Non-Standard Finance plc
Annual Report & Accounts 2022

nsfgroupplc.com

Contents

Overview

Our Purpose

Helping those excluded by mainstream lenders to meet their financial needs

What we do

We provide unsecured credit to those who are unable or unwilling to borrow from mainstream lenders; we aim to meet customers face-to-face but can also conduct our business remotely. Whilst expensive to operate, our approach often means we can lend when others can't (or won't).

How we do it

Our culture and values underpin everything we do and are ingrained throughout our organisation helping us drive our customer centric approach. By having our values embedded within the organisation it makes sure that our customers and communities inform the decisions we make. Our values align to our belief that we should act responsibly and with integrity in everything that we do.

Who benefits

By lending responsibly, we can benefit each of our key stakeholders:

Customers	We believe every adult should have access to credit they can afford to repay
Workforce	We aim to ensure that our workforce is well-trained, engaged, professional and highly motivated to succeed
Regulators	Maintaining good relations with regulators helps us to identify and resolve issues, ensuring the delivery of good customer outcomes
Partners and suppliers	We draw on the expertise of others to help us meet our objectives; maintaining their support and trust is key to our long-term success
Providers of funding	By focusing on long-term returns, we aim to secure the capital we need to fund future loan book growth and associated investment
Communities, charity and environment	Our approach to business and environmental, social, and governance ('ESG') is to simply do the right thing for our colleagues, customers, shareholders and other stakeholders. We strive to make a positive difference through the local colleagues we employ, the local communities we work with and the local causes we support.

Read more about our approach to stakeholders on pages 37 to 47.

2022 Overview

Whilst the Group saw a growth in revenues in its branch-based lending division in 2022, the fallout from the pandemic, ongoing regulatory issues (following which it became clear a high number of customers may be due redress in relation to historical unaffordable lending), the home credit division being placed into administration and the guarantor loans division continuing its managed run-off meant that the Group reported a pre-tax loss. The ELL Directors, supported by the Group Directors, decided to pursue a scheme of arrangement to address the Group's redress liabilities (the "Scheme"). This intention was announced as part of our half year results in 2022. During the second half of 2022, preparation for the Scheme with our advisors has continued and we were able to publish the practice statement letter for the scheme on 17 March 2023. The Group is now relying on DISP 1.6.2R(2), pursuant to which the business is able to place a temporary hold on the processing of customer complaints included in the Scheme, as it is not in a position to provide a final response to these claims until the conclusion of the Scheme process. The Group notes that the Financial Ombudsman Service ('FOS') has also announced that in these circumstances, they are not progressing complaints further or taking on any new complaints affected by the scheme.

A key objective of the Scheme will be to treat all affected customers equally. Although the independent review of the Group's branch-based lending division carried out in 2021 identified no systemic issues requiring redress, as this division and the guarantor loans division trade out of the same legal entity (Everyday Lending Limited), the Scheme will encompass potential claims from both divisions in order to ensure equitable treatment of customers. In addition, the Scheme is intended to provide certainty as to the amount that will be paid to customers with valid redress claims, which is one of the conditions (outlined below) to the Group's largest shareholder and secured lenders being willing to participate in the Group's planned restructuring and recapitalisation (the "Proposed Recapitalisation"). If successful, the proceeds of the Proposed Recapitalisation will be used to fund the partial payment of redress claims, restore the Group's balance sheet and return the branch-based business to profitable trading.

The Proposed Recapitalisation has the support in principle of NSF's largest shareholder and the Group's secured lenders, subject to agreement on the terms and other conditions described below and, in the case of NSF's largest shareholder, further diligence on and its assessment of the Group's revised business plan and financial projections. Completion of the Proposed Recapitalisation is subject to the agreement of terms between lenders and the Group's largest shareholder, and a number of conditions, including Court sanction of the Scheme, shareholder approval, the take-up of shares under the equity raise and execution of definitive documents. Assuming all the above outlined conditions are satisfied ("the Conditions"), NSF expects the Proposed Recapitalisation to complete at the end of Q2 2023 or the start of Q3 2023. As outlined in the Corporate Governance Report (on page 65), Toby Westcott has recused himself (refer to page 60) from all matters relating to the Proposed Recapitalisation and going concern (due to the topics being intrinsically linked) from 6 April 2023.

The Group has also agreed with its secured lenders to implement an alternative transaction if the Scheme is sanctioned but the Conditions to the Proposed Recapitalisation are not satisfied (the "Alternative Transaction"). The Alternative Transaction would involve a transfer of the ownership of the Group's business (by means of a share pledge enforcement) to the secured lenders in exchange for the release of a portion of their secured debt and the provision of a new lending facility. Part of the proceeds from this new lending facility would be used to fund the Scheme Fund and cover the costs of this Scheme. Under the Alternative Transaction, there would be no recovery for the Company's shareholders and the Company (ultimate parent company) may enter into an insolvency process.

The launch of the Scheme and the Proposed Recapitalisation or Alternative Transaction, has reduced the previous material risk of the possibility of the Group going into insolvency, and the Directors remain confident that there is a reasonable prospect of resolving the current position and that the Group remains a going concern.

However, if the Scheme is not sanctioned by the Court, or the Scheme is sanctioned but the Proposed Recapitalisation and the Alternative Transaction both fail, then the Group would remain insolvent and the most likely outcome would be a Group-wide insolvency (most likely administration), resulting in no return for the current shareholders, a significantly reduced return for secured lenders and minimal or no cash recovery for customers with valid redress claims. In the event that the Scheme is sanctioned, and the Alternative Transaction takes place (due to the failure of the Proposed Recapitalisation), there would be no recovery for the Company's shareholders.

Further details on the Scheme and the Proposed Recapitalisation and Alternative Transaction are provided below in the Group Chief Executive's review on pages 12 to 17.

Financial Summary

Reported Results

Combined loan book
£177.1m
(15)% **(2021: £208.0m)**

Revenue
£98.3m
(25)% **(2021: £131.4m)**

Loss before tax
£(56.4)m
(90)%[2] **(2021 loss before tax: £(29.6)m)**

Basic and fully diluted (loss) per share
(18.0)p
(90)%[2] **(2021: (9.5)p)**

Dividend per share
nil
(0)% **(2021: nil)**

Normalised results[1]

Combined loan book
£177.1m
(15)% **(2021: £208.0m)**

Revenue
£98.3m
(25)% **(2021: £131.4m)**

Loss before tax
£(24.6)m
(47)%[2] **(2021 loss before tax: £(16.7)m)**

Basic and fully diluted (loss) per share
(7.9)p
(47)%[2] **(2021: (5.4)p)**

Dividend per share
nil
(0)% **(2021: nil)**

Key Developments

- Net loan book of the Group reduced from £208m to £177m as a result of the administration of the home credit division and collect out of guarantor loans. Despite the ongoing uncertain macroeconomic and regulatory environment, the net loan book of the branch-based lending division increased by 6% from £157.2m to £167.0m.
- Regulatory reviews resulted in the guarantor loans division being placed into managed run-off in 2021, with the launch of a Scheme in March 2023 to reach a resolution with regard to the payment of redress to customers with valid claims both in respect of the guarantor loans division and the branch-based lending division (although there was no direct requirement for redress, claims in relation to the branch-based lending division has been included in the Scheme to ensure an equitable treatment of customers).
- Following the impact of the Covid-19 pandemic and regulatory issues, the home credit division went into administration on 15 March 2022.
- Cash balances decreased to £32.8 million (2021: £114.6 million) predominantly because of the repayment of the Group's revolving credit facility ('RCF') with NatWest and a repayment towards the debt facility.
- Whilst the Group's loan to value ratio was higher than the level permitted under its loan to value covenant at the quarter dates 31 March 2022, 30 June 2022, 30 September 2022 and 31 December 2022, it remains a going concern and has received temporary waivers to enable it to pursue a Scheme and raise additional capital which would reduce loan to value levels, fund customer redress, and strengthen the Group's balance sheet.
- Should the Proposed Recapitalisation fail, the Group's secured lenders have confirmed support for the Alternative Transaction to take place, which would preserve the Group's branch-based lending business as a going concern, but which, if implemented, would result in no recovery for the Group's current shareholders,
- Should the Scheme fail, there would be a material risk of the entire Group becoming insolvent.

[1] *See glossary of alternative performance measures and key performance indicators in the Appendix.*
[2] *Adverse movement*

The leader in branch-based lending

Our proven business model and strong market position means we are well-placed to deliver attractive long-term returns

Our business approach

When lending to non-standard credit customers, we know that understanding our customers' needs is paramount: we follow a detailed process designed to help ensure loans are affordable and if a customer gets into difficulty, we try and find a solution that works for all. We aim to meet our applicants face-to-face as we believe that this helps to establish a strong relationship with the customer, a key feature of our business model. However, where that is not possible, we rely on a tailored customer journey using both web and phone that we continue to evolve and improve.

Our culture and values

Having a positive business culture supported by clear values has allowed us to continue to support our customers and workforce through what has been an unprecedented shock for all areas of the UK economy both as a result of the Covid pandemic, but also more recently resulting from the cost-of-living crisis. By having our values embedded within the organisation we make sure that our customers and communities inform the decisions we make. Our values align to our belief that we should act responsibly and with integrity in everything that we do.

Our values

1. Integrity
We expect our people to respect colleagues and other key stakeholders and to deliver on our business approach, culture and values.

2. Shared purpose delivered through teamwork
We have clear strategic and operational goals and expect all our people to understand and share in that vision.

3. Doing the right thing
We recognise our collective responsibility for delivering great outcomes – not just for our customers but also our other stakeholders.

4. 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.

5. 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.

Our customer touch points

Online

Our first point of contact is often online, when a customer applies for a loan either direct or via a broker – here we capture their details and start the loan application process.

Face-to-face

We believe that, meeting the customer face-to-face is an important part of our underwriting process and helps us to build trusted relationships.

By phone

Applicants also contact us by phone to confirm their details and start the loan application process as well as to tell us if they are having problems.

Branch-based lending is the Group's cornerstone

National network

First established in 2006, we are the UK's largest branch-based provider of unsecured loans to sub-prime borrowers.

77

Locally-based branches

Invest in our people

We invest in our people to ensure they provide a high level of customer service to our customers and communities but also so that they can grow and develop their skills and careers with us. We made 42 internal promotions in 2022 and we continue to champion career development throughout the organisation.

549

Staff[1]

Customers

Our customers are the key to our long-term success. Whilst the pandemic impacted our scale as lending volumes reduced, we are determined to rebuild the loan book that was £167m at the end of 2022.

66,500

Customers

[1] *As at 31 December 2022. Staff numbers comprise all employees of Everyday Lending Limited.*

Strategic Report
Chairman's Statement

Introduction
The past twelve months have continued to pose a significant set of challenges, both from a macro-economic context with the impact of the cost of living crisis and the current inflationary environment, but also from a regulatory perspective, with the launch of the Scheme to address the Group's redress liabilities in relation to Everyday Lending Limited. This process has delayed our plans to complete a substantial restructuring and recapitalisation, but the Group remains optimistic in our ability to execute this plan, or the Alternative Transaction, in order to secure our future and provide a platform for the growth of the business in an increasingly important and relevant market.

The Group's financial performance has been largely driven by the robust performance of Everyday Loans, its branch-based lending business, which will now be our sole focus moving forwards. The market dynamics for branch-based lending and the need for alternative lending have perhaps never been stronger, which I believe leaves the Group well placed for future growth as it continues to serve a vital role in access to credit for the larger community underserved by traditional lenders. I would like to place on record my thanks to the management teams and colleagues that have continued to display resilience in the face of a difficult set of circumstances.

Last year our priorities were the development of a redress methodology for certain customers of the Group's guarantor loans business and having to place S.D.Taylor Limited, the legal entity out of which the home credit division traded, into administration, both of which were challenging but necessary steps required to ensure the future of the Group. These were however, in the best interests of stakeholders overall and helped to unblock the path towards the Scheme and the execution of the Proposed Recapitalisation or Alternative Transaction, which will be used to fund redress claims, restore the Group's balance sheet and return the branch-based lending business to profitable trading.

Below I have supplied an overview of the Group's performance in 2022, the regulatory issues faced, the Proposed Recapitalisation and Alternative Transaction and other matters that are also covered in more detail in the Group Chief Executive's review on pages 12 to 17 and the financial review on pages 28 to 35, as well as the consolidated financial statements on pages 113 to 158.

2022 results
The Group reported an increased normalised loss before tax[1] of £24.6m (2021: normalised loss before tax[1] of £16.7m). Once again, the full year results were impacted by a number of non-operating items as well as the home credit division being placed into administration and derecognised from the Group on 15 March 2022. The guarantor loans division collect out continues to progress well whilst the branch-based lending business continues to deliver good underlying financial performance. Group revenues decreased 25% from £131.4m to £98.3m due to the aforementioned derecognition of the home credit division in Q1 and collect out of guarantor loans, however this was partly offset by the higher revenue at branch-based lending which increased 6% to £84.5m (2021: £79.9m) as a result of higher revenue yields, with yields having reduced during 2020 and 2021 following an increase in the number of customers utilising forbearance measures during the pandemic. Impairments at branch-based lending were higher in the current period at £26.7m (2021: £19.0m) due to 2021 benefitting from lower lending volumes, however despite this, collections performance remained strong throughout 2022. Administrative expenses for the Group were lower by 31% at £65.9m (2021: £96.0m) as 2021 included a full year of the home credit division. The Group remains in a net liability position, due to the net losses over the past few years, the derecognition of the home credit division and the continued non-recognition of deferred tax assets. The Group is progressing with plans to resolve its regulatory issues via the Scheme, which was launched on 17 March 2023, and support in principle from the Group's secured lenders and largest shareholder means the Board continue to believe that that there is a reasonable prospect of resolving the current position subject to the successful implementation of the Scheme and Proposed Recapitalisation, subject to the Conditions outlined on page 2, or the Alternative Transaction.

[1] See glossary of alternative performance measures and KPIs in the Appendix.

Reviews into branch-based lending and home credit
As previously outlined, whilst it followed from the two independent reviews carried out in respect of each of our businesses at the request of the FCA that there was no requirement for customer redress in respect of branch-based lending, the Directors of the Group's home credit business, Loans at Home (and which traded out of S.D. Taylor Limited), reluctantly concluded that it was no longer viable and so the business was put into administration on 15 March 2022. As the operations and activities of Loans at Home are separate from the rest of the Group and following the receipt of certain waivers from the Group's secured lenders. The administration of Loans at Home has had minimal impact on the rest of the Group's business. The Group is therefore now fully committed to and focused on the growth of its branch-based lending business.

Scheme
The ELL Directors, supported by the Group Directors, decided to pursue the Scheme to address the Group's redress liabilities. As noted in the 2022 HY announcement, although the independent review of the branch-based lending division carried out in 2021 identified no systemic issues requiring redress, as this division and the guarantor loans division (now in collect-out) trade out of the same legal entity (Everyday Lending Limited), it is intended that the Scheme will encompass potential claims from both divisions in order to ensure equitable treatment of customers.

The FCA's current views in relation to the Scheme are set out in its letter of 25 April 2023. The FCA has stated that it does not, at this stage, anticipate that it will oppose the Scheme from being sanctioned should the requisite majorities of Scheme Creditors vote in favour of the Scheme. The FCA has confirmed that it does, however, fully reserve its position in respect of the Scheme and its right to object to the Scheme in due course, if the FCA considers it appropriate to do so

Further details on the Scheme are provided below in the Group Chief Executive's review on pages 12 to 17.

Proposed Recapitalisation, balance sheet and funding
Should the Scheme be sanctioned, the Group's intention is to proceed with the Proposed Recapitalisation to fund the partial payment of redress claims, restore the Group's balance sheet and return the branch-based business to profitable trading. In addition, the Group has

contractual commitments from its secured lenders to implement the Alternative Transaction in the event that the Scheme is completed but the Conditions outlined on page 2, to the Proposed Recapitalisation are not satisfied, which would preserve the branch-based lending business as a going concern, but, if implemented, would result in no recovery for the Group's current shareholders and the Company (ultimate parent company) may enter into an insolvency process. The Director's note that although the Group has contractual commitments from its secured lenders to support the Alternative Transaction, there is a risk that it will not be possible to implement either the Proposed Recapitalisation or the Alternative Transaction. In these circumstances, if neither the Proposed Recapitalisation nor the Alternative Transaction has been implemented by 31 December 2023, it will not be possible to pay the Scheme fund into a nominated trust account and the Scheme will fail.

The Proposed Recapitalisation, whilst ensuring the future for the Group, will materially dilute the interests of existing shareholders, most likely to negligible value unless they choose to participate in the Proposed Restructuring. As mentioned above, in case of the Alternative Transaction, there would be no recovery for the current shareholders,

The recapitalisation of the Group will enable us to reduce high levels of gearing, fund the partial payment of redress claims and underpin the future growth of its branch-based lending business. In addition, both the Proposed Recapitalisation and the Alternative Transaction would allow for the rephasing of the term of the Group's existing debt facilities, so that the expectation is that there would be no need for access to further debt funding in the short term and it is hoped that in due course the Group would be better placed to broaden its source of debt funding.

Further detail on what the Proposed Recapitalisation (or the Alternative Transaction in the event the Conditions outlined on page 2, to the Proposed Recapitalisation are not satisfied) involves is provided below in the Group Chief Executive's review on pages 12 to 17.

Business strategy

Whilst the make-up of the Group has changed significantly over the past 12 to 18 months, our purpose remains unchanged: through our continuing operations, we remain committed to meeting the needs of and helping those consumers who are either unable or unwilling to borrow from mainstream lenders. Non-standard consumer finance is a large market and the FCA has identified that more than 14.2 million people have low financial resilience and may therefore find it more difficult to access mainstream credit[1]. At the same time, the supply of regulated non-standard consumer credit has reduced as several providers have either closed or exited the market, while worsening macro-economic conditions have forced more consumers into the non-standard finance segment of the market.

Given the scale and market position of Everyday Loans and with the planned injection of capital, we believe that the Group will be well-placed to benefit from an increasing proportion of previously mainstream credit customers. These customers may have been driven into the non-standard sector following a significant tightening of lending criteria by mainstream lenders and the exit of several providers from the market.

[1] Financial Lives Survey – FCA, 11 February 2021

To fulfil our purpose, our business strategy includes three elements:

- Being a leader in branch-based lending;
- Investing in our core assets; and
- Acting responsibly.

Branch-based lending is the driving force behind the Group's performance and the Board's primary focus is on capitalising on the core strengths of Everyday Loans – its network, its people, and its proven business model. We continue to believe that there is a significant opportunity to grow the business through organic expansion and productivity gains, through careful investment in technology and people.

The execution of this strategy will be made possible by the completion of the Proposed Recapitalisation or Alternative Transaction and, if successful, the Group will be in a better position to manage the growth of this business in future.

