business means that, other than the loans we make to customers, our core assets tend to be intangible in nature and include things such as distribution networks, our people, our technology and our brands. In 2017 we continued to invest in a number of key areas:

- Branch-based lending – 12 new branches
- Home credit – 22 new offices
- Guarantor loans – acquisition of George Banco

Progress and outlook

2017 saw us invest significant sums in our distribution networks with 34 new locations and over 650 additional staff and self-employed agents. The acquisition of George Banco in August 2017 positioned us as the clear number two in the UK's guarantor loans market.

The investment made in 2017 will help to drive our performance in 2018 that will also benefit from the opening of a further 12 new Everyday Loans branches and additional web-based applications in our home credit businesses. In guarantor loans, our main focus will be on integrating our two brands onto a single loan management platform.

KPI measure	Rationale	Medium-term target	2017 KPI	Status
Number of branches/offices	By increasing our geographic coverage we can be closer to customers.	**Branch-based lending** 70-80	**Branch-based lending** 2016: 41 53	●
		Home credit 75-80	**Home credit** 2016: 47 69	●
People turnover	We aim to keep this within industry norms by offering competitive financial rewards and creating environments where people enjoy their work. The increase for guarantor loans in 2017 was due to the merger with George Banco.	**Branch-based lending** 15%	**Branch-based lending** 2016: 15% 19%	●
		Home credit[1] <5%	**Home credit**[1] 2016: 2% 3%	●
		Guarantor loans 15%	**Guarantor loans** 2016: 16% 37%	●
% of loans booked in the year to new customers[2]	We need to continue to attract new customers as well as look after existing ones if we are to succeed.	**Branch-based lending** 65-70%	**Branch-based lending** 2016: 67% 70%	●
		Home credit 15-20%	**Home credit** 2016: 24% 26%	●
		Guarantor loans 65-70%	**Guarantor loans** 2016: 80% 71%	●

● **Green** Already achieving medium-term target
● **Amber** On-track to achieve medium-term target
● **Red** Not yet on-track to meet medium-term target

1. Average monthly turnover of self-employed agents, excluding vacancies (monthly leavers as a % of total number of agents).
2. Proportion of loans booked in a year to new or previous borrowers (i.e. excluding existing borrowers).

Our strategy and KPIs continued

Acting responsibly

"Being responsible lies at the heart of our business strategy. Not just because it is the right thing to do but also because it makes good business sense."

Heather McGregor
Chair, Risk Committee

NSF is a supporter of Loan Smart, a charity established to help consumers spot potential loan sharks and offering guidance on where to get debt-related advice.

'Doing the right thing' is one of our core behaviours that emerged from a series of culture workshops that we held across the Group in 2017. However, this philosophy goes much deeper than just our customer-facing activities – it also applies whenever we interact with any of our key stakeholders. We believe that staff engagement is a powerful measure of how we are conducting ourselves as a business.

Our KPIs are designed to help us measure our performance so that we can identify areas of potential risk and determine whether or not our working practices can be improved or need to change.

KPI measure	Rationale	Medium-term target	2017 KPI	Status
Impairment as a % of revenue	Lending is easy, but lending profitably is more difficult – this measure helps us balance annual loan book growth and short-term profitability. Grow too quickly, or lend when you shouldn't, and impairment will increase to unacceptable levels. Note that these targets will change following the adoption of IFRS 9 (see Financial Review on page 39).	**Branch-based lending** **20-25%**	**Branch-based lending** 2016: 21.0% **19.1%**	●
		Home credit **30-35%**	**Home credit** 2016: 36.3% **31.1%**	●
		Guarantor loans **13-17%**	**Guarantor loans** 2016: 14.8% **15.3%**	●
Number of FOS complaints upheld as a % of total number of loans made	Whilst focused on delivering great customer outcomes, we don't get everything right all of the time. Careful monitoring of all complaints shines a light on areas of our service that need to improve.	**Branch-based lending** **<1%**	**Branch-based lending** **0.1%**	●
		Home credit **<1%**	**Home credit** **0.0%**	●
		Guarantor loans **<1%**	**Guarantor loans** **0.0%**	●
% of workforce engaged in pro bono activity across the Group	The significant volume of change during 2017 meant that our plan to introduce a Group-wide pro bono scheme was delayed until 2018. We plan to provide an update on progress in future reports.	**10-15%** **in the previous 12 months**	**n/a**	●
Staff engagement surveys	With over 750 staff and their importance in helping us to deliver a great service, engagement is critical and without it we will not succeed.	**Branch-based lending**[1] **>70%**	**Branch-based lending**[1] 2016: n/a **71%**	●
		Home credit[2] **>75%**	**Home credit**[2] **89%**	●
		Guarantor loans[3] **n/a**	**Guarantor loans**[3] **n/a**	**n/a**
Charitable giving	In 2017 the Group adopted a formal charity policy to provide financial support for debt-related as well as other charities. Our chosen charities included: National Debtline (run by The Money Advice Trust), Loan Smart, Great Ormond Street Hospital and Cancer Research.			

1. Percentage of staff that scored at least 4 out of 5 in response to the question 'I am satisfied working at Everyday Loans' – sample of 217 responses in November 2017.
2. Percentage of respondents scoring 4 out of 5 or higher in response to the question "I enjoy coming to work" – based on 203 responses in Q4 2017.
3. No survey has yet been conducted since acquiring George Banco in August 2017.

● **Green** Already achieving medium-term target
● **Amber** On-track to achieve medium-term target
● **Red** Not yet on-track to meet medium-term target

A robust approach to risk management

The Group faces a number of potential risks that could have a material impact on its performance and that might cause actual results to differ materially from both expected and historic results.

The table below and overleaf highlights each of the principal risks identified by the Board, what we are doing to manage them, whether the risk has increased, decreased or stayed the same over the past year and where there has been a change, a brief explanation as to why the change has occurred.

For further information on our approach to risk, please see the Risk Committee report on page 64.

Decreased Increased Unchanged

Risk/definition	Mitigation	Change in 2017	Explanation
Conduct			
Inappropriate or sub-standard behaviour by the Group's representatives.	• A strong culture committed to 'doing the right thing' and delivering great outcomes for customers • Extensive training • Close and active monitoring of customer complaints • Balanced incentive programme • Clear policies and procedures, including whistleblowing • Diligent application of 'Three Lines of Defence': – policies, procedures and quality assurance in customer-facing roles; – compliance and conduct assurance; and – internal audit.	Unchanged	During 2017 we appointed new leaders for each of our three business divisions. Each are highly experienced in consumer finance and are passionate about ensuring that we have the right culture and customer focus. In branch-based lending and guarantor loans we have appointed a new Chief Risk Officer with many years' experience in consumer finance and have invested further resources in extending our risk and compliance function. In home credit we have rolled-out handheld technology so that the entire customer application process can be conducted digitally, providing a full audit trail of all stages of the lending process.
Regulation			
All licensed firms are subject to a rigorous licensing process as well as strict ongoing supervision by the FCA. Non-compliance can result in fines or loss of approvals to operate. Key regulatory developments over the past year are summarised on page 28.	• Active engagement with the FCA as well as industry peers • Diligent monitoring/assessment of all regulations both in-house as well as through external advisers • An active regulatory affairs programme identifying and addressing the concerns of key stakeholders • A continuous process of investment, quality assurance and internal audit reviews ensures we meet all of our regulatory obligations	Unchanged	All of the Group's business divisions have now received full authorisation from the FCA. While there appear to be no regulatory concerns regarding branch-based lending or guarantor loans, the FCA is continuing to examine the home credit industry and the regulatory framework is always subject to change.

Risk/definition	Mitigation	Change in 2017	Explanation
Credit			
Any marked increase in the rates of impairments or defaults by the Group's customers could impact the performance of the Group.	• Detailed weekly and monthly management information on historic and expected future credit performance • Continuous process of review and refinement of each business's credit scorecard and lending criteria • Regular credit committee reviews of policies and outcomes		The levels of impairment have either remained broadly flat or reduced in each of our three business divisions in 2017.
Business strategy			
A failure to execute and integrate acquisitions (including technology), or to execute the Group's strategy as planned, may increase the risk of financial loss.	• Detailed due diligence is completed on all acquisitions with advice from specialists on legal, financial and regulatory aspects Detailed review of weekly and monthly management information on operating performance • Careful monitoring of market dynamics, competitor behaviour and performance • Annual review of all aspects of the Group's strategy		New leadership at all three businesses has been followed by strong loan book growth and falling rates of impairment. Everyday Loans represented c.60% of the Group's total loan book in 2017 (before fair value adjustments) and opened 12 new branches in 2017 as planned and on schedule. Loans at Home represented 21% of the Group's total loan book in 2017. While the decision to capitalise on the restructuring of a major competitor incurred £5.3m of additional cost, it also delivered loan book growth of 53%. George Banco was acquired on 17 August 2017 and (together with TrustTwo) represented c.19% of the Group's total loan book in 2017 (before fair value adjustments). It has performed as expected since being acquired. No other acquisitions were made in 2017.
Operational			
Key areas of risk for the Group include: • IT failure • integration of George Banco and TrustTwo onto a single technology platform • fraud • changes in the self-employed status of home credit agents • threats to agent safety • failure to recruit and retain key staff • underperformance by key staff • disaster recovery	• IT policies are in place to mitigate risk including disaster recovery plans • A detailed integration plan has been developed and is now being executed to move George Banco onto the existing Everyday Loans (including TrustTwo) loan management platform • Policies and procedures are in place to identify, investigate and report fraud • Careful monitoring with our advisers of the tax status of home credit agents • Agents receive regular training about personal safety and any incident is carefully monitored to inform policy and procedures • A series of recruitment, retention and incentive programmes are already in place • Members of the NSF management team sit on and attend all board meetings of the operating subsidiaries		Technology integrations can be complex and can take longer than expected. The Government has announced a series of consultations into working practices in the UK including one on employment status. As a result, the employment status of self-employed workers for a number of UK business models may change. While agent-related incidents are rare, we are never complacent and continue to ensure that agents follow procedures to ensure they remain safe. A tight span of control ensures we retain appropriate oversight of all areas of our home credit business. The Group is recruiting the people that it needs to execute its plans and while there is a degree of turnover, it is within the expected levels of tolerance.
Cyber risk			
The Group may suffer data loss or be subject to an unauthorised change that causes a security issue, data or systems abuse, cyber-attack or denial of service to any of the Group's systems.	• The Group has dedicated internal teams, supported by external providers that monitor and assess such risks • Divisional and Group Risk Committees oversee cyber risks including monitoring and crisis management plans in line with industry best practice • Internal audit and external third party review of cyber security status across all businesses		Increased connectivity in the workplace coupled with the increasing importance of data and data analytics in operating and managing consumer finance businesses means that this risk has been identified separately from operational risk. Many recent examples of where such risks have become reality means that the Group now views such risks as being greater than previously.

Principal risks continued

Risk/definition	Mitigation	Change in 2017	Explanation
Liquidity			
The Group may not be able to meet its financial obligations because it: • is unable to borrow to fund lending by its operating businesses • has failed to renew/replace existing debt facilities as they become payable • cannot fund growth and further acquisitions	• The Group's short-term loans to customers provide a natural hedge against medium-term borrowings • The Group successfully refinanced all of its bank facilities in August 2017 and raised additional long-term debt funding from a range of different providers • The new £225m loan facility is for six years and is supplemented by a £35m revolving credit facility • Cash and covenant forecasting is conducted on a monthly basis as part of the regular management reporting exercise		With net debt of c.£197m and total debt facilities of £260m at 31 December 2017, the Group has sufficient headroom on its existing facilities to fund the Group's growth plans in 2018.
Reputational			
Lending money at high rates of interest means that consumer finance can attract a higher level of media and political scrutiny than certain other business sectors. Whilst the Group is committed to meeting all of its regulatory obligations, including the delivery of positive customer outcomes, its reputation may become tarnished by the activities of other businesses or the practices of others. This in turn could have an impact on the Group's operational or financial performance.	• As a PLC listed on the main market of the London Stock Exchange, the Group is highly transparent with full disclosure regarding its business and financial performance • The Group conducts an active regulatory affairs programme to ensure that all stakeholders, not just the providers of capital, have an accurate picture of what the Group is trying to achieve, our ethos, culture and business strategy • Whilst a relatively new company we have embarked upon a Group-wide exercise to ensure that 'what we say is what we do' and that our processes and procedures are consistent with our desired culture, values and behaviours (see Culture and stakeholder management on pages 50 to 53)		We continue to engage actively with all of our key stakeholders, including the FCA, Members of Parliament, debt-related charities, other regulators, journalists, think-tanks, investors and debt-providers. Through this process of engagement we aim to demonstrate that not all consumer finance companies are the same – we explain why we are different and why we believe that NSF stands out from competitors. However, we remain vigilant, always ensuring that our reputation is both nurtured and protected.

Strong performance in the year

Nick Teunon
Chief Financial Officer

Context for results

- The Group acquired George Banco on 17 August 2017; Everyday Loans, including TrustTwo, on 13 April 2016; and Loansathome4u (now Loans at Home) on 4 August 2015.
- The 2016 and 2017 reported results include fair value adjustments, amortisation of acquired intangibles and exceptional items relating to the acquisitions. Normalised results are presented to demonstrate Group performance before these items.

Given the unusual circumstances that prevailed in the home credit market during 2017, we have broken out the temporary additional commission paid to newly signed-up agents during 2017. Normalised figures are before fair value adjustments, the amortisation of acquired intangibles and exceptional items.

Group 2017 full year results

The reported Group results for the year ended 31 December 2017 include a full period of Everyday Loans (including TrustTwo), that was acquired on 13 April 2016, and approximately four and a half months' performance of George Banco that was acquired on 17 August 2017. The prior year reported figure included approximately eight months' performance from Everyday Loans (including TrustTwo).

Financial summary

Year ended 31 December 2017	Normalised before temporary additional commission £'000	Temporary additional commission[1] £'000	2017 Normalised[2] £'000	Fair value adjustments, amortisation of acquired intangibles and exceptional items £'000	2017 Reported £'000
Revenue	**119,756**	**–**	**119,756**	**(11,985)**	**107,771**
Other operating income	1,926	–	1,926	–	1,926
Impairments	(28,795)	–	(28,795)	–	(28,795)
Admin expenses	(66,019)	(3,184)	(69,203)	(7,897)	(77,100)
Operating profit	**26,868**	**(3,184)**	**23,684**	**(19,882)**	**3,802**
Exceptional items	–	–	–	(6,342)	(6,342)
Profit (loss) before interest and tax	**26,868**	**(3,184)**	**23,684**	**(26,224)**	**(2,540)**
Finance cost	(10,481)	–	(10,481)	–	(10,481)
Profit (loss) before tax	**16,387**	**(3,184)**	**13,203**	**(26,224)**	**(13,021)**
Taxation	(2,926)	613	(2,313)	4,999	2,686
Profit (loss) after tax	**13,461**	**(2,571)**	**10,890**	**(21,225)**	**(10,335)**
Earnings (loss) per share[3]	**4.25p**		**3.44p**		**(3.26)p**
Dividend per share	**2.20p**				**2.20p**

1 When a new home credit agent agrees to provide lending and collection services to the Group, we may decide to offer a limited period of additional commission whilst the agent builds up a critical mass of active loan customers.
2 Adjusted to exclude fair value adjustments, amortisation of acquired intangibles and exceptional items.
3 Basic and diluted earnings (loss) per share based on the weighted average number of shares in issue of 316,901,254 (2016: 307,315,588).

Year ended 31 December 2016	Normalised before temporary additional commission £'000	Temporary additional commission[1] £'000	2016 Normalised[2] £'000	Fair value adjustments, amortisation of acquired intangibles and exceptional items £'000	2016 Reported £'000
Revenue	81,099	–	81,099	(8,342)	72,757
Other operating income	450	–	450	–	450
Impairments	(23,651)	–	(23,651)	–	(23,651)
Admin expenses	(42,303)	(1,771)	(44,074)	(10,714)	(54,788)
Operating profit (loss)	15,595	(1,771)	13,824	(19,056)	(5,232)
Exceptional items	–	–	–	(626)	(626)
Profit (loss) before interest and tax	15,595	(1,771)	13,824	(19,682)	(5,858)
Finance cost	(3,484)	–	(3,484)	–	(3,484)
Profit (loss) before tax	12,111	(1,771)	10,340	(19,682)	(9,342)
Taxation	(2,619)	341	(2,278)	3,622	1,344
Profit (loss) after tax	9,492	(1,430)	8,062	(16,060)	(7,998)
Earnings (loss) per share[3]	3.09p		2.62p		(2.60)p
Dividend per share	1.20p				1.20p

Normalised revenue was £119.8m (2016: £81.1m) reflecting just over four months' contribution from George Banco that was acquired on 17 August 2017 and a full period of Everyday Loans (including TrustTwo). Figures for the prior year included just eight months' of Everyday Loans (including TrustTwo).

Normalised operating profit, before temporary additional commission of £3.2m (2016: £1.8m), was up 72% to £26.9m (2016: £15.6m). After deducting these costs, normalised operating profit was up 71% to £23.7m (2016: £13.8m). As a result, the reported operating profit was £3.8m (2016: loss of £5.2m). Exceptional costs of £6.3m (2016: £0.6m) included the write-off of previously capitalised fees incurred in connection with the Group's previous debt raising as well as M&A-related costs. Finance costs increased to £10.5m (2016: £3.5m) due to the increased levels and higher cost of borrowing under the Group's new debt arrangements resulting in a reported loss before tax of £13.0m (2016: loss of £9.3m). A tax credit of £2.7m (2016: £1.3m) meant that the loss after tax was £10.3m (2016: £8.0m) equating to a reported loss per share of 3.26p (2016: loss per share of 2.60p).

A more detailed review of each of the operating businesses is outlined in the divisional overview.

Pro forma normalised divisional results

In order to set out clearly the underlying performance of the Group, the table below provides an analysis of the normalised results for the Group for the 12-month period to 31 December 2017. We have also reproduced the pro forma normalised results for the 12 months to 31 December 2016. The 2016 pro forma results include Everyday Loans and TrustTwo, which were acquired on 13 April 2016, for the 12 months ended 31 December 2016. Neither the 2017 or 2016 pro forma results include any contribution from George Banco prior to its acquisition on 17 August 2017.

Year ended 31 December 2017 Normalised[4]	Branch-based lending £'000	Home credit £'000	Guarantor loans £'000	Central costs £'000	NSF plc normalised £'000
Revenue	**60,937**	**50,741**	**8,078**	**–**	**119,756**
Other operating income	1,926	–	–	–	1,926
Impairments	(11,654)	(15,776)	(1,365)	–	(28,795)
Revenue less impairments	**51,209**	**34,965**	**6,713**	**–**	**92,887**
Admin expenses	(28,555)	(28,679)	(3,965)	(4,820)	(66,019)
Temporary additional commission	–	(3,184)	–	–	(3,184)
Operating profit	**22,654**	**3,102**	**2,748**	**(4,820)**	**23,684**
Finance cost	(7,051)	(1,299)	(2,029)	(102)	(10,481)
Profit before tax	**15,603**	**1,803**	**719**	**(4,922)**	**13,203**
Taxation	(3,146)	88	(130)	875	(2,313)
Profit after tax	**12,457**	**1,891**	**589**	**(4,047)**	**10,890**
Normalised earnings per share					**3.44p**
Dividend per share					**2.20p**

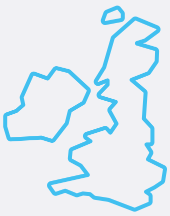
Year ended 31 December 2016 Pro forma normalised[4]	Branch-based lending £'000	Home credit £'000	Guarantor loans £'000	Central costs £'000	NSF plc Pro forma normalised £'000
Revenue	50,088	42,170	2,416	–	94,674
Other operating income	450	–	–	–	450
Impairments	(10,484)	(15,313)	(358)	–	(26,155)
Revenue less impairments	40,054	26,857	2,058	–	68,969
Admin expenses	(20,631)	(23,229)	(1,402)	(3,257)	(48,519)
Temporary additional commission	–	(1,771)	–	–	(1,771)
Operating profit	19,423	1,857	656	(3,257)	18,679
Finance cost	(4,720)	(323)	(316)	(264)	(5,623)
Profit before tax	14,703	1,534	340	(3,521)	13,056
Taxation	(2,941)	(54)	(68)	374	(2,688)
Profit after tax	11,762	1,480	272	(3,147)	10,368
Pro forma normalised earnings per share					3.37p
Dividend per share					1.20p

4 Assuming Everyday Loans (including TrustTwo) was acquired on 1 January 2016 and adjusted to exclude fair value adjustments, amortisation of acquired intangibles and exceptional items.

Branch-based lending

Branch-based lending

UK Market

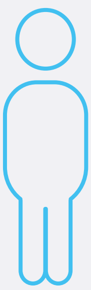


£0.2bn
2016 receivables outstanding[1]

16%
Estimated compound annual growth ('CAGR') 2011-2016[1]

1%
Estimated share of the UK non-standard consumer credit market in 2016[1]

Our customers



£29,200p.a.
Average income

£3,584
Typical loan size

80.7%
Average APR

1 LEK – Executive Insights Volume XVIII, April 2016 and Company estimates.

Everyday Loans is the largest branch-based provider of unsecured loans in the UK's non-standard finance sector. With 53 branches across the UK, the business ended 2017 with over 47,000 active customers, an increase of 19% over the prior year (2016: 39,600) and a total net loan book of £148.5m, up 21% (2016: £122.4m).

Having made some management changes in May 2017, the business responded with newfound pace and ambition under the leadership of Miles Cresswell-Turner, supported by a strengthened senior management team. As well as increasing the expectations of what could be achieved, management also delivered against our key operational objectives for the year, including the opening of 12 new branches and the adoption of a new management structure, the introduction of eSignature and Faster Payments, increasing the volume and quality of leads coming into the network and extending our product range.

Network expansion – our branch opening programme was a key source of growth in 2017, further extending our customer reach as well as increasing our capacity to deliver additional loan book growth. By meeting our customers face-to-face we are able to build a relationship and improve our understanding of their needs, both of which form key elements of our underwriting process. Where a customer is unable to attend one of our branches, we may be comfortable to complete the loan by telephone. However, we have no plans to shift away from using our branch network that has proven its ability to deliver strong revenue growth whilst at the same time maintaining a tight control on impairment.

Operational improvements – the introduction of eSignature and Faster Payments during 2017 helped us improve our service to customers through more timely execution. Having strengthened the senior management team, we also introduced a new structure for the branch network with six new area managers that are responsible for between two and four branches. This has improved knowledge across the network and increased the sharing of best practice, both of which have contributed to increased conversion and lower impairment.

Increased volumes – growth is a function of the number and quality of the leads we receive and our ability to convert those leads into loans. By expanding our capacity with 12 more branches during the year we were able to process more leads from financial brokers, through direct marketing and also from our existing customers. In 2017 we processed over 1 million leads (2016: 860,000) and converted these into 32,668 loans (2016: 26,535), with an improvement in conversion from new borrowers from 1.97% in 2016 to 2.23% in 2017.

New products – other drivers of growth include the introduction of new products and in 2017 loan volumes of our new 'Selfy' loan continued to build on the back of an increased number of applications. The self-employed represent around 15% of the total UK workforce and we plan to grow lending volumes significantly to this large and growing segment of the UK economy. Our new 12-month loan product was launched in August 2017 and provides branches with an opportunity to offer new customers a 'starter loan', that is typically smaller in size and so allows the customer to prove their ability to manage their repayments before moving on to a larger, longer-term loan. The success of this new product contributed to a small reduction in average loan size to £3,584 (2016: £3,842).

Results

Normalised revenue was up 64% to £60.9m (2016: £37.1m) reflecting strong loan book growth as well as the inclusion of Everyday Loans for a full period. Fair value adjustments increased to £11.9m (2016: £7.9m) reflecting a full period of the fair value unwind of the acquired loan portfolio and resulted in reported revenue of £49.1m (2016: £29.2m). Impairments increased to £11.7m (2016: £8.1m) but fell as a percentage of revenue, reflecting our continued focus on quality underwriting and collections.

Administrative expenses increased to 47% of normalised revenue (2016: 40%) reflecting the substantial investment in new branch openings together with the associated costs of recruitment and training. We added 77 new staff during the year taking the total to 307, an increase of 33% versus the prior year. As a result administration costs increased to £28.6m (2016: £14.7m) and the net impact of all of these movements was that normalised operating profit increased by 53% to £22.7m (2016: £14.8m). Exceptional costs of £5.3m (2016: nil) related to the refinancing of the Everyday Loans bank facilities and restructuring costs.

Finance costs increased to £7.1m (2016: £2.7m) reflecting the growth in the loan book as well as the increased average cost of the Group's new debt arrangements that were put in place in August 2017. As a result, normalised profit before tax increased by 29% to £15.6m (2016: £12.1m).

Year ended 31 December 2017	**2017 Normalised[5] £'000**	**Fair value adjustments and exceptional items £'000**	**2017 Reported £'000**
Revenue	**60,937**	**(11,874)**	**49,063**
Other operating income	1,926	–	1,926
Impairments	(11,654)	–	(11,654)
Revenue less impairments	**51,209**	**(11,874)**	**39,335**
Admin expenses	(28,555)	–	(28,555)
Operating profit	**22,654**	**(11,874)**	**10,780**
Exceptional items	–	(5,290)	(5,290)
Profit before interest and tax	**22,654**	**(17,164)**	**5,490**
Finance cost	(7,051)	–	(7,051)
Profit before tax	**15,603**	**(17,164)**	**(1,561)**
Taxation	(3,146)	3,274	128
Profit after tax	**12,457**	**(13,890)**	**(1,433)**

Year ended 31 December 2016	2016 Normalised[5] £'000	Fair value adjustments and exceptional items £'000	2016 Reported £'000
Revenue	37,080	(7,916)	29,164
Other operating income	450	–	450
Impairments	(8,095)	–	(8,095)
Revenue less impairments	29,435	(7,916)	21,519
Admin expenses	(14,671)	–	(14,671)
Operating profit	14,764	(7,916)	6,848
Exceptional items	–	–	–
Profit before interest and tax	14,764	(7,916)	6,848
Finance cost	(2,699)	–	(2,699)
Profit before tax	12,065	(7,916)	4,149
Taxation	(2,540)	1,504	(1,036)
Profit after tax	9,525	(6,412)	3,113

5 Reported figures, adjusted to exclude fair value adjustments.

Key performance indicators

A modest increase in revenue yield to 45.8% (2016: 44.2%) reflected a small shift in business mix together with the flow-through effect of pricing changes from the previous trading period. Impairments at 19.1% of revenue (2016: 21.0%) reflected the quality of our underwriting process as well as our continued focus on delinquency. The net result was that the risk adjusted margin increased to 37.0% (2016: 35.1%). Operating profit margin fell slightly to 37.2% (2016: 38.8%) reflecting the significant investment in new branches during the year, however the return on assets was broadly unchanged at 17.0% (2016: 17.1%).

Year ended 31 December Key Performance Indicators[6]	**2017 Normalised**	2016 Normalised
Number of branches	**53**	41
Period end customer numbers (000)	**47.0**	39.6
Period end loan book (£m)[7]	**148.5**	122.4
Average loan book (£m)[8]	**133.0**	113.4
Revenue yield (%)[9]	**45.8**	44.2
Risk adjusted margin (%)[10]	**37.0**	35.1
Impairments/revenue (%)	**19.1**	21.0
Impairment/average loan book (%)	**8.8**	8.8
Operating profit margin (%)	**37.2**	38.8
Return on asset (%)[11]	**17.0**	17.1

6 Assuming Everyday Loans was acquired on 1 January 2016 and adjusted to exclude fair value adjustments.
7 Excluding fair value adjustments.
8 Excluding fair value adjustments (12 month average).
9 Revenue as a percentage of average loan book excluding fair value adjustments (12 month average).
10 Revenue less impairments as a percentage of average loan book excluding fair value adjustments (12 month average).
11 Operating profit as a percentage of average loan book excluding fair value adjustments (12 month average).