Further details on each of the three elements of our business strategy can be found on pages 18 & 19.

Regulation

As we sought to conclude on each of the outstanding regulatory issues facing the Group, we have also continued to keep abreast of the latest regulatory developments, take part in industry forums and engage with other key stakeholders for whom regulation of the non-standard consumer finance sector is important. One of the most significant regulatory initiatives in recent years was the introduction of the new consumer duty which aims to raise the standard for how firms should be treating consumers. The new principle, rules and guidance were issued in July 2022 with an expectation to implement within 12 months. Following on from the finalised guidance, the business has created a gap analysis, a detailed action plan and an implementation plan to fulfil the requirements ahead of the July 2023 deadline.

Another key stakeholder is the Financial Ombudsman Service ('FOS') that continues to perform an important and valuable service for consumers in ensuring that they receive a good service and that complaints are handled appropriately by regulated firms.

Whilst considerable macroeconomic uncertainties remain, the Board is hopeful that, should there be a successful sanction of the Scheme, there will be a period of relative stability in terms of regulatory change, enabling the branch-based lending business to rebuild its loan book.

For further details on key regulatory developments, please visit our website: **www.nsfgroupplc.com**.

Environmental, Social and Governance ('ESG')

ESG matters have become increasingly important to a broad range of key stakeholders. Sarah Day, the Chief ESG Officer & Company Secretary is responsible for managing these risks. We have also considered several other related standards and protocols in developing our approach; identifying, managing and measuring ESG-related risks and opportunities and a summary of our approach has been included in his annual report (see page 48).

No final dividend
Despite the improvement in performance at the operating profit level, the Group still delivered a pre-tax loss. Given the financial position of the Company and the fact that as of the 31 December 2022, the Company did not have any distributable reserves and so was unable to pay cash dividends, no final dividend will be paid.

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

The way forward for the Group is now clearer given the launch of the Scheme process and the possibility of the Proposed Recapitalisation or Alternative Transaction. If successful, this will put us in a position to fund part of the redress claims and strengthen the Group's balance sheet as we look ahead to a future as a branch-based lending business. It will also allow us to avoid insolvency and safeguard the interests of our shareholders and other key stakeholders as we prioritise future growth.

As previously outlined, our primary focus for 2023, following upon and subject to the successful Court sanction of the Scheme, is the growth and development of our branch-based lending business Everyday Loans.

As announced on 14 April 2023, I have decided not to stand for re-election at the forthcoming Annual General Meeting ('AGM') on 23 June 2023. Having served for nearly eight years, it is time for a refreshed Board under the Chairmanship of Niall Booker, to lead the business with the new challenges and opportunities that lay ahead should there be a successful sanctioning of the Scheme and Proposed Recapitalisation.

I'd like to take this opportunity to thank colleagues and fellow Board members for their support and hard work over the last eight years.

Charles Gregson
Non-Executive Chairman
28 April 2023

Market Review

DEMAND FOR NON-STANDARD FINANCE IS EXPECTED TO RECOVER FURTHER IN 2023

1 Demand dynamics

There is a large demand for non-standard finance. The pandemic and Brexit had already brought the need for this type of financing into sharp relief and this has only been heightened by the recent inflationary and energy crises. Consumer savings generated during the pandemic are expected to reduce and mainstream lenders remain cautious, which is creating an opportunity for sub-prime lenders.

Customers are low paid or on variable income

24.5%

Proportion of total jobs that are deemed to be low paid[1]

Customers have low credit status/ are credit impaired

c.0.9m

County Court Judgments per annum, up 12.5% versus the previous year[2]

14.2m

People have low financial resilience[2]

26%

Percentage of the population with less than £500 savings[3]

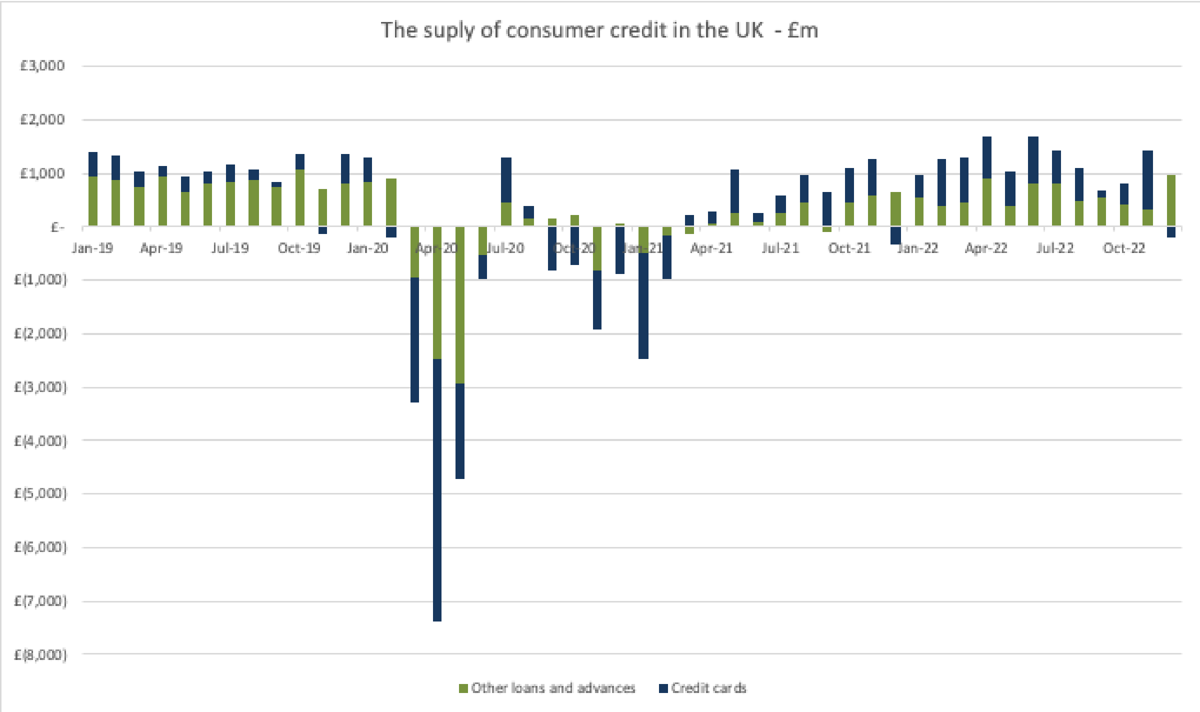
1 *The percentage of workers whose gross weekly earnings are less than two thirds of the median. This is not the same as low pay on an hourly basis that is defined as the value that is two-thirds of median hourly earnings. For example, median hourly earnings for all employees in 2022 are £14.77, therefore low-pay employees are anyone earning below two-thirds of £14.77, which is £9.85. High-pay employees are those earning anything above 1.5 times £14.77, which is £22.16.The proportion of low-paid employee jobs (based on hourly pay) fell to 10.5% in 2022 from 14.3% in 2021, the lowest since the series began in 1997, with the proportion of high-paid employee jobs falling 0.7 percentage points on-the-year to 23.7% in 2022.– ONS Low and high pay in the UK: 2022, 26 October 2022.*

2 *Registry Trust Limited – volume of CCJs issued against consumers in the year to 31 December 2022 for England and Wales.*

3 *Nearly one in five adults have less than £100 savings, 13% have no savings at all and 26% have less than £500 put away. – The Times, 15 June 2021.*

2 Supply dynamics

The UK outbreak of COVID-19 prompted a significant reduction in credit issuance as lenders were forced to reassess their lending criteria and as consumers significantly reduced their borrowings in the face of a rapid economic slowdown, but this is now behind us. The demand for consumer credit is now increasing again as savings have been eroded. Whilst the market is highly fragmented, there is a limited number of national providers of non-standard credit and several lenders have withdrawn from the market, increasing the potential for a mismatch of supply and demand if a return to economic growth is combined with a strong demand for credit growth.



A positive flow means that households are taking on more credit; a negative flow shows they are repaying credit.

Source: Bank of England – https://www.bankofengland.co.uk/statistics/visual-summaries/household-credit

3 External Environment

Macroeconomic

- Having increased by 7.5% in 2021, annual GDP output is estimated to have grown by 4.1% in 2022, demonstrating a slowdown in GDP growth[1]
- Employment rates remained robust in 2022 ending the year at 75.6% which is 1.0 percentage point lower than the period before the pandemic struck in March 2020[2]
- The rate of unemployment is currently at 3.7%, lower than the 4.1% recorded last year. In the latest three-month period, the number of people unemployed for up to six months increased, driven by people aged 16 to 24 years[2].
- Inflation (consumer price index including owner occupiers' housing costs) has increased significantly throughout 2022, driven by the adverse effects of the Russo-Ukrainian war, reaching 9.2% in the year to December 2022
- This impacted pay growth that was 7.2% in December 2022, down from its peak of 8.8% in June 2021 but up from -1.3% in June 2020[4]
- The long-term impact of the current conflict in Ukraine remains unclear and uncertainty over the pace of recovery is expected to continue to affect the UK economy in 2023
- Whilst Brexit may have had no material direct effect on most of the Group's customers, all of whom are UK-based, it is affecting inflation and is likely to remain a factor in shaping the current and future shape and dynamics of the UK economy

1 ONS – GDP Monthly estimate UK: December 2022, 11 February 2022.
2 ONS – Labour market overview: January 2022, released 17 January 2023.
3 ONS – Consumer price inflation, UK: December 2022, released 17 January 2023.
4 ONS – Whole Economy Year on Year Three Month Average Growth (%): Seasonally Adjusted Total Pay Excluding Arrears, released 15 February 2022

Competition

- The market is highly fragmented with a limited number of large, national firms
- Many mainstream lenders left the market post-2008 together with a number of high-cost lenders in 2019. Increased regulatory burdens and the impact of the pandemic have also prompted the closure and/or exit from the non-standard lending sector by a number of lenders
- Technology evolution may mean that new business models emerge, including models such as 'buy-now, pay later' that currently operate outside the regulatory perimeter

Regulation

- The UK's strict regulatory framework is designed to ensure a level playing field for all operators
- Following a detailed independent review, there was no need for customer redress in branch-based lending
- Firms have provided significant forbearance to customers experiencing difficulty as a result of the pandemic

Complaint handling

- An increase in customer complaints, driven in large part by claims management companies, has prompted an increase in complaint handling costs for a number of firms

4 Our branch-based lending division has a national network through which we seek to deliver great outcomes for our customers

Branch-based lending

#1	**77**	**66,500**
In the market[1]	**branches**	**customers**

1 Everyday Loans received the non-mainstream loan provider of the year award for the fourth year running at the Moneyfacts consumer awards 2023.

WINNER
FOUR TIMES
Moneyfacts
Consumer Awards 2020-2023
Non-mainstream Loan Provider of the Year

Business Model

Providing affordable credit to those excluded by mainstream providers

As a face-to-face lender, social distancing measures as a result of the pandemic placed a significant strain on the business models of both branch-based lending and home credit, impacting their ability to deliver benefits for key stakeholders. However, both were able to adapt and maintain a high level of service to our customers. Now that we have emerged from the constraints placed upon us by the coronavirus, we are in a good position to continue to grow the branch-based lending business, combining face-to-face lending expertise with technological enhancements to our service.

Key inputs

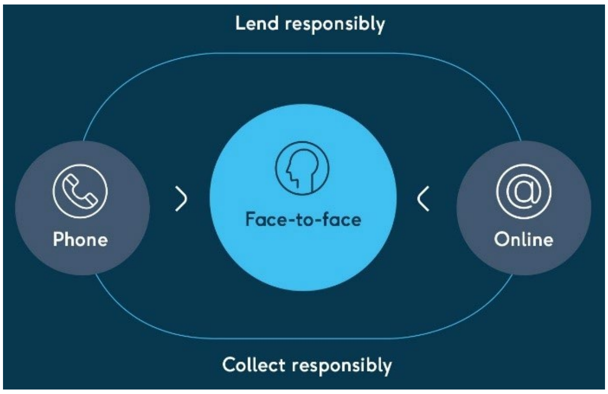
Long-term funding	Culture	Infrastructure	Compliance and risk management	Management
The Group uses equity and seeks to put in place long-term debt facilities to help fund its business	Providing customers with 'a helping hand' whilst ensuring good customer outcomes is the approach that is embedded deeply within our business	Our national branch-based lending network is well-invested and highly scalable	Managing risk is a key area of focus. We don't cut corners and know when something is not right	Attracting and retaining the best talent is key for our long-term success

What we do

Seek to understand our customers' financial and personal circumstances

Develop affordable products that meet the needs of our customers

If things go wrong, we work hard to put them right



Manage risks

Conduct
Regulation
Credit
Strategy
Operations
Reputation
Cyber
COVID-19
Funding and liquidity

Deploy capital and funding

Invest in assets
Reward providers:
– Debt
– Equity
Manage costs

Stakeholder impact

How we create value

Our performance has been severely impacted by a number of factors during 2022. But, through our business model we seek to deliver benefits for each of our key stakeholders.

Customers

High satisfaction ratings[1]

4.9/5

(2021: 4.9/5)

Our people

Number of Training days[2]

577

(2021: 1,183)

Communities

Total workforce[3]

555

(2021: 1,598)

Shareholders

Loss before tax[4]

£(24.6)m

(2021: Loss before tax of £16.7m)

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 for Everyday Loans over the past year and is out of a maximum score of 5.*
2 *Despite the challenges , training continued throughout 2022 in branch-based lending. The total number of training days for Everyday Loans and GLD was 577 (2021: 1,183).*
3 *As at 31 December 2022 – NSF plc: 6 (2021: 8), Everyday Loans: 518 (2021: 467), Loans at Home (staff and agencies): 0 (2021: 1,073); and Guarantor Loans Division: 31 (2021: 45).*
4 *Normalised loss before tax (see glossary of alternative performance measures and KPIs in the Appendix)*

Group Chief Executive's Report

Year to 31 December	2022 £000	2021 £000	*% change*
Normalised revenue[1]	98,337	131,387	*-25%*
Reported revenue	98,337	131,387	*-25%*
Normalised operating profit[1]	4,460	9,299	*-52%*
Reported operating profit	4,460	7,092	*37%*
Normalised loss before tax[1]	(24,591)	(16,680)	*-47%[3]*
Reported loss before tax	(56,359)	(29,610)	*-90%[3]*
Normalised loss after tax[1]	(24,591)	(16,755)	*-47%[3]*
Reported loss after tax	(56,359)	(29,685)	*-90%[3]*
Normalised earnings per share[2]	(7.87)p	(5.36)p	*-47%[3]*
Reported (loss) per share	(18.04)p	(9.50)p	*-90%[3]*
Full-year dividend per share	**0.00p**	0.00p	*0%*

1 *See glossary of alternative performance measures and key performance indicators in the Appendix.*
2 *Basic and diluted (loss) earnings per share is calculated as normalised loss after tax of £(24.6)m (2021: £(18.6)m) divided by the weighted average number of shares in issue of 312,437,422 (2021: 312,437,422).*
3 *Adverse movement.*

Context for results
On 15 March, 2022 it was announced that the Group's home credit division had gone into administration and so the 2022 results include the home credit division up to 14 March 2022, after which the division was derecognised from the Group in line with IFRS accounting standards. The results therefore include exceptional items totalling £19.4m in relation to the derecognition and impairments associated with the home credit division (refer note 7 to the financial statements for further information). Exceptional items also include £12.4m in relation to the Scheme being pursued by the Group with further detail provided below.

Summary
The past year presented several challenges for the Group as we sought to resolve a number of outstanding regulatory issues, dealt with the impact of rising inflation and an uncertain UK economic environment on our operations whilst also managing the impact on our balance sheet which remains in a net liabilities position.

Following the reviews which started with the FCA's multi-firm review into the guarantor loan business in March 2020, it also became clear that Loans at Home, the Group's home credit business (trading out of the legal entity S.D. Taylor Limited), was no longer viable and so it went into administration on 15 March 2022. Whilst deeply saddened and disappointed with this outcome, it was clear that administration was the only option available to preserve value for creditors. As the operations and activities of Loans at Home were separate from the rest of the Group, the Board of NSF confirms that, having received certain waivers from the Group's secured lenders, the administration of Loans at Home has had minimal impact on the rest of the Group's business.

In addition, the Group has been in the process of developing an appropriate redress scheme for Guarantor Lending customers since August 2020 and more latterly development of the Scheme since June 2022 to address redress claims in relation to its historical unaffordable lending. As noted in the 2022 half year announcement, although the independent review of the branch-based lending division carried out in 2021 identified no systemic issues requiring redress, as this division and the guarantor loans division (now in collect-out) trade out of the same legal entity (Everyday Lending Limited), the Scheme encompasses potential claims from both divisions in order to ensure equitable treatment of customers. The practice statement letter for the scheme was published on 17 March 2023 and the Board considers that there is a reasonable prospect of the Scheme being successfully sanctioned by the Court.

Due to the developments described above, the Group is seeking to progress the Proposed Recapitalisation or Alternative Transaction in readiness, should the Court sanction the Scheme. As the Group's loan to value ratio during the year was higher than the level allowed under its loan to value covenant, the Group has received the requisite waivers and extensions to avoid a covenant breach so that it can progress with the Scheme and, if successfully sanctioned by the Court, the Proposed Recapitalisation. The Group's secured lenders continue to provide temporary waivers and have expressed their support for the business. As such, they have agreed to enter into the Alternative Transaction in the event that the Scheme is successfully sanctioned, but that the Conditions outlined on page 2, to the Proposed Recapitalisation are not satisfied, such that the branch-based lending business would be preserved as a going concern, but which, if implemented, would result in no recovery for the Group's current shareholders and the Company (ultimate parent company) may enter into an insolvency process. Both the Proposed Recapitalisation and the Alternative Transaction include both significant debt write offs and extensions to the term of the Group's existing debt facilities to support the business going forward.

The Group's strong market position, in combination with a number of both external and internal profit drivers, means that the Board is confident that, subject to the timely completion of the Proposed Recapitalisation or Alternative Transaction (which themselves are subject to the sanctioning of the Scheme and the Conditions as outlined on page 2), the prospects for branch-based lending remain positive, driven by a planned recovery of ground lost over the past two years that should result in a marked improvement in the Group's financial performance. Further details regarding our future plans can be found in the 2022 financial review below.

Whilst there remain a number of material uncertainties which may cast significant doubt on the ability of both the Group and Company to continue as a going concern and remain viable, it remains the Directors' reasonable expectation that, if the Scheme and the subsequent Proposed Recapitalisation go ahead, the Group and Company will have raised sufficient capital in the timeframe required and will continue to operate and meet their respective liabilities as they fall due for the next 12 months and beyond. The Board has therefore concluded that, whilst a material uncertainty remains, the business is viable and remains a going concern.