Plans for 2018

We remain focused on driving loan book growth through increased volumes and better conversion, all whilst maintaining a tight control on impairment. This will be underpinned by the following initiatives in 2018:

Branch openings – we are on-track to open a further 12 locations in the first half of 2018 and have already opened new branches in Dudley, King's Heath and Bootle. Ten out of the twelve new branch managers are internal promotions, helping to mitigate operational risk when opening a number of branches in a short space of time. The 37 new staff required were recruited in January 2018 and underwent an intensive training programme before being deployed across the network and ahead of joining their new branches. As previously announced, we expect this expansion to incur an additional £3m of costs in 2018 including the costs of new staff, training and premises.

Active lead management by channel – with over one million leads processed in 2017, we are actively reviewing all acquisition channels in order to ensure we maintain lead quality as well as volume and also manage carefully our customer acquisition costs.

Product development – we remain optimistic about our new Selfy and 12-month products and continue to explore the potential for additional loan products that can be tailored to our customers' circumstances.

Extending our relationship with customers – as well as attracting new customers every month, we also plan to improve our retention of existing customers, especially those that have performed well. With an established relationship in place, such customers tend to be lower risk and so can attract lower APRs, meaning we can improve our pricing for a better customer outcome.

Building on the momentum achieved in 2017, we plan to continue to grow our loan book at 20% or more and fully expect to achieve our target of a 20% return on assets in due course.

Home credit

Home credit market

UK Market

£1.1bn
2016 receivables outstanding[1]

1.7m
Number of originations[1]

>400
Number of licensed firms

1.6m
Number of customers[1]

5%
Estimated share of the UK non-standard consumer credit market in 2016[2]

UK Customers

£17,500p.a.
Average income[1]

£250-£750
Typical loan size[3]

5%
of home credit borrowers have a mortgage

1 FCA: High-Cost Credit Review Technical Annex 1.
2 LEK – Executive Insights Volume XVIII, April 2016 and Company estimates.
3 FCA: Sector Views 2017.

Loans at Home received its full permissions from the FCA in May 2017 and is the third largest home credit business in the UK with over 104,000 customers (2016: 93,600) and a net loan book at 31 December 2017 of £51.2m, an increase of 53% over the prior year (2016: £33.4m).

The announcement of a major restructuring at the market leader in February 2017 prompted a large number of highly experienced agents and staff to approach us, keen to continue working in home credit, but preferring our operating model of a network of self-employed agents rather than employed customer experience managers. Recognising the significant opportunity this presented, we quickly established a rigorous on-boarding process including the development of an individual business plan for each agent which projected their expected weekly performance from their anticipated start date until the end of 2017. Once agreed, we committed to provide them with temporary additional commission to help support them financially as they built up their customer rounds over the coming months.

Having added 229 agents in the first half of 2017, by 31 December 2017 this had increased to 442 and our total number of agents had increased to 1,005, an increase of 28% (2016: 785). To accommodate this expansion we opened 22 new offices and added over 100 staff, at a variety of levels, including 55 new business managers and 23 new area managers, thereby maintaining an effective span of control with six agents per business manager and three business managers per area manager. While this required a sizeable investment in infrastructure and temporary additional commission totalling £5.3m, it also delivered substantial loan book growth and improved the quality of our customer base – at 31 December 2017 the number of quality customers, who had paid 70% or more of their due payments over the previous 13 weeks, had increased to 66,000 or 64% of the total (2016: 53%).

We rolled-out our collections app for agents in February 2017 and our lending app became fully operational during the fourth quarter of 2017. Both have been well-received by agents, removing the need for a paper-based process. They also provide managers with real-time performance data by customer and agent so that any issues can be quickly identified and acted upon. An additional advantage is that we now have a digital audit trail of lending and collecting and can easily perform quality assurance reviews on individual agents and customers.

Results

While 2017 normalised revenue of £50.7m (2016: £42.2m) was the same as reported revenue, in 2016 reported revenue was £0.4m lower than the normalised figure due to the final unwinding of the fair value adjustment made to the carrying value of the loan book at acquisition in 2015.

Capitalising upon the considerable opportunity presented by the restructuring of a major competitor, we invested a total of £5.3m during the year comprising £3.2m in temporary agent commission (2016: £1.8m) and an additional £2.1m of additional staff, training and premises costs (2016: nil). Normalised operating profit before temporary additional commission increased by 75% to £6.3m (2016: £3.6m). The new agents that joined our network received temporary additional commission while they built up their customer numbers and the level of income earned through our normal commission structure. The exceptional number of new agents added in 2017 meant that the total amount of additional commission was considerably higher than had been expected at the start of the year. Normalised operating profit after these costs was £3.1m (2016: £1.9m).

Exceptional costs of £0.5m related to the refinancing of the Loans at Home bank facility. Finance costs increased to £1.3m (2016: £0.3m), reflecting the strong loan book growth as well as the increased cost of funds of the Group's new long-term debt arrangements. Before £3.2m of temporary additional commission (2016: £1.8m), profit before interest and tax increased to £6.3m (2016: £3.6m). After deducting these costs normalised profit before tax was up 20% to £1.8m (2016: £1.5m).

Year ended 31 December 2017	**Normalised before temporary additional commission £'000**	**Temporary additional commission £'000**	**2017 Normalised[12] £'000**	**Fair value adjustments and exceptional items £'000**	**2017 Reported £'000**
Revenue	**50,741**	**–**	**50,741**	**–**	**50,741**
Impairments	(15,776)	–	(15,776)	–	(15,776)
Revenue less impairments	**34,965**	**–**	**34,965**	**–**	**34,965**
Admin expenses	(28,679)	(3,184)	(31,863)	–	(26,545)
Operating profit	**6,286**	**(3,184)**	**3,102**	**–**	**3,102**
Exceptional items	–	–	–	(467)	(467)
Profit before interest and tax	**6,286**	**(3,184)**	**3,102**	**(467)**	**2,635**
Finance cost	(1,299)	–	(1,299)	–	(1,299)
Profit before tax	**4,987**	**(3,184)**	**1,803**	**(467)**	**1,336**
Taxation	(525)	613	88	91	179
Profit after tax	**4,462**	**(2,571)**	**1,891**	**(376)**	**1,515**

Period ended 31 December 2016	Normalised before temporary additional commission £'000	Temporary additional commission £'000	2016 Normalised[12] £'000	Fair value adjustments and exceptional items £'000	2016 Reported £'000
Revenue	42,170	–	42,170	(426)	41,744
Impairments	(15,313)	–	(15,313)	–	(15,313)
Revenue less impairments	26,857	–	26,857	(426)	26,431
Admin expenses	(23,229)	(1,771)	(25,000)	–	(23,229)
Operating profit/(loss)	3,628	(1,771)	1,857	(426)	1,431
Exceptional items	–	–	–	–	–
Profit before interest and tax	3,628	(1,771)	1,857	(426)	1,431
Finance cost	(323)	–	(323)	–	(323)
Profit/(loss) before tax	3,305	(1,771)	1,534	(426)	1,108
Taxation	(395)	341	(54)	81	27
Profit/(loss) after tax	2,910	(1,430)	1,480	(345)	1,135

12 Reported figures, adjusted to exclude fair value adjustments.

Home credit continued

Key performance indicators

The significant growth in our agent network had a knock-on effect on all of our KPIs. The increased number of customers taking out larger, longer-term loans meant that revenue yield reduced slightly to 147%. However, the increased quality of our loan book and strong collections performance of the recently joined agents is reflected in the marked reduction in impairment that fell to 31.1% of revenue (2016: 36.3%), in line with our previous guidance. Operating profit margins of 6.1% (2016: 4.4%) reflect the £5.3m additional investment (£3.2m of temporary additional commission and £2.1m of other expansion related costs) made in 2017. Before these expenses operating margin was 16.6% (2016: 8.6%) and return on asset was 24.4% (2016: 13.1%).

Year ended 31 December Key Performance Indicators[13]	2017 Normalised	2016 Normalised
Period end agent numbers	**1,005**	785
Period end number of offices	**69**	47
Period end customer numbers (000)	**104.1**	93.6
Period end loan book (£m)	**51.2**	33.4
Average loan book (£m)	**34.5**	27.6
Revenue yield (%)	**147.0**	152.8
Risk adjusted margin (%)	**101.3**	97.3
Impairments/revenue (%)	**31.1**	36.3
Impairment/average loan book (%)	**45.7**	55.5
Operating profit margin (%)	**6.1**	4.4
Return on asset (%)	**9.1**	6.7

13 All definitions are as per above.

Plans for 2018

Having invested in our infrastructure and grown our net loan book by 53%, our network of self-employed agents by 28% and our number of staff by 26% in 2017, we now have an excellent platform to deliver further growth in 2018, albeit at a more measured pace than in 2017. With a strong management team in place, we will seek to bed in all of the changes made over the past 12 months and in particular, we will focus on:

Maintaining our focus on delivering great outcomes for our customers – if we fall short on this objective then we will not be able to grow and sustain our business.

Completing the integration of recently joined agents – as each of our new agents reaches their target number of customers so we can then remove the need for temporary additional commission.

Augmenting our handheld technology further – we will continue to develop new applications for agents in the field and additional management information to help increase operational efficiency.

Maintaining a tight span of control – whilst new technology and improved management information might present an opportunity to relax the current spans of control at some point in the future, we plan to maintain these at current levels in 2018 whilst we continue to grow.

Selectively expanding our network – we will look to add more agents and field staff but only on a highly selective basis to ensure that any additions are profitable in 2018.

Continuing to improve the quality of our customer base – whilst we believe that there remains a significant opportunity for loan book growth, we are determined that this will not be at the expense of quality. We will continue to improve our underwriting and collections performance through the further deployment of behavioural scoring as well as through access to third-party datasets as they become available.

Each of these initiatives should help us to continue to drive loan book growth, albeit at a slower pace than in 2017, and we still plan to achieve 20% per annum while maintaining a tight grip on impairment.

Guarantor loans

Guarantor loans market

UK Market

£0.5bn
2016 receivables outstanding[1]

34%
Estimated CAGR 2011-2016[1]

3%
Estimated share of the UK non-standard consumer credit market in 2016[1]

UK Customers

£26,100p.a.
Average income[2]

£3,940
Typical loan size[2]

1 LEK – Executive Insights Volume XVIII, April 2016 and Company estimates.
2 FCA: High-Cost Credit Review Technical Annex 1.

The acquisition of George Banco on 17 August 2017 transformed our guarantor loans business that is now the clear number two in the UK market. Marc Howells, the CEO of George Banco, was appointed Managing Director of the newly named Guarantor Loans Division that now has a clearly defined management structure and in its first few months as a combined business has delivered strong growth in loan book, revenue and profit.

By retaining both the TrustTwo and George Banco brands, we are able to address complementary segments of the market, offering different customer journeys through different channels, but with a common underwriting approach. While TrustTwo is focused on price comparison websites and the direct channel, George Banco specialises in capturing leads from the financial broker community.

We announced our receipt of full authorisation from the FCA for George Banco on 28 September 2017 and completed our 100-day plan for the enlarged business on schedule. Having been held back by funding constraints prior to acquisition, George Banco quickly returned to its previous levels of lending and TrustTwo responded positively to the change of leadership. As a result, the division reached record volumes in November and December 2017 and risk adjusted margin was over 30%.

Despite growing quickly, both brands continue to deliver great outcomes for our customers and score well on customer review websites such as Trustpilot.com and Feefo.com.

Results

The reported results for 2017 include a full period of TrustTwo and four and a half months' of George Banco that was acquired on 17 August 2017. The figures for 2016 comprise TrustTwo only from its acquisition on 13 April 2016 and there were no differences between normalised and reported results in 2016.

As at 31 December 2017, the division had a net loan book of £48.2m (2016: £8.8m). The significant contribution from George Banco meant that normalised revenue increased to £8.1m (2016: £1.8m) and normalised operating profit to £2.7m (2016: £0.5m).

Increased finance costs of £2.0m (2016: £0.2m) reflected both the strong loan book growth in the year as well as the terms of the new debt arrangements that were put in place at the time of the George Banco acquisition. As a result, normalised profit before tax more than doubled to £0.7m (2016: £0.3m).

Exceptional items of £0.2m (2016: nil) comprised stamp duty on the purchase of George Banco and reorganisation costs post-completion with the result that reported profit before tax was up 33% to £0.4m (2016: £0.3m).

Guarantor loans continued

Year ended 31 December	2017 Normalised[14] £'000	2017 Fair value adjustments and exceptional items £'000	2017 Reported £'000	2016 Reported £'000
Revenue	**8,078**	**(111)**	**7,967**	1,849
Impairments	(1,365)	–	(1,365)	(243)
Revenue less cost of sales	**6,713**	**(111)**	**6,602**	1,606
Admin expenses	(3,965)	–	(3,965)	(1,146)
Operating profit	**2,748**	**(111)**	**2,637**	460
Exceptional items	–	(230)	(230)	–
Profit before interest and tax	**2,748**	**(341)**	**2,407**	460
Finance cost	(2,029)	–	(2,029)	(198)
Profit before tax	**719**	**(341)**	**378**	262
Taxation	(130)	65	(65)	(58)
Profit after tax	**589**	**(276)**	**313**	204

14 Reported figures, adjusted to exclude fair value adjustments and exceptional items.

Key performance indicators

All of the KPIs were transformed by the acquisition of George Banco. The 2017 KPIs include George Banco for a full 12 months while the 2016 KPIs only reflect 12 months of TrustTwo emphasising the significant impact of George Banco on the division. In particular, the differential in pricing between George Banco and TrustTwo lifted revenue yield and also drove risk adjusted margin, which was over 30% in 2017. Rates of impairment remained within our target range and while return on asset is below our target of 20%, we remain confident that this can be reached as the business continues to grow strongly.

Year ended 31 December Key Performance Indicators[15]	2017 Normalised	2016 Normalised
Period end customer numbers (000)	**17.4**	3.3
Period end loan book (£m)	**48.2**	8.8
Average loan book (£m)	**40.4**	7.7
Revenue yield (%)	**35.8**	31.9
Risk adjusted margin (%)	**30.3**	26.7
Impairment/revenue (%)	**15.3**	14.8
Impairment/average loan book (%)	**5.5**	4.6
Operating profit margin (%)	**37.3**	27.2
Return on asset (%)	**13.4**	8.5

15 2016 KPIs assume TrustTwo was acquired on 1 January 2016. 2017 KPIs assume George Banco was acquired on 1 January 2017. Revenue for the full year was £14.5m (2016: £2.4m) and operating profit was £5.4m (2016:£0.8m). All definitions are as per above.

Plans for 2018

There are a number of initiatives underway for 2018 including:

Move to a single loan management platform – this significant project is our number one priority in 2018. The project is well underway and we expect it to be completed before the end of the current year. Benefits include improved management information, reduced reliance on third parties and scale economies.

Development of a more tailored customer journey – our objective is to be able to identify the best customer journey for an individual applicant depending upon a range of criteria including size of loan asked for, income, credit score and application channel. We are developing this capability in parallel with our move to a single loan management platform.

Maintain a well-balanced channel mix – whilst keen to capitalise on our strengths in order to drive down customer acquisition costs, we will also continue to diversify our acquisition channels and seek to increase significantly the volume of branch referrals from Everyday Loans as this represents a unique source of high quality traffic for the division.

Common underwriting approach – we are moving to a unified approach, one that will enable more dynamic, risk-based pricing and which should expand our customer reach.

Harmonised collections – where we have been unable to contact or take a payment from a customer for some time, we plan to move such loans into a centralised collections function, one that pools the division's expertise and ensures a consistent approach and to free-up capacity.

We are excited about the prospects for our Guarantor Loans Division and given our strong position in the market we remain confident of being able to meet our target of 20% annual loan book growth and a 20% return on assets.

Central costs

Year ended 31 December 2017	2017 Normalised[16] £'000	Amortisation of acquired intangibles and exceptional items £'000	2017 Reported £'000
Revenue	**–**	**–**	**–**
Admin expenses	(4,820)	(7,897)	(12,717)
Operating loss	**(4,820)**	**(7,897)**	**(12,717)**
Exceptional items	–	(355)	(355)
Loss before interest and tax	**(4,820)**	**(8,252)**	**(13,072)**
Finance cost	(102)	–	(102)
Loss before tax	**(4,922)**	**(8,252)**	**(13,174)**
Taxation	875	1,569	2,444
Loss after tax	**(4,047)**	**(6,683)**	**(10,730)**

16 Adjusted to exclude the amortisation of acquired intangibles related to the acquisition of Loans at Home, Everyday Loans, George Banco and exceptional items.

Period ended 31 December 2016	2016 Normalised[17] £'000	Amortisation of acquired intangibles and exceptional items £'000	2016 Reported £'000
Revenue	–	–	–
Admin expenses	(3,257)	(10,714)	(13,971)
Operating loss	(3,257)	(10,714)	(13,971)
Exceptional items	–	(626)	(626)
Loss before interest and tax	(3,257)	(11,340)	(14,597)
Finance cost	(264)	–	(264)
Loss before tax	(3,521)	(11,340)	(14,861)
Taxation	374	2,037	2,411
Loss after tax	(3,147)	(9,303)	(12,450)

17 Adjusted to exclude the amortisation of acquired intangibles related to the acquisition of Loans at Home and Everyday Loans and exceptional items.

Normalised administrative expenses increased to £4.8m (2016: £3.3m), reflecting growth in the scale of the Group and includes the accrual of bonus payments to Executive Directors (none having been paid in 2016) and a full year of costs relating to certain head office staff who were recruited during 2016. The amortisation of acquired intangible assets fell to £7.9m (2016: £10.7m) reflecting a reduced charge for Loans at Home, a full period of amortisation for Everyday Loans and a small charge relating to George Banco. Finance costs of £0.1m (2016: £0.3m) related to the amortisation of fees capitalised on the prior year fundraising, while the £0.4m exceptional charge comprised acquisition costs together with the write-off of the remaining balance of capitalised fees referred to above. The prior year exceptional charge of £0.6m related to stamp duty paid on the acquisition of Everyday Loans. Stamp duty on the acquisition of George Banco in the current year is included in exceptional costs of Everyday Loans.

IFRS 9

The International Accounting Standard Board's introduction of a new accounting standard covering financial instruments became effective for accounting periods beginning on or after 1 January 2018. This standard replaces IAS 39: Financial Instruments: Recognition and Measurement.

The new standard requires that lenders (i) provide for the Expected Credit Loss ('ECL') from performing assets over the following year and (ii) provide for the ECL over the life of the asset where that asset has seen a significant deterioration in credit risk. As a result, whilst the underlying cash flows from the asset are unchanged, IFRS 9 will have the effect of bringing forward provisions into earlier accounting periods. This will result in a one-off adjustment to receivables, deferred tax and reserves on adoption and will result in delayed recognition of profits.

To assist analysts and investors and in order to provide some illustrative guidance on the potential impact on future reporting periods, set out below is an estimate of the impact on the closing balance sheet for 2017 and the potential impact on the full year income statement in 2017, assuming IFRS 9 had been adopted for the full accounting period ending 31 December 2017.

2017 IFRS 9 income statement	IAS 39 £m	IFRS 9 adjustment £m	IFRS 9 £m
Normalised operating profit[18]			
– Branch-based lending	22.7	(1.3)	21.4
– Home credit	6.3	(4.4)	1.9
– Guarantor loans	2.7	(0.3)	2.4
– Central costs	(4.8)	–	(4.8)
Adjusted normalised operating profit	26.9	(6.0)	20.9

2017 IFRS 9 balance sheet	IAS 39 £m	IFRS 9 adjustment £m	IFRS 9 £m
Receivables[19]			
– Branch–based lending	148.5	(1.7)	146.8
– Home credit	51.2	(10.6)	40.6
– Guarantor loans	48.2	(0.9)	47.3
Total receivables	247.9	(13.2)	234.7
Other	(14.7)	2.5	(12.2)
Net assets	233.2	(10.7)	222.5

18 Adjusted to exclude temporary additional commission, fair value adjustments, the amortisation of acquired intangibles and exceptional items.
19 Adjusted to exclude fair value adjustments.

The adoption of IFRS 9 results in an unaudited reduction in receivables of £13.2m at 31 December 2017, which net of deferred tax, results in an unaudited reduction in net assets of £10.7m. Whilst the particularly strong loan book growth in home credit means that it experiences the largest adjustment to receivables, net assets and earnings, it is important to note that cash flow remains unchanged and IFRS 9 only changes the timing of profits made on a loan.

There will be no change to the Group's underwriting process and our scorecards will be unaffected by the change in accounting. The ultimate profitability of a loan is the same under both IAS 39 and IFRS 9 and the cash flows and capital generation over the life of a loan remain unchanged. The calculation of the Group's debt covenants are unaffected by IFRS 9, as they are based on accounting standards in place at the time they were set.

Principal risks

Save for the addition of cyber risk, the principal risks facing the Group, together with the Group's risk management process in relation to these risks, are unchanged from those reported in the Group's Annual Report for the period ended 31 December 2016 (which is available for download at http://www.nsfgroupplc.com). The principal risks are summarised on pages 36 to 38.

On behalf of the Board of Directors

Nick Teunon
Chief Financial Officer
28 March 2018

A business with strong values

NSF is a relatively young company but has chosen to adopt a cultural approach that is more akin to that of a much larger, long-established business.

Our approach

Our approach to culture and stakeholder management has been forged by the significant experience of the Group's Board of Directors and senior management team. They view such an approach as being essential for long-term success and as being wholly consistent with our strategy to be a leader in each of our chosen markets (see Strategy on pages 29 to 35).

Our business model (see pages 22 to 23) is centred around building a strong relationship with our customers, normally face-to-face, and this forms a key part of our overall lending process. 'Providing a helping, but firm hand' is an ethos that is common across each of our three business divisions and we believe that by sustaining the values and behaviours that support it, we will remain on-course to deliver our goal of 20% annual loan book growth and a return of 20% on assets in each of our operating businesses.

The acquisitions of Everyday Loans (including TrustTwo), Loans at Home and George Banco were each made after extensive legal, financial and operational due diligence, a process that also provided valuable guidance on the cultural values and behaviours that were embedded within each organisation. As a result, the Board was comfortable that all three businesses were guided by similar principles of business ethics.

Identifying and developing our own culture has been conducted in the context of the FCA's own guidance for regulated firms regarding the cultural approach that it expects them to adopt.

We define culture as the 'way we do things around here' and are determined that the actions of our leaders, staff, self-employed agents or anyone authorised to represent one or more of our businesses, reflect our desired values and behaviours.

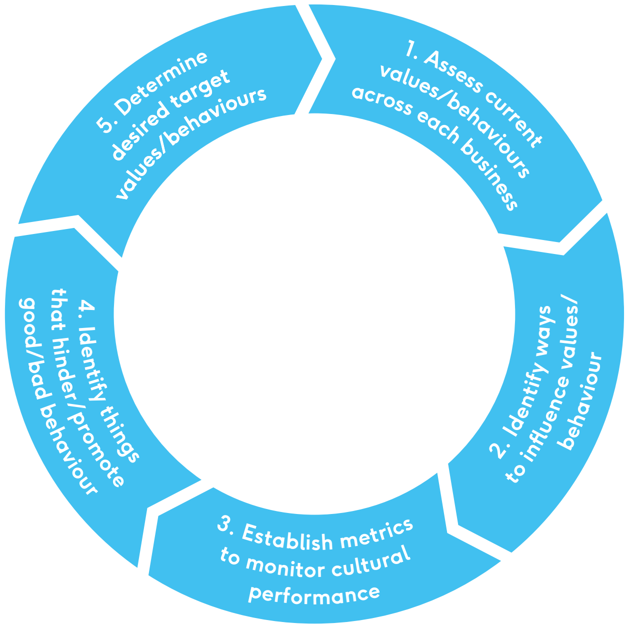
FCA guidance on cultural approach:

- develop strong, clear leadership and controls;
- identify key risks in their strategies, business models and cultures that may prevent the delivery of positive market and consumer outcomes;
- identify appropriate steps to mitigate such risks through appropriate systems and controls, including appropriate ways of using whistleblowing intelligence;
- align strategies, business models, systems and controls with core values that ensure positive outcomes (market and customer);
- ensure employee behaviours fall within a prescribed risk appetite using appropriate incentives;
- develop a culture that supports the long-term interests of the firm, its customers and the long-term integrity of the markets in which the firm operates; and
- demonstrate that the principles of good conduct towards customers and markets are embedded throughout their business and that these are working to deliver such outcomes and market behaviour.

NSF's culture

Before our IPO back in February 2015, we set ourselves a vision of becoming a leading participant in the UK's non-standard finance sector. Over the past three years we have made great progress towards achieving this goal. However, leadership is something that cannot just be attained and then left to drift. It must also be sustained, perhaps over many years, if it is to have any real meaning and, in corporate terms, real value. By fostering the right cultural values and overall business approach we plan to do both. As a business we wholeheartedly subscribe to Peter Drucker's sentiment that "culture eats strategy for breakfast".

Our cultural approach



Having completed an extensive cultural review of each of our three business divisions during 2017, we have identified several common 'cultural values' or 'target behaviours'. Whilst there are some subtle differences between each division, it is clear that as a Group we share a common business approach, founded upon the following key values and behaviours:

- **Doing the right thing:** we recognise our collective responsibility for delivering great outcomes – not just for our customers but also taking into account the impact on other stakeholders. We don't cut corners and always seek the path that is right before the path that is easy.
- **Integrity:** we expect our people to respect colleagues and other key stakeholders and to do what we say we will do.
- **Shared purpose delivered through teamwork:** we have clear strategic and operational goals and expect all of our people to understand and share in that vision. Our businesses are complex, combining many different elements to achieve our overall objectives. By working together we are likely to solve problems more effectively than trying to do things on our own.
- **Clear communication:** we listen carefully to those dealing with customers; we are well-informed and believe it's our duty to speak up when we disagree, or believe something is not right; we celebrate success and don't blame others when something goes wrong, always learning from our mistakes.
- **Entrepreneurial leadership:** we lead by example, using our initiative and not just waiting to be told what to do; knowledgeable and inquisitive, we are prepared to try new things so we can perform better and be the best we can be.

Culture and stakeholder management continued

However, we also recognise that certain aspects of our business represent potential 'hot spots' due to the presence of potentially conflicting objectives. One example is incentives that might be at risk of promoting poor behaviour in order that certain performance targets are met and personal rewards achieved. Managing such conflict is part of the day-to-day activity within each of our business divisions. Whilst we don't profess to get everything right all of the time, the systems and controls we have in place, together with a keen focus on promoting our culture and target behaviours, help to ensure we meet all of our regulatory obligations and remain on course to achieve our long-term strategic and financial objectives.

This approach guides the way in which we address the needs and desires of each of our key stakeholder groups including customers, employees and contractors, regulators, the communities where we work and those who have provided us with the requisite equity and debt funding to succeed.

Customers

Delivering great customer outcomes is an objective that is embodied within all of our policies and procedures, our training programmes, our incentive arrangements and the way we run our business. However, we also recognise that it is 'deeds not words' that count and so we regularly survey our customers to find out how we are performing. We also monitor and take very seriously all complaints we receive in order that we can learn from our mistakes and hopefully improve our service.

Employees and self-employed agents

As a people business, we are determined to continue to invest in our human capital and this lies at the heart of our business strategy. As well as a proper induction process, we also invest in extensive and tailored training modules for all new joiners so that they can make a contribution as soon as they start work. We also invest in training for existing staff and self-employed agents. Online training programmes provide us with a perfect audit trail for each participant, providing analysis on which modules have been completed and the achievement level attained.

Gender mix

The following table sets out the breakdown by gender of the Directors and senior managers of the Company as well as the total number of employees:

	Male	Female	Total
Number of Company Directors	5	1	6
Number of senior managers (excluding Executive Directors), Directors of subsidiary businesses and heads of function	36	12	48
Total number of employees	406	345	751

Gender Pay

As part of this year's Annual Report and Accounts, we are disclosing for the first time our gender pay gap in accordance with the UK Government regulations for gender pay gap reporting. Our overall mean and median gender pay and bonus gap based on a snapshot date of 5 April 2017 (hourly pay) and bonus paid in the 12 months to 5 April 2017 is as follows:

Pay and Bonus – difference between males and females[1]

	Mean	Median
Hourly pay gap	26.6%	12.6%
Bonus pay gap	35.6%	(2.6%)

Proportion of males and females receiving a bonus payment

Male: 71.6%
Female: 66.4%

Why do we have a gap?

The calculation behind the gender pay gap is not the same as equal pay. The underlying reason behind the gap is predominantly due to the structure of our workforce where there is a lower representation of women in senior leadership roles within our business (approximately 78% of men and 23% of women were in senior management roles as at the snapshot date).

As can be seen in the quartile graphs on page 53, the gender mix shifts as we move towards the upper (higher pay) quartiles indicating that our mean gaps are significantly impacted by these imbalances. We recognise that female representation is lower in the upper quartiles and are committed to increasing the number of women in these bands.

We are confident that we do not have any processes or practices where people are being paid differently due to their gender.

The gap in our mean figure relating to bonuses is due to the same reasons that we have an hourly gender pay gap: our senior workforce, which has a different bonus structure from the rest of the workforce, also has a greater proportion of male employees. The equality of our pay structure is reflected in our median pay and median bonus figures which is not distorted by very large or small pay and bonuses – this shows a much smaller gap between males and females.

How are we addressing the gap?

The Office for National Statistics' 2016 numbers[2] put the mean salary gap at 34% for the financial services industry. Whilst we understand our gender profile is typical of many financial services companies across the UK, we are committed to addressing this through a series of actions as follows:

- improving our recruitment targeting to ensure a diverse range of applicants are considered;
- reviewing the structure of our workforce, listening to our employees and improving our policies around diversity;
- actively reviewing decisions around performance, pay and bonuses;
- supporting employees through flexible working and professional development;
- delivering tailored plans to promote gender diversity across the Group; and
- supporting female progression into senior roles.

1 A positive percentage figure indicates that typically female employees have lower pay or bonuses than male employees.
2 http://visual.ons.gov.uk/find-out-the-gender-pay-gap-for-your-job.

As well as providing competitive compensation arrangements for both staff and self-employed agents, we also introduced a Save As You Earn scheme for all Group employees in 2017. This scheme enables staff to buy shares in Non-Standard Finance plc in a tax-efficient way and thereby participate in the future success of the Company.

Regulators

We maintain a regular dialogue with the FCA, both as part of the ongoing supervision process as well as at a more strategic level, through periodic face-to-face meetings and by responding to relevant FCA consultations, policy documents and research. We also continue to keep the FCA fully-informed regarding the Group's broader strategic plans.

Communities and charity

As the vast majority of our business is conducted face-to-face, we recognise the importance of becoming a valued member of the towns and cities where we have a presence. With over 750 staff, 1,000 self-employed agents and over 168,000 customers that we serve through a network of over 120 offices across the UK, we are deeply ingrained within the fabric of a number of local communities. Whilst the introduction of a pro bono scheme to enable our staff to give up some of their time during office hours for good causes was delayed due to other business priorities, the Group did implement a Group-wide charity policy in 2017, formalising a process by which we can provide financial support, not just in local communities but also nationwide. Whilst only in place for part of the year, the Group made total donations totalling £45,262 to a range of charities including National Debtline (run by The Money Advice Trust), Loan Smart, Great Ormond Street Hospital and Cancer Research.

Environment

Whilst we are a relatively small company compared with many others, and given the nature of our business, we do not believe that we have a material impact on the environment. However, we are growing fast and are keen to minimise any impact that our activities might have. Therefore, during 2017 we began to capture and record data on CO2 production from car mileage as well as the volume of water and electricity used during the year across all three business divisions. As such, the table below represents a starting point against which we plan to measure our impact in future years:

	Kg of CO_2 produced	KW hours used	M^3 of water used
2017	53,413	667,253	29,389

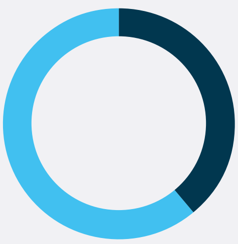
Providers of capital

The Company keeps shareholders, credit funds and lending banks informed of business developments via its Annual Report, full-year and half-year results as well as periodic trading update announcements. All other price sensitive information is publicly disclosed via a regulatory news service. All these items of information are also available on the Company's corporate website, www.nsfgroupplc.com. The website also contains other information about the Group and its business.

Throughout the year, the Group Chief Executive, Chief Financial Officer, and Director of IR and Communications meet with equity and debt investors on request or via organised investor roadshows supported by the Company's advisers, as well as by attending and presenting at industry and investor conferences. The Chairman and other Non-Executive Directors may also meet with investors, as required.

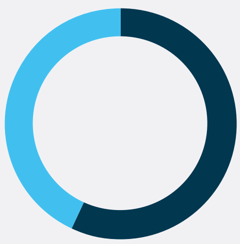
Gender mix by pay quartile (each containing just over 134 employees and quartile 1 being the lowest and quartile 4 being the highest).

Quartile 1



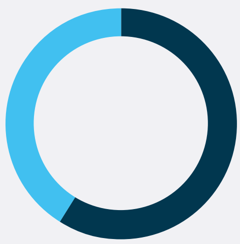
● Male 39%
● Female 61%

Quartile 2



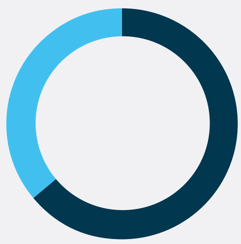
● Male 57%
● Female 43%

Quartile 3



● Male 59%
● Female 41%

Quartile 4



● Male 64%
● Female 36%

Whilst we acknowledge we have a gender pay gap, we're clear on why it exists and are focused on the steps we need to take to close the gap.

Board of Directors


1.


2.


3.


4.


5.


6.

1. John de Blocq van Kuffeler, 69 — Group Chief Executive

Appointed 8 July 2014
Committees None

Profile
John was Chief Executive and then Chairman of Provident Financial plc for a combined total of 22 years until December 2013. He 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.

External appointments
Non-Executive Chairman of Paratus AMC Limited

2. Nick Teunon, 52 — Chief Financial Officer

Appointed 8 August 2014
Committees None

Profile
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, joining from the Press Association, where he was Group Finance & Strategy Director for seven years. 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.

External appointments
None

3. Miles Cresswell-Turner, 55 — Executive Director and CEO of Everyday Loans

Appointed 10 December 2014
Committees None

Profile
Before joining NSF, Miles was a partner in Duke Street LLP where he specialised in the finance sector and 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. Miles was appointed Executive Chairman of Everyday Loans in May 2017 and became Chief Executive of Everyday Loans in September 2017.

External appointments
Levana Education Ltd

4. Niall Booker, 59 — Independent Non-Executive Director

Appointed 9 May 2017
Committees Audit Committee (Chair)
Nomination Committee
Remuneration Committee
Risk Committee

Profile
Niall has spent 35 years in banking providing him with a wide range of experience in both consumer and wholesale products. His previous roles include being Group Managing Director and CEO of HSBC North America where he worked through the issues in HSBC Finance Corporation and in doing so worked closely with US regulators on these and other matters. Most recently he was CEO of the Cooperative Bank from 2013 to December 2016 having been tasked with rebuilding the capital base, stabilising the operational infrastructure and maintaining the franchise after the problems the bank faced in 2013. Niall has been a member of the College Council at Glenalmond College since 2012 and became Chairman of the Council in August 2017.

External appointments
Chairman Glenalmond College Council

5. Charles Gregson, 70 — Non-Executive Chairman

Appointed 10 December 2014
Committees Audit Committee (Chair until May 2017)
Nomination Committee (Chair)
Remuneration Committee (Chair)
Risk Committee

Profile
Charles is a highly experienced executive having previously held a number of senior positions in finance: previously he was Non-Executive Chairman of ICAP plc from 1988 to 2016, when it became Nex Group plc and he became Chairman; Non-Executive 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. 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.

External appointments
Non-Executive Chairman of Nex Group plc
Non-Executive Director, Senior Independent Director and Chair of the Remuneration Committee of Caledonia Investments Plc

6. Professor Heather McGregor CBE, 56 — Independent Non-Executive Director

Appointed 10 December 2014
Committees Audit Committee
Nomination Committee
Remuneration Committee
Risk Committee (Chair)

Profile
Heather is the Executive Dean of Edinburgh Business School, the Graduate School of Business of Heriot-Watt University and is also an independent Non-Executive Director of International Game Technology PLC. She began her early career in financial communications and investor relations before joining ABN Amro as a sell-side analyst. She then spent eight years with the bank, working in London, Hong Kong, Singapore and Tokyo, before joining Taylor Bennett, an executive search firm 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, and is a founding member of the steering committee of the 30% Club, which is working to raise the representation of women at senior levels within the UK's publicly quoted companies. She is also an experienced writer and broadcaster in the national media. In 2017 she was appointed to the Honours Committee for the Economy.

External appointments
Executive Dean of Edinburgh Business School, the graduate school of business of Heriot-Watt University,
Chairwoman of the executive search firm Taylor Bennett and Non-Executive Director of International Game Technology PLC

Governance report
for the year ended 31 December 2017

Dear Shareholder,

Introduction
I am pleased to present our 2017 Corporate Governance report for the Company which incorporates reports from the Chairs of each of the Audit, Nomination, Risk and Remuneration Committees on pages 61 to 82. The Board is committed to applying the highest standards of corporate governance and although the Company does not have a premium listing on the Main Market of the London Stock Exchange, the Board has chosen to seek to comply with the UK Corporate Governance Code ('the Code') where practical throughout the year to 31 December 2017. A copy of the Code is available from the Financial Reporting Council's website: www.frc.org.uk. Where there is non-compliance with the Code, this is included in the Audit Committee report on page 61, the Nomination Committee report on page 63, the Risk Committee report on page 64, and the Directors' remuneration report on page 65. For the Company's shareholders, our primary aim is to deliver significant growth and as a Board we believe that the development of a strong governance framework is key to that achievement.

The Board is responsible for and committed to maintaining and developing such procedures as are required to ensure that good standards of corporate governance operate across all levels of the Group, including each of its operating subsidiaries.

2017 saw the completion of the Group's third major acquisition, one that involved a substantial debt financing exercise. Having broadened the operational base substantially, the Board has extended its governance framework so as to ensure that the Group's values and behaviours are reflected in each of its businesses and that these tie back to the Group's business strategy and management incentives.

Highlights of the financial year
During 2017, we completed the successful acquisition of George Banco, strengthening our position in the fast-growth guarantor loans market. Our home credit business, Loans at Home, also experienced significant growth in the year following a major restructuring at a large competitor. Everyday Loans opened 12 new branches as planned, taking the total to 53 branches as at 31 December 2017.

We continued to engage with our investors through a comprehensive programme of investor relations including one-on-one meetings, conference calls, analyst visits and an investor day held in London in November 2017, during which analysts and investors received an in-depth review from the senior management of all three business divisions. The investor day was well-attended and we received positive and encouraging feedback and will continue to hold investor days in the future.

The Group's funding position was strengthened in August 2017 with the agreement of new funding arrangements, giving the Group clear committed funding of £260m until 2023.

We were delighted to welcome Niall Booker, who joined the Board on 9 May 2017 and was appointed as Chair of the Audit Committee. Niall brings a wealth of experience gained over many years in a number of senior executive positions in financial services firms both in the UK and internationally.

Over the course of the year, we maintained our commitment to continue to develop the Company's corporate governance framework despite there being no requirement to comply with the Code. Having completed an initial Board evaluation in 2016, a wider evaluation was undertaken in 2017 and included the Group Board as well as each of the subsidiary boards, so allowing an evaluation of the effectiveness of the developing Group structure. The results were reviewed and assessed by an independent third-party that made a number of recommendations, drawing upon the themes and actions identified in both the 2016 and 2017 evaluations. Having reviewed the recommendations made, the Board has updated its list of actions aimed at improving the Group's governance structure. During the year, the Board approved and implemented a series of Group-wide policies and has also committed to embedding and then evaluating a governance framework for the Group as a whole during 2018.

Recognising the Company's fast rate of growth and appetite for acquisitions, the Remuneration Committee is focused on ensuring that it has the capability to both retain and incentivise existing management, as well as attract additional and complementary talent that may be required to fulfil the Group's long-term strategic objectives. During the course of 2017, Long-Term Incentives ('LTIs') for key executives in each of the Group's three divisions were approved. To enable Miles Cresswell-Turner to participate in the Everyday Loans LTI and to incorporate some other small changes, we are proposing to adopt a new Directors' Remuneration Policy, details of which are set out in the Directors' remuneration report on pages 65 to 82 and which will be put to shareholders for approval at the 2018 AGM.

As well as investing in the development and implementation of appropriate and suitably testing executive remuneration schemes, we also approved and launched a 'Save As You Earn' ('SAYE') share scheme for all eligible employees across the Group. Having even a small stake in the ultimate parent of the firm where they work ensures that participating employees are able to benefit directly from any future success and are more likely to be engaged and focused on contributing to that future success. To reduce the impact of dilution for existing shareholders, the Board initiated a limited share buy-back programme during 2017 in order to satisfy any future obligations under the Group's SAYE and long-term incentive share plans. As at 22 March 2018, the Group had repurchased a total of 3,401,089 shares that are held in treasury.

In 2018 we plan to improve our governance principles and processes further by continuing to embed our governance frameworks and corporate policies and by monitoring our progress through the evaluation process outlined above. The deployment of a Group-wide risk management system during 2018 will also help to ensure consistency and transparency of the active risk management activity taking place across the Group. The Board will continue to ensure that governance processes are documented and implemented and, where appropriate, improved.

Charles Gregson
Non-Executive Chairman
28 March 2018

The Board

Statement of compliance with the Code

During the financial year ended 31 December 2017, the Company has not complied with all of the provisions of the Code.

Following the appointment of Niall Booker to the Board as an independent Non-Executive Director, the Board now has two independent Non-Executive Directors and therefore meets the requirements of B1.2, B2.1 and C3.1. The Company did not meet requirement D.2.1 of the Code as the Chairman is also the Chair of the Remuneration Committee. However, the Board considered this provision to not be appropriate due to the size and nature of the Company.

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.

Board operation

The Chairman and the Group Chief Executive roles are fulfilled by separate individuals and their roles are set out in writing and agreed by the Board. The Chairman, Charles Gregson, is responsible for the leadership of the Board and the day-to-day executive responsibility is undertaken by John van Kuffeler, the Group Chief Executive, assisted by the Group's Board of Directors.

The Board is responsible for the long-term success of the Company in relation to its strategy, operations and values and for establishing a sustainable capital structure for the Group alongside a strong corporate governance structure and practices that support an effective decision-making process.

The Board sets annual objectives as well as the overall strategic direction of the Company. These objectives are reviewed regularly at Board meetings and are implemented through the approval and regular assessment of the Company's strategy and business plan. At each Board meeting the Board discusses the financial, operational, strategic and governance issues that affect the Group.

Board composition and structure

The Board comprised five Directors through the year until 9 May 2017 when Niall Booker was appointed to the Board. For the rest of the financial year, the Board comprised six Directors, all of whom have served throughout the financial year, including:

- Non-Executive Chairman
- Group Chief Executive
- Two Executive Directors
- Two independent Non-Executive Directors

Independence

In accordance with section B.1.1 of the Code, the Board determines Heather McGregor and Niall Booker to be independent Non-Executive Directors. The Board's assessment is based on the fact that Heather McGregor and Niall Booker receive no additional benefits from the Group, have not previously held an executive role within the Group and have 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 or Niall Booker's independent judgement and character.

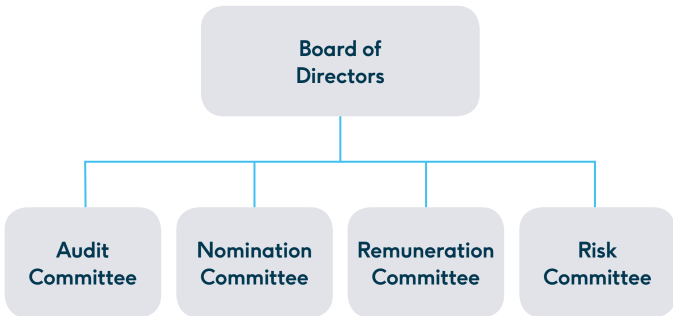
The Board does not consider Charles Gregson to be independent as he is a holder of Founder Shares. More details on the Founder Shares are set out in the Directors' remuneration report on pages 65 to 82. The Board determines that Charles Gregson would be an independent Non-Executive Director in the event that he did not hold Founder Shares.

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. The Directors have a wide range of backgrounds and extensive knowledge of a variety of relevant sectors:

- Accountancy
- Banking/lending/finance
- Home credit
- Insurance
- Law
- Media
- Private equity
- Equity research
- Executive search
- Education

Specific key decisions have been reserved for the Board and these are outlined in the Board's terms of reference, a copy of which is available on the Group's corporate website: www.nsfgroupplc.com. However, certain responsibilities have been delegated to the Board's four committees so to assist the effective operation of the Board and to ensure the right level of attention and consideration is given to all relevant matters.

The Company has four different committees as outlined below:



The composition and role of each committee is detailed in their respective reports that follow. The Audit Committee report is on page 61, the Nomination Committee report is on page 63, the Risk Committee report is on page 64, and the Directors' remuneration report is on page 65. The terms of reference for each committee can be observed at the Company's registered office address and also on the Company's website: www.nsfgroupplc.com.

Governance report continued

Internal control and risk management systems
The Board is responsible for the overall system of internal controls and risk management for the Group and for reviewing their effectiveness on an annual basis. The Company's internal controls are designed to manage rather than eliminate the risk of failure in pursuit of the Group's overall business objectives. The risk management framework is embedded within our management and governance processes and can be adjusted, if and when required, in response to a material change in circumstances.

The Board discharges or intends to discharge its duties in this area through:

- the review of financial performance including budgets, KPIs, forecasts and debt covenants on a monthly basis;
- the receipt of regular reports which provide an assessment of key risks and controls and how effectively they are working;
- scheduling annual Board reviews of strategy including reviews of the material risks and uncertainties facing the business;
- the receipt of reports from senior management on the risk and control culture within the Group;
- the presence of a clear organisational structure with defined hierarchy and clear delegation of authority; and
- ensuring there are documented policies and procedures in place.

Through the Risk Committee, the Board reviews the risk management framework, the key risks facing the business and how they have changed since the previous review (see pages 36 to 38). The Finance Department is responsible for preparing the Group financial statements 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 a system of internal controls and risk management is in place which enables the Company to identify, evaluate and manage key risks.

Directors
Each of the Directors is committed to their respective roles and has sufficient time to fulfil their duties and obligations to the Company. The Non-Executive Directors' other significant commitments were disclosed to the Board before their appointment.

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

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. Their responsibility also includes the development and direction of the Group's culture, recognising that a healthy corporate culture can both generate and sustain long-term shareholder value. Executive Directors provide specialist knowledge and experience to the Board and 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 put forward by the Executive Directors on strategy and other matters affecting the Group's operational and financial performance. They provide an external focus to the Board's discussions and continually review the performance of the Executive Directors and the wider senior management team.

The Board has adopted a procedure for the appointment of new Directors by appointing a Nomination Committee to lead the process of appointment and to make recommendations to the Board. Non-Executive Directors have 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 two independent Non-Executive Directors. The Non-Executive Directors are available to shareholders if they have any concerns, which contact through the normal channels of Chairman or the Executive Directors has failed to resolve or for which such contact is inappropriate. The appointment of a Senior Independent Director was reviewed as part of the 2017 Board evaluation and will continue to be considered annually. Should the Board find it necessary an appointment will be made.

Company Secretary
The role of Company Secretary is fulfilled by Sarah Day, who was appointed by the Board to the role on 27 November 2017 (prior to this date Nick Teunon performed the role of Group Chief Financial Officer and Company Secretary). With many years' experience in consumer finance and having held a similar position at the consumer credit division of a major competitor, she ensures that all Directors have full and timely access to all relevant information to ensure that the Board is able to make informed decisions. She is responsible for ensuring that correct Board procedures are followed and for advising on governance matters and ensuring that there is a good flow of information 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.

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 and the Company is determined to attract outstanding candidates with diverse backgrounds, skills, ideas and culture.

In last year's report we indicated our plans to participate in The Future Boards Scheme, an initiative launched by The 30% Club UK, the UK Government and Board Apprentice, giving senior women a unique opportunity to get board experience to progress their careers to the next level. The Group believes the scheme has the potential to grow the talent pipeline of women executives significantly by giving women 12 months' experience on one of the Group's subsidiary boards. Following consideration and selection of an internal candidate, the Group will participate in the scheme in 2018.

Election and re-election of Directors

In accordance with the Company's Articles of Association and the Code, the Directors are required to submit themselves for re-election annually at the Annual General Meeting. Each Director will offer themselves for re-election at the next Annual General Meeting taking place at 11.00am on 14 May 2018.

Induction and professional development

The Company has a policy in place to ensure that all new Board appointments receive a full, formal induction tailored to the needs and experience of the new Director. They are also provided with opportunities to meet major shareholders.

Following the appointment of Niall Booker during 2017, he took part in a formal induction programme, including visits to subsidiary Boards as well as first-hand experience of subsidiary operational activities.

Adhering to the requirements of the Code, during 2017 the Chairman reviewed and agreed with each Director their training and development needs, taking into account their individual qualifications and experience. The Board Evaluation exercise carried out towards the end of 2017 also gathered information from Directors to help facilitate the planning of ongoing training and development needs for 2018. 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 fully informed of developments affecting the Company and each of its operating subsidiaries.

Independent advice

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

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 of the Group and setting core values and standards;
- determining the strategic direction of the Group, including the approval of the Group's strategic aims and objectives;
- approval of the annual operating and capital expenditure budgets and any material changes to them;
- oversight of the Group's operations;
- reviewing the Group's 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 Group's 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 its responsibilities towards all stakeholders;
- approval of the Group's risk management and control framework and the appointment/reappointment of the Group's external auditor (following recommendations from the Audit Committee);
- approval of internal regulations and policies;
- the Group's finance, banking and capital structure arrangements;
- the Company's dividend policy; and
- shareholder circulars, convening of meetings and stock exchange announcements.

In addition, the Board has adopted formal authorisation limits which set out the levels of authority for the Executive Directors and employees below Board level to follow when managing the Group's business on a daily basis.

Activities covered during 2017

During 2017 the Board had 11 scheduled meetings to review current trading and operational performance of the business as well as to consider the following items of business:

Month	Business matters discussed
January	• Changes to divisional management structures • Divisional debt sale
February	• Capital structure review • Review of achievement of strategic objectives
March	• Review and approval of the 2016 Annual Accounts • Review and approval of the 2016 Group results announcement • Approval of the divisional incentive schemes • Approval of final dividend to be proposed at the 2017 AGM • Consideration of potential acquisitions
April	• Consideration of potential acquisitions
May	• AGM • Directors' strategy day(s) • Change to divisional CEO • Review of funding • Change of joint stockbroker • Appointment of additional Non-Executive Director
June	• Refinancing discussions • Review of strategic decisions
July	• Approval to grant share options under the NSF SAYE • Approval of acquisition of George Banco Ltd and new financing arrangements • Review and approval of the 2017 half-year results and announcement
August	• Approval of interim dividend
September	• Approval of entry into a share repurchase agreement • Approval of subsidiaries' reorganisation • Approval to grant options to eligible individuals under long-term incentive arrangements
October	• Approval to carry out a Board evaluation across the Group • Review and approval of Chairman's remuneration • Approval of share buy-back scheme • Approval to grant share options under the NSF SAYE
November	• Capital Markets Day materials and announcement • Resignation of former and appointment of replacement Company Secretary
December	• Board evaluation report • Review of 2018 budget proposals • Themes and messages for the 2017 Annual Report

Governance report continued

Matters to be covered in 2018

- Review of the long-term vision and strategic direction of the Group
- Review of the financial performance of the Group
- Analysing the Group structure and management performance
- Group projections
- Review of the Group's debt funding arrangements
- Potential acquisitions
- Undertaking an annual review of the Group strategy
- Approval of the Groups' half-year and full-year results.
- Evaluation of governance framework
- Overview of Business Continuity activity within the Group
- Review of the Group's corporate culture

Board and committee meetings

All Directors are required to attend Board meetings as well as committee meetings for which they hold membership alongside an additional two-day, off-site strategy meeting to review and agree the Group's three-year business and financial strategy.

The strategy meeting in 2017 was attended by the Directors (although Nick Teunon was unable to attend) and senior management (where appropriate). The agenda for the strategy day included:

- a facilitated discussion of the Group's future financial and funding strategy;
- a presentation and consideration of the business strategy of each of the Group's three divisions;
- review and discussion of the non-standard finance consumer market in which the Group operates;
- the macroeconomic outlook for the UK and possible impact on the Group's businesses; and
- a presentation on the investor relations, public affairs and communications plans for the Group.

All Directors receive Board papers and minutes for all the meetings, which are circulated approximately one week in advance of scheduled meetings. All Directors have access to the Company Secretary and independent professional advice at the Company's expense, as and when required. A table reflecting the Directors' attendance at Board meetings is shown below.

Conflicts of interests

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, or may be 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.

Relations with shareholders

The Company keeps shareholders informed of all material business developments via its public disclosures including its Annual Report, its half-yearly financial statements and periodic trading update announcements. In addition, other price-sensitive information is disclosed via a regulatory news service. All these items are available from the Company's corporate website: www.nsfgroupplc.com. The website also contains other information about the Group and its business.

The Group Chief Executive and Chief Financial Officer ensure that the views of shareholders are communicated to the Board and that the Company's governance and strategy are discussed with major shareholders. The Board aims to foster close relations with its investors and sell-side analysts through a regular and comprehensive programme of investor relations activity.

Throughout the year, the Chairman, Group Chief Executive, Chief Financial Officer and Director of Investor Relations and Communications meet with shareholders on request or via organised investor roadshows supported by the Group's brokers, as well as by attending and presenting at industry and investor conferences. During 2017 there were over 80 such meetings.

Annual General Meeting

Shareholders are invited to attend the Company's Annual General Meeting ('AGM'), where Board members and the Board's advisers are available to answer any shareholder questions. The 2018 Annual General Meeting of the Company is to be held at the offices of The Maitland Consultancy, 13 King's Boulevard, London, N1C 4BU at 11.00 am on 14 May 2018. The Notice of Meeting, contained in a separate letter from the Chairman, includes a commentary on the business to be transacted at the Annual General Meeting.