If successful, the Proposed Recapitalisation or Alternative Transaction will reduce high levels of gearing, fund the partial payment of redress claims and underpin the future growth of the Group's branch-based lending business. In addition, whilst there would be no need for access to further debt funding beyond the extension of the term of the Group's existing debt facilities in the short term, given the significant cash balance that would then be at the Group's disposal, it is hoped that in due course, the Group would be better placed to broaden its sources of debt funding.

Without the successful completion of the Scheme and the Proposed Recapitalisation (or the Alternative Transaction in the event the Conditions outlined on page 2, to the Proposed Recapitalisation are not satisfied, which, if implemented, would result in no recovery for the Group's current shareholders and the Company (ultimate parent company) may enter into an insolvency process), the balance sheet remains deeply insolvent. In the event that the Scheme is not sanctioned by the court, or in the event that both the Proposed Recapitalisation and the Alternative Transaction fail, there would be a very significant likelihood of a Group-wide insolvency (most likely administration), resulting in no return for current shareholders and a significantly reduced return for secured lenders. However, the Directors continue to believe there is a reasonable prospect of resolving this position through the Scheme, which was recently launched on 17 March 2023, and the Proposed Recapitalisation with the Group's largest shareholder and secured lender support, which remains subject to the Conditions outlined on page 2, or, in case of the Alternative Transaction, the support of the secured lenders (noting, as above, that the Alternative Transaction may result the Company (ultimate parent company) entering into an insolvency process).

2022 full year results

Since emerging from the effects of the pandemic, a new set of economic challenges has presented itself, particularly the inflationary environment causing a cost-of-living crisis. However, these circumstances have proven to be supportive for the need for non-standard finance and created a liquidity gap for those not served by traditional lenders.

The Group reported an increased normalised loss before tax[1] of £24.6m (2021: normalised loss before tax[1] of £16.7m). Once again, the full year results were impacted by a number of non-operating items as well as the home credit division being placed into administration and derecognised from the Group on 15 March 2022. The guarantor loans division collect out continues to progress well whilst the branch-based lending business continues to deliver good financial performance driven by higher revenues and loan book growth. Group revenues decreased 25% from £131.4m to £98.3m due to the aforementioned derecognition of the home credit division in Q1 and collect out of guarantor loans, however this was partly offset by the higher revenue at branch-based lending which increased 6% to £84.5m (2021: £79.9m) as a result of higher revenue yields, with yields having reduced during 2020 and 2021 following an increase in the number of customers utilising forbearance measures during the pandemic. Impairments at branch-based lending were higher in the current period at £26.7m (2021: £19.0m) due to 2021 benefitting from lower lending volumes, however despite this, collections performance remained strong throughout 2022. Administrative expenses for the Group were lower by 31% at £65.9m (2021: £96.0m) as 2021 included a full year of the home credit division. Excluding this, the Group saw savings in expenses at its guarantor loans division with a decrease of 32% to £7.3m (2021: £10.7m) as the division continues to wind down and savings in staff costs, professional fees and complaints costs are realised. The branch-based lending division however saw increased spend on employee costs following investment in expanding the operational headcount to drive the growth in new lending resulting in administrative expenses increasing by 9%. The Group also remains in a net liability position, due to the net losses over the past few years, the derecognition of the home credit division and the continued non-recognition of deferred tax assets. The Group is progressing with plans to resolve its regulatory issues via the Scheme and support from the Group's secured lenders and largest shareholder (subject to the Conditions outlined on page 2), means the Board continue to believe that there is a reasonable prospect of resolving the current position subject to the implementation of the Scheme and the Proposed Recapitalisation (or the Alternative Transaction).

A summary of the other key performance indicators for each of our businesses for 2022 is shown below:

Key performance indicators[1] **Year ended 31 Dec 22**	**Branch-based lending**	**Guarantor loans[3]**
Loan book growth	**6.2%**	**(62.1)%**
Revenue yield	**52.3%**	**38.3%**
Risk adjusted margin	**35.8%**	**47.7%**
Impairments/revenue	**31.6%**	**(24.4)%**
Impairments/average net loan book	**16.5%**	**(9.3)%**
Cost: income ratio	**59.8%**	**111.4%**
Operating profit margin	**8.5%**	**12.8%**
Return on assets	**4.5%**	**4.9%**

Key performance indicators[1] **Year ended 31 Dec 21**	**Branch-based lending**	**Home credit[2]**	**Guarantor loans[3]**
Loan book growth	(8.3)%	(10.8)%	(55.2)%
Revenue yield	48.8%	157.2%	32.1%
Risk adjusted margin	37.2%	131.7%	34.7%
Impairments/revenue	23.8%	16.2%	(8.1)%
Impairments/average net loan book	11.6%	25.5%	(2.6)%
Cost: income ratio	57.9%	91.0%	82.0%
Operating profit margin	17.1%	(5.7)%	14.8%
Return on assets	8.3%	(9.0)%	4.8%

1 See glossary of alternative performance measures and key performance indicators in the Appendix.
2 The home credit division went into administration on 15 March 2022.
3 The Guarantor Loans Division was placed into managed run-off on 30 June 2021 and did not issue any new loans in 2021 and 2022.

The reduction in the net loan book from the collect out of the guarantor loans division and administration and subsequent derecognition of the home credit division was the main driver behind the 25% reduction in normalised and reported revenue to £98.3m (2021: £131.4m). Higher interest rates in 2022 also contributed to 12% higher finance costs in the year. This meant that the Group produced a normalised loss per share of 7.87p (2021: normalised loss per share of 5.36p).

The Group's 2022 and 2021 reported, or statutory results were both affected by exceptional items, a summary of which is shown in the table below (also see note 7 to the financial statements). The 2022 results saw greater impact from the derecognition and impairments related to the home credit division and the provision for customer redress and scheme costs.

Year ended 31 December **Exceptional items**	**2022** **£000**	**2021** **£000**
Advisory fees	**-**	**(1,580)**
Write down of balance sheet relating to home credit division	**-**	**(8,542)**
Loss on derecognition of the home credit division	**(5,647)**	**-**
Impairment of intercompany receivable with home credit division	**(13,714)**	**-**
Scheme of arrangement customer redress and costs	**(12,407)**	**(2,207)**
Restructuring costs	**-**	**(601)**
Total	**(31,768)**	**(12,930)**

The Group reported a statutory loss before interest and tax of £27.3m (2021: loss before interest and tax of £3.6m) and a statutory loss before tax of £56.4m (2021: £29.6m).

A summary of the performance of each division in 2022 is given below with further details in the 2022 financial review.

Branch-based lending
While the impact of the pandemic on lending volumes meant that the net loan book declined in both 2020 and 2021, the positive recovery in lending volumes has resulted in the net loan book returning to growth in 2022 and it ended the year up 6% at £167.0m (2021: £157.2m). We continually look to enhance our lending processes, including the assessment of creditworthiness and the refinement of credit scorecards and strategies. Whilst acutely aware of the cost-of-living crisis, the collections performance of the business remains ahead of expectation with customer payment levels particularly strong, whilst early settlements continue below pre-pandemic levels. Delinquency performance has returned to historically normal levels. The nature of IFRS 9 accounting meant that lower lending volume in the prior years also helped to reduce impairment charges however, as lending volumes have continued to recover throughout 2022, impairment rates are gradually seeing a corresponding reversal of the recent low levels, though remain below expectations. The result of this was the division reported a normalised operating profit of £7.2m (2021: £13.7m). The impact of higher finance costs and exceptional costs relating to the Scheme meant the division reported a statutory loss before tax of £20.1m (2021: loss before tax of £0.8m).

The Board continues to believe that the branch-based lending division has potential for future growth once the Group has resolved its outstanding regulatory issues and completed the planned Proposed Recapitalisation or Alternative Transaction (noting, as above, that the Alternative Transaction may result in the Company (ultimate parent company) entering into an insolvency process).

Although the independent review of the Group's branch-based lending business carried out in 2021 identified no systemic issues requiring redress, since this business and the guarantor loans division trade out of the same legal entity (ELL), the Scheme will encompass potential claims from both businesses to ensure equitable treatment of customers. As a result, provisioning for the scheme redress and operational costs have now been included within the branch-based lending reporting.

As outlined below, due to the need to launch the Scheme which encompasses both branch-based lending and guarantor loan customers, to ensure equitable treatment of customers within the same legal entity, an added exceptional charge for Scheme costs and customer redress of £12.4m has been recorded in the 2022 accounts.

Home credit
The Group's home credit division, which traded as Loans at Home ('LAH') out of S.D. Taylor Limited, was placed into administration on 15 March 2022. In the first two and a half months of the year the division performed ahead of budget although it delivered a negative contribution with a normalised operating loss of £0.5m (2021: normalised operating loss £2.2m).

In the current period, exceptional items of £5.6m in relation to losses on derecognition of the home credit division were recognised as well as an additional £13.7m (2021: £nil) of impairments of related receivable balances held with the division in order to reflect the fact that these may not be recovered directly by the Group. Whilst the Group will not recover the balances held directly with LAH following the conclusion of the administration, as LAH remains a guarantor of the Group's financing facilities, proceeds from the administration will be paid directly to its secured lenders, thereby reducing the external debt balance held by the Group at that point. During H2 2022 £10m of such proceeds were paid from the LAH administration and a further £3m in February 2023.

Guarantor loans
The Group's guarantor loans division was placed into a managed run-off on 30 June 2021. Since then, the Group has continued to collect out its loan book balance with the result that the division delivered a positive contribution to normalised operating profits in the year.

The loan book, net of provisions, has now fallen to £10.1 million (2021: £26.8m) and the Group continues to focus on collecting out the remaining book. The ELL Directors, supported by the Group Directors, decided to pursue the Scheme to address the Group's redress liabilities. As noted in the 2022 Half Year announcement, although the independent review of the branch-based lending division carried out in 2021 identified no systemic issues requiring redress, as this division and the guarantor loans division (now in collect-out) trade out of the same legal entity (ELL), the Scheme encompasses potential claims from both divisions in order to ensure equitable treatment of customers.

The FCA's current views in relation to the Scheme are set out in its letter of 25 April 2023. The FCA has stated that it does not, at this stage, anticipate that it will oppose the Scheme from being sanctioned should the requisite majorities of Scheme Creditors vote in favour of the Scheme. The FCA has confirmed that it does, however, fully reserve its position in respect of the Scheme and its right to object to the Scheme in due course, if the FCA considers it appropriate to do so

Liquidity, funding and going concern

As at 31 December 2022 the Group had cash at the bank of £32.8m (2021: £114.6m) and gross borrowings of £255.0m (2021: £330.0m). As at 31 March 2023, cash balances were £15.8m and gross borrowings reduced to £252m.

The Group's active loan facility comprises a £285m term loan facility that matures in August 2023 ('Existing Facilities'), which at the year end had been partially repaid, with £255m remaining drawn down at 31 December 2022. Having received appropriate waivers from its secured lenders ensuring that the administration of Loans at Home would have minimal impact on the rest of the Group, the Board and its advisers have discussed and reached agreement on the extension of the existing facilities and the terms under which interest is paid, dependent upon the successful sanctioning of the Scheme.

The Group's multi-year £200m securitisation facility, which was undrawn at the start of the year, was closed during the course of the year as it was unlikely to have been available for use, owing to the associated covenant requirements embedded in the facility agreement.

As noted in the 2022 Half Year Results, the Group's subsidiary S.D. Taylor Limited (Loans at Home) was placed into administration on 15 March 2022. As the operations and activities of Loans at Home were separate from the rest of the Group, having received certain waivers from the Group's secured lenders, the administration of Loans at Home has had minimal impact on the existing funding arrangements of the Group.

For the quarters ended 31 March 2022, 30 June 2022, 30 September 2022 and 31 December 2022, the Group's loan to value (LTV) ratio was higher than the level permitted under its LTV covenant. The Group has agreed extensions with its secured lenders such that the LTV covenant will not be formally tested, and no covenant breach or event of default will arise, until the Group provides its compliance certificates for the aforementioned quarter dates. The date on which the Group is required to supply these compliance certificates has been extended until 17 May 2023, with a mechanism for this date to be extended further with lender support.

The Group is now pursuing the Scheme in order to provide certainty as to the amount that will be paid to customers with valid redress claims, which, as explained above, is one of the Conditions outlined on page 2 (among others) to the Group's largest shareholder and secured lenders being willing to participate in the Proposed Recapitalisation (or the Alternative Transaction). Although the independent review of the Group's branch-based lending division carried out in 2021 identified no systemic issues requiring redress, as this division and the guarantor loans division (now in collect-out) trade out of the same legal entity (Everyday Lending Limited), the Scheme encompasses potential claims from both divisions in order to ensure equitable treatment of customers. On 17 March 2023, the Group sent out a practice statement letter to its creditors and a first court hearing is scheduled for 28 April 2023.

The Group and Company can reasonably expect to raise sufficient new capital to enable them to continue to operate and meet their respective liabilities as they fall due for the next 12 months. The Board has therefore adopted the going concern basis of accounting. The Board's position is, in part, informed by the fact that the Group's largest shareholder and secured lenders remain supportive of the Proposed Recapitalisation subject to the Conditions outlined on page 2, while the Group also has contractual commitments from its secured lenders to support the Alternative Transaction (noting, as above, that the Alternative Transaction may result in the Company (ultimate parent company) entering into an insolvency process and, that although the Group has contractual commitments from its secured lenders to support the Alternative Transaction, there is a risk that it will not be possible to implement either the Proposed Recapitalisation nor the Alternative Transaction. In these circumstances, if neither the Proposed Recapitalisation or the Alternative Transaction has been implemented by 31 December 2023, it will not be possible to pay the Scheme fund into a nominated trust account and the Scheme will fail.).

In adopting the going concern assumption in preparing the financial statements, the Directors have considered the activities of its principal subsidiaries, as well as the Group's principal risks and uncertainties as set out in the Governance Report and Viability Statement within the Group's 2022 Annual Report.

The assumption of support from the Group's largest shareholder and secured lenders for the Proposed Recapitalisation and the extension of existing financing facilities and the satisfactory conclusion of regulatory and redress matters within or close to the assumptions made in the Group's base case, each as outlined above and in the Conditions outlined on page 2, form a significant judgement of the Directors in the context of approving the Group's going concern status (see note 1 to the financial statements).

The Board will continue to monitor the Company and the Group's financial position (including access to liquidity and balance sheet solvency) carefully as a better understanding of the impact of these various factors are developed. The Board recognises the importance of the success of the Scheme and the Proposed Recapitalisation to mitigate the uncertainties noted above and to support the future growth prospects of the Group. If the Scheme was not to be sanctioned or if the Group was otherwise unable to implement the Proposed Recapitalisation (or the Alternative Transaction in the event the Conditions outlined on page 2, to the Proposed Recapitalisation are not satisfied) following the successful sanctioning of the Scheme, there would be a material risk of the Group entering insolvency.

Regulation

Concluding all the Group's outstanding regulatory issues has been a key priority over the past 24 months. As previously outlined, whilst the conclusion from the two independent reviews carried out at the request of the FCA was that there was no requirement for systemic customer redress in branch-based lending, the Directors of the Group's home credit business, Loans at Home (trading out of the legal entity S.D. Taylor Limited), reluctantly concluded that it was no longer viable and so the business was put into administration on 15 March 2022. As the operations and activities of Loans at Home are separate from the rest of the Group and following the receipt of certain waivers from the Group's secured lenders. The administration of Loans at Home has had minimal impact on the rest of the Group's business. As a result, the Group is fully committed to the growth of its branch-based lending business.

Scheme

The Group has decided to pursue the Scheme and, as noted in the half year 2022 announcement, although the independent review of the Group-based lending division carried out in 2021 identified no systemic issues requiring redress, as this division and the guarantor loans division (now in collect-out) trade out of the same legal entity (ELL), the Scheme encompasses potential claims from both divisions in order to ensure equitable treatment of customers.

As set out in the Practice Statement Letter as published on 17 March 2023, the Scheme will compromise:

- subject to certain limited exceptions, the redress claims (i.e. claims in relation to any activity which occurred on or before 31 March 2021 in connection with a loan provided by Everyday Loans, George Banco or Trust Two; and
- case fees owed to the Financial Ombudsman Service arising from complaints referred to the FOS on or after 17 March 2023 in relation to any activity which occurred on or before 31 March 2021 in connection with a loan provided by Everyday Loans, George Banco or Trust Two (the "FOS Fees").

Under the current expected timetable, the Court convening hearing will be held on 28 April 2023 and the Court sanction hearing on 22 June 2023, with the creditors' meeting where the scheme creditors will vote on the Scheme being held virtually between these dates.
The FCA's current views in relation to the Scheme are set out in its letter of 25 April 2023. The FCA has stated that it does not, at this stage, anticipate that it will oppose the Scheme from being sanctioned should the requisite majorities of Scheme Creditors vote in favour of the Scheme. The FCA has confirmed that it does, however, fully reserve its position in respect of the Scheme and its right to object to the Scheme in due course, if the FCA considers it appropriate to do so.

The Proposed Recapitalisation and Alternative Transaction

The Scheme is a key component of the Proposed Recapitalisation, which will ensure the future of the Group and the Everyday Loans business. The Group's intention is for the Proposed Recapitalisation to be implemented shortly following Court sanction of the Scheme.

The Proposed Recapitalisation will involve:

- NSF raising gross proceeds of approximately £95 million through a public equity raise, part of which will be applied towards the cost of the equity raise and part of which will be used to fund the Scheme Fund and cover the costs of the Scheme, with the remainder being invested in the Everyday Loans business;
- the Group's secured lenders releasing a portion of their secured debt in exchange for shares in NSF;
- the extension of the maturity date under the Group's secured debt facilities from August 2023 to June 2027; and
- the Company and its advisers exploring the cancellation of NSF's listing on the Main Market of the London Stock Exchange plc and its admission of its enlarged share capital to trading on AIM.

The Proposed Recapitalisation has the support in principle of NSF's largest shareholder and the Group's secured lenders, subject to the Conditions outlined on page 2.

NSF expects the equity raise to include both a placing with new and existing institutional investors as well as an open offer component, whereby existing shareholders will be provided with an opportunity to participate in the capital raise. The structure, detailed terms and viability of the equity raise are expected to be confirmed in Q2 2023 following consultation with major shareholders and potential investors.

Although the Proposed Recapitalisation will ensure the future of the Group and the Everyday Loans business, it will materially dilute the interests of the Company's existing equity holders, most likely to negligible value, unless they choose to participate in the equity raise.

Completion of the Proposed Recapitalisation is subject to the Conditions outlined on page 2. Assuming all the Conditions are satisfied, NSF expects the Proposed Recapitalisation to complete at the end of Q2 2023 or the start of Q3 2023.