Sarah Day
Company Secretary
28 March 2018

Meetings and attendance

Director	Attendance and total number of meetings to which the Director was entitled to attend	Explanation
John van Kuffeler	12/12	
Nick Teunon	11/12	Nick Teunon was unable to attend one Board meeting due to a diary conflict
Miles Cresswell-Turner	12/12	
Charles Gregson	12/12	
Heather McGregor	12/12	
Niall Booker (appointed 9 May 2017)	4/7	Meetings were scheduled prior to the appointment of Niall Booker who was unable to attend certain meetings due to diary conflicts

Audit Committee report
for the year ended 31 December 2017

Membership
Following the appointment of Niall Booker as a Non-Executive Director in May 2017, he was appointed as Chair of the Audit Committee. The Audit Committee (the 'Committee') now comprises three Non-Executive Directors, two of whom are independent. The provisions of the Code (C3.1) require that the Audit Committee for smaller companies comprises two independent Non-Executive Directors. Prior to the appointment of Niall Booker, the Company did not meet the requirements of the Code in this regard.

The names of the Directors and their biographical details are set out on pages 54 to 55.

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 that are also available on the Group's corporate website: www.nsfgroupplc.com. The primary functions of the Committee include:

- monitoring the integrity of the financial statements, including the annual and half-yearly reports of the Group and any other formal announcements relating to the Company's financial performance and reviewing significant financial reporting judgements contained in them before these are submitted to the Board for final approval;
- making recommendations to the Board concerning any proposed, new or amendment to an existing accounting policy;
- advising the Board on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable;
- meeting with the external auditor at the reporting stage to discuss the audit, including any problems and/or reservations arising from the audit and any matters that the auditor may wish to discuss (in the absence of NSF management, where appropriate);
- reviewing the adequacy and effectiveness of the Company's internal audit review function and internal financial controls;
- ensuring appropriate co-ordination between the internal audit function and the external auditor;
- 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, reappointment and removal of the Company's external auditor, providing recommendations on their remuneration and approving the terms of engagement of the external auditor;
- overseeing the relationship with the external auditor and assessing the external auditor's independence and objectivity and the effectiveness of the audit process; and
- developing and implementing policy on the engagement of the external auditor to supply non-audit services.

Meetings and attendance
The Committee met on eight occasions during the year.

	Attendance and total number of meetings that the Director was entitled to attend
Charles Gregson (Chairman until 9 May 2017)	8/8
Heather McGregor	7/8
Niall Booker (appointed 9 May 2017 when he became Chairman)	4/4

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

Committee meetings are attended by both the Chief Financial Officer and the 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.

Significant issues and areas of judgement considered by the Committee
Throughout 2017 the Committee determined that the following areas of the financial statements were of significant interest.

1. Impairment of goodwill
Management performed a goodwill impairment assessment as at 30 June 2017 and 31 December 2017 by determining the recoverable amount, based on a fair value less costs-to-sell of each of the cash generating units, and comparing these to the respective net asset values and carrying values of goodwill. The Committee challenged the appropriateness of management's key assumptions and was satisfied with the conclusion that no impairment of goodwill was required. Further detail in respect of management judgements and estimates, along with the respective sensitivity of the headroom to those judgements and estimates is set out in notes 2 and 13 to the financial statements.

2. Impairment of customer receivables
The assessment of provisions for impairment losses against customer receivables requires management to make significant judgements. The Committee regularly challenges the appropriateness of management's judgements and assumptions underlying the impairment provision calculations and concluded that the provisions held against the loan book are reasonable. Further detail in respect of the assumptions is set out in note 2 to the financial statements.

3. IFRS 9
During the course of the year, the Committee has reviewed and challenged the appropriateness of key assumptions made by management with regard to the interpretation and implementation of a new accounting standard, IFRS 9. The Committee was satisfied that the requirements of IFRS 9 have been appropriately implemented and that the transitional impact on the financial statements has been correctly outlined in note 1 to the financial statements.

4. Refinancing of the Group's existing bank facilities
To finance the acquisition of George Banco as well as to provide additional funding to support future growth, NSF announced that it had secured a new £175m term loan facility (the 'Term Loan'), provided by a group of institutional investors, led by Alcentra Limited. The new six-year loan bears an interest rate of LIBOR plus 725 basis points per year with interest payable every six months. The same investors also agreed to provide an additional committed facility of up to £50m under the same terms as the Term Loan. In addition, the Group also secured a new £35m revolving credit facility provided by Royal Bank of Scotland at an interest rate of LIBOR plus 350 basis points per year. The Committee challenged management on the new arrangements and received advice from Lazard & Co. Limited regarding their suitability for the Group.

5. Acquisition accounting and intangibles
On 17 August 2017, Everyday Loans Limited completed the acquisition of George Banco. IFRS 3 Business Combinations 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 Committee challenged management's identification and valuation of assets on acquisition and found the methodology used to be appropriate. Further detail in respect of management judgements and assumptions is set out in notes 2, 13, 14 and 24 to the financial statements.

Audit Committee report continued

6. Review of the half-year results:
- Review of impairment of goodwill, intangibles and customer receivables valuation;
- Review of acquisition accounting;
- Review of half-year results;
- Review and approval of the going concern paper which confirmed it was appropriate to prepare the half-year results for the six months ended 30 June 2017 on a going concern basis;
- Review of the report on the interim review from the external auditor;
- Review of the half-year results announcement; and
- Discussion with the external auditor without any Executive Director or employee being present.

7. Review of the Annual Report and financial statements:
- Review of impairment of goodwill, intangibles and customer receivables valuation carried out by management;
- Review of the calculation of goodwill and intangibles assets on the acquisition of the Everyday Loans Group;
- Review and approval of the going concern paper which confirmed it was appropriate to prepare the Annual Report and financial statements for the year ended 31 December 2016 on a going concern basis;
- Review of full-year results and the form and content of the draft Annual Report and financial statements;
- Discussion with the external auditor without any Executive Director or employee being present;
- Review of the preliminary results for the year ended 31 December 2016; and
- Review of the statement on internal controls.

8. Internal audit function
The internal audit function, which is provided by a third-party, regularly reports on internal audit activities to the Committee. A review of the internal audit activity is approved by the Committee. The internal audit activities encompass all divisions within the Group and therefore provide a consistent and balanced overview of the Group to the Committee. The Committee met with management separately to give management the opportunity to raise issues with the internal audit function directly to the Committee.

9. Non-financial audit fees paid to the external auditor for the year
A review of the non-financial audit fees is undertaken by the Committee and an analysis of the non-audit fees paid to the external auditor for the provision of non-audit services is provided on page 104 of the Annual Report.

These issues were discussed with management and the external auditor to ensure that the required level of disclosure is provided and that the appropriate level of rigour has been applied where any judgement may be exercised.

External audit
The Company's auditor is Deloitte LLP, who have been in office since 22 October 2014.

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

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 104.

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.

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 current 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 2017 the level of non-audit fees amounted to £192,000 (2016: £44,000). The non-audit work carried out during the year related to due diligence (2016: tax and VAT). The fees paid to the external auditor are set out in note 4 on page 104. The fees for non-audit work carried out by the auditor in 2017 represents 42% (2016: 13%) of audit fees.

During 2017 the Company had a formal non-audit work policy in place. In line with the non-audit policy, the Committee has challenged the appointment of the external auditor for non-audit work during the period and expects it to demonstrate clearly its independence on an ongoing basis through its work and at Committee meetings.

Internal audit
The Committee appointed KPMG, one of the UK's leading accounting firms as Internal Auditor to the Group during 2016. The Internal Auditor reports directly to the Risk Committee which ensures the independence and effectiveness of the Internal Auditor.

The Internal Auditor provides regular reports to the Audit Committee as well as the Risk Committee and to the Board as a whole.

Niall Booker
Chairman of the Audit Committee
28 March 2018

Nomination Committee report
for the year ended 31 December 2017

The principal purpose of the Nomination Committee (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. This report gives more detailed information on how the Committee performed its duties.

Membership
The provisions of the Code require that the Nomination Committee comprises of independent Non-Executive Directors only. Following his appointment as a Non-Executive Director on 9 May 2017, Niall Booker became a member of the Nomination Committee from that date. As only two Directors are considered to be independent, the Company did not meet the requirements of the Code in this regard. However, 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 in its current form.

Meetings and attendance

Director	Attendance and total number of meetings that the Director was entitled to attend	Explanation
Charles Gregson (Chairman)	2/2	
Heather McGregor	2/2	
Niall Booker (appointed 9 May 2017)	0/1	Meetings were scheduled prior to the appointment of Niall Booker who was unable to attend one meeting due to diary conflict

The Chief Financial Officer and Company Secretary attended all Nomination Committee meetings.

The biographies of the members are set out on page 55.

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 who are assessed as having such skills and/or experience, as well as sufficient time to devote to their responsibilities to fill Board vacancies and making appropriate recommendations to the Board for the appointment of Directors;
- reviewing the structure, size and composition of the Board and making recommendations to the Board with regard to any proposed changes;
- reviewing and considering the performance and effectiveness of the Committee through the results of the Board evaluation process; and
- considering and formulating succession planning for Directors and senior executives.

Principal activities of the Committee during 2017:
- Reviewing the composition of the Board and the balance of Executive and Non-Executive Directors; and
- Reviewing the succession plans for the Board and the senior management within the Group.

Diversity
The Company and each of its operating companies seek to engage, train and promote employees on the basis of their capabilities, qualifications and experience. Discrimination or pressure to discriminate by any of the Group's employees, contractors or customers in respect of age, sex, sexual orientation, race, ethnic origin, marital status or civil partnership, nationality, disabilities, political or religious beliefs is strictly forbidden. The Group seeks to pursue diversity, including gender diversity, throughout the business, and while 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 and 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 its overall effectiveness.

Board induction
All Directors are required to undertake a formal and rigorous induction to the Group upon joining the Board. Niall Booker joined the Board as a Non-Executive Director on 9 May 2017 and underwent a thorough induction process following his appointment, including visits to subsidiary Boards as well as first-hand experience of subsidiary operational activities.

Board evaluation
During the year the Board completed an evaluation process of its effectiveness. The results of the evaluation were reviewed by the Committee and the list of planned actions has been updated and will be actioned over the coming year.

Areas of focus in 2018
The main area of focus for the Committee in 2018 is to conduct a further review of succession plans and review the Board's training programme.

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

Charles Gregson
Chairman of the Nomination Committee
28 March 2018

Risk Committee report
for the year ended 31 December 2017

The principal purpose of the Risk Committee (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 consists of the Non-Executive Directors of the Company. Following his appointment as a Non-Executive Director on 9 May 2017, Niall Booker became a member of the Risk Committee from that date. Both the Chief Financial Officer and Company Secretary attended all Committee meetings. Other relevant parties are also invited to attend Committee meetings, as appropriate.

The Directors' attendance at the meetings during 2017 is recorded in the table below:

Director	Attendance and total number of meetings that the Director was entitled to attend	Explanation
Heather McGregor (Chairman)	5/5	
Charles Gregson	5/5	
Niall Booker (joined 9 May 2017)	0/2	Meetings were scheduled prior to the appointment of Niall Booker who was unable to attend two meetings due to diary conflicts

Cross-membership between each of the Board's committees ensures that all material risks and related issues are appropriately identified, communicated and taken into account in the decisions of each committee and that of the Board. The Committee met five times during the year. In addition, the Committee Chair attended meetings with both the Executive Directors and management at Everyday Loans and Loans at Home.

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 material risks and the Company's overall risk management framework. The Committee takes account of the current and prospective macroeconomic, financial and regulatory 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; and
- working closely with the Audit Committee in order to review the effectiveness of the Company's risk management and internal control systems.

Principal activities of the Committee during 2017
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. These are set out on pages 36 to 38.

A key theme for the Committee has been to ensure that appropriate risk management strategies are monitored and implemented effectively. The Committee worked on the development of the Company's risk management capabilities by creating an effective enterprise risk management framework and by undertaking regular and detailed analysis of the key risks faced by the business.

During the year to 31 December 2017 the Committee focused on the following matters:

- a detailed review of the lending and collections process was carried out by the Internal Auditor with the findings reported to the Committee;
- a review of liquidity and credit risk;
- the identification of Group risks with action plans put in place to mitigate such risks;
- a review of the risk appetite status across the Group; and
- a review of cyber security across the Group.

Viability statement
In accordance with the 2014 FRC Corporate Governance Code, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due for the next three years. The Directors' assessment has been made with reference to the Group's current position, strategy, as laid out in the Strategic Report (see pages 6 to 53) and the Group's principal risks and uncertainties and how these are managed (see pages 36 to 38). 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 its longer-term lending ambitions.

The Group's strategy and principal risks underpin the Group's three-year plan and scenario testing, which the Directors review at least biannually. The review of the three-year plan is strengthened by regular updates from the divisional management teams.

The three-year plan is built on a divisional basis using a bottom-up approach. The plan makes certain assumptions about future economic conditions, the regulatory environment, divisional performance and growth and the ability to refinance existing debt facilities as they fall due. This plan is then stress-tested considering downside scenarios. These scenarios consider financial and regulatory downsides. The financial downside scenario uses the 2008/09 financial crisis as its basis and therefore reflects a number of principal risks of the business. The regulatory downside scenario is based on fundamental changes in the business model as a result of regulatory change.

Following the assessment, the Directors also considered it appropriate to prepare the financial statements on the going concern basis, as set out on page 85.

Areas of focus in 2018
The Committee intends to continue to improve and embed the Company's risk management framework during 2018. Key tasks include:

- further review and enhancement of the Group risk management framework;
- review of liquidity and credit risks; and
- further development of the Group's risk register.

Heather McGregor
Chairman of the Risk Committee
28 March 2018

Directors' remuneration report
for the year ended 31 December 2017

The disclosures in this report have been prepared in compliance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) 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

Part B: Our remuneration at a glance

Part C: Directors' Remuneration Policy
1. Executive Director Remuneration Policy
2. Illustrations of application of Remuneration Policy
3. Approach to recruitment and promotions
4. Executive Director service contracts and payment for loss of office
5. Consideration of employee remuneration and shareholders
6. Non-Executive Director Remuneration Policy and letters of appointment

Part D: Annual Report on Remuneration
1. Single figure remuneration table: Executive Directors
2. Implementation of Remuneration Policy for the Executive Directors for 2018
3. Consideration by the Committee of matters relating to Directors' remuneration for 2017 and 2018
4. Group Chief Executive and employee pay
5. Single figure remuneration table: Non-Executive Directors
6. Directors' shareholding and share interests
7. Shareholder voting

Part A: Annual Statement

Dear Shareholder
I am pleased to present to you our Directors' Remuneration Report for Non-Standard Finance plc ('NSF'). The Group has delivered strong loan book growth in each of its three businesses whilst maintaining a tight control on impairment.

In May 2017, Miles Cresswell-Turner took on the role of acting Chief Executive of the Everyday Loans Group ('ELG') following the departure of Danny Malone. Some of Mr Cresswell-Turner's responsibilities as Chief Operating Officer and head of M&A were transferred to the Chief Executive and Chief Financial Officer in order to allow him to focus on ELG while remaining an Executive Director of NSF. On 12 September 2017, Mr Cresswell-Turner was appointed as the permanent Chief Executive of ELG.

In light of Mr Cresswell-Turner's new role and the additional responsibilities now carried out by the CEO and CFO, changes have been made to their remuneration, specifically their base salary. In addition, it is proposed that Mr Cresswell-Turner should participate in the ELG Long-Term Incentive Plan ('ELG LTI'). As Mr Cresswell-Turner also participates in the NSF Long-Term Incentive Plan ('NSF LTI'), which rewards participants based on the growth of the whole Group, the total payment made to Mr Cresswell-Turner at vesting in December 2020 under the two plans, which will be in the form of shares in NSF, will be limited to the greater of the payment calculated under the NSF LTI and the payment calculated under the ELG LTI. In other words, the ELG LTI will underpin Mr Cresswell-Turner's award under the NSF LTI.

Our new Directors' Remuneration Policy
As noted above, it is proposed that Mr Cresswell-Turner will participate in the ELG LTI. As this participation was not included in the Remuneration Policy approved at the 2017 AGM, we are proposing a revised Remuneration Policy at the 2018 AGM.

The terms of the new Remuneration Policy will be exactly the same as the current policy that was approved at the 2017 AGM apart from (i) the inclusion of Mr Cresswell-Turner in the ELG LTI; and (ii) a minor change in respect of our Non-Executive Directors, the details of which are given below.

Under the ELG LTI adopted in March 2017, participants share in a pool of 5% of the growth in ELG's equity value above a hurdle of £267m. The hurdle is based on a base equity value of ELG at 1 January 2016 with a compound growth of 12% per annum to 31 December 2019. The value of the pool is subject to a cap of £6m. The structure of the award is a nil-cost option over NSF shares.

It is proposed that Mr Cresswell-Turner will receive an allocation of 15% of the pool, which will result in a 0.75% share of the growth in equity value of ELG above £267m at 31 December 2019, subject to a cap of £900,000. Mr Cresswell-Turner's award will also be in the form of a nil-cost option over shares in NSF.

Performance will be measured against the hurdle at 31 December 2019, though the right to exercise the nil-cost option will be deferred until 31 December 2020. Mr Cresswell-Turner will then be required to hold any shares acquired on the exercise of the nil-cost option for a period of one year, i.e. to the end of December 2021.

Awards under the NSF LTI vest on 31 December 2020 and participants are then required to hold their shares for a period of one year, i.e. to the end of December 2021. As Mr Cresswell-Turner holds an award under the NSF LTI, which was made during 2017, the total value of the shares that may vest to Mr Cresswell-Turner under the ELG LTI and the NSF LTI at the end of December 2020 will be restricted to the greater of the value of the shares that can potentially vest under the NSF LTI and the value of the shares that can potentially vest under the ELG LTI. This is to prevent any element of double counting as the NSF LTI is based on the increase in the value of the NSF Group as a whole, including the value of ELG. If Mr Cresswell-Turner were to cease employment on or before 31 December 2019, his award will either lapse or be restricted in value depending on the reason for his employment ceasing. The Committee will have an overriding discretion to limit the amount payable under the awards or claw back awards that have been made if it considers that the ELG results have been achieved in an inappropriate manner.

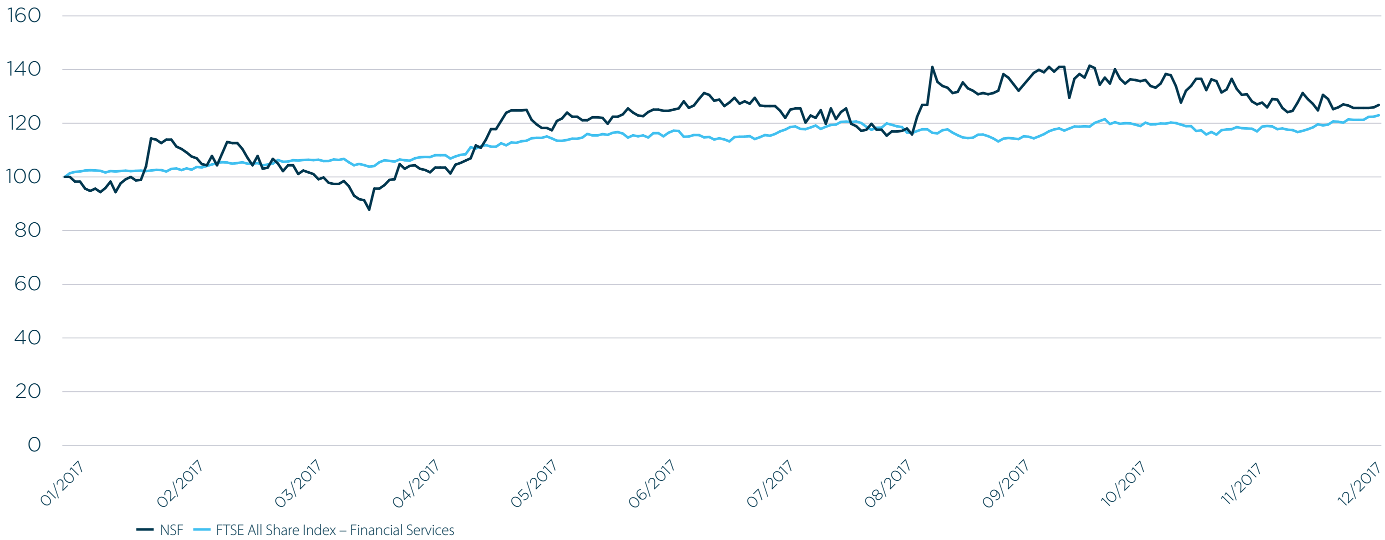
We consider it appropriate for Mr Cresswell-Turner in his role as Chief Executive of ELG to participate in the ELG LTI along with the other senior management of ELG with appropriate restrictions on his award to reflect his participation in the NSF LTI. Shareholder approval for the revised Policy will be sought at the AGM to be held at 11.00 am on Monday 14th May 2018.

We have also taken this opportunity of revising the Policy to include within the Policy the ability to deliver Non-Executive Directors' fees in NSF shares and the provision of reasonable travel and subsistence expenses to the Non-Executive Directors in respect of their duties.

Business context and Committee decisions on remuneration
As described in the 2017 Financial Review and Divisional Overview on pages 39 to 49, the Group delivered against a number of operational and financial objectives including annual loan book growth of more than 20% in all three business divisions. The fact that this growth was achieved whilst maintaining a tight control on impairment was particularly encouraging and reflects the strength and skill of the senior management team, as well as the effectiveness of the Group's risk management framework. The significant investment made in supporting infrastructure during 2017 not only de-risked the achievement of strong loan book growth in 2017, it has also underpinned the Group's current and future growth plans.

Directors' remuneration report continued

This significant investment in 2017, as well as in 2016, has resulted in sustained growth for the Group. This is demonstrated in the chart below showing the Total Shareholder Return performance of the Group against the FTSE All Share Index – Financial Services from 1 January 2017. We consider this Index to be the most appropriate broad-based equity market for the Group to compare itself.



The business has developed rapidly since it was incorporated as a small start-up cash shell and especially in 2017. It is now at a key point where it can start to maximise the benefit of the acquisitions it has made and seek further opportunities by building upon the firm foundations it has established and drawing upon the Group's considerable experience and reputation. While we continue to maintain a policy of minimising fixed costs, the size and complexity of the business has meant a substantial change and increase in responsibility of the Executive Directors. We therefore feel we need to reposition the Directors' base salaries to ensure that these remain competitive and fairly reflect their contribution to this larger and more complex business as well as the additional responsibilities that they have each taken on as a result of Miles Cresswell-Turner becoming Chief Executive of ELG. This repositioning involves the increase of the base salary of John van Kuffeler to £325,000, Nick Teunon to £280,000 and Miles Cresswell-Turner to £280,000.

During the year, the Committee considered carefully Mr Cresswell-Turner's responsibilities as acting and now permanent Chief Executive of ELG. Having taken advice, we concluded that his salary should be increased by £50,000 from £230,000 to £280,000 in September 2017 to reflect his new position. In addition, a further £50,000 was paid to Mr Cresswell-Turner in respect of the period from May to September 2017 when he took on additional responsibilities as acting Chief Executive of ELG, following the departure of Danny Malone, without at the same time reducing his NSF responsibilities. The increases to the base salary for the CEO and CFO were effective from 1 January 2018.

We have conducted benchmarking against a comparator group of companies in the same industry and of similar size and despite the increase in salaries, the Executive Directors' remuneration continues to fall within the lower quartile of these comparator companies.

Turning to bonuses for 2017, the Executive Directors had a maximum annual bonus opportunity of 100% of salary. For each Executive Director, the 2017 annual bonus determination was based on the achievement of financial and non-financial targets.

The financial target, which equated to 70% of the maximum potential bonus, was £20.1m based on the profit of the Group before fair value adjustments, amortisation of acquired intangibles, exceptional items (including temporary additional commission and other expansion related costs at Loans at Home) and tax. The actual profit on this basis was £18.5m, being 92% of target and above the 90% threshold for payment of the minimum 25% of the financial element of the bonus. The next 50% of the financial element accrued on a straight-line basis between 90% and 100% of target. Therefore, the financial element of the bonus vested at 35% of the maximum financial element of 70% i.e. 24.5% of maximum bonus.

The non-financial target was based on five key component targets equating to 30% of maximum potential bonus. These components were that: (i) and (ii) for each of the trading entities within the Group, positive reports from KPMG, the Group's outsourced internal audit provider, on lending practices (including affordability assessment and policies for dealing with vulnerable customers) and collection practices (including forbearance and policies for dealing with vulnerable customers); (iii) a minimum cash/undrawn headroom being achieved of £5m at 31 December 2017 with a dividend payment policy of 50% of post-tax profit before fair value adjustments, amortisation of acquired intangibles and exceptional items; (iv) full FCA authorisation being granted to Loans at Home not later than 31 December 2017; and (v) no material breaches of the Company's Risk Appetite Policy. I am pleased to say that 87% of the non-financial targets vested i.e. 26% of maximum bonus, reflecting the importance the Executive Directors place on ensuring that the Group conducts its business in a compliant and responsible manner.

The Remuneration Committee has therefore determined that the bonus vested at 50.5%, giving rise to bonuses awarded to the Executive Directors of £145,190 for John van Kuffeler, £116,150 for Nick Teunon and £123,800 for Miles Cresswell-Turner (50.5% of maximum applied to his base salary of £245,000 for 2017 but not to the additional salary of £50,000 paid in respect of his additional responsibilities when he was acting Chief Executive of ELG). The 2017 bonuses will be paid in cash. No part of the bonus will be subject to deferral.

The Committee has determined that Mr Cresswell-Turner's maximum bonus potential for 2018 will remain at 100% of salary but the performance measures should include financial and non-financial targets in relation to ELG.

Awards to Executive Directors were made during the year under the NSF LTI. Awards were also made during the year under the ELG LTI for key employees of ELG. A similar long-term incentive plan has been introduced, and awards made, at Loans at Home ('LAH') so that key employees can participate in the growth in value of LAH.

Awards were also made, including to Executive Directors, under the all-employee Sharesave Plan ('SAYE').

Finally, in respect of the fees for the Non-Executive Directors, these are unchanged apart from those of the Chairman. The Board, without the Chairman present, decided that a repositioning was required to the fees paid to the Chairman in order to keep them competitive and to fairly reflect the increased scale and complexity of the Group, as well as to ensure an appropriate balance given the relative positioning of the fees paid to the other Non-Executive Directors. The Board, without the Chairman present, concluded that the Chairman's fees should be increased to £125,000 with effect from 1 January 2018.

Format of this report and matters to be approved at our Annual General Meeting in May 2018

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

Part B: Our remuneration at a glance (page 68).
Part C: Directors' Remuneration Policy (pages 69 to 76).
Part D: Annual Report on Remuneration providing details of the payments made to Directors in 2017, as well as other statutory disclosures (pages 76 to 82) and which complies with the disclosure requirements of the Listing Rules of the UK Listing Authority and the UK 2016 Corporate Governance Code.

At our 2018 AGM, resolutions to approve the new Directors' Remuneration Policy and the Annual Report on Remuneration and this letter will be put to shareholders for approval. I ask for your support on both resolutions.

The Committee and I are keen to hear and actively take note of your views as shareholders on our remuneration strategy.

On behalf of the Remuneration Committee and Board

Charles Gregson
Chairman of the Remuneration Committee
28 March 2018

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 2018 and the key decisions taken by the Committee in relation to base pay and incentives for the Executives in respect of 2017.