The Group has also agreed with its secured lenders to implement the Alternative Transaction if the Scheme is sanctioned but the Conditions to the Proposed Recapitalisation are not satisfied (as outlined on page 2). The Alternative Transaction would involve a transfer of the ownership of the Group's business to the secured lenders (pursuant to a share pledge enforcement) in exchange for the release of a portion of their secured debt and the provision of a new lending facility. Part of the proceeds from this new lending facility would be used to fund the Scheme Fund and cover the costs of this Scheme. Under the Alternative Transaction, there would be no recovery for the Company's shareholders and the Company (ultimate parent company) may enter into an insolvency process.

However, if the Scheme is not sanctioned by the Court, or the Scheme is sanctioned but the Proposed Recapitalisation and the Alternative Transaction both fail, then the Group would remain insolvent and the most likely outcome would be a Group-wide insolvency (most likely administration), resulting in no return for the Company's shareholders, a significantly reduced return for secured lenders and minimal or no cash recovery for customers with valid redress claims. In the event that the Scheme is sanctioned and the Alternative Transaction takes place (due to the failure of the Proposed Recapitalisation), there would be no recovery for the Company's shareholders.

Complaint handling
Whilst the overall number of complaints received by the Group reduced in 2022, this was largely due to the closure of Loans at Home which had, until that point, been on an upwards trend of complaint volumes. The remaining two divisions saw contrasting trends where branch-based lending increased by 14% and guarantor loans fell by 23%. The majority of complaints came from three CMCs in branch-based lending, all of which sent more complaints than the previous year, and one CMC in guarantor loans. FOS decisions fell significantly across these two divisions after FOS aimed to clear their outstanding backlog in the early part of the year.

Consumer Duty
One of the most significant regulatory initiatives in recent years was the introduction of the new consumer duty which aims to raise the standard for how firms should be treating consumers. The new principle, rules and guidance were issued in July 2022 with an expectation to implement within 12 months. Following on from the issued guidance, the business has created a gap analysis, a detailed action plan and an implementation plan to fulfil the requirements ahead of the July 2023 deadline. ELL Directors sit on a steering group to oversee the project, whilst an experienced project manager has been employed to drive the project forward and report back to the steering group. Six separate work streams consisting of senior management have been, and are currently working on, ensuring all actions are satisfactorily completed within the expected timeframes. Much of the work done over the past few years has put the branch-based lending in an excellent position ahead of the new regulations. However, the project remains a priority and the business is confident that all elements of the consumer duty will be met.

Further details on the consumer duty and the other pertinent regulatory developments during 2022 and into 2023 are available on the Group's website: **www.nsfgroupplc.com**.

Current trading and outlook, no final dividend
Whilst the fallout from the pandemic, Brexit and more recently the Ukrainian crisis means that macroeconomic uncertainty remains high, recent trading in branch-based lending and the collect out of guarantor loans has been slightly ahead of management's expectations. Lending volumes in the first quarter of 2023 were a little better than expected and collections and impairment performance have been much better with the result that the Group's overall early performance for the year to date has been promising.

Given the financial position of the Company and the fact that as at 31 December 2022 the Company did not have any distributable reserves, no final dividend has been declared. Assuming the Court sanctioning of the Scheme and the subsequent Proposed Recapitalisation is successful, the Company intends to create additional distributable reserves so that, when and if appropriate, the Board can consider the payment of cash dividends to shareholders at some point in the future.

The outlook for the Group is such that, without the successful completion of the Scheme and the Proposed Recapitalisation (or the Alternative Transaction in the event the Conditions to the Proposed Recapitalisation (as outlined on page 2) are not satisfied), the balance sheet remains deeply insolvent. If the Scheme is not sanctioned by the Court, or the Scheme is sanctioned but the Proposed Recapitalisation and the Alternative Transaction both fail, then the Group would remain insolvent and the most likely outcome would be a Group-wide insolvency (most likely administration), resulting in no return for the current shareholders, a significantly reduced return for secured lenders and minimal or no cash recovery for customers with valid redress claims. In the event that the Scheme is sanctioned and the Alternative Transaction takes place (due to the failure of the Proposed Recapitalisation), there would be no recovery for the Company's shareholders and the Company (ultimate parent company) may enter into an insolvency process.

The Directors continue to believe there is a reasonable prospect of resolving this position through the Scheme and the Proposed Recapitalisation with the support in principle of the Group's largest shareholder and secured lenders, which support remains subject to the Conditions outlined on page 2, or, in case of the Alternative Transaction, the support of the secured lenders.

Assuming the Proposed Recapitalisation or Alternative Transaction is completed as planned, our focus in 2023 is to re-energise the business following the enormous structural changes over the past few years and the regulatory changes to the industry more generally. As outlined in the 2022 financial review, this recovery will be dependent on us restoring the momentum in our branch-based lending business through a combination of investment in staffing, technology and process-driven productivity improvements and a steady recovery in demand for non-standard consumer credit.

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

Annual General Meeting
The AGM of the Company is scheduled to take place on 23 June 2023. A separate notice of meeting will be being sent to shareholders nearer the time of the meeting and will be available from the Group's website: **www.nsfgroupplc.com.**

Jono Gillespie
Group Chief Executive
28 April 2023

Strategic Framework

Our business strategy comprises three elements, each of which remains central to our long-term success in branch-based lending:

Strategic priorities		2022 performance*
01. Being a leader	We aim to be the best at what we do – not just from a customer's perspective, but also from that of our other key stakeholders including employees, our regulators and our communities. We are the clear market leader in providing unsecured loans to the credit impaired through a branch-based network.	**BRANCH BASED LENDING NET LOAN BOOK** **£167m** **TOTAL NUMBER OF BRANCH BASED LENDING CUSTOMERS** **66,500**
02. Investing in our core assets	Other than the loans we make to customers, our core assets tend to be intangible in nature and include things such as our people, distribution networks, our technology and our brand. Whilst the impact of the pandemic meant that we made some adjustments to our infrastructure to better suit the prevailing circumstances, investing in our core assets and processes (such as creditworthiness and affordability) remains central to our long-term strategy. We recognise that our colleagues are what makes us unique. We are committed to creating a favourable colleague experience, based on an inclusive culture and a community where colleagues feel they can be their best authentic selves. Community and connection have never been so important and, by providing the right culture for our colleagues, they can fulfil their potential and provide the best service to our customers.	**NUMBER OF BRANCHES** **77** **SIZE OF WORKFORCE*** **549**
03. Acting responsibly	Being responsible is still at the heart of our business values and culture and we work hard to ensure that this is embedded into all our behaviours, policies, and procedures. Through responsible lending we aim to keep impairment levels low, and should we fall short of expectations, we work hard to put things right so that our reputation for 'doing the right thing' is sustained.	**BRANCH BASED LENDING IMPAIRMENT AS % AVERAGE NET RECEIVABLES*** **16.5%** **For more on our stakeholder engagement see pages 37 - 47**

* employees of Everyday Lending Limited.

	2022 developments		2023 objectives
01. Being a leader	• The market conditions continued to test all areas of our business in 2022 Underpinning our leadership position has been our previous investments in people, culture and requisite infrastructure - factors that were instrumental in enabling us to deliver an underlying financial performance ahead of expectations. and although independent review of the Group's branch-based lending division carried out in 2021 identified no systemic issues requiring redress, launch the Scheme to address the Group's redress liabilities, which encompasses potential claims from both the guarantor loans and branch-based lending divisions in order to ensure equitable treatment of customers	• Everyday Loans developed a new credit scorecard that has been introduced since the year end and is expected to help drive better lending decisions and improve conversion Everyday Loans extended its open banking pilot and expects to be able to offer a fully integrated solution for all applicants during 2022	• Remain flexible and adapt to what is likely to be a highly dynamic macroeconomic environment. • Position Everyday Loans as the number one choice for applicants that are on average incomes, are credit impaired and seeking 2–5-year loans for up to £15,000 • Stabilise and then grow the loan book in branch-based lending Implementation of the Scheme which was launched in March 2023, following sanctioning by the Court, and the Proposed Recapitalisation (or the Alternative Transaction in the event the Conditions outlined on page 2, to the Proposed Recapitalisation are not satisfied)

	2022-23 developments		2023 objectives
02. Investing in our core assets	**Branch-based lending** • We continued to embed and reinforce the creditworthiness process allowing staff to capture more detailed information to evidence that each loan issued is appropriate and meeting the needs of the customer • We have invested in a new Learning and Development platform that supports all of our colleagues learning and development needs. • We have invested in regional training academies that provide all of our new starters with the tools and materials to fulfil the role to the high standards we expect • We have extended our open banking pilot having developed a solution that is fully integrated into our existing loan management system • A new and much improved scorecard was developed, tested and is now installed, helping to improve conversion and enhance our financial performance	**Home credit** • We ensured that our complaint handling infrastructure meant that we could respond to all complaints within 8 weeks • We continued to enhance our remote lending and collections processes • Despite these initiatives it became clear that the Group's home credit business was no longer viable and so it went into administration on 15 March 2022 **Guarantor loans** • Implemented an appropriate incentive programme to help sustain a strong collections performance whilst the business is in managed run-off	**Branch-based lending** • Grow loan book and continue to evolve our creditworthiness assessment processes • Deliver significant productivity improvements using open banking tools and our new scorecard • Invest further in technology and communications to generate cost savings and operational efficiencies • Increase our presence within the Community through lending our time and technical skills to support the communities in which we serve • Investment in our colleague experience journey from the launch of a cultural immersive induction day to regional training academies to ongoing colleague development through our new learning platform • Leadership Investment through establishing a Senior Leadership team through to the roll out of Leadership Programmes from the Executive Committee through to first time managers **Guarantor loans** • Focus on collections whilst continuing to manage costs
03.Acting responsibly	**Branch-based lending** • We improved our processes for identifying and engaging with vulnerable customers that now represent c.25% of the total • We continued to support local communities. • An independent review of lending and complaints handling completed in 2021 with no systemic issues. However due to both branch-based lending and guarantor loans operating out of the same legal entity, the branch-based lending customers have also been included in the Scheme alongside guarantor lending customers to ensure equitable treatment of customers. • Staff engagement remained high despite the pandemic although staff turnover did increase in 2022. We have continued to focus our investment in people to ensure that we maintain our high standards of customer service throughout the pandemic and cost of living crisis (as we did during the pandemic)	**Home credit** • Despite many initiatives it became clear that the Group's home credit business was no longer viable and so it went into administration on 15 March 2022 **Guarantor loans** • The Group has now launched the Scheme to address its redress liabilities.	In branch-based lending we plan to: • develop a clear plan to implement any required changes to our processes and systems in order to comply with the new Consumer Duty by July 2023. • develop a coherent assessment, strategy and plan to identify key risks flowing from climate change and how we might mitigate our environmental impact. • continue to enhance our procedures for identifying and servicing vulnerable customers. • continue to deliver good customer outcomes by lending and collecting in a responsible way and in line with the Group's policies and procedures

Risk management

Managing risk is a key element within our business model

The impact from key events over the past couple of years continues to affect the Group, along with the emergence of the cost-of-living crisis. Whilst the Group continues to manage and monitor key risks, there remains potential impact on the Group's overall operational and financial performance.

As the Group gained momentum in its emergence from the issues created by the pandemic in 2020 and 2021, new risks emerged from the volatile economic and political landscape and various business specific issues. These combined, meant that the overall risk profile for the Group remained high during 2022. Key risks included: continued uncertainty over customer redress costs, Court sanction of the proposed Scheme; performance of the loan book in the Group due to the cost-of-living crisis; the Scheme is not successful (or both the Proposed Recapitalisation and the Alternative Transaction fail), or takes longer to execute than planned; the financial performance of the Group is worse than expected; and as a result, the Group breaches its loan covenants does not receive any further waivers from its lenders and could become insolvent.

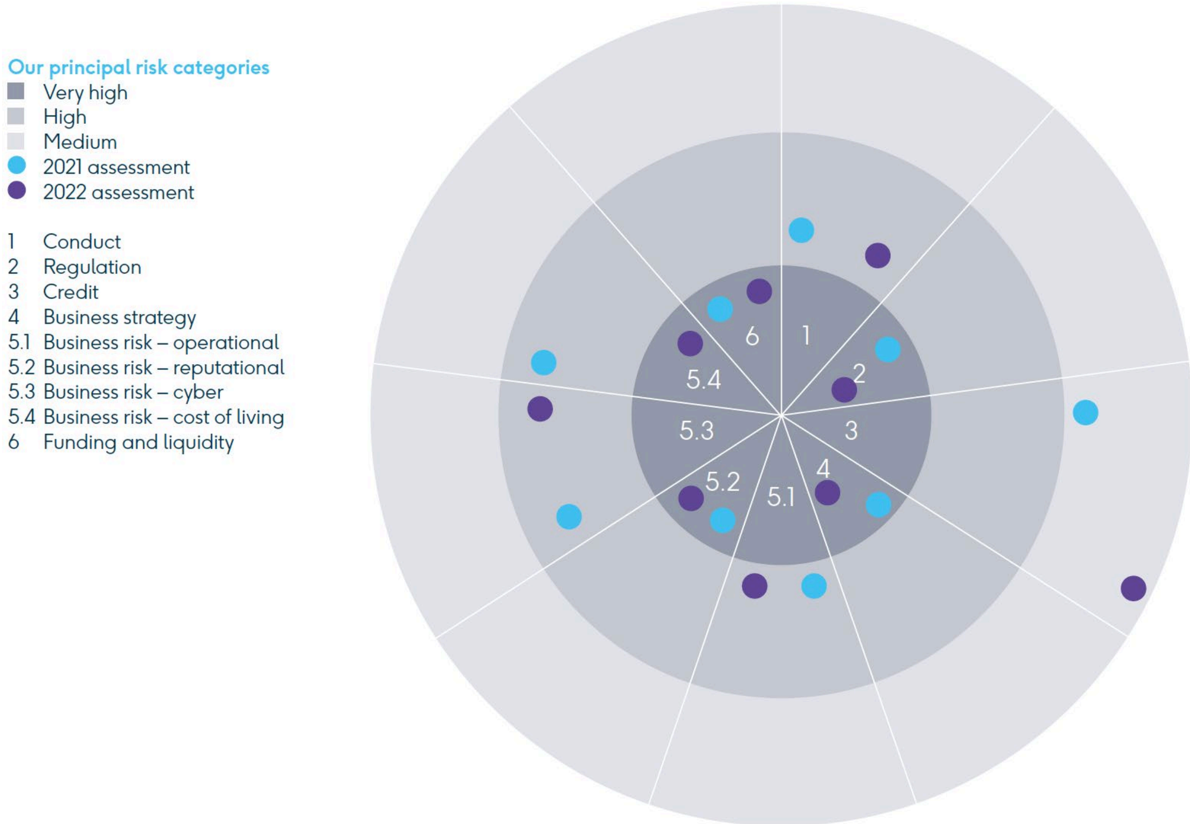
Throughout 2022, Xactium, the Group's integrated risk management system, helped the Group to record and manage such key risks as they emerged and/or evolved. The framework supported our first line risk management activity and helped to provide executive management and the Board with clear second line oversight across the Group. It also helped the Board to identify those areas where third line oversight might be required (see definition of the three lines of defence in section 1 of the table overleaf).

As well as having a well-founded risk management framework in place, the dedication and hard work of all our staff was instrumental in ensuring that the Group was able to continue to operate effectively under what were highly challenging conditions.

The chart below is an update to that shown in previous annual reports and illustrates the principal risk categories identified by the Board (i.e., those with the highest residual risk ratings for the Group) and how they have changed over the past year. The following pages provide further detail and seek to identify for each risk category: (i) what we are doing to manage these risks; (ii) whether each risk has increased, decreased, or stayed the same over the past year; and (iii) where there has been a change, a brief explanation as to why the change has occurred.

The continually evolving macroeconomic risks for the Group culminating in the cost-of-living crisis, has the potential to impact one or more of the Group's Principal risks. The economic turmoil is considered as an emerging risk due to the unpredictable way in which it is developing and is described in more detail below.

For further information on our approach to risk, please see the Risk Committee report on page 83.



Principal risks

Risk definition	Mitigation	Change in 2022	Explanation

1. Conduct

Risk definition	Mitigation	Change in 2022	Explanation
Inappropriate or sub-standard behaviour by the Group's representatives resulting in poor outcomes for customers. The Group has a strong culture, one that is owned at Board level and is committed to 'doing the right thing' and delivering positive outcomes for customers But, occasionally human and/or operational failures can result in customer detriment. Any such instances are investigated, and appropriate actions taken to address them and to prevent recurrence	○ We monitor all customer complaints closely and feedback key learnings into our lending and collections practices ○ We continue to invest in developing our procedures and systems, supported by extensive and enhanced training conducted throughout the year ○ We monitor decisions at the Financial Ombudsman Service ('FOS') to ensure that we take note of and where relevant, incorporate any appropriate learnings for our own lending and collections practices as well as complaints handling ○ We have clear policies and procedures, including whistleblowing ○ Detailed KPIs to ensure policies on lending, vulnerable customers, collections, complaint handling and personnel management are operating effectively and as planned ○ We operate carefully designed and balanced incentive programmes with appropriate controls in place to ensure that required standards are met ○ Everyday Lending Ltd has a designated executive responsible for risk and compliance that reports to the CEO as well as the Group's Risk Committee. This helps to ensure key risks, including conduct risk, are effectively managed within the business ○ External advisers are sometimes consulted to support the work of the in-house internal auditor, such support has been used in the past to conduct periodic reviews of the Group's lending and collections practices ○ We apply diligently the 'three lines of defence': • policies, procedures and quality assurance in customer-facing roles; • risk, compliance, assurance; and • internal audit		During 2022, the number of complaints received by the Group from customers and complaints management companies remained high and overall volumes were relatively consistent with 2021. To address this, the Group has maintained its investment in resources to manage such claims and to ensure a consistent approach and to improve our service to customers. The root cause analysis of complaints activity has been enhanced during the year to enable learnings to be more readily embedded in the business. Following the announcement at the 2022 half year, preparation progressed with the Scheme, which encompassed the whole Everyday Lending legal entity (i.e. both branch-based lending and guarantor lending). This was required to ensure equitable treatment of all customers despite an independent review of the branch-based lending business finding no systemic issues. The Practice Statement Letter for the proposed scheme was published on 17 March 2023 and outlines the mechanics of the scheme. The Group placed its guarantor loans business into managed run-off in June 2021 and is not writing any new loans. As explained in the Chairman's statement and the Group Chief Executive's review, whilst the branch based lending and guarantor loans business have been included within the Scheme as outlined in the Practice Statement Letter published on 17 March 2023 and the guarantor lending business has been placed into managed wind-down, following the conclusion of the independent review into the home credit business at the start of the year, the Directors of Loans at Home Limited ('Loans at Home') concluded that the Loans at Home business was no longer viable and it went into administration on 15 March 2022.