2018 Executive Director Remuneration Policy

	John van Kuffeler	Nick Teunon	Miles Cresswell-Turner
Base salary	£325,000	£ 280,000	£ 280,000
Annual bonus			
Maximum:	100% of salary	100% of salary	100% of salary
On-target:	75% of salary	75% of salary	75% of salary
Threshold:	25% of salary	25% of salary	25% of salary

Operation for 2018

- Performance measures are weighted as to 70% financial (profit before tax) and 30% non-financial (including conduct-based measures which seek to reward the 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.
- As Miles Cresswell-Turner is Chief Executive of ELG, one-third of his performance measures will be based on Group targets and two-thirds will be based on performance measures for ELG. The measures relating to ELG will carry the same weighting as for the Group measures, i.e. 70% on the financial performance of ELG and 30% on non-financial targets for ELG.
- 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 such other reason as determined by the Committee.

	John van Kuffeler	Nick Teunon	Miles Cresswell-Turner
ELG LTI			
% of growth in value of ELG above £267m:	Nil	Nil	0.75%

Operation for 2018

- Miles Cresswell-Turner will receive an award in the form of a nil-cost option, which he will hold during the performance period ending on 31 December 2019. Restrictions on the award will apply during the performance period and the ability to exercise the option will be deferred for a period of one year after the end of the performance period. There will then be a holding period of one year for the NSF shares acquired.
- The value total attributable to the award will be 0.75% of the growth in equity value (market capitalisation) of ELG above £267m, subject to a cap of £900,000, measured at the end of the performance period.
- At the end of the performance period, participants' awards will vest and the number of NSF shares available to be acquired under the option will be determined. However, the ability to exercise the option will be deferred for a year. Mr Cresswell-Turner must hold any NSF shares acquired for a further one year before being able to sell them.

Malus and clawback

Malus and clawback provisions will apply under the ELG LTI 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 such other reason as determined by the Committee.

	John van Kuffeler	Nick Teunon	Miles Cresswell-Turner
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

2017 year-end decisions made

	John van Kuffeler	Nick Teunon	Miles Cresswell-Turner
2018 salary review	13% increase to £325,000 per annum from 1 January 2018	22% increase to £280,000 per annum from 1 January 2018	22% increase to £280,00 per annum from 12 September 2017
2017 bonus outcome			
Value	£145,190	£116,150	£123,800
% of salary/maximum	50.5% of salary	50.5% of salary	50.5% of salary

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 approval of the Policy. The Policy described in this part is subject to approval by shareholders at the Company's AGM on 14 May 2018. The Policy will be displayed on the Company's website, in the Investors section, immediately after the 2018 AGM.

The Directors' Remuneration Policy contains two changes from the Policy that was approved at the 2017 AGM. These changes are to allow one of the Executive Directors to become eligible to receive an award under the ELG LTI and for Non-Executive Directors, the ability to receive fees in the form of NSF shares and the provision of travel and subsistence expenses.

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' interests with the interests of shareholders and other external stakeholders and encourage widespread equity ownership across the Group

We believe that the current and proposed remuneration structure 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 is 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 and 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; and • 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 2018 are disclosed on page 78.	A broad assessment of individual and business performance is used as part of the salary review. No recovery provisions apply.

Directors' remuneration report continued

Element, purpose and 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.	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 payout 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 and link to strategy	Operation	Maximum opportunity	Performance measures and assessment
Long-Term Incentive Non-Standard Finance LTI for Executive Directors and senior management. The Long-Term Incentives support the long-term strategic objectives of the Group.	Participants will receive awards which may be structured as awards or options over Ordinary Shares in the Company which may then be exchanged for Ordinary Shares in the Company shortly after the end of the performance period on 31 December 2020. In each case, participants will then be required to hold such shares in the Company for a period of one year.	The number of Ordinary Shares required to settle all such awards, together with any Ordinary Shares issued in connection with the Founder Shares (see below) will be subject to a cap on the maximum dilution possible of 5% in 10 years. There will also be a further cap so that, together with all other share incentive plans offered by the Company, the maximum dilution possible will not be greater than 10% in 10 years. Any awards earned in excess of either cap will be satisfied through market purchase of shares by the Company.	The total value of awards at 31 December 2020 will be determined by the growth in the value of the Company to 31 December 2020 above £1.10. If the average share price of the Company is greater than £1.10, the value of the awards in total will equate to 15% of the excess growth in value, based on market capitalisation, of the Company above £1.10.
Founder Shares awarded to Executive Directors on IPO.	Prior to the 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 the Group's first acquisition, 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).
Everyday Loans Group LTI for Miles Cresswell-Turner and senior management of ELG. The Long-Term Incentives support the long-term strategic objectives of the Group.	In recognition of Mr Creswell-Turner becoming Chief Executive of ELG, he will receive an award under the ELG LTI which was implemented in 2017. The structure of the award is a nil-cost option over NSF shares.	The maximum value of the award under the ELG LTI for Mr Creswell-Turner is £900,000.	Under the ELG LTI, participants share in a pool of 5% of the equity value above a hurdle equity value of ELG of £267m. The pool is subject to a cap of £6m. Mr Cresswell-Turner will receive an allocation of 15% of the pool, which will result in a 0.75% share of the growth in ELG's equity value above £267m at 31 December 2019, subject to a cap of £900,000. Performance will be tested against the hurdle at 31 December 2019, though the ability to exercise the option will be deferred for one year. Shares acquired on the exercise of the option will have to be held for a further year. Awards under the NSF LTI will vest at the end of December 2020. As Mr Cresswell-Turner holds an award under the NSF LTI, which was made during 2017, the total value of shares received by Mr Cresswell-Turner under the ELG LTI and the NSF LTI at the end of December 2020 will be restricted to the greater of the value of the shares receivable under the NSF LTI and the value of the shares receivable under the ELG LTI.

Directors' remuneration report continued

Element, purpose and link to strategy	Operation	Maximum opportunity	Performance measures and assessment
All-employee incentives Encourage all employees to become shareholders and thereby align their interests with shareholders.	Eligible employees may participate in the Sharesave Plan and/or Share Incentive Plan and/or Company Share Option Plan or country equivalent. Executive Directors are 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.
NSF LTI	Share price of the Company	Aligns interests with those of shareholders and will not deliver a return to participants before investors achieve a return above the prices at which the Company raised equity.	The performance target has been set at share price of £1.10 at 31 December 2020.
ELG LTI	Equity value of ELG	Aligns interests with those of NSF and will not deliver a return to participants before NSF achieves a commercial return on its investment.	The performance target has been set at an equity value for ELG of £267m at 31 December 2019.

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 discretion 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.

Changes from the last approved Remuneration Policy

In recognition of Mr Cresswell-Turner's appointment as Chief Executive Officer of ELG, his participation in the ELG LTI has been added to the last approved Remuneration Policy. Senior management of ELG currently hold awards under that incentive plan.

The Policy now includes the ability to deliver Non-Executive Directors' fees in NSF shares and the provision of reasonable travel and subsistence expenses to the Non-Executive Directors in respect of their duties.

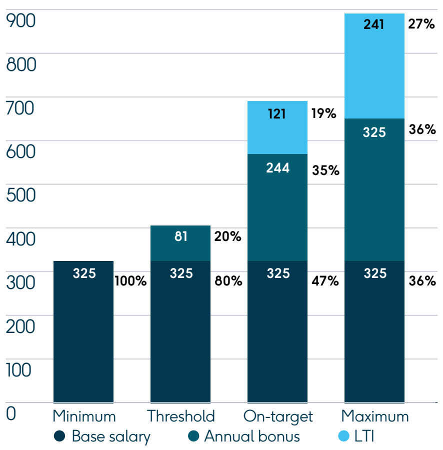
There have been no other changes to the last approved Remuneration Policy.

2. Illustrations of application of Remuneration Policy

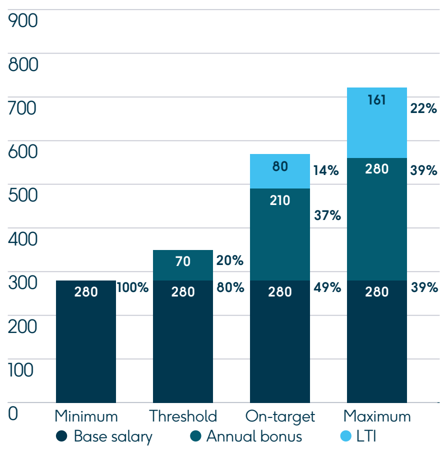
The charts below seek to demonstrate how pay varies with performance for the Executive Directors based on the stated Remuneration Policy. The charts show an estimate of the remuneration that could be received by Executives Directors under the Policy set out in this report. Each of the bars is broken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

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

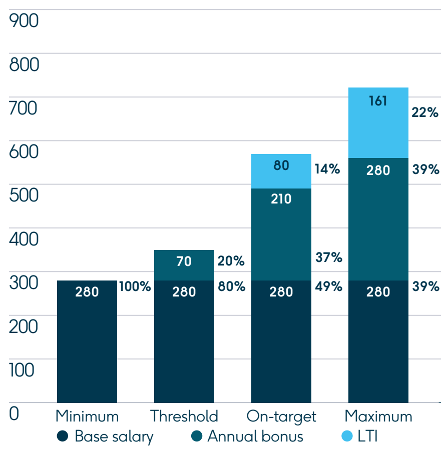
John van Kuffeler (£'000)



Nick Teunon (£'000)



Miles Cresswell-Turner (£'000)



Assumptions used in determining the level of payout under given scenarios are as follows:

Element	Minimum	Threshold	On-Target	Maximum
Fixed elements	Base salary at 1 January 2018 Estimated value of benefits provided under the Policy Pension – 10% of salary			
Annual bonus	Nil	25% of maximum	75% of maximum	100% of salary
NSF LTI	Nil	Nil	100% of the IFRS 2 value of the award	200% of the IFRS 2 value of the award
ELG LTI	Nil	Nil	As for NSF LTI	As for NSF LTI

Awards made under the NSF LTI and ELG LTI will be on a one-off basis. The on-target value displayed in the charts represents the expected IFRS2 value of the NSF LTI award. The maximum value displayed represents twice the expected IFRS 2 value for the NSF LTI. The IFRS 2 value is considered to be a suitable basis for estimating the potential payouts of the NSF LTI. The ELG LTI award for Miles Cresswell-Turner underpins his NSF LTI award and therefore the on-target and maximum values of this award are effectively included within the NSF LTI award for him.

Directors' remuneration report continued

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 the Company'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 the Company'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	• An Executive Director may participate in the NSF LTI, to the extent that awards are available, as set out in the Remuneration Policy table.
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 expected 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.

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 appointment 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	

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
Founder Shares	No forfeiture	None
NSF LTI and ELG LTI	None payable if loss of office is because of resignation or gross misconduct or if the departing employee is not considered to be a good leaver. Otherwise, pro-rata award of shares payable at the end of the performance period and subject to the deferral period.	Pro-rata award of shares may be awarded dependent on the reasons for leaving.

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 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 December 2017	Employee numbers	Fixed remuneration	Annual bonus	Long-Term Incentives	All employee share plans	Shareholding guidelines
Senior management	14	✓	✓	✓	✓	–
Heads of divisions and/or functions	34	✓	✓	–	✓	–
Other employees	703	✓	✓	–	✓	–

Directors' remuneration report continued

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.	Fee levels are sufficient to attract individuals with appropriate knowledge and experience. Non-Executive Directors are paid a base fee in cash or shares in NSF. 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 81. Increases in fees will be in line with the median fee levels of comparable companies.	Not applicable.
Expenses To provide Non-Executive Directors with travel and subsistence expenses.	Non-Executive Directors are reimbursed for all reasonable travelling and subsistence expenses (including any relevant tax) incurred in carrying out their duties.	Not applicable.	Not applicable.

Letters of appointment

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

	Date of appointment
Charles Gregson	19 February 2015
Heather McGregor	19 February 2015
Niall Booker	9 May 2017

The letters of appointment for Charles Gregson and Heather McGregor have been reviewed and extended for a further three years.

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.

Niall Booker joined on 9 May 2017.

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 2017. Disclosures in this report have 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 14 May 2018.

1. Single figure remuneration table: Executive Directors – audited

The remuneration of Executive Directors, showing the breakdown between components with comparative figures for the prior financial year is shown below. Figures provided have been calculated in accordance with the Regulations.

		Base Salary £000	Benefits £000	Bonus £000	Long-Term Incentives £000	Pension £000	Other £000	Total £000
John van Kuffeler	**2017**	**288**	**36**	**145**	**–**	**29**	**–**	**498**
John van Kuffeler	2016	288	34	–	–	29	–	351
Nick Teunon	**2017**	**230**	**13**	**116**	**4**	**23**	**–**	**386**
Nick Teunon	2016	207	11	–	–	21	–	239
Miles Cresswell-Turner	**2017**	**295**	**15**	**124**	**4**	**21**	**–**	**459**
Miles Cresswell-Turner	2016	230	12	–	–	20	–	262

Notes
1. 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, Nick Teunon and Miles Cresswell-Turner – the values of which have been included in the 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.
3. The base salary for Miles Cresswell-Turner includes the temporary additional salary of £50,000 paid in respect of the period when he was acting as Chief Executive of ELG as well as continuing his responsibilities as an Executive Director. The additional salary was excluded in the determination of his bonus.
4. Long-term incentives were the grant of options at a 20% discount under the SAYE plan.
5. Awards were also made under the NSF LTI which will vest at 31 December 2020.

Annual bonus outcomes for the period ended 31 December 2017 – audited

For 2017 the Executive Directors had a maximum annual bonus opportunity of 100% of salary. For each Executive Director, the 2017 annual bonus determination was based on the achievement of the financial and non-financial targets. The annual bonus table below provides information on the resulting bonus payment for each Executive Director.

The financial and non-financial targets for the 2017 annual bonus and the extent to which they were met are as follows:

The financial target, which equated to 70% of the maximum potential bonus, was £20.1m based on the profit of the Company before fair value adjustments, amortisation of acquired intangibles, exceptional items (including temporary additional commission and other expansion related costs at Loans at Home) and tax. The actual profit on this basis was £18.5m, being 92% of target and above the 90% threshold for payment of the minimum 25% of the financial element of the bonus. The next 50% of the financial element accrued on a straight-line basis between 90% and 100% of target. Therefore, the financial element of the bonus vested at 35% of the maximum financial element of 70% i.e. 24.5% of maximum bonus.

The non-financial element was based on five individual components representing 30% of maximum bonus in total. These non-financial targets, which are described below, were met as follows:
1. For each of the trading entities within the Group, positive reports from KPMG (the Group's outsourced internal audit provider) on lending practices (including affordability assessment and policies for dealing with vulnerable customers). Met as to 71%.
2. For each of the trading entities within the Group, positive reports from KPMG on collections practices (including forbearance and policies for dealing with vulnerable customers). Met as to 71%.
3. A minimum cash/undrawn headroom of £5m for the Company at 31 December 2017 with a dividend payment policy of 50% of post-tax profit before fair value adjustments, amortisation of acquired intangibles and exceptional items. Met in full.
4. The granting of full FCA authorisation to Loans at Home not later than 31 December 2017. Met in full.
5. No material breaches of NSF's Risk Appetite Policy. Met in full.

As a result, the non-financial element was met as to 87% i.e. 26% of maximum, resulting in a total award for Executive Directors of 50.5% of the maximum. The Remuneration Committee has therefore determined that the bonuses awarded to the Executive Directors are £145,190 for John van Kuffeler (50.5% of maximum), £116,150 for Nick Teunon (50.5% of maximum) and £123,800 for Miles Cresswell-Turner (50.5% of maximum, excluding the additional salary of £50,000). The 2017 bonuses will be paid in cash. No part of the bonus will be subject to deferral.

Long-Term Incentive awards made in 2017

As stated in our Remuneration Policy, awards were made during 2017 under the NSF LTI.

Under the NSF LTI, participants have been awarded a right to share in a pool of 15% of the growth in value (based on market capitalisation) of the Company above a share price hurdle of £1.10, being 29% above the price at which the majority of the Group's shares were issued.

Performance is measured against this hurdle after four years starting from 1 January 2017 (i.e. 31 December 2020), though delivery of shares is deferred until the end of the fifth year (i.e. 31 December 2021).

Awards held by participants who cease employment during the four-year performance period will either lapse or be restricted in value depending on the reason for employment ceasing. The Committee has an overriding discretion to limit the amount payable under the awards or claw back awards that have been made if it considers that the Group's results have been achieved in an inappropriate manner.

Directors' remuneration report continued

The pool in which participants share will be diluted and adjusted for any new issue of shares. There is a cap on the maximum number of shares issued under the LTI such that, together with any shares issued under the Founder Share scheme, no more than 5% can be issued in any 10-year period and that, together with all other share incentive plans offered by the Company, no more than 10% can be issued in any 10-year period. Any awards earned in excess of this will be satisfied through market purchase shares by the Company.

The following awards were made under the NSF LTI. The awards for John van Kuffeler and Nick Teunon were in the form of nil-cost options over NSF shares. The award for Miles Cresswell-Turner was in the form of shares in an intermediate holding company; these shares will be exchanged for shares in NSF on vesting (subject to the share price hurdle being met):

	John van Kuffeler	Nick Teunon	Miles Cresswell-Turner
LTI			
% of growth pool allocated to participants:	37.5%	25.0%	25.0%
% of growth in value above £1.10:	5.625%	3.75%	3.75%

Miles Cresswell-Turner and Nick Teunon participated in the awards made under the SAYE plan during 2017, each receiving options over a maximum of 29,703 shares at an exercise price of £0.606 per share (being a 20% discount to the value of a share at the date of grant).

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 2018

Base salary
In setting salary levels for the 2018 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 2018 and the relative increases are set out below.

	Base salary £000		
	2018	2017	% change
John van Kuffeler	**£325**	£288	13%
Nick Teunon	**£280**	£230	22%
Miles Cresswell-Turner	**£280**	£230	22%

Notes
1. The increase in Miles Cresswell-Turner's base salary in September 2017 was made to reflect his additional responsibilities as Chief Executive of ELG while continuing to be an Executive Director.
2. The additional salary for Miles Cresswell-Turner when he was acting Chief Executive of ELG has been excluded from the calculation of the relative increase.
3. The increases for John van Kuffeler and Nick Teunon are to ensure that these remain competitive and fairly reflect their contribution to the larger and more complex business undertaken by the Group as well as their additional responsibilities as a result of Miles Cresswell-Turner becoming Chief Executive of ELG. Despite the increase in salaries, the Executive Directors' remuneration continues to fall within the lower quartile of comparator companies.

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 2018 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 2018 financial year, performance measures include financial measures based on profit of the Company before fair value adjustments, amortisation of acquired intangibles, exceptional items and 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. Miles Cresswell-Turner's performance measures will be based as to one-third on Group performance and two-thirds on performance of ELG.

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 end 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 payouts.

Long-term incentive awards
The following awards are to be made under the ELG LTI.

	% of growth pool allocated to participants	% of the growth in equity value above £267m
Miles Cresswell-Turner	5%	0.75%

3. Consideration by the Committee of matters relating to the Directors' remuneration for 2017 and 2018

The Committee seeks to comply with the UK Corporate Governance Code but does not meet requirement D.2.1 of the Code as the Chairman of the Company is also the Chair of the Committee. The Committee and the Board of the Company consider this provision to not be appropriate given the size and nature of the Company. 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.nsfgroupplc.com.

Members of the Committee during 2017	Independent	January 2017	March 2017	August 2017	September 2017	October 2017	November 2017	Attendance
Charles Gregson	No	✓	✓	✓	✓	✓	✓	100%
Heather McGregor	Yes	✓	✓	✓	✓	✓	✓	100%
Niall Booker	Yes	–	–	✓	–	✓	✓	75%

Note
1. Niall Booker joined the Board on 9 May 2017.
2. Niall Booker was unable to attend the meeting in September as he had a prior appointment made before he was invited to join the Board.

All Committee members attended all Remuneration Committee meetings, unless otherwise stated, that took place while they were members of the Committee. The Group Chief Executive 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 2017 from PricewaterhouseCoopers ('PwC') during the year. PwC were appointed by the Committee in May 2015 as advisers after a tender process. 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 £28,200. 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.

Directors' remuneration report continued

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

January 2017	March 2017
• Review of Executive Directors' bonuses performance targets for 2016 • Discussion of the remuneration for Non-Executive Directors • Discussion of the approval of NSF LTI • Update on long-term incentive plans for Loans at Home and Everyday Loans Group • Agreement of work plan for 2017	• Consideration and approval of the making of awards under the NSF LTI to eligible participants

August 2017	September 2017
• The additional salary for Miles Cresswell-Turner in respect of his acting Chief Executive at ELG • The participation of Mr Cresswell-Turner in the ELG LTI	• The approval of Miles Cresswell-Turner's remuneration as CEO of ELG • The approval of a long-term incentive plan to be implemented for Loans at Home

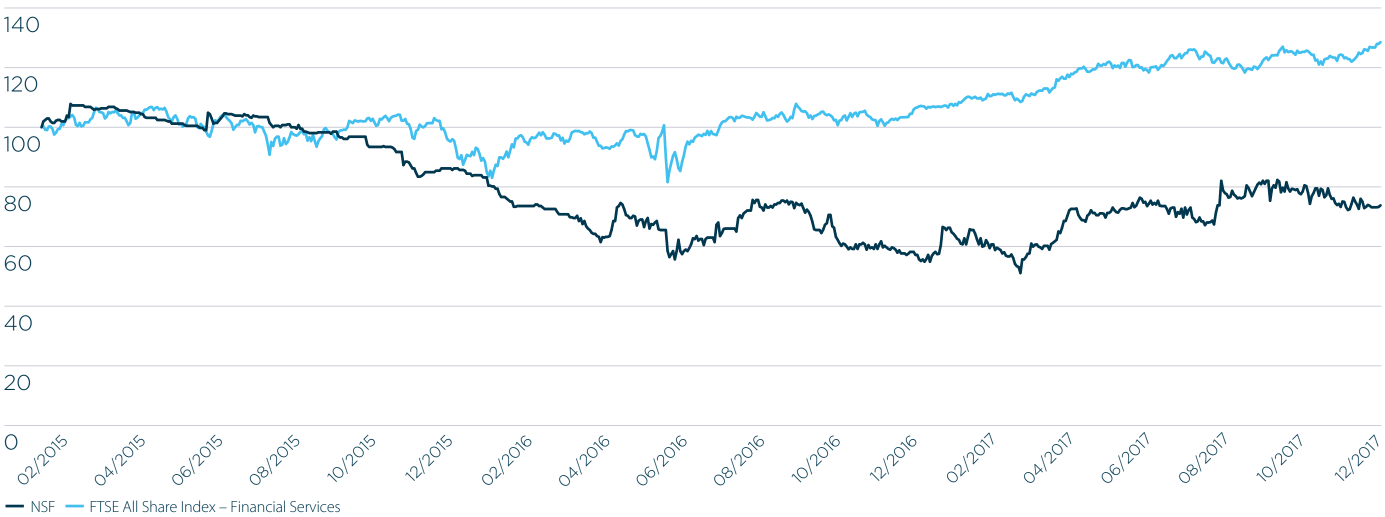
October 2017	November 2017
• Approval of the increased fee for Charles Gregson	• Approval of the revised financial target for 2017 bonus of £20.1m based on budgeted profits before fair value adjustments, amortisation of acquired intangibles, exceptional items (including temporary additional commission and other expansion-related costs at Loans at Home) and tax • Agreement that the temporary additional commission and other expansion related costs at Loans at Home would be considered exceptional for this purpose • Approval of an amended budget to include George Banco from mid-August and the impact of refinancing the Group's debt facilities

4. Group Chief Executive and employee pay

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 the FTSE All Share Index – Financial Services as this Index provides a measure of a sufficiently broad equity market against which the Company considers that it is suitable to compare itself..

The chart below illustrates our Total Shareholder Return performance against the FTSE All Share Index – Financial Services since the date of the IPO in February 2015 to 31 December 2017.

Total Shareholder Return



Despite having fulfilled most of the strategic objectives set out at the time of the Group's Initial Public Offering, the Group's shares have underperformed the FTSE All Share Financial Services Index during the period. Possible reasons for this underperformance include: limited liquidity in the Group's shares; limited research coverage by sell-side analysts; softer than expected financial performance by Loans at Home in 2016; and concerns over future market and regulatory conditions in the UK consumer finance segment.

Group Chief Executive	2017	2016	2015
Single figure of total remuneration (£000)	**498**	351	473
Bonus payout (% maximum)	**50.5%**	0%	100%
Long-term incentive vesting rates (% maximum)	**n/a**	n/a	n/a

Percentage change in the Chief Executive Officer's remuneration
The table below compares the percentage increase in the Group Chief Executive's pay on an annual basis with the wider employee population. The Company considers the Group's employees excluding the Executive Directors, to be an appropriate comparator group.

% change from 2016 to 2017	Base salary	Benefits	Annual bonus
Group Chief Executive	15%	19%	See note
Employee pay	2.25%	0%	See note

Note
1. The Group Chief Executive received a bonus of 50.5% of salary for 2017 and no bonus for 2016.
2. There were no changes to bonus payments at Everyday Loans (including TrustTwo) but bonuses were paid at Loans at Home (2016: nil).

Relative importance of spend on pay
The table below shows the overall spend on pay for all the Group's employees compared with returns distributed to shareholders.

Significant distributions	2017	2016	% change
Employee spend	**£28.8m**	£17.8m	61.8
Distributions to shareholders (including share buy-backs)	**£5.8m**	£0.9m	–

Note
1. Employee spend for 2017 includes pay for the employees of George Banco following the acquisition in August 2017.

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

The remuneration of Non-Executive Directors showing the breakdown between components, with comparative figures for the prior year, is shown below. Figures provided have been calculated in accordance with the Regulations.

		Fees £000	Benefits/other £000	Total £000
Charles Gregson	**2017**	**50**	**–**	**50**
Charles Gregson	2016	50	–	50
Heather McGregor	**2017**	**75**	**–**	**75**
Heather McGregor	2016	75	–	75
Niall Booker	**2017**	**50**	**–**	**50**
Niall Booker	2016	–	–	–

Note
1. Niall Booker joined the Board on 9 May 2017.

Non-Executive Directors are reimbursed travel and subsistence expenses that are incurred for business reasons. Any tax that arises on these reimbursed expenses is paid by the Company.

Fees to be provided in 2018 to the Non-Executive Directors
The following table sets out the annual fee rates for the Non-Executive Directors:

		2018	2017	% change
Chairman's fee	Charles Gregson	**125**	50	150
Independent Non-Executive Director fee	Heather McGregor	**75**	75	0
	Niall Booker	**75**	75	0

Note
1. Charles Gregson will receive 50% of his fee (post tax) in NSF shares.

Directors' remuneration report continued

6. Directors' shareholding and share interests

Shareholding and other interests at 31 December 2017 – 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 2017					Interest in Founder Shares		
	Number of beneficially owned shares	% of salary held	Shareholding requirement met	Options held subject to service	Total number of shares / options	Subject to conditions	Vested but unexercised	Total at 31 December 2017
John van Kuffeler	2,114,474	465%	Yes			30	–	30
Nick Teunon	56,210	14%	No	29,703	85,913	25	–	25
Miles Cresswell-Turner	490,132	125%	Yes	29,703	519,835	25	–	25
Charles Gregson	256,083					10	–	10
Heather McGregor	61,465					–	–	–
Niall Booker	270,000					–	–	–
Total	**3,248,364**			**59,406**	**605,748**	**90**	**–**	**90**

	Shares subject to performance conditions	Options subject to performance conditions	Vested	Total at 31 December 2017
John van Kuffeler	–	375	–	375
Nick Teunon	–	250	–	250
Miles Cresswell-Turner	250	–	–	250
Charles Gregson	–	–	–	–
Heather McGregor	–	–	–	–
Niall Booker	–	–	–	–
Total	250	625	–	875

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 (£0.715 at 31 December 2017) and base salaries at 1 January 2018.
3. The options held subject to service were granted under the SAYE plan.
4. John van Kuffeler and Nick Teunon also hold nil-cost options over NSF shares under the NSF LTI. Miles Cresswell-Turner also holds shares in a subsidiary company under the NSF LTI; these shares will be exchanged for NSF shares on vesting. In both cases, the number of NSF shares that these Executive Directors will eventually acquire (which could be nil) will only be determined at the vesting date of 31 December 2020 and will be based on the growth in value of NSF above the share price hurdle of £1.10.

No changes took place in the interests of the Directors between 1 January 2018 and 22 March 2018.

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 10-year period to employees under all its share plans and can issue a maximum of 5% of its issued share capital in a rolling 10-year period under executive (discretionary) share plans.

Non-Executive positions held by Executive Directors

John van Kuffeler retained fees of £60,000 during the year from his Non-Executive position at Paratus AMC Limited.

7. Shareholding voting

The table below shows the binding vote approving the previous Directors' Remuneration Policy and the advisory vote to approve the 2017 Annual Report on Remuneration at the AGM on 31 March 2018.

	Votes for	%	Votes against	%	Votes withheld
Directors' Remuneration Policy	255,868,233	96.65	8,855,442	3.35	13,139
2016 Annual Report on Remuneration	264,148,890	99.78	587,924	0.22	–

By order of the Board

Charles Gregson
Chairman of the Remuneration Committee
28 March 2018

Directors' report
for the year ended 31 December 2017

Introduction
In accordance with section 415 of the Companies Act 2006, the Directors present their report together with the financial statements for the year ended 31 December 2017. Both the Strategic Report on pages 6 to 53 and the Directors' report have been prepared and presented in accordance with, the Companies Act 2006, together with the UK Listing Authority's Disclosure and Transparency Rules ('DTRs') and the Listing Rules ('LRs'). The liabilities of the Directors in connection with both the Strategic Report and the Directors' report shall be subject to the limitations and provided by such law. Other information required to be disclosed in the Directors' report is expressly outlined in this section.

Principal activities and review of the business
The Company is the UK holding company of a Group providing unsecured credit to UK adults. The Company is incorporated and domiciled in England and Wales and is quoted on the Main Market of the London Stock Exchange.

The Strategic Report, which can be found on pages 6 to 53 of the Annual Report, provides a more detailed review of business strategy and business model together with commentary on the business performance during the year and outlook for the future. Information relating to the principal financial and operating risks facing the business are set out on pages 36 to 38 of the Strategic Report.

Trading results and dividends
The Group's consolidated loss after taxation for the financial year was £10,335,000 (2016: loss of £7,998,000).

An interim dividend of 0.5p per share was paid to shareholders on 18 October 2017 and a further final dividend of 1.7p has been recommended by the Board, payable to shareholders on the share register on 18 May 2018. If approved, the final dividend would be paid on 15 June 2018.

Future business developments
Information on the Company and its subsidiaries' future developments can be found in the Chairman's Statement on pages 4 to 5, the Chief Executive's review on pages 24 to 27 and the 2017 Financial Review and Divisional Overview on pages 39 to 49.

Share capital
As at 31 December 2017 the share capital of the Company consisted of 317,049,682 Ordinary Shares of £0.05 each (315,181,547 of which were in issue and 1,868,135 shares held in treasury) and 100 Founder Shares. 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 (save that Ordinary Shares held in treasury are not eligible to receive dividends or other distributions declared). 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. Further details on the Founder Shares can be found in note 23 to the Financial Statements. 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 English law. 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 acquired 1,868,135 of its own shares during the financial year ended 31 December 2017 (see further details below).

Further details on the Company's share capital can be found in note 21 to the financial statements.

Substantial shareholdings
The Company has been notified in accordance with the Disclosure and Transparency Rules DTR-5 that as at 22 March 2018 (the latest practicable date before the publication of this report) the following investors have a substantial interest in the issued Ordinary Share capital:

Invesco Asset Management	28.48%
Woodford Investment Management	26.75%
Marathon Asset Management LLP	10.74%
Aberforth Partners LLP	10.16%
Quilter Cheviot Asset Management	3.58%

The Directors' beneficial interest in the allotted shares of the Company as at 31 December 2017 are outlined below:

	Number of Ordinary Shares held
John van Kuffeler	2,114,474
Nick Teunon	56,210
Miles Cresswell-Turner	490,132
Niall Booker	270,000
Charles Gregson	256,083
Heather McGregor	61,465

As granted by shareholders at the 2017 AGM, the Directors currently have the power to issue and buy-back the Company shares. The Board is seeking to renew these powers at the forthcoming 2018 AGM.

On 8 November 2017 the Group launched a share buy-back programme to repurchase up to five million Ordinary Shares of five pence in the Company (the 'Programme'). The Programme commenced on 8 November 2017 and will end no later than 7 November 2018 (the 'Engagement Period'). Purchases may continue during any closed periods of the Company during the Engagement Period. The aggregate purchase cost of shares purchased under the Programme will not exceed £4.25 million. As at 22 March 2018, the Group had repurchased a total of 3,401,089 shares for £2,406,974 (excluding costs). The repurchased shares are held in treasury.

Directors' report continued

Articles of Association

The Articles of Association set out the basic management and administrative structure of the Company. The Articles regulate the internal affairs of the Company and cover matters including those relating to Board and shareholder meetings, powers and duties of Directors and the transfer of shares.

The Articles may only be amended by a special resolution at a general meeting of the shareholders. A copy of the Articles of Association can be requested from the Company Secretary and are also available for inspection at Companies House.

Directors:

Charles Gregson	Non-Executive Chairman
John van Kuffeler	Group Chief Executive
Nick Teunon	Chief Financial Officer
Miles Cresswell-Turner	Executive Director
Heather McGregor	Non-Executive Director
Niall Booker	Non-Executive Director (appointed 9 May 2017)

The Directors and their profiles are detailed on pages 54 to 55. All of these Directors above served in office throughout the year under review and up to the signing of the Annual Report with the exception of Niall Booker who joined the Board on 9 May 2017.

In accordance with the Articles of Association and the UK Corporate Governance Code, each Director will offer themselves for re-election at the forthcoming Annual General Meeting.

During the year, no Director had a material interest in any contract of significance to which the Company or any subsidiary undertaking was a party.

Powers of the Directors

Subject to the Articles of Association, English law and any direction granted by special resolutions, the business of the Company is managed by the Board.

Directors' indemnities

The Company's Articles of Association permit it to indemnify the Directors of the Company (or of any associated company) in accordance with section 234 of the Companies Act 2006.

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 has in place Directors' and Officers' Liability insurance which provides appropriate cover for any legal action brought against its Directors.

Employees

The skills, motivation and energy of our workforce are key drivers for our success. The organisation structures of each of our operating businesses and a new, Group-wide intranet help to ensure that all staff are aware of our corporate goals and are clear on how their roles help NSF to succeed.

We seek to ensure that all employees and potential employees receive equal treatment (including access to employment and training) regardless of their age, disability, gender reassignment, marital or civil partner status, pregnancy and maternity, race, nationality, ethnic or national origin, religion or belief, sex or sexual orientation. This policy includes those who might become disabled during their period of employment by the Group.

As part of our commitment to treating customers fairly, delivering excellent service and lending responsibly, it is the Group's policy to have in place appropriate processes to offer career and job development opportunities to all employees.

The Company is committed to adopting employment practices which follow best practice and has set-up an employee Save As You Earn share scheme which provides an opportunity for employees to share in the Company's future success. It is expected that additional programmes aimed at enhancing employee engagement further will be developed as the Group expands.

Self-employed agents

Each of our self-employed agents receive regular, 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, online training, informal feedback from branch managers and colleague assessment programmes.

Related party transactions

Refer to note 27 in the notes to the financial statements.

Post-balance sheet events

Since 31 December 2017 there have been no events that require disclosure in or adjustment to the financial statements.

Environmental factors

The Board continually considers the Company's impact on the environment and has concluded that at present due to the small size of the Company and the nature of its business, it has a minimal impact. As noted on page 53, the Group has started to capture some environmental data and will provide further updates in future reports.

Charitable and political donations

The Group made charitable donations totalling £45,262 to a variety of charities in the year ended 31 December 2017. These included The Money Advice Trust, Loan Smart, Great Ormond Street Hospital and Cancer Research.

The Group made no political donations in the year ended 31 December 2017.

Health and safety

Health and safety standards and benchmarks have been established in the Company and its divisions and compliance against these standards is monitored regularly by the Board.

Anti-bribery and corruption

In accordance with the Bribery Act 2010, the Group has policies in place to comply with the requirements of the Bribery Act 2010.

Modern Slavery

In accordance with the Modern Slavery Act 2015, the Group has policies and statements in place to comply with the requirements of the Modern Slavery Act 2015. A copy of the Group's Modern Slavery Statement is available on the Group's website: www.nsfgroupplc.com.

Annual General Meeting

The Annual General Meeting of the Company is to be held at The Maitland Consultancy, 13 King's Boulevard, London, N1C 4BU at 11.00am on 14 May 2018. The Notice of Meeting, contained in a separate letter from the Chairman, includes a commentary on the business to be conducted at the General Meeting.

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 65 to 82
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

Auditor

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 auditor

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 she/he ought to have taken as a Director in order to make her/himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with section 418 of the Companies Act 2006.

Going concern statement

The Directors have carried out a robust assessment of the principal risks facing the Company, including those that could threaten its business model, future performance, solvency or liquidity. Further information about those risks, how they have changed during 2017 and how they are being managed or mitigated can be found in the Strategic Report on pages 36 to 38 and also in the Risk Committee Report on page 64. 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.

Financial instruments

Details of the financial risk management objectives and policies of the Group and the exposure of the Group to market, interest rate, credit, capital management and liquidity risk are included on page 123 of the financial statements.

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 2017, 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.

The Annual Report and Financial Statements 2017 will be published on the Group's website in addition to the normal paper version. The Directors are responsible for the maintenance and integrity of the Company's website. Legislation governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board on 28 March 2018 and signed by the order of the Board.

Sarah Day
Company Secretary
28 March 2018

Independent auditor's report

Report on the audit of the financial statements

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 2017 and of the Group's loss for the year then ended;
- 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.

We have audited the financial statements of Non-Standard Finance plc (the 'parent company') and its subsidiaries (the 'Group') which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company statements of cash flows; and
- the related notes 1 to 29.

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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed, public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • acquisition accounting; • carrying value of goodwill; • provision for impairment losses against loans and receivables to customers; and • revenue recognition. Within this report, any new key audit matters are identified with and any key audit matters which are the same as the prior year identified with .
Materiality	The materiality that we used for the Group financial statements was £660,000 which was determined on the basis of 5% of profit before tax, fair value adjustments of £11.9m, amortisation of acquired intangible assets of £7.9m, and exceptional items of £6.3m.
Scoping	Our Group audit scope focused on the parent company and each of the trading subsidiaries within the Group which together account for 100% of the Group's losses before tax. Whilst consistent with prior year, the current year scope includes the George Banco business acquired during the year.
Significant changes in our approach	Our audit approach for the current year focuses on the additional key audit matter arising from the acquisition accounting for George Banco.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where: • the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or • the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.	**We have nothing to report in respect of these matters.**

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

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 audit approach for the current year focuses on the additional key audit matter arising from the acquisition accounting for George Banco. In the prior year, we identified a key audit matter arising from the acquisition accounting for Everyday Loans.

Acquisition accounting

Key audit matter description	In August 2017, the Group acquired the George Banco group for £18.6m. Under IFRS 3: Business Combinations, where an acquirer obtains control of a business, such business combinations are accounted for using the acquisition method, which requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date along with the recognition and measurement of identifiable intangibles and goodwill. The key risks of material misstatement are in the identification and valuation of intangible assets acquired and the valuation of the loan book on acquisition. As set out in note 24, the acquisition of the George Banco group resulted in the recognition of £7.7m of intangible assets, an adjustment of £8.1m to recognise the acquired loan book at fair value and the recognition of £8.6m of goodwill, being the excess of the fair value of the consideration over the fair value of the acquired assets and liabilities. The critical judgements and estimations involved in determining these balances are: • the approach to identify intangible assets; • the valuation approaches to intangibles and the loan book; and • the cash flow forecasts and the discount rate. Further detail in respect of management judgements and assumptions is set out within the Audit Committee report on pages 61 to 62 and notes 1, 2, 13 and 14 to the financial statements.
How the scope of our audit responded to the key audit matter	We assessed the design and tested the implementation of controls relating to the identification and valuation of intangible assets. We independently challenged management's approach against the requirements of IFRS 3 by considering a list of other potential intangibles and whether they might be applicable in the context of this business combination. We used our valuation specialists to assist us in assessing the appropriateness of the valuation models used by management to determine the fair value of the intangible assets and the loan book at acquisition. We independently challenged the inputs and assumptions in the valuation models used by comparing these to original loan documentation and other sources of evidence. We also used our valuation specialists independently to calculate a range of discount rates and we used these to perform sensitivity analysis over the models to assess for evidence of management bias in the rates used.
Key observations	We found management's methodology and assumptions for the recognition and valuation of intangible assets arising from the acquisition, and the fair valuation of the loan book at acquisition, to be appropriate and in line with accounting standards. We found that the underlying assumptions of the models were reasonable and the models were working as intended.

Independent auditor's report continued

Carrying value of goodwill

Key audit matter description	The acquisitions of Everyday Loans Group, Loans at Home and George Banco has led to the recognition of £140.7m of goodwill (2016: £132.1m) in the consolidated statement of financial position. Under IAS 36, impairment testing for goodwill should always be carried out in the context of a cash generating unit ('CGU') as goodwill does not generate cash flows independently of other assets. When goodwill has been allocated to a CGU, IAS 36 requires that unit to be tested for impairment at least annually and whenever there is an indication that the unit may be impaired. Management performed a goodwill impairment assessment as at 31 December 2017 by determining the recoverable amount, based on fair value less cost to sell for each CGU, and comparing this to the carrying value of the CGU. Management determined that there was no indication that any impairment was required to the carrying value of goodwill. The critical judgements and estimates involved in management's impairment assessment are: • forecast profit after tax for the 2020 year end; • the calculation and application of an appropriate price/earnings ('P/E') multiple to the forecast 2020 profit after tax; and • the discount rate used on future cash flows. Further detail in respect of management judgements and assumptions is set out within the Audit Committee report on pages 61 to 62 and notes 1, 2 and 13 to the financial statements.
How the scope of our audit responded to the key audit matter	We assessed the design and tested the implementation of controls relating to the goodwill impairment review. We challenged the reasonableness of management's key assumptions used in the impairment assessment and our challenge considered the appropriateness of the methodology for compliance with IAS 36. Additionally, we performed a sensitivity analysis for each of the key judgements and estimates to assess the impact on the recoverable amount of each CGU. We focused our audit procedures on the areas to which the carrying value of goodwill is most sensitive. In relation to management's forecast earnings we: • challenged the reliability of management's forecasting based on historical data; • reviewed the consistency of management's assumptions with management's assessment of viability and going concern; and • performed a sensitivity analysis over forecast and break-even growth rates to assess these for reasonableness in light of historic performance. In relation to the discount rate used in management's assessment, we: • used our valuation specialists to assess the methodology used by management to determine their discount rate; and, • used our valuation specialists to calculate a range of possible discount rates for the Group. In relation to the P/E multiple, we used our valuation specialists to challenge the multiple by determining an independent benchmark.
Key observations	We found management's approach for the goodwill impairment assessment to be compliant with IAS 36. All assumptions, including the discount rate, the P/E multiple and the forecast earnings, adopted by management are within an acceptable range. As disclosed in note 13 to the financial statements, the carrying value of goodwill allocated to the CGUs is highly sensitive to future forecast earnings.

Provision for impairment losses against loans and receivables to customers

Key audit matter description	The Group holds an impairment provision of £24.5m against gross customer receivables of £284.3m (2016: impairment provision of £24.4m against gross customer receivables of £204.8m). The assessment of provisions for impairment losses requires management to make significant judgements in respect of: • the determination of loss events; • the quantum and timing of future cash flows; and • the use of historical cash collection performance to determine expected future cash flows. Given the significant level of management judgement involved, we have determined that there was a potential for fraud through possible manipulation of this balance. Further detail in respect of management judgements and assumptions is set out within the Audit Committee report on pages 61 to 62 and notes 1, 2 and 17 to the financial statements.
How the scope of our audit responded to the key audit matter	We assessed the design and tested the implementation of controls relating to the identification, valuation and recording of impairment provisions. For each of the Group's reportable segments, we evaluated whether the methodology applied by management is compliant with the requirements of IAS 39. We challenged the appropriateness of management's assumptions underlying the impairment provision calculations. 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 to historical experience. We considered the appropriateness of impairment triggers under IAS 39 by comparing the Group's loss event definition to entity specific experience of asset performance, as well as benchmarking to other businesses with similar asset classes. Where relevant, our IT specialists tested the IT scripts and data flows from source systems to spreadsheet-based models to test the completeness and accuracy of the models. We also performed sensitivity analysis over the key assumptions of the models to assess the potential for management bias.
Key observations	The provision models across the Group were found to be working as intended and the methodology is compliant with the requirements of IAS 39. We found that the underlying assumptions of the model are reasonable. We found that the expected cash collections used in the models are materially consistent with recent performance and budgeted collections. The impairment provisions held against the loan book are in line with current collections performance.

Revenue recognition

Key audit matter description	The Group's main revenue stream is interest income of £107.8m which should be recognised based on the effective interest rate ('EIR') method in accordance with IAS 39. The EIR method spreads directly attributable revenues and costs over the behavioural life of the loan. The Group's EIR models are heavily reliant on the quality of the underlying data flowing into the models. The key judgements in determining revenue recognition include: • the period over which forecast cash flows are modelled to determine the EIR, as changes to this assumption could significantly affect the revenue recognised in any given period. • manual adjustments to revenue which pose a significant risk of material misstatement. Given the significant level of management judgement involved, we have determined that there is a risk of fraud through possible manipulation of the revenue balance. Further detail in respect of management judgements and assumptions is set out within the Audit Committee report on pages 61 to 62 and notes 1 and 3 to the financial statements.

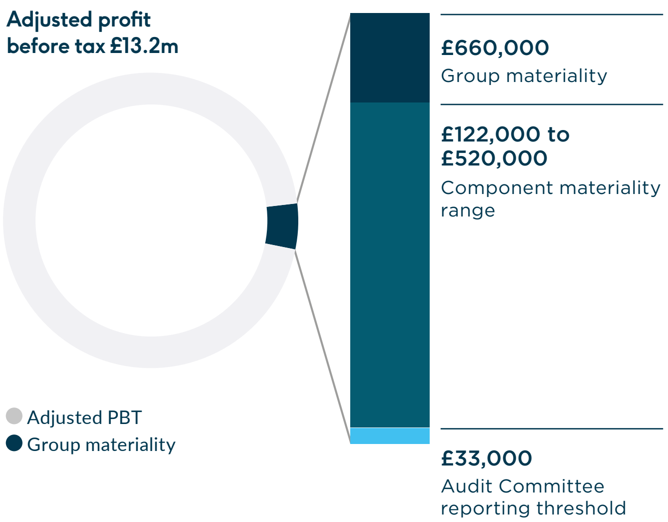
Independent auditor's report continued

How the scope of our audit responded to the key audit matter	We assessed the design and tested the implementation of controls relating to the recording of revenue, including manual adjustments. We considered the appropriateness of the methodology for compliance with IAS 39. We challenged management's assumptions in respect of cash flow estimates by comparing to underlying data sources and benchmarks. We focused on the timing and level of early settlements which directly impact estimated behavioural lives. We also challenged whether all directly attributable costs and fees were identified and appropriately included in the EIR by considering the contractual terms of the loans under IAS 39. We independently recalculated the effective interest rates for a sample of loans and compared these to the EIRs applied in the revenue models.
Key observations	We found the models to be working as intended and the underlying assumptions to be reasonable and compliant with IAS 39. From the evidence we obtained, the underlying data used were found to be complete and accurate.

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.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£660,000 (2016: £480,000)	£219,000
Basis for determining materiality	We used 5% of adjusted pre-tax profit. Adjusted pre-tax profit is before fair value adjustments, amortisation of acquired intangible assets, and exceptional items as described in the financial statements. For the year ended 31 December 2016 we used 5% of pre-tax profit, before fair value adjustments and amortisation of acquired intangible assets.	We used 5% of adjusted pre-tax profit. Adjusted pre-tax profit is before fair value adjustments, amortisation of acquired intangible assets and exceptional items as described in the financial statements.
Rationale for the benchmark applied	Profit-based measures are the financial measures most relevant to users of the financial statements. We considered the most relevant basis for materiality to be the profits earned from continuing business operations and have therefore excluded the fair value adjustments, amortisation of acquired intangible assets arising on acquisitions, and exceptional items as described in the financial statements. The use of 5% is to align materiality to that of comparable listed companies.	We considered the most relevant basis for materiality to be the profits earned from continuous business operations and have therefore excluded the exceptional items.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £33,000 (2016: £4,000) for the Group, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We have increased this threshold based on our understanding of the business and the appetite of the Audit Committee. 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 misstatements at the Group level. Based on that assessment, our Group audit scope focused on the parent company and each of the principal trading subsidiaries within the Group which together account for 100% of the Group's losses before tax. We have performed audit procedures over the Group consolidation and consolidation adjustments and we have audited all the subsidiaries using a materiality range of £122,000 to £520,000. Whilst consistent with prior year, the current year scope included the George Banco business acquired during the year.

All entities within the Group have the same engagement partner.

Other information

The Directors are responsible for the other information. The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of Directors
As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Independent auditor's report continued

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and or the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

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 disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors of Non-Standard Finance plc on 22 October 2014 to audit the financial statements for the period ending 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is three years, covering the periods ending 31 December 2015 to 31 December 2017.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

Mark Rhys, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
28 March 2018

Consolidated statement of comprehensive income
for the year ended 31 December 2017

	Note	Before fair value adjustments, amortisation of acquired intangibles and exceptional items £'000	Fair value adjustments, amortisation of acquired intangibles and exceptional items £'000	Year ended 31 Dec 2017 £'000
Revenue	3	**119,756**	**(11,985)**	**107,771**
Other operating income		1,926	–	**1,926**
Impairment		(28,795)	–	**(28,795)**
Administrative expenses		(69,203)	(7,897)	**(77,100)**
Operating profit/(loss)	4	**23,684**	**(19,882)**	**3,802**
Exceptional items	1,6	–	(6,342)	**(6,342)**
Profit/(loss) on ordinary activities before interest and tax		**23,684**	**(26,224)**	**(2,540)**
Finance cost	9	(10,481)	–	**(10,481)**
Profit/(loss) on ordinary activities before tax		**13,203**	**(26,224)**	**(13,021)**
Tax on profit/(loss) on ordinary activities	11	(2,313)	4,999	**2,686**
Profit/(loss) for the year		**10,890**	**(21,225)**	**(10,335)**
Total comprehensive loss for the year				**(10,335)**

Loss attributable to:	
• Owners of the parent	**(10,335)**
• Non-controlling interests	**–**

Loss per share

	Note	Year ended 31 Dec 2017 Pence
Basic and diluted	10	**(3.26)**

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

For the year ended 31 December 2016

	Note	Before fair value adjustments, amortisation of acquired intangibles and exceptional items £'000	Fair value adjustments, amortisation of acquired intangibles and exceptional items £'000	Year ended 31 Dec 2016 £'000
Revenue	3	81,099	(8,342)	72,757
Other operating income		450	–	450
Impairment/cost of sales		(23,651)	–	(23,651)
Administrative expenses		(44,074)	(10,714)	(54,788)
Operating profit/(loss)	4	13,824	(19,056)	(5,232)
Exceptional items	1,6	–	(626)	(626)
Profit/(loss) on ordinary activities before interest and tax		13,824	(19,682)	(5,858)
Finance cost	9	(3,484)	–	(3,484)
Profit/(loss) on ordinary activities before tax		10,340	(19,682)	(9,342)
Tax on profit/(loss) on ordinary activities	11	(2,278)	3,622	1,344
Profit/(loss) for the year		8,062	(16,060)	(7,998)
Total comprehensive loss for the year				(7,998)

Loss attributable to:	
• Owners of the parent	(7,998)
• Non-controlling interests	–

Loss per share

	Note	Year ended 31 Dec 2016 Pence
Basic and diluted	10	(2.60)

Consolidated statement of financial position
as at 31 December 2017

	Note	31 Dec 2017 £'000	31 Dec 2016 £'000
ASSETS			
Non-current assets			
Goodwill	13	**140,668**	132,070
Intangible assets	14	**17,205**	17,412
Property, plant and equipment	15	**9,434**	5,459
		167,307	154,941
Current assets			
Amounts receivable from customers	17	**259,836**	180,413
Trade and other receivables	17	**9,811**	9,709
Cash and cash equivalents	18	**10,954**	5,215
		280,601	195,337
Total assets		**447,908**	350,278
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables and provisions	19	**10,353**	8,005
Total current liabilities		**10,353**	8,005
Non-current liabilities			
Deferred tax liability	20	**4,996**	5,890
Bank loans	19	**199,316**	87,300
Total non-current liabilities		**204,312**	93,190
Equity			
Share capital	21	**15,852**	15,852
Share premium	22	**254,995**	254,995
Other reserves	23	**(1,066)**	–
Retained loss		**(36,793)**	(22,019)
		232,988	248,828
Non-controlling interests		**255**	255
Total equity		**233,243**	249,083
Total equity and liabilities		**447,908**	350,278

These financial statements were approved by the Board of Directors on 28 March 2018.

Signed on behalf of the Board of Directors.

John van Kuffeler
Group Chief Executive

Nick Teunon
Chief Financial Officer

Consolidated statement of changes in equity
for the year ended 31 December 2017

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Retained loss £'000	Non-controlling interest £'000	Total £'000
At 31 December 2015		5,264	92,714	–	(13,070)	255	85,163
Total comprehensive loss for the year		–	–	–	(7,998)	–	(7,998)
Transactions with owners, recorded directly in equity:							
Dividends paid	12	–	–	–	(951)	–	(951)
Issue of shares	21	10,588	162,281	–	–	–	172,869
At 31 December 2016		15,852	254,995	–	(22,019)	255	249,083
Total comprehensive loss for the year		**–**	**–**	**–**	**(10,335)**	**–**	**(10,335)**
Transactions with owners, recorded directly in equity:							
Dividends paid	**12**	**–**	**–**	**–**	**(4,439)**	**–**	**(4,439)**
Credit to equity for equity-settled share-based payments	**23**	**–**	**–**	**291**	**–**	**–**	**291**
Purchase of own shares	**23**	**–**	**–**	**(1,357)**	**–**	**–**	**(1,357)**
At 31 December 2017		**15,852**	**254,995**	**(1,066)**	**(36,793)**	**255**	**233,243**

Consolidated statement of cash flows
for the year ended 31 December 2017

	Note	**Year ended 31 Dec 2017 £'000**	Year ended 31 Dec 2016 £'000
Net cash used in operating activities	25	**(37,000)**	(23,541)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(5,536)**	(4,327)
Proceeds from sale of property, plant and equipment		**605**	813
Acquisition of subsidiary	24	**(16,442)**	(230,784)
Net cash used in investing activities		**(21,373)**	(234,298)
Cash flows from financing activities			
Finance cost		**(7,974)**	(3,484)
Debt raising		**77,882**	87,300
Dividends paid		**(4,439)**	(951)
Purchase of own shares		**(1,357)**	–
Proceeds from issue of share capital		**–**	172,869
Net cash from financing activities		**64,112**	255,734
Net increase/(decrease) in cash and cash equivalents		**5,739**	(2,105)
Cash and cash equivalents at beginning of year		**5,215**	7,320
Cash and cash equivalents at end of year	18	**10,954**	5,215

Company statement of financial position
as at 31 December 2017

	Note	31 Dec 2017 £'000	31 Dec 2016 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**158**	193
Investments	16	**212,336**	212,223
		212,494	212,416
Current assets			
Trade and other receivables	17	**60,984**	62,089
Cash and cash equivalents	18	**320**	378
		61,304	62,467
Total assets		**273,798**	274,883
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	19	**1,309**	1,595
Total liabilities		**1,309**	1,595
Equity			
Share capital	21	**15,852**	15,852
Share premium	22	**254,995**	254,995
Other reserves	23	**(1,079)**	–
Retained profit		**2,721**	2,441
Total equity		**272,489**	273,288
Total equity and liabilities		**273,798**	274,883

The retained profit for the financial year reported in the financial statements for the Company was £4,718,370 (2016: £10,761,000).