Risk definition	Mitigation	Change in 2022	Explanation
2. Regulation			
All authorised firms are subject to a rigorous approval process as well as ongoing supervision by the FCA. Non-compliance can result in fines, the payment of redress to customers or loss of authorisation to operate. Decisions by the FOS may change the way in which FCA rules are interpreted, increasing the likelihood that complaints may be upheld and increasing the total cost of redress to customers that may have suffered harm. A list of the key regulatory developments over the past year is available on the Group's website: **www.nsfgroupplc.com.**	○ The Group aims to maintain an open and active dialogue with industry peers ○ We undertake diligent monitoring/assessments of all regulatory change both in-house as well as through external advisers and trade associations ○ A continuous process of investment, quality assurance and internal audit reviews seeks to ensure we meet all of our regulatory obligations ○ Following the FCA's multi-firm review into guarantor loans and the subsequent commissioning by the Group of a detailed and independent review of its lending, collecting and complaints handling activities in both branch-based lending and home credit during 2021. The findings were shared with the FCA. It was concluded that certain customers of the guarantor lending business and home credit business may have suffered harm. The Group announced and has subsequently published the Practice Statement Letter relating to the Scheme which encompasses both the branch-based lending and guarantor lending businesses. It should be noted that the 2021 review into branch-based lending, identified no systemic issues with its lending or complaints handling processes, but due to the nature of both branch based lending and guarantor lending businesses operating from the same legal entity, it has been necessary to include both groups of customers to ensure equitable treatment of customers. ○ The Directors of the home credit operation (Loans at Home) concluded as a result of the independent review, that the Loans at Home business was no longer viable and it went into administration on 15 March 2022.		The Group's lending operations are fully authorised by the FCA and the Group is committed to the highest standards of regulatory conduct. If our interpretation of what processes are required falls short of the regulator's expectations, we seek to address those shortcomings promptly and effectively through active engagement and we are determined to ensure a positive working relationship with the regulator so that we can improve our processes and overall business approach. The forthcoming Consumer Duty is a key area of focus for the Group. The Group is currently working through a clearly defined action plan to ensure that any changes required are designed and fully implemented in accordance with the timescales set out by the FCA. The FCA continues to conduct a rolling programme of research and thematic reviews to maintain its oversight of various sectors of the non-standard finance market and this work remains ongoing. The Group continues to monitor complaints so that it can adjust its lending and collections practices as well as its approach to complaint handling.
3. Credit			
Any marked increase in the rates of impairment or defaults by the Group's customers could impact the performance of the Group	○ Monitor detailed weekly and monthly management information on historical and expected future credit performance. ○ In 2022 this included specific metrics to identify any emerging trends related to the cost-of-living crisis ○ In response to the cost-of-living crisis, branch-based lending adapted its lending criteria to mitigate the increased credit risk, whilst also ensuring that the forbearance available to customers in difficulty remained appropriate. ○ Continuous process of review and refinement of credit scorecards, our creditworthiness assessment process and lending criteria ○ Regular reviews of credit policies and outcomes		The cost-of-living crisis emerged early in 2022 as a significant risk to credit performance and remained so throughout the year. The impact on impairment and other credit metrics has been mitigated by government support for individuals, branch-based lending's unique business model, recent creditworthiness enhancements, and lending criteria changes made as a result of first the pandemic and subsequently the cost-of-living crisis. The volatile macroeconomic environment through 2022 has necessitated frequent reviews of credit and affordability criteria. As the outlook remains challenging into 2023, we remain cautious and continue to maintain an appropriate level of loan loss provisions.

4. Business strategy

Risk definition	Mitigation	Change in 2022	Explanation
A risk that the Group's strategy fails to deliver the outcomes expected. Changes to the regulatory or fiscal framework and/or 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. The events of 2020 - 2022 severely impacted the Group's financial performance and contributed to a significant strain being placed on the Group's balance sheet. With the Group's guarantor loans business now in run-off, the home credit division in administration, there are material uncertainties as to the Group's ability to remain a going concern and fund its strategy as planned without the Scheme.	The Group has launched the Scheme and published the practice statement letter outlining the details on the scheme on 17 March 2023, with a view to implementing the Proposed Recapitalisation (or the Alternative Transaction in the event that the Scheme process is completed but the Proposed Recapitalisation is unsuccessful), which would preserve the branch-based lending business as a going concern. The Board has significant and relevant experience of the non-standard sector and conducts a regular review of all aspects of the Group's strategy We undertake a detailed review of monthly management information on operating performance We monitor closely key market dynamics, competitor behaviour and performance The Board is reviewing how climate change may impact its business strategy and is developing strategic objectives and targets for climate-related risks and opportunities		The ELL Directors, supported by the Group Directors, decided to pursue the Scheme to provide certainty as to the amount that will be paid to customers with valid redress claims, which is one of the Conditions outlined on page 2 (among others) to the Group's largest shareholder and secured lenders being willing to participate in the Group's Proposed Recapitalisation. The Scheme will allow the Group to proceed with the Proposed Recapitalisation (or the Alternative Transaction). If successful, the proceeds of the Proposed Recapitalisation or Alternative Transaction will be used to fund the partial payment of redress claims, strengthen the Group's balance sheet and underpin future growth. In addition, the Group has contractual commitments from its secured lenders to implement the Alternative Transaction in the event that the Scheme is completed but the Conditions outlined on page 2, to the Proposed Recapitalisation are not satisfied, which would also be used to fund the partial payment of the redress claims and preserve the branch-based lending business as a going concern. Although the Group has contractual commitments from its secured lenders to support the Alternative Transaction, there is a risk that it will not be possible to implement either the Proposed Recapitalisation or the Alternative Transaction. In these circumstances, if neither the Proposed Recapitalisation nor the Alternative Transaction has been implemented by 31 December 2023, it will not be possible to pay the Scheme fund into a nominated trust account and the Scheme will fail. The Proposed Recapitalisation, whilst ensuring the future for the Group, would materially dilute the interests of existing shareholders, most likely to negligible value unless they choose to participate in the planned Proposed Recapitalisation. Under the Alternative Transaction (in the event the Conditions outlined on page 2, to the Proposed Recapitalisation are not satisfied), there would be no recovery for the Company's shareholders. Without the successful completion of the Scheme and the Proposed Recapitalisation (or the Alternative Transaction in the event the Conditions outlined on page 2, to the Proposed Recapitalisation are not satisfied which, if implemented, would result in no recovery for the Group's current shareholders), the balance sheet remains deeply insolvent. In the event that the Scheme is not sanctioned by the court, or in the event that both the Proposed Recapitalisation and the Alternative Transaction of the business fail, there would then be a very significant likelihood of a Group-wide insolvency (most likely administration), resulting in no return for current shareholders and a significantly reduced return for secured lenders. In the event that the Scheme is sanctioned and the Alternative Transaction takes place (due to the failure of the Proposed Recapitalisation), there would be no recovery for the Company's shareholders and the Company (ultimate parent company) may enter into an insolvency process. However, the Directors continue to believe there is a reasonable prospect of resolving this position through the Scheme and the Proposed Recapitalisation with the support in principle of our secured lenders and our largest shareholder, which support remains subject to the Conditions outlined on page 2, or, in case of the Alternative Transaction, the support of the secured lenders. As a result, whilst the Directors expect that the Proposed Recapitalisation or the Alternative

Risk definition	Mitigation	Change in 2022	Explanation
			Transaction can be completed in the required timeframe, a material uncertainty exists regarding the Group's ability to remain a going concern. As the guarantor loan book is in managed run-off and the home credit division is in administration, the Group is now focused on branch-based lending, creating opportunities to streamline central functions further and reduce costs.

Risk definition	Mitigation	Change in 2022	Explanation
5.1 Business risk (operational)			
Key areas of operational risk for the Group include: 1. external factors resulting in business failure or balance sheet impairment 2. IT failure 3. fraud 4. process failure and/or human error 5. restrictions on being able to conduct business face-to-face 6. operational resilience 7. failure to recruit and retain key staff 8. underperformance by key staff 9. disaster recovery and business continuity 10. large numbers of upheld customer complaints	• The Group's Risk Committee regularly assesses the principal risks that are reported to the Board. The Board then considers and develops strategies designed to mitigate them • The vast majority of the Group's technology has been successfully migrated into the cloud, increasing reliability and security • IT policies and procedures are in place to mitigate technology-related risks including disaster recovery plans and regular penetration testing • Policies, procedures and extensive training are in place to identify, investigate crime and report fraud • Staff 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 • We maintain succession plans that focus on critical roles and skills within the organisation. Our talent management approach identifies how we close or manage any gaps that we have including the development of skills through both a buy and a build approach. • Members of the NSF management team sit on and attend all board meetings of the operating subsidiaries (including Loans at Home up until 15 March 2022 when it went into administration) • Detailed business continuity plans have been prepared and adopted by Everyday Loans • The Group has enhanced its complaint handling procedures and is able to flex its resourcing in this area, if required • The Group is assessing how climate change may impact its operational risks and/or present future business opportunities		In branch-based lending, as the enhanced creditworthiness process continues to be embedded it is providing more meaningful insight and analysis, to further enhance this, the Group has looked to harness the power of open banking to help improve operational efficiency without compromising high standards. The business's response to the pandemic has helped to strengthen its disaster recovery processes and is now able to operate remotely thereby safeguarding the health and safety of staff as well as helping to mitigate the impact on business performance. The Group is able to recruit the people that it needs to execute its plans and while there is a degree of staff turnover, this is within accepted levels of tolerance. Over the past year, there has been significant investment into the development of all employees with the introduction of an Apprenticeship levy, training academy, structured career paths and learning journeys. The business is committed to having a clear, inclusive and engaging employee proposition that attracts, retains and engages all staff. As noted above, whilst the number of complaints has remained high, the Group continues to monitor the nature and number of complaints, including decisions at the Financial Ombudsman Service, so that it can adjust its lending and collections practices as well as its approach to complaint handling. The root cause analysis process has significantly improved, providing granular understanding and feedback to the business. The cost-of-living crisis remains a significant risk although the impact seen so far has been low. We will continue to monitor and will take necessary steps to mitigate the operational risk.

5.2 Business risk (reputational)

Risk definition	Mitigation	Change in 2022	Explanation
Lending money at comparatively high rates of interest means that non-standard 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 new Consumer Duty and the delivery of positive customer outcomes, its reputation may become tarnished by a failure to do so, or by failures or poor business practices of other sector firms. This in turn could have an impact on The Group's financial performance. The Group is assessing how its approach to tackling climate change and the related disclosures made which may influence its standing among key stakeholders and in particular how its reputation may be damaged by a perceived failure to comply with such requirements.	• As a listed company the Group is highly transparent with full disclosure regarding its business and financial performance • The Group conducts an active regulatory affairs programme both directly and via trade associations to ensure that all stakeholders, not just the providers of debt and equity funding, have an accurate picture of what the Group is trying to achieve, our ethos, culture and business strategy • The Group encourages all areas of the business to minimise the use of natural resources and is developing a strategy to meet the requirements of the Taskforce on Climate-Related Financial Disclosures ('TCFD') that applies to all standard listed companies with accounting periods starting on or after 1 January 2022.		Whilst pleased that no systemic issues were found in branch-based lending, the requirement to undertake the Scheme which includes branch-based lending customers as well as guarantor loan customers due to the brands being operated from the same legal entity, and the fact that home credit has gone into administration, were extremely disappointing. As soon as we have received all the relevant approvals for the Scheme and assuming the Proposed Recapitalisation (or the Alternative Transaction in the event the Conditions outlined on page 2, to the Proposed Recapitalisation are not satisfied) has been completed successfully, we hope to then begin executing the programme as planned. However, should the Scheme (or both the Proposed Recapitalisation and the Alternative Transaction) fail, there would be material risk that the entire Group may go into insolvency. Whilst the Group has explored alternative options to the Scheme, the scheme is necessary to provide the certainty as to the amount that will be paid to redress claims as one of the Conditions outlined on page 2 (among others) to the Group's largest shareholder and/or the secured lenders to being willing to participate in the Proposed Recapitalisation (or in the case of the secured lenders, the Alternative Transaction). See page 2 for details of the Conditions. Whilst there may be an initial negative reaction to the Scheme, the Group believes that in the long term being in a position to service those customers who cannot access mainstream finance through its branch-based lending will have a positive impact. As part of the Scheme, the Group is launching a wide-ranging communications strategy to provide an explanation not only of the Scheme itself but also why the Group is in this position.

5.3 Business risk (cyber)

Risk definition	Mitigation	Change in 2022	Explanation
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' systems.	• The Group has dedicated internal teams, supported by external providers that monitor and assess such risks • NSF and ELL Risk Committees oversee cyber risks including monitoring and crisis management plans in line with industry best practice • There are regular internal audits and external third-party reviews of cyber security status across the Group • Full disaster recovery plans have been developed and are in place for the Group and Everyday Lending Ltd • Much of the Group's technology infrastructure is now cloud-based thereby delivering a number of operational benefits including enhanced levels of security		Whilst increased criminal activity together with the increasing importance of data and data analytics means that this risk has been identified separately from operational risk and is rated as being high, the Group has taken a number of steps to help mitigate any potential impact, including the migration of the vast majority of its operational systems and infrastructure into the cloud.

5.4 Business risk (Cost-of-Living Crisis)

The Group may suffer financial losses due to the macroeconomic environment caused by the sequence of Brexit, COVID-19 and conflict in Ukraine which has led to the cost-of-living crisis and impacts the customer's ability to make payments.

1. The branch-based relationship lending model allows for a tailored approach to lending and collecting. Forbearance measures can be tailored to the individual's circumstance.
2. Constant review of affordability calculations, including ensuring adequate expenditure levels for both current and potential future costs
3. The Group undertakes a thorough creditworthiness assessment on each customer, including in-depth bank statement analysis

- Policies, procedures and extensive training are in place to reduce the risk of customers struggling with repayments due to rising costs.
- Communications strategies have been introduced acknowledging the current economic climate and informing customers of the support they can receive.

The cost-of-living crisis has been the highest risk to credit performance over the past year. However, the impact to date has been more limited than expected. This is potentially due to a number of factors including introduction of a new scorecard at the start of the year, and the enhanced affordability process in branch-based lending.
With the increased costs, there was also expectation that this would impact on lending volumes with fewer customers passing the robust affordability checks. However, lending performance continues to be strong, with our typical customer base more adept at managing their finances to fit their needs than perhaps thought.
Inflation has risen throughout 2022, and with energy costs at an all-time high, and no signs of this dropping within the next 12 months, this is an area that will be closely monitored throughout 2023.

6. Funding and 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
- it has failed to renew/replace existing debt facilities as they become payable
- it cannot fund growth and further acquisitions
- declines in net book value may impact the Group's ability to access existing debt facilities

- The Group intends to complete the Proposed Recapitalisation (or the Alternative Transaction if the Conditions outlined on page 2, to the Proposed Recapitalisation are not satisfied) during the second half of 2023
- As at 31 December 2022 the Group had cash at bank of £32.8m and gross debt of £255m.
- As part of both the Proposed Recapitalisation and the Alternative Transaction, the maturities of the Group's existing debt facilities are expected to be extended
- Cash and covenant forecasting is conducted on a monthly basis as part of the regular management reporting exercise
- The Group's short-term loans to customers provide a natural hedge against medium-term borrowings

Over the course of 2022 year, the Group's loan to value ratio was higher than the level permitted under its loan to value covenant following large interest payments made during the quarter. However, the Group has also received waivers and extensions from its secured lenders to avoid a covenant breach so that it can proceed with the Scheme and the Proposed Recapitalisation (or the Alternative Transaction). If the Group is unable to agree waivers for any future covenant breaches prior to the completion of the Proposed Recapitalisation (or the Alternative Transaction) and agree extensions to the term of its debt facilities, then there would be a material risk of the Group entering insolvency.

The Proposed Recapitalisation and the Alternative Transaction reduce the risk of the business having no funding in place, however, both funding plans are contingent on a successful completion of the Scheme, and therefore material uncertainty remains.

As a result, whilst the Directors expect that the Proposed Recapitalisation or the Alternative Transaction can be completed in the required timeframe, a material uncertainty exists regarding the Group's ability to remain a going concern.

Emerging risks

Economic Turmoil

As we head into 2023 against a backdrop of political instability, a major war in Europe, the after-effect of Brexit and the pandemic, significant levels of industrial action and global climate-induced disasters, the macroeconomic environment and outlook remains highly uncertain. Soaring energy prices and high inflation fuelled a cost-of-living crisis in 2022 which saw the largest squeeze on living standards since modern records began in the 1950s. Most of the economic concerns are expected to persist in 2023 and possibly worsen as government support is likely to be phased out. Although the crisis did not impact the business as significantly as was anticipated, there are still many unknowns going forwards. It is difficult to predict precisely whether these issues will compound and what affect it will have on ourselves, our customers and our third-party vendors, however experience to date within the business suggests a degree of resilience amongst our customers in dealing with the cost of living crisis.

Whilst the UK government has put in place a series of measures to try and help mitigate the impact for consumers and while the performance of Everyday Loans during previous downturns has been robust, as with every macroeconomic crisis, the potential impact on credit risk, business and operational risk, as well as financing and liquidity is highly uncertain. Drawing upon our considerable experience and longevity in the non-standard branch-based lending market, we are monitoring all of our KPIs closely and, if need be, can and will take steps to mitigate any significant impact on our financial performance.

Climate Change

Climate change will impact the nature of our business operations in various ways, including but not limited to access to, and accessibility of, our offices by staff and customers; the costs associated with running multiple premises and business travel between premises. Our services will therefore also need to be constantly reviewed to ensure resilience to the changing climate.

We recognise that our branches, offices, and business travel contribute to global climate change via the production of greenhouse gases, and the fact that as we grow as a business, our environmental impact could potentially grow too. The long-term success of our business depends on the resilience of our operations, supply chains, and the communities where our customers and colleagues live and work. We recognise the value of the Paris Agreement and the ambition to keep global warming to less than 2°C above the temperature set before the beginning of the industrial revolution.

We are committed to operating in an emissions and energy-efficient environment, and consider the management of our greenhouse gas ('GHG') emissions to be a principal component of our environmental and sustainability objectives. It is our aim to utilise all practicable methods for energy savings throughout the business, in order to establish ourselves as an environmentally responsible organization and a contributor to national carbon reduction targets.

Complying with the Taskforce on Climate-Related Financial Disclosures ('TCFD') will require some additional work, and 'good management' of climate-related risks and opportunities will inevitably come with some additional cost to the Group. Even so, we remain supportive of the goal set by the UK Government to reach 'net zero' (meaning that the UK's total GHG emissions would be equal to or less than the emissions the UK remove from the environment) on or before 2050. The Group believes it can and must play its part in contributing to that objective to ensure its long-term sustainability.