These financial statements were approved by the Board of Directors on 28 March 2018.

Signed on behalf of the Board of Directors.

John van Kuffeler
Group Chief Executive

Nick Teunon
Chief Financial Officer

Company number – 09122252

Company statement of changes in equity
for the year ended 31 December 2017

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Retained profit/(loss) £'000	Total £'000
At 31 December 2015		5,264	92,714	–	(7,369)	90,609
Total comprehensive income for the year		–	–	–	10,761	10,761
Transactions with owners, recorded directly in equity:						
Dividends paid	12	–	–	–	(951)	(951)
Issue of shares	21	10,588	162,281	–	–	172,869
At 31 December 2016		15,852	254,995	–	2,441	273,288
Total comprehensive income for the year		**–**	**–**	**–**	**4,719**	**4,719**
Transactions with owners, recorded directly in equity:						
Dividends paid	**12**	**–**	**–**	**–**	**(4,439)**	**(4,439)**
Credit to equity for equity-settled share-based payments	**23**	**–**	**–**	**278**	**–**	**278**
Purchase of own shares	**23**	**–**	**–**	**(1,357)**	**–**	**(1,357)**
At 31 December 2017		**15,852**	**254,995**	**(1,079)**	**2,721**	**272,489**

Company statement of cash flows
for the year ended 31 December 2017

	Note	**Year ended 31 Dec 2017 £'000**	Year ended 31 Dec 2016 £'000
Net cash used in operating activities	25	**(3,093)**	(16,492)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(18)**	(177)
Acquisition of subsidiary	24	**–**	(173,951)
Net cash used in investing activities		**(18)**	(174,128)
Cash flows from financing activities			
Finance (cost)/income		**(45)**	615
Dividends paid		**(4,439)**	(951)
Dividend income		**8,894**	13,500
Purchase of own shares		**(1,357)**	–
Proceeds from issue of share capital		**–**	172,869
Net cash from financing activities		**3,053**	186,033
Net (decrease) in cash and cash equivalents		**(58)**	(4,587)
Cash and cash equivalents at beginning of year		**378**	4,965
Cash and cash equivalents at end of year	18	**320**	378

Notes to the financial statements

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. The subsidiary Georgefinance.Com Limited has taken advantage of the exemptions under sections 394A and 448A of the Companies Act 2016 from preparing or filing accounts.

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 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; and
- Forecast compliance against debt covenants.

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 year ending 31 December 2017

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 International Accounting Standard Board's introduction of a new accounting standard covering financial instruments became effective from 1 January 2018 and replaces IAS 39: Financial Instruments: Recognition and Measurement. IFRS 9 prescribes: (i) classification and measurement of financial instruments; (ii) expected loss accounting for impairment, and (ii) hedge accounting. The only area which materially affects the Group is expected loss accounting for impairment. Under this approach, impairment provisions are recognised on inception of a loan based on the probability of default and the typical loss arising on default.

The expected credit loss impairment model has three stages: (1) on initial recognition, a loss allowance is recognised and maintained equal to 12 months of expected credit losses; (2) if credit risk increases significantly relative to initial recognition, the loss allowance is increased to cover full lifetime expected credit losses; and (3) when a financial asset is considered credit-impaired, the loss allowance continues to reflect lifetime expected credit losses and interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount. Provisions are calculated based on an unbiased probability-weighted outcome which takes into account historic performance and considers the outlook for macro-economic conditions. The impairment approach under IFRS 9 differs from the current incurred loss model under IAS 39 where impairment provisions are only reflected when there is objective evidence of impairment, typically a missed payment. The resulting effect is that impairment provisions under IFRS 9 are recognised earlier. This will result in a one-off adjustment to receivables, deferred tax and reserves on adoption and will result in delayed recognition of profits.

The Group will adopt the standard in line with the mandatory effective date of 1 January 2018. Based on current estimates, the adoption of IFRS 9 results in an unaudited reduction in receivables of £13.2m at 31 December 2017, which net of deferred tax, results in an unaudited reduction in net assets of £10.7m. The primary impact is attributable to increases in the level of provisioning under the new impairment requirements. Despite the adjustments required to receivables, net assets and earnings, it is important to note that cash flow remains unchanged and IFRS 9 only changes the timing of profits made on a loan. There will be no change to the Group's underwriting process and our scorecards will be unaffected by the change in accounting. The ultimate profitability of a loan is the same under both IAS 39 and IFRS 9 and the cash flows and capital generation over the life of a loan remain unchanged. The calculation of the Group's debt covenants are unaffected by IFRS 9, as they are based on accounting standards in place at the time they were set.

Management will continue to monitor and refine certain elements of our impairment process in advance of H1 2018 reporting.

IFRS 16 Leases
IFRS 16 replaces IAS 17 Leases and provides a single lease accounting model for the identification and treatment of lease arrangements in the financial statements of both lessees and lessors. The standard distinguishes between services and leases on the basis of whether there is the right to control the use of an identified asset for a period of time. The standard requires that upon commencement of a lease a lessee recognises a lease liability, being present value of the lease payments, and a right-of-use asset which is measured at the amount of the lease liability plus any initial direct costs incurred. The Group is in the process of assessing the impact of the standard and will adopt it from the expected effective date of 1 January 2019.

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

Revenue recognition
Interest income is recognised in the statement of comprehensive income for all loans and receivables measured at amortised cost using the effective interest rate 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, interest income on loan products continues 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.

Other operating income
Other operating income relates to amounts received as a result of debt sales made during the year. Due to the size and nature of the item, this has been disclosed as a separate line item in the statement of comprehensive income for the year ended 31 December 2017. This was included within impairment in the 2016 Annual Report, however has now been shown separately for comparative purposes.

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. 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 intangible assets and current and deferred tax assets and liabilities.

Fair value of acquired loan book
The fair value of the acquired loan portfolio of Loans at Home, Everyday Loans, and George Banco on acquisition has been estimated by discounting expected future cash flows. 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 effective interest rate basis over the expected life of the acquired loans. The Board of Directors will assess the fair value adjustment, using the same assumptions, to the remaining cash flows from the loans that were in place at the time of acquisition, at each future accounting date.

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. The Group's exceptional items for the year ended 31 December 2017 are costs associated with acquisitions, refinancing and restructuring (2016: costs associated with acquisitions).

Notes to the financial statements continued

1. Accounting policies continued

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.

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 CGU with the discounted forecasted earnings from the relevant CGU. Expected future earnings are derived from the Group's latest budget projections and the discount rate based on the Group's cost of equity at the balance sheet date.

Intangible assets

Intangible assets include acquired intangibles in respect of the customer list and agent relationships at Loans at Home (formerly Loansathome4u) and acquired intangibles in respect of the customer list, broker relationships and credit decisioning technology at Everyday Loans, together with the Everyday Loans and TrustTwo brands. Intangible assets also include acquired intangibles in respect of the customer list, broker relationships, and brand at George Banco.

The fair value of the customer lists of Loans at Home, Everyday Loans and George Banco on acquisition has been estimated by calculating the Net Present Value ('NPV') of the discounted cash flows from each new loan to be provided to this discrete set of known customers. The Board of Directors will test the assumptions for reasonableness at each future accounting date, limited to the original known customer lists.

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

The fair value of Everyday Loans' broker relationships on acquisition has been estimated by calculating the NPV of the discounted cash flows from the cost avoided each year due to having the broker relationships in place on new loan volumes written by existing brokers. The fair value of George Banco's broker relationships on acquisition has been estimated by calculating the NPV of the discounted cash flows from each new loan sold as a result of the strength of the broker relationship and reputation of George Banco, limited to three years of loan origination from the date of acquisition. The Board of Directors will test the assumptions for reasonableness at each future accounting date, limited to the then existing brokers.

The fair value of Everyday Loans' credit decisioning technology on acquisition has been estimated by assessing the likely commercial level of royalties that would be payable to a third party were the technology licensed rather than owned, calculated as a percentage of forecast revenues and discounted to the date of the transaction. The Board of Directors will assess the technology for impairment using the same methodology at each future accounting date.

The fair value of Loans at Home's brand (which at acquisition was loansathome4u), Everyday Loans, TrustTwo and George Banco brands on acquisition has been estimated by assessing the likely commercial level of royalties that would be payable to a third party were the brand licensed rather than owned, calculated as a percentage of forecast revenues and discounted to the date of the transaction. Due to rebranding, the loansathome4u brand to Loans at Home, the associated intangible asset was written off in 2016. The Board of Directors will assess each of the Group's remaining brands for impairment using the same methodology at each future accounting date.

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

Customer lists	Between 3 and 7 years
Agent network	3 years
Broker relationships	2 to 3 years
Credit decisioning technology	4 years
Brand	Between 1 and 5 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
Leasehold improvements	shorter of life of lease or 7 years
Computer and other equipment	20% to 33% straight-line
Fixtures and fittings	10% straight line or 20% reducing balance
Motor vehicles	25% reducing balance
Software	3 to 5 years

Project costs relate to capitalised IT expenditure in relation to developing software. They are not depreciated.

Freehold land is not depreciated.

Investments

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

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.

Recognition of incurred losses

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 effective interest rate. 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.

Notes to the financial statements continued

1. Accounting policies continued
For Loans at Home, 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 between two to four contractual weekly payments (depending on length of relationship with the customer) have been missed in the previous 13-week period.

For Everyday Loans and George Banco, the criteria that the Company uses to determine that there is objective evidence of impairment loss include, but are not limited to, the following:
- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower; and
- Initiation of bankruptcy proceedings.

Cash and cash equivalents
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 and are subsequently measured at amortised cost using the EIR method.

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

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

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.

Share-based payments
The Group has applied the requirements of IFRS 2 Share-based payments. The Group grants options under employee savings-related share option schemes (typically referred to as Save As You Earn schemes (SAYE)) and makes awards under the Long-Term Incentive schemes.
All of these schemes are equity-settled.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed in the consolidated statement of comprehensive income on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The corresponding credit is made to a share-based payment reserve within equity. The grant by the Company of options and awards over its equity instruments to the employees of subsidiary undertakings is treated as an investment in the Company's financial statements. At the end of the vesting period, or upon exercise, lapse or forfeit (if earlier), this credit is transferred to retained earnings. Further information on the Group's schemes is provided in note 23 and in the Directors' remuneration report.

Repurchase of share capital (own shares)
Where the Company or any member of the Group purchases the Company's share capital, the consideration paid is deducted from shareholders' equity as treasury shares until they are sold or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

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.

Critical accounting judgements:
Determination of Cash Generating Units ('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 Loans at Home, Everyday Loans and George Banco as three CGUs. No goodwill was attributable to TrustTwo upon acquisition of Everyday Loans.

Key sources of estimation uncertainty:

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the fair value less cost-to-sell of the CGUs to which goodwill has been allocated. The fair value 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, each of which can have a material effect on the carrying value of the asset. These include:

- earnings 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; and
- the discount rate 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 2020 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 forecast 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 IAS 36 we have compared the carrying value of goodwill to the recoverable amount which is the higher of value of use or fair value less costs-to-sell. The lowest of the 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 2017 as the CGUs' recoverable amounts exceed their carrying values. Refer to note 13 for the sensitivities around the carrying value of the goodwill.

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 assumptions to determine whether there is objective evidence indicating 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 Loans at Home are deemed to be impaired when two to 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.

Customer accounts in Everyday Loans and George Banco are impaired with reference to arrears stages and are measured as the difference between the carrying value of the loans and the present value of estimated future cash flows discounted at the original effective interest rate. 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.

Intangible assets – customer lists

Loans at Home's, Everyday Loans' and George Banco's customer lists have 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 lists have been valued by calculating the NPV of the discounted cash flows from each new loan forecast to be 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 value of the customer lists reflects a number of key estimates, which have a material effect on the carrying value of the assets. These include:

- cash flow forecasts which have been extracted from the budget produced by Loans at Home, Everyday Loans, and George Banco 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; and
- the WACC applied to determine the NPV of each new loan.

Notes to the financial statements continued

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

Intangible assets – broker relationships
Everyday Loans and George Banco's broker relationships have been allocated a fair value on acquisition to recognise the additional volume of new loans resulting from existing broker relationships. The fair value of the broker relationships on acquisition for Everyday Loans has been estimated by calculating the NPV of the discounted cash flows from the cost avoided each year due to having the broker relationships in place on new loan volumes written by existing brokers. The fair value of George Banco's broker relationships on acquisition has been estimated by calculating the NPV of the discounted cash flows from each new loan forecast to be sold as a result of the strength of the broker relationship and reputation of George Banco, limited to three years of loan origination from the date of acquisition.

The calculation of the broker relationships reflects a number of key estimates, which have a material effect on the carrying value of the assets. These include:
- Cash flow forecasts which have been extracted from the budget Everyday Loans and George Banco which involve inherent uncertainty, particularly in respect of gross loan values, collections performance and the cost base of the business.
- Estimates made on the percentage of new loans which are as a result of the broker relationships.
- The WACC applied to determine the NPV of each new loan.

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.

	Year ended 31 Dec 2017 £'000	Year ended 31 Dec 2016 £'000
Interest income	**119,756**	81,099
Fair value unwind on acquired loan portfolio	**(11,985)**	(8,342)
Total revenue	**107,771**	72,757

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

	Year ended 31 Dec 2017 £'000	Year ended 31 Dec 2016 £'000
Depreciation of property, plant and equipment (note 15)	**1,497**	690
Amortisation of intangible assets (note 14)	**7,897**	10,714
Staff costs (note 8)	**32,899**	20,287
Rentals under operating leases	**1,926**	1,110
Profit on sale of property, plant and equipment	**(416)**	(363)
Rentals received under operating leases	**–**	(28)

5. Auditors' remuneration

	Year ended 31 Dec 2017 £'000	Year ended 31 Dec 2016 £'000
Audit services		
Fees payable to the Company's auditor for the audit of the Parent's annual financial statements	**80**	70
Fees payable to the Company's auditor and their associates for the audit of the subsidiaries of the Group	**329**	215
Other services pursuant to legislation	**–**	–
	409	285
Other services		
Audit related fees	**51**	50
Other services relating to taxation	**–**	44
Services relating to corporate finance transactions	**192**	–
	243	94

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 62.

6. Segment information

Management has determined the operating segments by considering the financial and operational information that is reported internally to the chief operating decision maker, the Board of Directors, by management. For management purposes, the Group is currently organised into four operating segments: Branch-based lending (Everyday Loans), Home credit (Loans at Home), Guarantor loans (TrustTwo and George Banco) and Central (head office activities). The Group's operations are all located in the United Kingdom and all revenue is attributable to customers in the United Kingdom.

	Branch-based lending £'000	Home credit £'000	Guarantor Loans[1] £'000	Central £'000	**2017 Total £'000**
Year ended 31 December 2017					
Interest income	60,937	50,741	8,078	–	**119,756**
Fair value unwind on acquired loan portfolio	(11,874)	–	(111)	–	**(11,985)**
Total revenue	49,063	50,741	7,967	–	**107,771**
Operating profit/(loss) before amortisation	10,780	3,102	2,637	(4,820)	**11,699**
Amortisation of intangible assets	–	–	–	(7,897)	**(7,897)**
Operating profit/(loss) before exceptional items	10,780	3,102	2,637	(12,717)	**3,802**
Exceptional items[2]	(5,290)	(467)	(230)	(355)	**(6,342)**
Finance cost	(7,051)	(1,299)	(2,029)	(102)	**(10,481)**
(Loss)/profit before taxation	(1,561)	1,336	378	(13,174)	**(13,021)**
Taxation	128	179	(65)	2,444	**2,686**
(Loss)/profit for the year	(1,433)	1,515	313	(10,730)	**(10,335)**

	Branch-based lending £'000	Home credit £'000	Guarantor Loans[1] £'000	Central £'000	Consolidation adjustments[3] £'000	**2017 Total £'000**
Total assets	181,962	62,736	50,819	274,200	(121,809)	**447,908**
Total liabilities	(135,837)	(35,550)	(39,059)	(1,615)	(2,604)	**(214,665)**
Net assets	46,125	27,186	11,760	272,585	(124,413)	**233,243**
Capital expenditure	2,474	3,012	32	18	–	**5,536**
Depreciation of plant, property and equipment	617	798	29	53	–	**1,497**
Amortisation of intangible assets	–	–	–	7,897	–	**7,897**

1 Guarantor Loans division includes George Banco and TrustTwo. TrustTwo is supported by the infrastructure of Everyday Loans but its results are reported to the Board separately and has therefore been disclosed within the Guarantor Loans Division above.

2 Exceptional items in 2017 comprise £4.5m related to the refinancing of the Group's debt facilities, £1.0m relating to merger and acquisition activities, and £0.9m related to restructuring during the year (2016: £0.6m).

3 Consolidation adjustments include the acquisition intangibles of £17.2m (2016: £17.4m), goodwill of £140.7m (2016: £132.1m), deferred tax liability of £4.9m (2016: £6.8m), fair value of loan book of £12.0m (2016: £15.8m) and the elimination of intra-Group balances.

The results of each segment have been prepared using accounting policies consistent with those of the Group as a whole.

Notes to the financial statements continued

6. Segment information continued

The results of each segment have been prepared using accounting policies consistent with those of the Group as a whole.

	Branch-based lending £'000	Home credit £'000	Guarantor Loans[1] £'000	Central £'000	2016 Total £'000
Year ended 31 December 2016					
Interest income	37,080	42,170	1,849	–	81,099
Fair value unwind on acquired loan portfolio	(7,916)	(426)	–	–	(8,342)
Total revenue	29,164	41,744	1,849	–	72,757
Operating profit/(loss) before amortisation	6,848	1,431	460	(3,257)	5,482
Amortisation of intangible assets	–	–	–	(10,714)	(10,714)
Operating profit/(loss) before exceptional items	6,848	1,431	460	(13,971)	(5,232)
Exceptional items[3]	–	–	–	(626)	(626)
Finance cost	(2,699)	(323)	(198)	(264)	(3,484)
Profit/(loss) before taxation	4,149	1,108	262	(14,861)	(9,342)
Taxation	(1,036)	27	(58)	2,411	1,344
Profit/(loss) for the year	3,113	1,135	204	(12,450)	(7,998)

	Branch-based lending £'000	Home credit £'000	Guarantor Loans[1] £'000	Central £'000	Consolidation adjustments[3] £'000	2016 Total £'000
Total assets	136,362	40,258	8,783	274,883	(108,964)	351,322
Total liabilities	(98,589)	(14,239)	–	(1,595)	12,184	(102,239)
Net assets	37,773	26,019	8,783	273,288	(96,780)	249,083
Capital expenditure	1,764	2,386	–	177	–	4,327
Depreciation of plant, property and equipment	226	425	–	39	–	690
Amortisation of intangible assets	–	–	–	10,714	–	10,714

7. Directors' remuneration

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Short-term employee benefits	**1,442**	949
Post-employment benefits	**73**	70

Short-term employee benefits comprise salary, 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 staff (including Executive Directors but excluding Loans at Home's network of self-employed agents) employed by the Group was as follows:

Average number of employees (including Directors)	**Year ended 31 December 2017 Number**	Year ended 31 December 2016 Number
Everyday Loans staff	**286**	203
Loans at Home staff	**305**	271
Guarantor Loans staff	**79**	14
Central staff	**8**	9
	678	497

b) Employment costs

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Wages and salaries	**28,824**	17,824
Social security costs	**2,983**	1,866
Pension costs	**1,092**	597
	32,899	20,287

9. Finance cost

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Bank charges and interest payable	**(10,481)**	(3,541)
Bank interest receivable	**–**	57
Finance cost	**(10,481)**	(3,484)

10. Loss per share

	Year ended 31 December 2017	Year ended 31 December 2016
Retained loss attributable to Ordinary Shareholders (£'000)	**(10,335)**	(7,998)
Weighted average number of Ordinary Shares at year ended 31 December	**316,901,254**	307,315,588
Basic and diluted loss per share (pence)	**(3.26p)**	(2.60p)

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 in issue. The basic and diluted loss per share is the same, as the exercise of share options would reduce the loss per share and is anti-dilutive.

	Year ended 31 December 2017 000's	Year ended 31 December 2016 000's
Weighted average number of potential Ordinary Shares that are not currently dilutive	**8,728**	5,539

The weighted average number of potential Ordinary Shares that are not currently dilutive includes the Ordinary Shares that the Company may potentially issue relating to its share option schemes and share awards under the Group's long-term incentive plans and Save As You Earn schemes. The amount is based upon the number of shares that would be issued if 31 December 2017 was the end of the contingency period.

Notes to the financial statements continued

11. Taxation

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Current tax charge/(credit)		
Corporation tax charge	**673**	2,103
Total current tax charge	**673**	2,103
Deferred tax credit	**(3,359)**	(3,447)
Total tax credit	**(2,686)**	(1,344)

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:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Loss before taxation	**(13,021)**	(9,342)
Tax on loss on ordinary activities at standard rate of UK corporation tax of 19.25% (2016: 20%):	**(2,507)**	(1,868)
Effects of:		
Fixed asset differences	**(38)**	(103)
Expenses not allowable for taxation	**199**	132
Share-based payments	**11**	–
Chargeable gains/losses	**33**	99
Adjustment to tax charge in respect of previous periods[1]	**(573)**	72
Adjustment to tax charge in respect of previous periods – deferred tax	**176**	(80)
Deferred tax rate change	**60**	254
Changes in unrecognised deferred tax	**(142)**	151
Deferred tax not previously recognised	**95**	–
Total tax credit	**(2,686)**	(1,344)

1 Includes £0.5m research and development claim relating to the year ended 31 December 2016 (2016: £nil).

Exceptional items and costs related to long-term incentive plans are included within 'expenses not allowable for taxation' due the nature of the transactions. Exceptional items disallowed include costs in relation to the acquisition of George Banco totalling £0.6m (2016: £0.6m in relation to the acquisition of Everyday Loans). Long-term incentive plan items disallowed relates to set-up costs and the fair value of the schemes at the date of grant totalling £0.4m (2016: £nil).

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) were substantively enacted on 26 October 2015. A further reduction in the rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 31 December 2017 has been calculated based on the rate of 19% substantively enacted at the balance sheet date.

12. Dividends

A half-year dividend of 0.5 pence per share (2016: 0.3 pence per share) was paid in October 2017. The Directors have recommended a final dividend in respect of the year ended 31 December 2017 of 1.7 pence per share (31 December 2016: 0.9 pence per share) which will amount to an estimated dividend payment of £5.4m. This dividend is not reflected in the balance sheet as at 31 December 2017 as it is subject to shareholder approval.

13. Goodwill

	£'000
Cost and net book amount	
At 31 December 2015	40,176
Acquisition of subsidiary (Everyday Loans)	91,894
At 31 December 2016	132,070
Acquisition of subsidiary (George Banco)	8,598
At 31 December 2017	**140,668**

The goodwill recognised represents the difference between the purchase consideration and the net assets acquired (including intangible assets recognised upon acquisition). Total goodwill as at 31 December 2017 comprises £40.2m related to the acquisition of Loans at Home, £91.9m related to the acquisition of Everyday Loans, and £8.6m related to the acquisition of George Banco (refer to note 24).

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The assessment of impairment of goodwill reflects a number of key estimates, each of which can have a material effect on the carrying value of the asset.
These include:

- earnings 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;
- the price earnings multiple applied to the cash flow forecasts;
- estimates made on the disposal costs of the business; and
- the discount rate applied to determine the NPV of future cash flows.

The recoverable amount has been determined based on a fair value less cost-to-sell calculation. That calculation uses earnings projections based on financial budgets approved by management covering a three-year period to 31 December 2020, disposal costs have been estimated at 2% and a discount rate of 12% has been used for the Group. The Directors have estimated the discount rate using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the market. None of the goodwill is tax deductible.

Considering the key estimates above, the Group has identified that it would require a movement in all of the judgements and estimates of greater than 33% (Loans at Home), 10% (Everyday Loans) and 35% (George Banco), to give rise to a potential impairment charge to the carrying value of goodwill recognised for each CGU. Furthermore, it would require the following percentage decreases in 2020 forecast earnings to necessitate an impairment charge to the carrying value of goodwill: 61% at Loans at Home, 21% at Everyday Loans and 54% at George Banco.

The Group considers that there is no reasonably foreseeable reduction in the assumptions which would give rise to impairment and therefore no further sensitivity has been presented.

14. Intangible assets – Group

	Customer lists £'000	Agent network £'000	Brands £'000	Broker relationships £'000	Technology £'000	Total £'000
Cost						
At 1 January 2017	19,362	540	1,794	4,233	6,227	32,156
Additions through acquisition	2,562	–	211	4,918	–	7,691
At 31 December 2017	**21,924**	**540**	**2,005**	**9,151**	**6,227**	**39,847**
Amortisation						
At 1 January 2017	11,725	356	497	1,129	1,038	14,745
Charge for the year	4,048	63	334	1,895	1,557	7,897
At 31 December 2017	**15,773**	**419**	**831**	**3,024**	**2,595**	**22,642**
Net book value						
At 31 December 2017	**6,151**	**121**	**1,174**	**6,127**	**3,632**	**17,205**
At 31 December 2016	7,637	184	1,297	3,104	5,189	17,412

Notes to the financial statements continued

15. Property, plant and equipment – Group

	Freehold land and buildings £'000	Leasehold improvements £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Project costs £'000	Software £'000	Total £'000
Cost								
At 1 January 2017	100	1,848	1,054	1,186	1,911	1,797	2,160	10,056
Additions through acquisition	–	–	51	–	32	–	42	125
Additions	–	1,444	363	–	817	2,377	535	5,536
Disposals	(100)	(395)	–	(378)	(26)	–	–	(899)
At 31 December 2017	**–**	**2,897**	**1,468**	**808**	**2,734**	**4,174**	**2,737**	**14,818**
Depreciation								
At 1 January 2017	7	1,270	302	425	751	–	1,842	4,597
Charge for the year	–	180	92	193	464	382	186	1,497
Disposals	(7)	(395)	–	(282)	(26)	–	–	(710)
At 31 December 2017	**–**	**1,055**	**394**	**336**	**1,189**	**382**	**2,028**	**5,384**
Net book value								
At 31 December 2017	**–**	**1,842**	**1,074**	**472**	**1,545**	**3,792**	**709**	**9,434**
At 31 December 2016	93	578	752	761	1,161	1,797	318	5,459

Property, plant and equipment – Company

	Leasehold improvements £'000	Fixtures and fittings £'000	Motor vehicles £'000	Software £'000	Total £'000
Cost					
At 1 January 2017	110	76	55	–	241
Additions	–	1	–	17	18
At 31 December 2017	**110**	**77**	**55**	**17**	**259**
Depreciation					
At 1 January 2017	15	11	22	–	48
Charge for the year	22	16	14	1	53
At 31 December 2017	**37**	**27**	**36**	**1**	**101**
Net book value					
At 31 December 2017	**73**	**50**	**19**	**16**	**158**
At 31 December 2016	95	65	33	–	193

16. Investment in subsidiaries – Group

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 Loans at Home)	7 Turnberry Park Road, Gildersome, Morley, Leeds, England, LS27 7LE United Kingdom	Provision of consumer credit	100% of Ordinary Shares
Everyday Loans Holdings Limited	Secure Trust House, Boston Drive, Bourne End, Buckinghamshire, SL8 5YS, United Kingdom	Holding company	100% of Ordinary Shares
Everyday Loans Limited	As above	Provision and servicing of secured and unsecured personal instalment loans	100% of Ordinary Shares
Everyday Lending Limited	As above	Provision of secured and unsecured personal instalment loans	100% of Ordinary Shares
Non-Standard Finance Subsidiary Limited*	5th Floor 6 St Andrew Street, London, EC4A 3AE, United Kingdom	Dormant	100% of Ordinary Shares
Non-Standard Finance Subsidiary II Limited*	As above	Holding company	100% of Ordinary Shares
Non-Standard Finance Subsidiary III Limited*	As above	Holding company	100% of Ordinary Shares
NSF Finco Limited	As above	Financing company	100% of Ordinary Shares
George Banco Limited	The Blue Building, Dairy House Farm, Stubbs Lane, Beckington, Frome, BA11 6TE, United Kingdom	Provision and servicing of unsecured personal instalment loans	100% of Ordinary Shares
George Banco.Com Limited	As above	Provision of unsecured personal instalment loans	100% of Ordinary Shares
Georgefinance.Com Limited	As above	Dormant company	100% of Ordinary Shares

* Held directly by the Company.

Investment in subsidiaries – Company

	2017 £'000	2016 £'000
Investment in subsidiaries	**212,223**	212,223
Share-based payment adjustment	**113**	–
	212,336	212,223

17. Amounts receivable from customers – Group

	2017 £'000	2016 £'000
Credit receivables	**284,316**	204,775
Loan loss provision	**(24,480)**	(24,362)
Amounts receivable from customers	**259,836**	180,413

The movement on the loan loss provision for the period relates to the provision at Loans at Home and Everyday Loans for the year, and George Banco 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 24 for detail).

The fair value of amounts receivable from customers is approximately £304m (2016: £200m).

Amounts receivable from customers (before fair value adjustments) for the Group comprise £111.6m (2016: £74.1m) due within one year, and £136.3m (2016: £90.5m) due in more than one year.

Notes to the financial statements continued

17. Amounts receivable from customers – Group continued
We have represented the 2016 comparatives to achieve comparability with the current period.

Analysis of overdue receivables from customers

	2017 £'000	2016 £'000
Not past due or impaired	**226,343**	163,777
Past due but not impaired	**14,508**	10,286
Impaired	**18,985**	6,350
	259,836	180,413

	2017 £'000	2016 £'000
Loans at Home[1] past due not impaired:		
One week overdue	**8,785**	6,278
Two weeks overdue	**3,468**	2,129
Three weeks or more overdue	**2,255**	1,879
	14,508	10,286

1 Loans at Home make weekly collections.

	2017 £'000	2016 £'000
Everyday Loans[2]		
Rescheduled Loans	**19,237**	14,113
	19,237	14,113

2 Everyday Loans make monthly collections.

	2017 £'000	2016 £'000
Guarantor Loans[3]		
Rescheduled Loans	**2,407**	–
	2,407	–

3 George Banco and TrustTwo make monthly collections. There is no comparable information for George Banco as it was acquired on 17 August 2017.

Analysis on movement on loan loss provision

	£'000
At 31 December 2015	1,923
Provision on acquisition of Everyday Loans	6,105
Charge for the year	23,651
Amounts written off during the year	(4,828)
Unwind of discount	(2,489)
At 31 December 2016	24,362
Provision on acquisition of George Banco	4,252
Charge for the year	28,795
Amounts written off during the year	(32,188)
Unwind of discount	(741)
At 31 December 2017	**24,480**

The average EIR used during the year ended 31 December 2017 for Loans at Home was 353% (2016: 371%), for Everyday Loans was 47.5% (2016: 45%), and for Guarantor Loans was 40.2% (2016: n/a).

Financial instruments

The table below sets out the carrying value of the Company's financial assets and liabilities in accordance with the categories of financial instruments set out in IAS 39 as at 31 December 2017. Assets and liabilities outside the scope of IAS 39 are shown within non-financial assets/liabilities:

Group

At 31 December	Loans and receivables £'000	Amortised cost £'000	Non-financial assets/ liabilities £'000	**2017 Total £'000**	2016 Total £'000
Assets					
Cash and cash equivalents	10,954	–	–	**10,954**	5,215
Loans and advances to customers	259,836	–	–	**259,836**	180,413
Current tax asset	–	–	455	**455**	–
Other assets	–	–	9,356	**9,356**	9,709
Goodwill	–	–	140,668	**140,668**	132,070
Intangible assets	–	–	17,205	**17,205**	17,412
Property, plant and equipment	–	–	9,434	**9,434**	5,459
Total assets	270,790	–	177,118	**447,908**	350,278
Liabilities					
Bank borrowing	–	(199,316)	–	**(199,316)**	(87,300)
Current tax liability	–	–	–	**–**	(1,292)
Deferred tax liability	–	–	(4,996)	**(4,996)**	(5,890)
Other liabilities	–	(2,507)	(7,846)	**(10,353)**	(6,713)
Total liabilities	–	(201,823)	(12,842)	**(214,665)**	(101,195)

Company

At 31 December	Loans and receivables £'000	Amortised cost £'000	Non-financial assets/ liabilities £'000	**2017 Total £'000**	2016 Total £'000
Assets					
Cash and cash equivalents	320	–	–	**320**	378
Other assets	60,866	–	118	**60,984**	62,089
Property, plant and equipment	–	–	158	**158**	193
Investments	–	–	212,336	**212,336**	212,223
Total assets	61,186	–	212,612	**273,798**	274,883
Liabilities					
Other liabilities	–	–	(1,309)	**(1,309)**	(1,595)
Total liabilities	–	–	(1,309)	**(1,309)**	(1,595)

Trade and other receivables – Group

	2017 £'000	2016 £'000
Other debtors	**81**	211
Corporation tax	**455**	–
Prepayments	**9,275**	9,498
	9,811	9,709

Notes to the financial statements continued

17. Amounts receivable from customers – Group continued
Trade and other receivables – Company

	2017 £'000	2016 £'000
Other debtors	**1,365**	686
Amounts due from subsidiaries	**59,501**	61,135
Prepayments	**118**	268
	60,984	62,089

Amounts owed to Group undertakings are non-interest bearing and repayable on demand.

There are no amounts included in trade and other receivables which are past due but not impaired. The carrying value of trade and receivables is not materially different to the fair value.

18. Cash and cash equivalents – Group

	2017 £'000	2016 £'000
Cash at bank and in hand	**10,954**	5,215

Cash and cash equivalents – Company

	2017 £'000	2016 £'000
Cash at bank and in hand	**320**	378

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 and provisions – Group

	2017 £'000	2016 £'000
Trade creditors	**139**	917
Other creditors	**1,526**	144
Current tax liability	**–**	1,292
Accruals and deferred income and provisions	**8,688**	5,652
	10,353	8,005

Trade and other payables – Company

	2017 £'000	2016 £'000
Trade creditors	**120**	18
Other creditors	**85**	75
Amounts due to subsidiaries	**255**	1,255
Accruals and deferred income	**849**	247
	1,309	1,595

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

Provisions – Group

	£'000
Opening at 31 December 2015	–
Balance on acquisition of Everyday Loans	520
Charge during the period since acquisition	456
Utilised	(6)
Balance at 31 December 2016	970
Charge during the year	618
Utilised	(337)
Balance at 31 December 2017	**1,251**

The Group provides for its best estimate of redress payable in respect of historical sales of PPI by considering the likely future uphold rate for claims in the context of confirmed issues and historical experience. The likelihood of potential new claims is projected forward to 29 August 2019, which is in line with the deadline provided by the Financial Conduct Authority for customers to make claims. The accuracy of these estimates would be affected were there to be a significant change in either the number of future claims or the incidence of claims upheld by the Financial Ombudsman Service.

Bank loans – Group

	2017 £'000	2016 £'000
Due within one year	**2,507**	–
Due in more than one year	**199,316**	87,300

The Group entered into arrangements for the provision of two financing facilities during the year. These comprised a £225m term loan provided by institutional investors, and a £35m revolving loan facility provided by The Royal Bank of Scotland plc. As at 31 December 2017, £175.0m was drawn under the term loan facility and £33.1m was drawn under the revolving loan facility (2016: £77.3m drawn under the Everyday Loans banking facility and £10.0m drawn under the Loans at Home facility). The term loan facility has a six-year term and the revolving loan facility has a five-year term.

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

20. Deferred tax liability

	£'000
At 31 December 2015	(3,057)
Recognition of intangible assets at acquisition	(2,801)
Recognition of fair value adjustments on amounts receivable at acquisition	(4,750)
Adjust for changes in deferred tax rate	685
Recognition of deferred tax asset at acquisition	586
Current year credit	3,447
At 31 December 2016	(5,890)
Recognition of intangible assets at acquisition	(1,461)
Recognition of fair value adjustments on amounts receivable at acquisition	(1,547)
Adjust for changes in deferred tax rate	31
Charge relating to share-based payments	13
Recognition of deferred tax asset at acquisition	530
Current year credit	3,328
At 31 December 2017	**(4,996)**

Notes to the financial statements continued

20. Deferred tax liability continued
The deferred tax liability was recognised on acquisition of Loans at Home, Everyday Loans and George Banco (refer to note 24) in relation to intangible assets on which no tax deduction will be claimed in future periods for amortisation.

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

	2017 £'000	2016 £'000
Accelerated tax depreciation	**(65)**	163
Recognition of intangible assets	**(3,269)**	(3,308)
Recognition of fair value adjustments on amounts receivable at acquisition	**(2,277)**	(3,008)
Capital gains	**–**	(20)
Other short-term timing differences	**219**	258
Recognition of deferred tax relating to share-based payments	**22**	–
Other losses and deductions	**374**	24
Net deferred tax liability	**(4,996)**	(5,890)

21. Share capital
On 7 January 2016, the share capital was increased by the issuance of 188,235,825 Ordinary Shares of £0.05 each at a premium of £0.80 each.

Upon completion of the acquisition of the Everyday Loans Group from Secure Trust Bank plc on 13 April 2016, the share capital was further increased by the issuance of 23,529,412 Ordinary Shares of £0.05 each at a premium of £0.80 each to Secure Trust Bank plc.

All shares in issue are Ordinary 'A' Shares consisting of £0.05 per share. All shares are fully paid up.

The Company's share capital is denominated in Sterling. The Ordinary Shares rank in full for all dividends or other distributions, made or paid on the Ordinary Share capital of the Company (save the Ordinary Shares held in treasury which do not rank for dividends or other distributions, see note 23).

Share movements

	Number
Balance at 31 December 2015	105,284,445
Shares issued during 2016	211,765,237
Balance at 31 December 2016 and 31 December 2017	**317,049,682**

22. 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 £nil (2016: £7,131,000) directly relating to raising finance have been deducted from share premium in the year.

	Total £'000
Balance at 31 December 2015	92,714
Premium arising on issue of Ordinary Shares in 2016	169,412
Issue costs in 2016	(7,131)
Balance at 31 December 2016 and 31 December 2017	**254,995**

23. Other reserves
Treasury shares
The treasury shares reserve represents the cost of shares in the Group purchased in the market and held by the Group to satisfy options under the Group's share options schemes. The number of treasury shares held at 31 December 2017 was 1.9m (2016: nil).

	£'000
Balance at 1 January 2017	–
Acquired in the year	1,357
Disposed of on exercised options	–
Balance at 31 December 2017	**1,357**

Share-based payments
Equity settled share option schemes
At 31 December 2017, the Group operated five share-based award schemes which are all equity-settled: founder shares scheme, three long-term incentive schemes (the Non-Standard Finance plc Long-Term Incentive Plan, the Loans at Home Long-Term Incentive Plan and the Everyday Loans Group Long-Term Incentive Plan) and the Sharesave Plan ('Save As You Earn scheme').

a) Movements in the period

Founder Shares 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 payout 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; and
- 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 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 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 year ended 31 December 2017 (2016: £nil).

No shares were issued to the Directors during the year ended 31 December 2017 (2016: nil).

Non-Standard Finance plc Long-Term Incentive Plan

During the year, awards were made under the Non-Standard Finance plc Long-Term Incentive Plan. The awards were in the form of nil-cost options and the issue of C Ordinary Shares in Non-Standard Finance Subsidiary Limited.

The vesting date for awards is 31 December 2020. On vesting, participants will share in a 'pool' equal to 15% of the growth in value, based on market capitalisation, of the Company at 31 December 2020, above a share price of £1.10 per share.

In respect of awards made in the form of nil-cost options, on exercise a participant will receive shares in the Company equal in value to their proportion of the pool at vesting. In respect of awards made in the form of shares in Non-Standard Finance Subsidiary Limited, on vesting a participant can exchange these shares for shares in the Company equal in value to their proportion of the pool.

Awards in the form of nil-cost options:

	Percentage of pool allocated	Percentage of growth above £1.10 share price	Exercise price
Outstanding at 1 January 2017	–	–	–
Options granted	62.5%	9.4%	–
Lapsed	–	–	–
Exercised	–	–	–
Outstanding at 31 December 2017	**62.5%**	**9.4%**	**–**
Exercisable at 31 December 2017	**–**	**–**	**–**

Awards in the form of C Ordinary Shares:

	Number	Percentage of growth above £1.10 share price	Exercise price
Outstanding at 1 January 2017	–	–	–
Shares issued	375	5.6%	–
Forfeited	–	–	–
Vested	–	–	–
Outstanding at 31 December 2017	**375**	**5.6%**	**–**
Vested at 31 December 2017	**–**	**–**	**–**

Notes to the financial statements continued

23. Other reserves continued

Loans at Home Long-Term Incentive Plan

During the year, awards were made under the Loans at Home Long-Term Incentive Plan. The awards were in the form of nil-cost options over shares in the Company. On vesting, participants will share in a 'pool' equal to 5% of the growth in the equity value of Loans at Home measured at 31 December 2019 above £130m. The pool is subject to an overall cap of £3m. On exercise of the nil-cost options, a participant will receive shares in the Company equal in value to their proportion of the pool.

	Percentage of pool allocated	Percentage of growth above £130m	Exercise price
Outstanding at 1 January 2017	–	–	–
Options granted	100%	5%	–
Lapsed	–	–	–
Exercised	–	–	–
Outstanding at 31 December 2017	**100%**	**5%**	**–**
Exercisable at 31 December 2017	**–**	**–**	**–**

Everyday Loans Group Long-Term Incentive Plan

During the year, awards were made under the Everyday Loans Group Long-Term Incentive Plan. The awards were in the form of nil-cost options over shares in the Company. The vesting date is 31 December 2019. On vesting, participants will share in a 'pool' equal to 5% of the growth in equity value of the Everyday Loans Group measured at 31 December 2019 above £267m. The pool is subject to an overall cap of £6m. On exercise of the nil-cost options, a participant will receive shares in the Company equal in value to their proportion of the pool.

	Percentage of pool allocated	Percentage of growth above £267m	Exercise price
Outstanding at 1 January 2017	–	–	–
Options granted	117.8%	5.9%	–
Lapsed	32.7%	1.6%	–
Exercised	–	–	–
Outstanding at 31 December 2017	**85.1%**	**4.3%**	**–**
Exercisable at 31 December 2017	**–**	**–**	**–**

Save As You Earn scheme

During the year, awards were made to employees of the Group under a HMRC tax-advantaged Sharesave Plan. Under the Sharesave Plan, options have been granted in two tranches with a three-year vesting period and with an exercise price set at a 20% discount to the share price at the date of grant.

	Granted on 7 June 2017		Granted on 6 October 2017	
	Number	Exercise price (£)	Number	Exercise price (£)
Outstanding at 1 January 2017	–	–		
Options granted	1,307,711	0.5606	1,910,278	0.606
Lapsed	(29,536)	–	–	–
Exercised	–	–	–	–
Outstanding at 31 December 2017	**1,278,175**	**0.5606**	**1,910,278**	**0.606**
Exercisable at 31 December 2017	**–**	**–**	**–**	**–**

b) Fair value of options granted

For the share-based awards granted during the year, the main assumptions in the valuations are as follows.

Non-Standard Finance plc Long-Term Incentive Plan

During the year, the Non-Standard Finance plc Long-Term Incentive Plan was adopted. Under the Plan, awards can be made in the form of shares in a subsidiary company or nil-cost options. Awards will vest on 31 December 2020 based on the growth of the Company above a share price of £1.10. The fair value of the plan is £1.61m spread over the vesting period and will be equity-settled. A charge of £0.095m (2016: £nil) was recognised in the 2017 financial year. The following information is relevant in the determination of the fair value:

	15 September 2017	19 September 2017
Valuation method	**Black-Scholes**	**Black-Scholes**
Share price at grant date	**£0.75**	**£0.78**
Exercise price	**£1.10**	**£1.10**
Expected volatility	**25%**	**25%**
Expected life	**3.3 years**	**3.3 years**
Expected dividend yield	**3.5%**	**3.5%**
Risk-free interest rate	**0.32%**	**0.32%**

Loans at Home Long-Term Incentive Plan

During the year, the Loans at Home Long-Term Incentive Plan was adopted. Under the Plan, awards can be made in the form of nil-cost options. Awards will vest on 31 December 2019 based on the growth in value of the Loans at Home Group at the vesting date above £130m. The awards are subject to an overall cap of £3m. Awards will be delivered in the form of shares in Non-Standard Finance plc and will be equity-settled. The fair value of the awards made in December 2017 is £0.279m spread over the vesting period. A charge of £0.004m (2016: £nil) was recognised in the 2017 financial year. The following information is relevant in the determination of the fair value:

	20 December 2017
Valuation method	**Monte-Carlo**
Equity value at grant date	**£82.5m**
Exercise price	**£0.00**
Expected volatility	**30.9%**
Expected life	**2.16 years**
Expected dividend yield	**0%**
Risk-free interest rate	**0.51%**

Everyday Loans Group Long-Term Incentive Plan

During the year, the Everyday Loans Group Long-Term Incentive Plan was adopted. Under the Plan, awards can be made in the form of nil-cost options. Awards will vest on 31 December 2019 based on the growth in value of the Everyday Loans Group at the vesting date above £267m. The awards are subject to an overall cap of £6m. Awards will be delivered in the form of shares in Non-Standard Finance plc and will be equity-settled. The fair value of the awards made in March/April 2017 is £0.373m spread over the vesting period. The fair value of the awards made in December 2017 is £0.082m spread over the vesting period. A charge of £0.109m (2016: £nil) was recognised in the 2017 financial year. The following information is relevant in the determination of the fair value:

	6 March & 4 April 2017	4 December 2017
Valuation method	**Monte-Carlo**	**Monte-Carlo**
Equity value at grant date	**£182.1m**	**£182.1m**
Exercise price	**£0.00**	**£0.00**
Expected volatility	**25%**	**34%**
Expected life	**2.82 years**	**2.1 years**
Expected dividend yield	**0.0%**	**0.0%**
Risk-free interest rate	**0.14%**	**0.48%**

Sharesave Plan

During the year, the Non-Standard Finance plc Sharesave Plan was adopted. Under the Plan, options can be made with a three-year vesting period and at an exercise price not more than a 20% discount to the share price at the date of grant and will be equity-settled. The fair value of the awards made in June 2017 is £0.213m spread over the vesting period. The fair value of the awards made in October 2017 is £0.378m spread over the vesting period. A charge of £0.070m (2016: £nil) was recognised in the 2017 financial year. The following information is relevant in the determination of the fair value:

	7 June 2017	6 October 2017
Valuation method	**Black-Scholes**	**Black-Scholes**
Share price at grant date	**£0.7038**	**£0.7700**
Exercise price	**£0.5606**	**£0.6060**
Expected volatility	**28.3%**	**29.9%**
Expected life	**3 years**	**3 years**
Expected dividend yield	**1.71%**	**1.30%**
Risk-free interest rate	**0.13%**	**0.51%**

Notes to the financial statements continued

24. Acquisition of subsidiary

George Banco

On 17 August 2017, the Group obtained control of the George Banco Group, which consists of George Banco Limited, George Banco.Com Limited and GeorgeFinance.Com Limited. The Group obtained control through the purchase of 100% of the share capital. The acquisition of George Banco is in line with the Group's strategy to be a leader in each of its chosen business segments.

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

	Amounts recognised at acquisition date £'000	Fair value adjustments £'000	Total £'000
Intangible assets[1]	–	7,691	7,691
Property, plant and equipment	125	–	125
Amounts receivable from customers[2]	28,829	8,141	36,970
Trade receivables	50	–	50
Cash and cash equivalents	2,137	–	2,137
Trade and other payables	(380)	–	(380)
Loans and borrowings	(34,134)	–	(34,134)
Deferred tax liabilities[3]	–	(2,478)	(2,478)
	(3,373)	13,354	9,981
Goodwill			8,598
Total consideration			18,579
Satisfied by:			
Cash			18,579
Net cash outflow arising on acquisition:			
Cash consideration			18,579
Cash and cash equivalents acquired			(2,137)
			16,442

1 £2,561,791 has been attributed to the fair value of George Banco's customer list, £4,917,977 to the broker relationships and £210,844 to the George Banco brand (refer to note 14).
2 An adjustment to receivables of £8,141,189 has been made to reflect the fair value of the receivables book at the acquisition date.
3 Deferred tax liability of £2,477,875 has been recognised on the intangibles and the fair value adjustment of the receivable book at acquisition (refer to note 20).

George Banco contributed £4.5m to the Group's revenue and £0.5m profit before tax (before fair value adjustments) for the period from the date of acquisition to 31 December 2017. Reported revenue was £4.4m and profit before tax was £0.4m after fair value adjustments for the period from the date of acquisition to 31 December 2017. Assuming George Banco was acquired on 1 January 2017, reported revenue was £10.8m and profit before tax was £0.9m after fair value adjustments.

Everyday Loans

On 13 April 2016, the Group obtained control of the Everyday Loans Holdings Limited Group, which consists of Everyday Loans Holdings Limited, Everyday Loans Limited and Everyday Lending Limited. The Group obtained control through the purchase of 100% of the share capital. The Everyday Loans Group acquisition satisfied the strategic objective of entering two of Non-Standard Finance plc's target sectors: branch-based unsecured lending (Everyday Loans) and guarantor loans (TrustTwo).

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

	Amounts recognised at acquisition date £'000	Fair value adjustments £'000	Total £'000
Intangible assets[1]	–	14,006	14,006
Property, plant and equipment	563	–	563
Amounts receivable from customers[2]	115,563	23,749	139,312
Trade receivables	4,259	–	4,259
Cash and cash equivalents	1,807	–	1,807
Trade and other payables	(7,342)	–	(7,342)
Corporation tax liability	(1,949)	–	(1,949)
Deferred tax liabilities[3]	–	(7,551)	(7,551)
	112,901	30,204	143,105
Goodwill			91,895
Total consideration			235,000
Satisfied by:			
Cash and shares			235,000
Net cash outflow arising on acquisition:			
Cash consideration			215,000
Share consideration			20,000
Cash and cash equivalents acquired			(1,807)
Corporation tax credit			(1,864)
Other acquired asset			(545)
			230,784

1 £2,050,000 has been attributed to the fair value of Everyday Loans' customer list; £4,233,000 to the broker relationship; £1,447,000 to the Everyday Loans brand and £49,000 to the TrustTwo brand and £6,227,000 to technology (refer to note 14).
2 An adjustment to receivables of £23,749,000 was made to reflect the fair value of the receivables book at the acquisition date.
3 Deferred tax liability of £7,551,000 was recognised on the intangibles and the fair value adjustment of the receivable book at acquisition (refer to note 20).

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.

25. Net cash used in operating activities – Group

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Operating loss	**(2,540)**	(5,858)
Taxation paid	**(2,226)**	(1,341)
Depreciation	**1,497**	690
Share-based payment charge	**291**	–
Amortisation of intangible assets	**7,897**	10,714
Fair value unwind on acquired loan book	**11,985**	8,342
Profit on disposal of property, plant and equipment	**(416)**	(363)
Decrease in inventories	**–**	3
Increase in amounts receivable from customers	**(54,437)**	(21,039)
Increase in receivables	**(51)**	(7,737)
Increase/(decrease) in payables	**1,000**	(6,952)
Cash used in operating activities	**(37,000)**	(23,541)

Notes to the financial statements continued

25. Net cash used in operating activities – Group continued

Net cash used in operating activities – Company

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Operating loss	**(5,174)**	(3,883)
Depreciation	**53**	39
Share-based payment charge	**165**	–
Decrease/(Increase) in receivables	**2,149**	(3,123)
(Decrease) in payables	**(286)**	(9,526)
Cash used in operating activities	**(3,093)**	(16,492)

26. Operating lease commitments – Group
At 31 December 2017, the outstanding commitments under non-cancellable operating leases which fall due are as follows:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Within one year	**1,572**	1,158
In the second to fifth years inclusive	**3,175**	2,419
After five years	**99**	263
	4,846	3,839

27. Related party transactions
Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. There have been no related party transactions in the year ended 31 December 2017 (2016: nil). Three Directors are members of the Non-Standard Finance plc Long-Term Incentive Plan as detailed in note 23. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' remuneration report on pages 77, 78, 81 and 82.

28. 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 and quality-controlled customer base by applying strong emphasis on good credit management, both through strict lending criteria at the time of underwriting and continuously monitoring the collection process.

The average effective interest rate on financial assets of the Group at 31 December 2017 was estimated to be 109% (2016: 111%).

The average effective interest rate on financial liabilities of the Group at 31 December 2017 was estimated to be 7% (2016: 4%).

Market risk
Market risk is the risk of loss due to adverse market movements caused by active trading positions taken in interest rates, foreign exchange markets, bonds and equities.

The Group does not undertake position taking or trading books of this type and therefore market risk is not a concern.

Interest rate risk
The Group has an exposure to interest rate risk arising on changes in interest rates. The Group monitors interest rates but has not chosen to hedge this item given the much greater effective interest on financial assets as compared to the effective interest rate on financial liabilities.

A 1% movement in the interest rate applied to financial liabilities during 2017 would not have had a material impact on the Group's result for the year.

Credit risk
The Group's credit risk inherent in amounts receivable from customers is reviewed under impairment as per note 17. This risk is minimised by the use of credit scoring techniques which are designed to ensure the Group lends only to those customers who we believe can afford the repayments. It should be noted that the credit risk at the individual customer level is managed by strict adherence to credit control rules which are regularly reviewed. No individual customer contributed more than 10% of the revenue for the Group. Trade and other receivables and cash at bank 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 loan to value ratio level with respect to market conditions, whilst taking account of business growth opportunities in a capital-efficient manner.

Liquidity risk
This is the risk that the Group has insufficient resources to fund its existing business and its future plans for growth. The Group's short-term loans to customers provide a natural hedge against medium-term borrowings. The Group has in place sufficient long-term committed debt facilities which are sourced from a number of different providers. Cash and covenant forecasting is conducted on a monthly basis as part of the regular management reporting exercise. The risk of not having sufficient liquidity resources is therefore low.

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

29. Subsequent events
Since 31 December 2017 there have been no events that require disclosure in or adjustment to the financial statements.

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