Technology

The Loan Management System remains as the core technology, underpinning the Group's branch-based lending business. Last year, we announced a major project to update and streamline the lending system and work with our key partner as an early adopter of the new technology. The system is being trialled in a number of our branches right now and promises to deliver an easier and more cost-effective system to operate and change. A primary objective of the new system is to allow the seamless integration of emerging technology, allowing for rapid adaptation to changing market conditions, as well as meeting customer expectations with an enhanced lending journey. The technology negates the need for an expert level of knowledge of the lending system when integrating with other technology, equally, mitigates the risk of increased operating cost due to a lack of resources with that knowledge. The up-to-date technology stack reduces the risk and frequency of system outages as well as being designed for leveraging performance and scalability with cloud architecture. The now established team can focus much more effort on to the operational efficiency portfolio of changes and use the new technology to enable growth, improved customer outcomes, and reduced operational risk with its performant and reliable design. The relationship enjoyed with our key partner remains highly collaborative in nature and has proven effective in the shifting of service provision and in reducing technical risk. The new system is designed to give our business the ability to service more customers, more reliably, and with a lower cost of ownership, allowing us to take effective advantage of market opportunities.

2022 Financial Review

Group results

Since emerging from the effects of the pandemic, a new set of economic challenges has presented itself, particularly the inflationary environment causing a cost-of-living crisis. However, these circumstances have proven to be supportive for the need for non-standard finance and created a liquidity gap for those not served by traditional lenders.

The Group reported an increased normalised loss before tax of £24.6m (2021: normalised loss before tax of £16.7m). Once again the full year results were impacted by a number of non-operating items as well as the home credit division being placed into administration and derecognised from the Group on 15 March 2022. The guarantor loans division collect out continues to progress well whilst the branch-based lending business continues to deliver good financial performance driven by higher revenues and loan book growth. Group revenues decreased 25% from £131.4m to £98.3m due to the aforementioned derecognition of the home credit division in Q1 and collect out of guarantor loans, however this was partly offset by the higher revenue at branch-based lending which increased 6% to £84.5m (2021: £79.9m) as a result of higher revenue yields, with yields having reduced during 2020 and 2021 following an increase in the number of customers utilising forbearance measures during the pandemic. Impairments at branch-based lending were higher in the current period at £26.7m (2021: £19.0m) due to 2021 benefitting from lower lending volumes, however despite this, collections performance remained strong throughout 2022. Administrative expenses for the Group were lower by 31% at £65.9m (2021: £96.0m) as 2021 included a full year of the home credit division. Excluding this, the Group saw savings in expenses at its guarantor loans division with a decrease of 32% to £7.3m (2021: £10.7m) as the division continues to wind down and savings in staff costs, professional fees and complaints costs are realised. The branch-based lending division however saw increased spend on employee costs following investment in expanding the operational headcount to drive the growth in new lending resulting in administrative expenses increasing by 9%.

There were £31.8m of exceptional items (2021: £12.9m) comprised of £5.7m in relation to the derecognition of the home credit division following the business being placed into administration on 15 March 2022, a £13.7m charge in relation to impairment of intercompany receivable balances following the administration of the home credit division, and an additional £12.4m of costs and redress provisions in relation to the Scheme. 2021 exceptional costs comprised £2.2m of additional customer redress, £1.6m of advisory fees, £8.5m relating to the write-down of assets and the recognition of liabilities in the home credit division triggered by the business going into administration on 15 March 2022 and £0.6m of restructuring costs.

Cash balances decreased to £32.8m (2021: £114.6m) following the full repayment of the RCF and part repayments of the term loan made during the year. The high interest environment however adversely impacted net finance costs and the total charge in the period was £29.1m (2021: £26.0m).

The net effect was that the Group reported a statutory loss before tax of £56.4m (2021: loss of £29.6m) and with no tax charge/credits recognised in the year, the reported loss after tax was £56.4m (2021: loss of £29.7m). The resulting reported loss per share was 18.0p (2021: loss per share of 9.5p).

The Group also remains in a net liability position, due to the net losses over the past few years, the derecognition of the home credit division and the continued non-recognition of deferred tax assets. The Group is continuing is progressing with plans to resolve its regulatory issues via the Scheme and support in principle from the Group's secured lenders and largest shareholder means the Board continue to believe that the balance sheet situation will be remedied subject to a successful completion of the Scheme and Proposed Recapitalisation (or the Alternative Transaction in the event the Conditions outlined on page 2, to the Proposed Recapitalisation are not satisfied) noting, as above, that the Alternative Transaction may result in the Company (ultimate parent company) entering into an insolvency process.

Normalised figures are before exceptional items.

Year ended 31 December	2022 Normalised[1] £000	2022 Exceptional items £000	2022 Reported £000
Revenue	98,337	-	98,337
Other operating income	173	-	173
Modification loss	(262)	-	(262)
Impairments	(27,890)	-	(27,890)
Administration expenses	(65,898)	-	(65,898)
Operating profit / (loss)	**4,460**	**-**	**4,460**
Exceptional items	-	(31,768)	(31,768)
Profit / (Loss) before interest and tax	**4,460**	**(31,768)**	**(27,308)**
Finance cost	(29,051)	-	(29,051)
Loss before tax	**(24,591)**	**(31,768)**	**(56,359)**
Taxation	-	-	-
Loss after tax	**(24,591)**	**(31,768)**	**(56,359)**
Loss per share	(7.86)		(18.04)
Dividend per share	0.00p		0.00p

Year ended 31 December	2021 Normalised[1] £000	2021 Exceptional items £000	2021 Reported £000
Revenue	131,387	-	131,387
Other operating income	983	-	983
Modification loss	(2,861)	-	(2,861)
Impairments	(24,163)	-	(24,163)
Exceptional provision for customer redress	-	(2,207)	(2,207)
Administration expenses	(96,047)	-	(96,047)
Operating profit / (loss)	9,299	(2,207)	7,092
Other exceptional items	-	(10,723)	(10,723)
Profit / (Loss) before interest and tax	9,299	(12,930)	(3,631)
Finance cost	(25,979)	-	(25,979)
Loss before tax	(16,680)	(12,930)	(29,610)
Taxation	(75)	-	(75)
Loss after tax	(16,755)	(12,930)	(29,685)
Loss per share	(5.36)p		(9.50)p
Dividend per share	0.00p		0.00p

1 See glossary of alternative performance measures and key performance indicators in the Appendix.

Normalised divisional results

The table below provides an analysis of the 'normalised' results for the Group for the 12-month period to 31 December 2022. Management believes that by removing the impact of exceptional items, the normalised results provide a clearer view of the underlying performance of the Group

Year ended 31 Dec 2022 Normalised[1]	Branch-based lending £000	Home credit £000	Guarantor loans £000	Central costs £000	Group £000
Revenue	84,470	7,315	6,552	-	98,337
Other operating income	173	-	-	-	173
Modification loss	(250)	-	(12)	-	(262)
Derecognition loss	-		-	-	-
Impairments	(26,704)	(2,781)	1,595	-	(27,890)
Administration expenses	(50,493)	(5,065)	(7,300)	(3,040)	(65,898)
Operating profit/(loss)	**7,196**	**(531)**	**835**	**(3,040)**	**4,460**
Finance cost	(14,925)	(257)	(2,000)	(11,869)	(29,051)
Loss before tax	**(7,729)**	**(788)**	**(1,165)**	**(14,909)**	**(24,591)**
Taxation	(102)	123	-	(21)	-
Loss after tax	**(7,831)**	**(665)**	**(1,165)**	**(14,930)**	**(24,591)**
Normalised loss per share					(7.87)p
Dividend per share					0.00p

Year ended 31 Dec 2021 Normalised[1]	Branch-based lending £000	Home credit £000	Guarantor loans £000	Central costs £000	Group £000
Revenue	79,940	38,401	13,046	-	131,387
Other operating income	384	587	1	11	983
Modification loss	(1,383)	-	(1,478)	-	(2,861)
Derecognition loss	-		-	-	-
Impairments	(18,994)	(6,230)	1,061	-	(24,163)
Administration expenses	(46,294)	(34,962)	(10,695)	(4,096)	(96,047)
Operating profit/(loss)	13,653	(2,204)	1,935	(4,085)	9,299
Finance cost	(14,491)	(1,102)	(4,350)	(6,036)	(25,979)
Loss before tax	(838)	(3,306)	(2,415)	(10,121)	(16,680)
Taxation	48	158	299	(580)	(75)
Loss after tax	(790)	(3,148)	(2,116)	(10,701)	(16,755)
Normalised loss per share					(5.36)p
Dividend per share					0.00p

[1] See glossary of alternative performance measures and key performance indicators in the Appendix.

Net loan book	31 December 2022 £m	31 December 2021 £m
Branch-based lending	167.0	157.2
Guarantor loans	10.1	26.8
Home credit[2]	-	24.0
Total	**177.1**	**208.0**

[2] *Home credit division placed into administration on 15 March 2022 and therefore derecognised from the Group.*

Impairment provisioning – coverage ratios

Consistent with prior year, the below shows coverage ratios excluding adjustments for modification and derecognition gains and losses in order to allow more direct comparability with sector companies:

	31 December 2022	31 December 2021	Change
Branch-based lending	**17.6%**	19.0%	*-1.4%*
Home credit	**N/A**	46.7%	N/A
Guarantor loans	**38.3%**	33.2%	*5.1%*
Group	**19.1%**	25.5%	-6.4%

Coverage ratios at branch based lending improved whilst worsening at guarantor loans due to the reducing size of the loan book as the division remains in collect-out. The Group coverage ratio fell 6.4% as a result of the home credit division no longer being part of the Group.

Divisional review
Branch-based lending

Financial results

Year ended 31 December	2022 Normalised[3] £'000	2022 Exceptional items £'000	2022 Reported £'000
Revenue	84,470	-	84,470
Other operating income	173	-	173
Modification gain/(loss)	(250)	-	(250)
Impairments	(26,704)	-	(26,704)
Admin expenses	(50,493)	-	(50,493)
Operating profit	**7,196**	**-**	**7,196**
Exceptional items	-	(12,407)	(12,407)
Profit/(loss) before interest and tax	**7,196**	**(12,407)**	**(5,211)**
Finance costs	(14,925)	-	(14,925)
Loss before tax	**(7,729)**	**(12,407)**	**(20,136)**
Taxation	(102)	-	(102)
Loss after tax	**(7,831)**	**(12,407)**	**(20,238)**

Year ended 31 December	2021 Normalised[3] £'000	2021 Exceptional items £'000	2021 Reported £'000
Revenue	79,940	-	79,940
Other operating income	384	-	384
Modification gain/(loss)	(1,383)	-	(1,383)
Impairments	(18,994)	-	(18,994)
Admin expenses	(46,294)	-	(46,294)
Operating profit	13,653	-	13,653
Exceptional items	-	-	-
Profit/(loss) before interest and tax	13,653	-	13,653
Finance costs	(14,491)	-	(14,491)
Loss before tax	(838)	-	(838)
Taxation	48	-	48
Loss after tax	(790)	-	(790)

The business saw a 20% increase in the volume of qualifying 'applications to branch' ('ATBs') during 2022 versus the full year 2021. This drove an increase in the total number of loans booked, with new money lent to customers increasing 19% in comparison to 2021. While the impact of the pandemic on lending volumes meant that the net loan book declined in both 2020 and 2021, the positive recovery in lending volumes has resulted in the net loan book returning to growth in 2022 and it ended the year up 6% at £167.0m (2021: £157.2m). The number of active customers has seen a small increase to 66,500 at December 2022 (December 2021: 66,000).

We continually look to enhance our lending processes, including the assessment of creditworthiness and the refinement of credit scorecards and strategies. Whilst acutely aware of the cost-of-living crisis, the collections performance of the business remains ahead of expectation with customer payment levels particularly strong, whilst early settlements continue below pre-pandemic levels. Delinquency performance has returned to historically normal levels. The nature of IFRS 9 accounting meant that lower lending volume in the prior years also helped to reduce impairment charges however, as lending volumes have continued to recover throughout 2022, impairment rates are gradually seeing a corresponding reversal of the recent low levels, though remain below expectations.

Key Performance Indicators[3]	**2022**	2021
Number of branches	**77**	75
Period end customer numbers (000)	**66.5**	66.0
Period end loan book (£m)	**167.0**	157.2
Average loan book (£m)	**161.5**	163.7
12 Month Rolling:		
Revenue yield	**52.3%**	48.8%
Risk adjusted margin	**35.8%**	37.2%
Impairments/revenue	**31.6%**	23.8%
Impairments (including modifications)/revenue	**31.9%**	25.5%
Impairment/average loan book	**16.5%**	11.6%
Cost to income ratio	**59.8%**	57.9%
Operating profit margin	**8.5%**	17.1%
Return on asset	**4.5%**	8.3%

3 See glossary of alternative performance measures and key performance indicators in the Appendix.

Revenues increased 6% to £84.5m (2021: £79.9m) despite lower average receivables due to a higher revenue yield. Yields reduced during 2020 and 2021 following an increase in the number of customers utilising forbearance measures during the pandemic. Modification losses were lower at £0.3m (2021: £1.4m) with the prior year seeing an increased level of deferred and rescheduled loans as the business utilised forbearance measures as a result of the pandemic. Impairments were higher in the current period at £26.7m (2021: £19.0m) with corresponding increases in the impairment ratios, due to 2021 benefitting from lower lending volumes (whereby the nature of IFRS 9 means lower lending helps reduce impairment charges). Despite the higher impairment costs, collections performance remained strong throughout 2022, supported by continued tight underwriting with a rigorous creditworthiness assessment and strengthening of the credit scorecards and strategies.

Increased spend on employee costs following investment in expanding the operational headcount to drive the growth in new lending and the filling of support staff vacancies has resulted in administrative expenses increasing by 9% to £50.5m (2021: £46.3m). The net impact of all of these factors was that normalised operating profit fell to £7.2m (2021: £13.7m).

As detailed above, the Group has now launched the Scheme to address its redress liabilities, which will provide certainty as to the amount that will be paid to customers with valid redress claims. Although the independent review of the Group's branch-based lending business carried out in 2021 identified no systemic issues requiring redress, since this business and the guarantor loans division trade out of the same legal entity, the Scheme encompasses potential claims from both businesses in order to ensure equitable treatment of customers. The exceptional charge in the year of £12.4m relates to costs and redress associated with the Scheme.

Finance costs increased by 3% to £14.9m (2021: £14.5m) funding growth in the loan book. As a result of the reasons noted above, the business produced a normalised pre-tax loss of £7.7m (2021: loss before tax of £0.8m).

In branch-based lending, the key performance drivers that underpin the operational and financial performance of the business include network capacity, lead volume and quality, network productivity and impairment management. A summary of how these factors were affected during 2022 is summarised below:

Network capacity – Qualifying application levels have grown steadily through 2021 and 2022 and the recruitment of in-branch employees has increased alongside this to take advantage of the return to growth. In-branch full time employee numbers have increased from 341 at December 2021 to 377 at the end of December 2022 with plans to increase further throughout 2023. The branches that were originally planned to be opened in late 2020 but were deferred by the pandemic were successfully opened in 2022, splitting larger branches in the North West and North East conurbations to take advantage of the growth opportunities in these areas. This increases the total number of branch locations to 77. Two further branches are planned to open in the second half of 2023.

Lead volumes – The number of qualified new borrower applications increased by 19% in 2022 compared to 2021 levels. Due to a more cautious approach to lending post-pandemic, new borrower conversion rates dipped slightly to 6.1% (2021: 6.5%) whilst new borrower loans written increased by 13%. We credit scored 2.5 million new borrower applications in 2022 (2021: 1.7 million) of which 485,055 (2021: 403,800) applications passed our screening criteria to qualify as applications to branch (ATBs).

Productivity and quality – The total number of loans issued in 2022 reached 38,781 (2021:37,150) a 4% increase over the prior year. The focus on better quality customers led to new cash lent increasing 19% to £121m compared to £102m in 2021. We continue to invest in the enhancement of our technology. A new integrated telephony solution was implemented in the current year, this alongside continued strengthening of our creditworthiness process and open banking improvements will drive efficiencies in our lending processes whilst continuing to deliver good customer outcomes and improved customer journeys.

Delinquency management –Increasing costs of living were a key concern for our customers across the year. A continual review process ensured that our underwriting remained appropriate from both credit risk and affordability perspectives and we maintained a high quality of new lending. Pro-active communication and monitoring of forbearance tools ensured that existing customers continued to have the support they need. This was further enhanced by the introduction of a central collections team, utilising available capacity from within the Guarantor Loans business as that loan book runs down. As a result, collections performance was consistently ahead of expectations throughout the year, and by year end the proportion of the loan book that was up-to-date and not rescheduled or deferred had recovered to the pre-Covid levels of early 2020.

Plans for 2023

We remain focused on our commitment to servicing the needs of those consumers that may have been excluded from mainstream lenders, using our face-to-face lending model. We continue to evolve our credit risk assessment processes in order to maintain the highest standards of responsible lending, ensuring that we continue to deliver good customer outcomes for all our customers. The ability to grow the business efficiently and enhancing the customer journey are key areas of focus in 2023. Investment in in-branch recruitment, a focus on streamlining back-office tasks and embracing technology opportunities such as 'Open Banking' will reduce waiting times for customers through a smoother application process.

We continue to expect that the demand for our products and services will increase given the current macroeconomic environment as well as from some of the structural changes in the market regarding both potential customer population and companies operating in the market. As a result, and whilst we remain vigilant given the rapidly changing environment, based on our performance to-date and the steps already taken, we continue to focus on operational efficiency and loan book growth through 2023 and beyond. Future growth plans will require the Group to complete the Scheme and the Proposed Recapitalisation or Alternative Transaction, but once achieved, the business will be well placed to realise that vision.

Home credit

Following the conclusions of the review into home credit, the Directors of S.D. Taylor Limited ('Loans at Home') concluded that the Loans at Home business was no longer viable and so the business was placed into administration on 15 March 2022. Whilst deeply saddened and disappointed with this news, the Boards of both Loans at Home and NSF were clear that administration was the only option available in order to preserve value for creditors. As the operations and activities of Loans at Home were separate from the rest of the Group, having received certain waivers from the Group's secured lenders, the administration of Loans at Home has had minimal impact on the rest of the Group's business.

The results of the home credit division for the period ended 14 March 2022 are shown below:

Financial results

The home credit division contributed a normalised operating loss of £0.5m to the Group (2021: normalised operating loss of £2.2m). An exceptional charge of £5.6m was recognised in 2022 in relation the derecognition of the remaining net assets of the division existing at the date of administration.

Period to 14 March	**2022 Normalised[4] £'000**	**2022 Exceptional items £'000**	**2022 Reported £'000**
Revenue	**7,315**	-	**7,315**
Other income	-	-	**-**
Impairments	(2,781)	-	**(2,781)**
Admin expenses	(5,065)	-	**(5,065)**
Operating loss	**(531)**	-	**(531)**
Exceptional items	-	(5,647)	**(5,647)**
Loss before interest and tax	**(531)**	(5,647)	**(6,178)**
Finance cost	(257)	-	**(257)**
Loss before tax	**(788)**	(5,647)	**(6,435)**
Taxation	123	-	**123**
Operating loss	**(665)**	(5,647)	**(6,312)**

Year ended 31 December	**2021 Normalised[4] £000**	**2021 Exceptional items £000**	**2021 Reported £000**
Revenue	**38,401**	-	**38,401**
Other income	587	-	587
Impairments	(6,230)	-	(6,230)
Administration expenses	(34,962)	-	(34,962)
Operating loss	**(2,204)**	-	**(2,204)**
Exceptional items	**-**	(8,542)	(8,542)
Loss before interest and tax	**(2,204)**	**(8,542)**	**(10,746)**
Finance cost	(1,102)	-	(1,102)
Loss before tax	**(3,306)**	**(8,542)**	**(11,848)**
Taxation	158	-	158
Loss after tax	**(3,148)**	**(8,542)**	**(11,690)**

[4] *See glossary of alternative performance measures and key performance indicators in the Appendix.*

Guarantor loans

The Group's guarantor loans division was placed into a managed run-off in June 2021 and so continues not to issue any new loans. Therefore the financial performance of the business has been driven by collections from the outstanding loan book.

Financial results

The reduction in the net loan book meant that revenue declined by 49% to £6.6m (2021: £13.0m). Collections performance during 2022 has remained strong, leading to impairments of £(1.6)m (2021: £(1.1m). Administration costs fell by 32% to £7.3m (2021: £10.7m) as the division continues to wind down and savings in staff costs, professional fees and complaints costs are realised. The division achieved a normalised operating profit of £0.8m (2021: £1.9m) whilst strong cashflow has contributed to lower finance costs that reduced the normalised loss before tax to £1.2m (2021: loss before tax of £2.4m).

Year ended 31 December	**2022 Normalised[5] £'000**	**2022 Exceptional items £'000**	**2022 Reported £'000**
Revenue	**6,552**	**-**	**6,552**
Other income	-	-	-
Modification gain/(loss)	(12)	-	(12)
Impairments	1,595	-	1,595
Admin expenses	(7,300)	-	(7,300)
Operating profit/(loss)	**835**	**-**	**835**
Exceptional items	-	-	-
Profit/(loss) before interest and tax	**835**	**-**	**835**
Finance costs	(2,000)	-	(2,000)
Loss before tax	**(1,165)**	**-**	**(1,165)**
Taxation	-	-	-
Loss after tax	**(1,165)**	**-**	**(1,165)**

Year ended 31 December	2021 Normalised[5] £'000	2021 Exceptional items £'000	2021 Reported £'000
Revenue	13,046	-	13,046
Other income	1	-	1
Modification gain/(loss)	(1,478)	-	(1,478)
Impairments	1,061	-	1,061
Exceptional provisions	-	(2,207)	(2,207)
Admin expenses	(10,695)	-	(10,695)
Operating profit/(loss)	1,935	(2,207)	(272)
Exceptional items	-	(601)	(601)
Profit/(loss) before interest and tax	1,935	(2,808)	(873)
Finance costs	(4,350)	-	(4,350)
Loss before tax	(2,415)	(2,808)	(5,223)
Taxation	299	-	299
Loss after tax	(2,116)	(2,808)	(4,924)

Key Performance Indicators[5]	**2022**	**2021**
Period end customer numbers (000)	**6.8**	14.5
Period end loan book (£m)	**10.1**	26.8
Average loan book (£m)	**17.1**	40.6
12 Month Rolling:		
Revenue yield	**38.3%**	32.1%
Risk adjusted margin	**47.7%**	34.7%
Impairment/revenue	**(24.4)%**	(8.1)%
Impairment (including modifications)/revenue	**(24.2)%**	3.2%
Impairment/average loan book	**(9.3)%**	(2.6)%
Cost to income ratio	**111.4%**	82.0%
Operating profit margin	**12.8%**	14.8%
Return on asset	**4.9%**	4.8%

[5] *See glossary of alternative performance measures and key performance indicators in the Appendix.*

Plans for 2023
The collect-out of the outstanding loan book is progressing well and as planned.

Central costs

Year ended 31 December	2022 Normalised[6] £000	2022 Exceptional items £000	2022 Reported £000
Revenue	-	-	-
Other income	-	-	-
Admin expenses	(3,040)	-	(3,040)
Operating loss	**(3,040)**	**-**	**(3,040)**
Exceptional items	-	(13,714)	(13,714)
Loss before interest and tax	**(3,040)**	**(13,714)**	**(16,754)**
Finance costs	(11,869)	-	(11,869)
Loss before tax	**(14,909)**	**(13,714)**	**(28,623)**
Taxation	(21)	-	(21)
Loss after tax	**(14,930)**	**(13,714)**	**(28,644)**

Year ended 31 December	2021 Normalised[6] £000	2021 Exceptional items £000	2021 Reported £000
Revenue	-	-	-
Other income	11	-	11
Administration expenses	(4,096)	-	(4,096)
Operating loss	**(4,085)**	**-**	**(4,085)**
Exceptional items	-	(1,580)	(1,580)
Loss before interest and tax	(4,085)	(1,580)	(5,665)
Finance cost	(6,036)	-	(6,036)
Loss before tax	**(10,121)**	**(1,580)**	**(11,701)**
Taxation	(580)	-	(580)
Loss after tax	**(10,701)**	**(1,580)**	**(12,281)**

6 *See glossary of alternative performance measures and key performance indicators in the Appendix.*

Normalised administrative expenses fell by 26% to £3.0m (2021: £4.1m) driven principally by lower staff, rent and professional fees. Finance fees increased due to surplus cash held at Group level alongside higher interest rates.

An exceptional charge of £13.7m relates to impairments recognised on intercompany receivable balances held with the home credit division. Prior year exceptional costs comprised £1.6m of advisory fees.

Balance sheet
As at 31 December 2022, the Group had increased its cash balances to £32.8m (2021: £114.6m) and gross debt reduced to £255m (2021: £330m). The Group's balance sheet remained in a negative net tangible assets position. A summary of the Group's balance sheet at December 2022 is shown below:

Year ended 31 December	2022 £000	2021 £000
Loan book	**177,104**	207,984
Cash	**32,783**	114,577
Trade receivables and other assets	**1,363**	4,003
Property, plant and equipment, intangibles and right of use assets	**12,719**	14,574
Payables and provisions	**(59,055)**	(44,018)
Lease liability	**(7,460)**	(9,545)
Debt	**(255,000)**	(328,762)
Net (liabilities)/assets	**(97,546)**	(41,187)

The clear priority for the Group is to complete the Proposed Recapitalisation that, if successful, is expected to, amongst other things, fund the Scheme, strengthen the Group's balance sheet and restore it to a positive net assets position. However, the Directors note that a material uncertainty exists regarding the success of the Scheme and execution of the Proposed Recapitalisation (or the Alternative Transaction, noting, as above, that the Alternative Transaction may result in the Company (ultimate parent company) entering into an insolvency process) which casts significant doubt on both the Group's and the Company's ability to continue as a going concern.

Principal risks

The principal risks facing the Group are set out on pages 20 to 26 of the 2022 Annual Report and are summarised below:

Principal risks
The principal risks facing the Group are:

Going concern, solvency and liquidity – the Directors note that material uncertainties exist regarding the: (i) success of the Scheme, including positive creditor votes and the court sanction of the Scheme within the timeframes required; (ii) the ability of the Group to raise sufficient capital in the timeframes required (iii) the agreement of extensions to the testing dates and other forms of waivers from secured lenders in relation to potential future covenant breaches and implementation of the Scheme prior to completion of the Proposed Recapitalisation (or the Alternative Transaction); (iv) the contractual commitments from secured lenders to extend the term of existing debt facilities and to write off a portion of their debt as well as agree other changes to the facilities (including the covenant levels); and (v) the impact of macroeconomic uncertainties and other unforeseen factors on the financial performance of the Group. The range of assumptions and the likelihood of them all proving correct creates material uncertainty and therefore the impact on liquidity and solvency under both the base case and downside scenarios may cast significant doubt on both the Group's and individual division's ability to continue as a going concern. The Director's note that although the Group has contractual commitments from its secured lenders to support the Alternative Transaction, there is a risk that it will not be possible to implement either the Proposed Recapitalisation or the Alternative Transaction. In these circumstances, if neither the Proposed Recapitalisation nor the Alternative Transaction has been implemented by 31 December 2023, it will not be possible to pay the Scheme fund into a nominated trust account and the Scheme will fail. Refer to the going concern statement in note 1 of the financial statements for further detail on the base and downside case;

Regulation – the Group faces significant operational and financial risk through changes to regulations, changes to the interpretation of regulations or a failure to comply with existing rules and regulations, some of which have crystallised in the year. Due to the need to bring this uncertainty to a resolution, the Group has launched the Scheme to address the redress claims which will provide certainty as to the amount that will be paid to customers with valid redress claims. As outlined above, the review into branch-based lending concluded that there was no need for systemic customer redress, although claims in relation to the branch-based lending business have been included in the Scheme. The conclusion of the home credit review resulted in the administration of the business as it was concluded that the business model was no longer viable and that an administration was the only option available to preserve value for creditors.

Conduct – risk of poor outcomes for our customers or other key stakeholders as a result of the Group's actions;

Credit – risk of loss through poor underwriting or a diminution in the credit quality of the Group's customers;

Business strategy – risk that the Group's strategy fails to deliver the outcomes expected;

Business risks:

operational – the Group's activities are large and complex and so there are many areas of operational risk that include technology failure, fraud, staff management and recruitment risks, underperformance of key staff, the risk of human error, taxation, increasing numbers of customer complaints, health and safety as well as disaster recovery and business continuity risks;

reputational – a failure to manage one or more of the Group's principal risks may damage the reputation of the Group or any of its subsidiaries which in turn may materially impact the future operational and/or financial performance of the Group;

cyber – increased connectivity in the workplace coupled with the increasing importance of data and data analytics in operating and managing consumer finance businesses means that this risk has been identified separately from operational risk;

aftermath of pandemic – a large pandemic such as COVID-19, coupled with the possibility of the return of restrictions on face-to-face contact by HM Government, may cause significant disruption to the Group's operations and severely impact the supply and level of demand for the Group's products. As a result, any sustained period where such measures are in place could result in the Group suffering significant financial loss; and

cost of living crisis – the significant pressure of the cost of living at the current time increases the risk of delinquency for some customers, whilst also presenting an opportunity for the business in terms of those potential customers who may previously have been served by the prime financial services sector.

Emerging risks that may impact the future performance of the Group include the anticipated increase in the cost of living, climate change and technology where we plan to become more agile and independent with greater control over our ability to augment and improve our lending proposition. Further details are included on page 27 of the 2022 Annual Report.

On behalf of the Board of Directors
Jono Gillespie
Group Chief Executive
28 April 2023

Stakeholder Management and our Commitment to Section 172

Our approach to stakeholder engagement

The Group's Board of Directors and senior management team continue to believe that sustainability and operational resilience are key factors in ensuring the delivery of attractive long-term financial returns.

The Group's long-term success is underpinned by a broad range of relationships that have been established with a number of key stakeholder groups, each of which plays a vital role in enabling us to achieve our operational and financial objectives. Following the lifting of covid restrictions, we have seen an increase in face to face stakeholder meetings in many instances, but also a continuation of the 'online' dialogue where appropriate.

Our approach to stakeholder management
Our overall approach to stakeholder management is underpinned by a clear focus on maintaining a strong and positive business culture, supporting customers and the communities we operate within – this is something that the Board recognises as being essential for the achievement of our long-term objectives.

This approach has now been formalised as part of the revised Corporate Governance Code (the 'Code') as well as in the Companies (Miscellaneous Reporting) Regulations 2018 ('MRR') so that there is now a requirement for certain companies to include a separately identifiable so-called 'Section 172(1) Statement' in the Strategic Report explaining, inter alia, how Directors have had regard to the matters set out in Section 172(1) (a) to (f).

Discharging our responsibilities under Section 172
To discharge our responsibilities under these requirements, we have provided a summary of each of our key stakeholder groups on the following pages, why they are important to us, how we have engaged with them in 2022 and the key issues that have been raised and addressed.

We have also provided some examples on pages 46 & 47 of where decisions have been taken or where future actions were proposed as a result of our engagement during 2022.

The Board considers that this section of the Annual Report (pages 37 to 47) constitutes its disclosure against the requirements of Section 172(1) of the Companies Act 2006.

What is Section 172(I) all about?

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

(a) the likely consequences of any decision in the long term;	**What this means:** The Board is not just thinking about short-term needs and considers carefully the likely impact of its decisions on the Group's long-term prospects and value.
(b) the interests of the company's employees;	**What this means:** Our staff act as the interface with our customers and so are key to long-term success.
(c) the need to foster the company's business relationships with suppliers, customers and others;	**What this means:** The Group draws upon the services and skills of a variety of different suppliers and other stakeholders to provide a quality service to its customers. Building and sustaining these relationships is an important factor for the Group's long-term success.
(d) the impact of the company's operations on the community and the environment;	**What this means:** If the Group fails to respect how it affects communities, it may face significant challenges to its business from a variety of stakeholders including customers, regulators and government.
(e) the desirability of the company maintaining a reputation for high standards of business conduct; and	**What this means:** A company's reputation is hard won and easily lost – maintaining high standards through a strong and positive culture as well as good governance is vital for building and sustaining long-term value.
(f) the need to act fairly as between members of the company.	**What this means:** The interests of all members are considered and treated fairly.

Engaging with our stakeholders

1. Providers of funding

Why we engage

Without sufficient capital and funding the Group could not operate its business model or execute its stated business strategy. Providers of both debt and equity are key to the long-term success of the Company.

Key areas of focus

- The financial and operational performance of the Group and each of its subsidiaries
- Capital structure, solvency, liquidity and financial KPIs
- Major strategic and regulatory developments
- Corporate governance
- Risk management

How we engage

- Debt providers receive regular management reports and engage directly with the Group Chief Executive as well as the wider finance team
- Regular public disclosures issued via a Regulatory News Service
- Other relevant information is available via **www.nsfgroupplc.com**.
- Meetings with senior management both online and face-to-face
- The Chairman and Non-Executive Directors are also available for meetings
- The Group is supported by its broker, Cenkos and communications advisor, H/Advisors Maitland, who provide support and advice in maintaining strong investor relations

Resulting actions and outcomes

- Publication of financial reports via RNS and the Group's website
- Board receives regular updates on key market developments, including feedback received from both equity investors and lenders to the Group
- Board receives copies of published research
- Taking these views into account is an essential part of the business management process at NSF
- The Group continued to receive the support of its secured lenders throughout 2022, demonstrated by the waivers granted by secured lenders to ensure that there remained a reasonable prospect of the Group reaching a resolution to the regulatory issues and by the support for the Proposed Recapitalisation (and the Alternative Transaction if the Conditions outlined on page 2, to the Proposed Recapitalisation are not satisfied).

Engaging with our stakeholders

2. Customers

Why we engage

Our customers are at the centre of our business model (see page 11). Should we deliver a poor service or treat our customers unfairly, we are unlikely to meet our long-term financial and strategic objectives. Our values align to our belief that we should act responsibly and with integrity in everything that we do.

Key areas of focus

- We aim to design and tailor our products to meet our customers' needs at a price they can afford
- Ensuring compliance with the Consumer Duty regime
- Ensuring we lend and collect responsibly and in compliance with latest FCA rules and guidance and take account of the latest decisions at the Financial Ombudsman Service ('FOS')
- Having an effective complaint handling process

How we engage

- Face-to-face contact represents an important part of the lending process in branch-based lending, providing immediate feedback on how we are performing and how we might improve. We continue to believe that, for many customers meeting face-to-face is an important opportunity to gain a deeper understanding of their needs whilst also building a long-term relationship
- We also engage extensively via telephone, email and web
- We consider the needs of vulnerable customers across all areas and constantly strive to ensure we support our customers in times of need and continually identify opportunities to make getting a loan easier for our customers including those who require additional support
- Third-party customer satisfaction surveys and online recommendation engines such as Feefo[1] and Trustpilot
- We also work hard to ensure that if something goes wrong, our complaint handling processes deliver fair and appropriate outcomes. Numbers of complaints and root cause analysis are data points that we track and monitor closely

Resulting actions and outcomes

- Updated processes and systems embedding the latest FCA guidance, including extensive work ahead of the introduction of the FCA's enhanced Consumer Duty regulations
- Key learnings from regulatory and assurance reviews are captured and once understood and assessed, are embedded into our policies and procedures, training, organisation structure and incentive arrangements
- All complaints are tracked, analysed and fed back into business practice and the Group's 'customer outcomes dashboard'. Upheld decisions by the FOS are also considered (see Principal risks on pages 20 to 26)
- Everyday Loans has received a number of awards in recognition of its focus on consumers[2]

1 We maintained our Feefo Platinum status for 2022. This accolade is an independent seal of excellence that recognises businesses for consistently delivering exceptional experiences, as rated by customers. Feefo gives Platinum Trusted Service awards to businesses that have achieved an average service rating of greater than 4.5 stars out of 5 for more than three consecutive years. As all reviews on the Feefo platform are verified as genuine, this accreditation is a true reflection of Everyday Loans' commitment to providing outstanding service to its customers. Separately, Everyday Loans is also rated by TrustPilot;

2 Everyday Loans received the Non-mainstream Loan Provider of the Year Award for the fourth year running at the Moneyfacts Consumer Awards 2023. Everyday Loans also won the Overall Customer Service award for financial services 2023. The Moneyfacts awards are based primarily on reviews provided by our customers who are solicited directly by Moneyfacts and asked to complete a survey questionnaire.

Engaging with our stakeholders

3. Regulators

Why we engage

Maintaining a regular and open relationship with regulators is key. Through our engagement we aim to respond promptly to questions and ensure the regulator remains well-informed about our own performance, market dynamics and how any existing or proposed regulatory changes may impact consumers and the workings of the non-standard finance market more generally. As outlined in the Chairman's statement and the Group Chief Executive's review, during the last couple of years, the level of engagement has been extensive as we sought to resolve several outstanding regulatory issues.

Key areas of focus

- Engagement with the regulator as part of the preparation phase for the Scheme
- Sustaining a positive business culture
- Creditworthiness and affordability – ensuring that appropriate and proportionate checks are conducted at the point of lending
- Vulnerable customers – ensuring their circumstances are considered throughout the customer lifecycle and that we look after them every step of the way, also whilst supplying excellent customer service
- Claims management – proper handling of claims in a timely manner with root cause analysis and noting any implications from recent and relevant FOS cases

How we engage

- We engage at a more strategic level through periodic face-to-face meetings and by responding to relevant consultations, policy documents and research
- We continue to keep regulatory bodies, including HM Treasury, fully informed regarding the Group's broader perspective and strategic plans

Resulting actions and outcomes

- Culture is monitored closely through a series of measures that are reviewed as part of a continuous assessment process
- A 'three lines of defence' model is in place to identify, manage and address any potential regulatory risks
- Following the FCA's review into each of the Group's divisions, while no systemic redress was required in branch-based lending, the Group's home credit business went into administration on 15 March 2022
- The ELL Directors, supported by the Group Directors, decided to pursue the Scheme to address the Group's redress liabilities. This intention was announced as part of our half year results in 2022. A key objective of the Scheme will be to treat all affected customers equally. Although the independent review of the branch-based lending division carried out in 2021 identified no systemic issues requiring redress, as this division and the guarantor loans division trade out of the same legal entity (ELL), the Scheme will encompass potential claims from both divisions in order to ensure equitable treatment of customers. During the second half of 2022, preparation for the Scheme with our advisors has continued and we were able to publish the Practice Statement Letter for the Scheme on 17 March 2023
- We also take note of other sector developments to ensure that any implications for our own business are assessed and any adjustments to processes and procedures made

Engaging with our stakeholders

4. Partners and suppliers

Why we engage

Having had different business models and customer demographics of our business divisions, for most suppliers, relationships are managed at a divisional rather than Group level. However, with the departure of our Loans at Home division due its entry into administration in March 2022 and the gradual wind down of the GLD business, we are consolidating supplier relationships where possible. Culturally, we are focused on ensuring we are always professional and want to establish a reputation as being a reliable customer with whom other firms can and want to do business.

Key areas of focus

- Maintaining an effective procurement process
- Ensuring that the quality of the services being supplied meets the standards expected
- Confirmation that suppliers are also fulfilling their broader obligations of good business practice including issues such as diversity, gender pay, modern slavery, anti-bribery and corruption and ESG obligations
- We monitor supplier payment terms to ensure we pay them within the constraints of the Prompt Payment Code

How we engage

- We have clear procurement policies with proper oversight over all material contracts
- We seek to maintain strong relationships through regular meetings and contact by phone
- We monitor supplier compliance with legislation such as Modern Slavery through the use of due diligence questionnaires and attestations.
- For a limited number of services such as insurance, we can sometimes arrange supply on a Group-wide basis. Other key suppliers include financial brokers, credit reference agencies and providers of data storage

Resulting actions and outcomes

- If a supplier falls short of the standards we expect or if there is a risk that continuing our relationship may compromise the Group's reputation or business prospects, then we will look to replace them with a comparable alternative, having already identified a number of these at the time of the original tender

Engaging with our stakeholders

5. Workforce

Why we engage

Our people are what make us unique, and we recognise that an engaged workforce is the key to ensuring we can deliver a superior service to our customers and our communities. Our 2022 engagement survey recorded an engagement satisfaction score of 74%.

Key areas of focus

- Career Development – enhancing our opportunities for career progression and development to enable growth and an ability to uphold the high standards we require
- Leadership Capability – improving our Leadership capability at all levels to support their ability to lead and support the organisations growth and development
- Recognition and reward – Introducing further initiatives to enhance our inclusive recognition and remuneration approaches. Through the introduction of choice in our benefits programme and in increased recognition of diversity within our people.

How we engage

- Annual engagement survey
- Colleague VOICE that acts as an employee forum for all colleagues
- Communication and engagement through our ENGAGE platform that allows 2-way communication
- Immersive cultural induction day, ELITE, for all new joiners
- Structured training programme for all new joiners through our Training Academy
- Monthly all colleague Townhalls run by Senior Leadership with an open Q&A session
- Monthly all in days

Resulting actions and outcomes

- We continue to develop our learning and development proposition and measure the impact and value of any initiatives through the various feedback channels
- Through live Q&A townhall sessions we investigate any new initiatives raised or investigate any concerns referenced in a timely manner
- Continue to develop a hybrid approach to working patterns ensuring that we maintain face to face contact but also utilise digital methods such a virtual meetings, blogs, podcasts etc.

Diversity and gender pay

Gender mix

As an equal opportunities employer, our workforce has a healthy 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:

April 2022	**Male**	**Female**	**Total**
Number of Company Directors	**4**	**0**	**4**
Number of senior managers (excluding Executive Directors), Directors of subsidiary businesses and heads of function	13	8	21
Total number of employees	**306**	**231**	**537**

April 2021	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	23	15	38
Total number of employees	456	393	849

As noted in the financial review on pages 28 to 35, during 2022 the Group experienced a significant reduction in staffing levels, due primarily to the administration of Loans at Home in March 2022 and natural attrition continued in guarantor lending because of the wind down of the division.

Sarah Day joined the Board as an Executive Director on 27 May 2022, thereby increasing the total board members to five, equating to 20% female representation on the Board.

Diversity

The Group has adopted an equality and diversity policy, promoting the equality of opportunity for all employees, dignity at work through eliminating occurrences of unlawful discrimination and through the promotion of a harmonious working environment in which all persons are treated with respect. Breaches of the policy are regarded as misconduct, which could lead to disciplinary proceedings.

Gender pay

As we did in last year's report, below we have summarised 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 reduced versus last year based on a snapshot date of 5 April 2022 (hourly pay) and bonus paid in the 12 months to 5 April 2022. We are pleased to have continued to make progress on reducing the gap during 2022 and a summary of the figures for 2022 is as follows (the comparative figures for 2021 are also included for reference):

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

2022[2]	**Mean**	**Median**
Hourly pay gap	13.38%	2.35%
Bonus pay gap	-0.48%	-1.69%

2021[2]	**Mean**	**Median**
Hourly pay gap	13.98%	4.25%
Bonus pay gap	21.03%	-1.54%

1 A positive percentage figure indicates that female employees typically have lower pay or bonuses than male employees.
2 Overall mean and median gender pay and bonus gap based on a snapshot date of 5th April 2022 and 2021 (hourly pay) and bonus paid in the 12 months to 5th April 2022 and 2021.

Proportion of males and females receiving a bonus payment

	Male	Female
2022	76%	76%
2021	69%	64%

Why do we have a gender pay gap?
The calculation behind the gender pay gap is not the same as equal pay. As with last year, 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, although there has been a notable improvement versus last year approximately 68% of senior roles were held by men (2021: 64%) and 32% were held by women (2021: 36%) as at the snapshot date).

The Group's approach to business and environmental, social and governance (ESG) is to simply do the right thing for our colleagues, customers, shareholders and other stakeholders. We already have a focus on supporting our local communities and have made great progress in ensuring there is diversity at all levels of the business; we are working hard to close the gender pay gap.

As can be seen in the quartile graphs below, 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.

Gender mix by pay quartile (quartile 1 being the lowest and quartile 4 being the highest).

2022	**Q1**	**Q2**	**Q3**	**Q4**
Male	47%	62%	51%	62%
Female	53%	38%	49%	38%
2021	**Q1**	**Q2**	**Q3**	**Q4**
Male	47%	53%	55%	61%
Female	53%	47%	45%	39%

Whilst we are pleased to have made progress in 2022, 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. 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 are 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' 2022 figures[1] put the mean salary gap at 30.8% for financial institution managers and Directors. Whilst as a Group we were below this level in 2022, we remain committed to continuing to reduce this further through a series of actions as follows:

- improving our recruitment targeting to ensure a diverse range of applicants is 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.

As well as providing competitive compensation arrangements for our workforce, we have previously had a Save As You Earn Scheme. This Scheme enabled staff to buy shares in Non-Standard Finance plc in a tax-efficient way and thereby participate in the future success of the Group. Whilst the current share price means that the Scheme is not currently attractive for staff, if a Proposed Recapitalisation is completed as planned then the Board intends to put in place a replacement Scheme for staff.

1 ONS: Gender Pay Gap in the UK: 2022, 11 November 2022.

Engaging with our stakeholders

6. Environment

Why we engage

Environmental issues are becoming increasingly important for many of our key stakeholders including customers, staff, investors, HM Government, and society at large. This is demonstrated by the increase in mandatory reporting over the years, as well as the development of several global initiatives such as the Paris Agreement adopted in 2015, and the UK Government's strategy for decarbonising all sectors of the UK economy to meet their net zero target by 2050.

Key areas of focus

- Determining our impact on the environment as well as how climate change might create additional risks (see Principal Risks on page 20), as well as opportunities for the Group
- Formulating a strategy to address and manage climate-related risks and opportunities, including identification of measurable KPIs, targets and milestones over the short, medium and long term
- Use of energy and natural resources as well as the level of CO_2 and other emissions produced directly and indirectly
- Preparing disclosures to assist stakeholders in assessing the potential impact of such risks and opportunities on the current and future prospects of the Group

How we engage

- We are keen to minimise any negative environmental impact that our activities might have on our planet, and actively seek to reduce our carbon footprint
- We carry out energy assessments under the Energy Savings Opportunity Scheme ('ESOS'), established by the Energy Savings Opportunity Scheme Regulations 2014
- We report under the Streamlined Energy and Carbon Reporting ('SECR') scheme on an annual basis
- This year we are reporting against the Task Force on Climate-related Financial Disclosures ('TCFD') recommendations for the first time

Resulting actions and outcomes

- We are continuing to improve the quality of our emission data
- We are committed to reporting the impact of climate change on our business in a transparent manner, and take responsibility for the actions required to make positive changes to reduce our impact on the environment
- We are continuing to enhance our assessment and disclosure of climate-related risk and opportunities, to help drive climate-informed decision-making within our business strategy

Engaging with our stakeholders

7. Communities and charity

Why we engage

As we return to growth, we are taking the opportunity to incorporate environmental, social and governance ('ESG') priorities into our business and ensure we build it in the right way. In doing this, we are committed to being open and transparent about what we are doing and why. Oversight of ESG, our strategy and priorities sit at Board and ExCo level. A new internal ESG structure involving colleagues across the organisation, coordinated by a dedicated ESG Committee, came into effect late 2022.

Our vision is that everyone deserves a chance whether that be access to finance or opportunity to develop and grow in their everyday lives. Our branch-based network operates in some of the most challenging parts of the country and our goal is to support those communities through inclusive practices with not only the service we offer but with our time, knowledge and skills.

Our commitment to environmental, social and governance goals is built around our ability to give back focusing on supporting our colleagues, our communities and our customers. We enable people to have opportunities that mainstream finance don't offer. We strive to support all our stakeholders with their everyday lives from cost of living through, sustainable futures and to supporting the levelling up initiative to ensure a fairer playing field.

Key areas of focus

- Supporting new and existing communities. By helping communities thrive we believe our business will too. We strive to make a positive difference through the local colleagues we employ and the local causes we support. We have helped our customers and communities adapt to the ongoing challenges presented by the pandemic, working together to find solutions that meet our customers' specific financial needs.
- Increasing the amount of support we give to our local communities whether that be through our time or our technical skills
- Supporting preventative plans through education around money management

How we engage

- In 2023 we have partnered with a third-party agency who will help us bring both our charity days and efforts giving back to local communities to the forefront of our business culture and proposition. As well as giving back to local communities, these charity days will be used as team building days within the business and encourage colleagues to network and make an impact together
- All our colleagues are given three days per year to support a cause they are passionate about as well as our wider business aims of giving something back. Some notable examples include a 'sleepout' event in the middle of November to raise funds for a local homeless charity and visiting Calais to prepare and distribute food in refugee camps.

Resulting actions and outcomes

- In 2022 the Group donated £7,083 to UNICEF,£186 to Macmillan and £162 to other charities as a result of charity fundraisers throughout the year; a stream clean, bake sale, bike ride to Amsterdam, Branch BINGO among others
- As well as financial donations, our staff also take part in community-based events such as a tree-planting day, held in conjunction with a local community interest company in March 2022. We also held our second Stream Clean event in Bourne End, where colleagues at our Dukes Meadow office, including our CEO, Jono Gillespie, worked together in order to clear out rubbish from the waterways that run through the business park in which our offices are located
- We also have collection points for local foodbanks in some of our office locations, and endeavour to donate any surplus food from staff events to a local organisation who is able to redistribute.
- By helping communities thrive we believe our business will too and getting our teams to network and build relationships with each other whilst also giving back is something we aim to continue to push in 2023. As part of improvements moving forwards we plan to partner with a third party and get an increasing number of our staff using their three charity days. These can be for a range of charity missions from calling someone to have a chat, delivering their shopping for them, to painting a school or helping a business with their accountancy. We want to engage with the local communities, support them and give back all whilst also getting our teams to feel good, have great experiences and connect with each other

Our engagement in action

How we considered some of our key stakeholders in 2022

Throughout the past year, several board decisions focused on addressing issues that impacted or could impact our key stakeholders. Some examples are summarised below.

Providers of funding

The Group's loan to value ratio was higher than the levels permitted in the quarters ended 31 March, 30 June, 30 September and 31 December 2022, however we have continued to trade throughout 2022 with the support of our secured lenders, who have granted fortnightly waivers. We have maintained a regular dialogue with each of our secured lenders throughout the year to ensure they remain fully up to speed with the latest developments, and we remain confident of being able to secure their continued support, including future waivers, as we make further progress towards completing the Proposed Recapitalisation as planned. Our secured lenders are also demonstrating their support through agreement to the Alternative Transaction should the Proposed Recapitalisation not succeed, to ensure that a viable business is funded following a successful sanctioning of the Scheme (noting, as above, that the Alternative Transaction may result in the Company (ultimate parent company) entering into an insolvency process).

Customers

We continue to actively engage with our customers and undertook customer surveys to get direct and unattributable feedback on our performance.

We maintain our Feefo Platinum status. This accolade is an independent seal of excellence that recognises businesses for consistently delivering exceptional experiences, as rated by customers. Feefo gives Platinum Trusted Service awards to businesses that have achieved an average service rating of greater than 4.5 stars out of 5 for more than three consecutive years. As all reviews on the Feefo platform are verified as genuine, this accreditation is a true reflection of Everyday Loans' commitment to providing outstanding service to its customers.

Separately, Everyday Loans is also rated by TrustPilot.

ELL remain the winners of the Moneyfacts Non-mainstream Loan Provider of the Year Award, and also won the Overall Customer Service award for financial services 2023. The Moneyfacts awards are based primarily on reviews provided by our customers who are solicited directly by Moneyfacts and asked to complete a survey questionnaire.

The new FCA Consumer Duty regulations set higher and clearer standards of consumer protection across financial services, and requires firms to put their customers' needs first. Whilst this has always been a priority for the Group, we have been busy conducting gap analysis against the regulation and have developed an implementation plan to ensure we continue to improve our standards. The most recent delivery highlights include the completion of our target market definition, agreement on adjustments to our governance structures to accommodate Consumer Duty principles, reviewing website content to achieve the consumer understanding outcome, the review of documents used in the branch network, and developing new training material.

Regulators

In addition to our regular reporting and filing obligations that continued in 2022, we also continued to seek conclusion on a proposed redress methodology for customers that may have suffered harm in guarantor loans. We also concluded the independent reviews into both branch-based lending and home credit. In the case of branch-based lending, this concluded that there were no systemic issues and therefore no redress payable to customers. Unfortunately, following the findings of the independent review, we were unable to implement a viable future business model for the home credit division and as a result, the business filed for administration in March 2022. In addition, the ELL Directors, supported by the Group Directors, decided to pursue the Scheme to address the Group's redress liabilities, which intention was announced as part of our half year results in 2022. A key objective of the Scheme will be to treat all affected customers equally. Although the independent review of the Group-based lending division carried out in 2021 identified no systemic issues requiring redress, as this division and the guarantor loans division trade out of the same legal entity (ELL), the Scheme will encompass potential claims from both divisions in order to ensure equitable treatment of customers. During the second half of 2022, preparation for the Scheme with our advisors has continued and we were able to publish the Practice Statement Letter for the scheme on 17 March 2023.

Workforce

Right from the beginning of 2022, we kept our people appraised of the latest developments through quarterly newsletters, and a series of colleague townhalls and employee forums during which staff were able to ask questions and provide direct feedback to senior management. Key topics raised included staff development, flexible working, and further support on mental health, all of which prompted decisions to be taken on both to further safeguard and improve the wellbeing of our colleagues. We spent time as a business training Mental Health First Aiders and there are people spread throughout the business to offer help and support to their colleagues. To support colleagues' development, we have invested in a new Learning and Development platform that provides all staff with tools, training and information for their job and career development. This was launched in January 2023.

Suppliers

During 2022, we enhanced our procurement process in our branch-based network to ensure we took advantage of efficiencies where possible and also started the process of including our ESG requirements alongside our existing due diligence requirements. Throughout 2022, we continued to work closely with one of our lead brokers to develop a fully tailored Open Banking solution for our branch-based lending business. The early stages of the project required extensive investment from both sides and also drew upon the strength of our long-standing relationship as we collaborated to build a value-enhancing solution. The solution is due to be rolled out to the full branch network imminently. This fully integrated and automated solution benefits both our brokers as they are better able to identify suitable applicants, as well as our own business as conversion improves and productivity increases.

Communities and charities

Wanting to give back to our local communities and charities, in 2022 our employees got involved in a range of activities from branch bingo to a bike ride to Amsterdam to a bake sale. We raised a total of £7,268 for charities and gave up our time to give back. As well as financial donations, we participated in community-based activities and held two stream cleans and did some tree planting. We regularly collect food for food banks in some of our office locations and any leftover food from events we make sure goes to a good cause too.

Key goals for 2023 are to give back to our local communities whilst promoting team building within the business and utilizing our team's skill sets to give back to others. We have partnered with 'On Hand', the volunteer and climate impact platform, to make the charity and volunteering days a key focus for the business. People will be able to volunteer hourly at a time that suits them, get involved in team activities with different people across the business and track their hours and progress. For every tenth mission completed the partner also plants a tree for us and at the end of the year we will have an Everyday Loans mini forest in an area where resolving deforestation is a core focus. All this is accessible for our employees via an app, and will not only get people talking and giving back, but will contribute to positivity around company culture and mental health.

Sustainability report

Our approach

We enable people to have opportunities that mainstream finance does not offer and we are committed to lending and collecting responsibly. This philosophy underpins our focus to build and maintain a sustainable and ethical organisation. We are also committed to the highest standards of ethical and responsible behaviour as it is at the core of our culture. We have set targets to evidence our progress to achieving this commitment.

Our Directors have a fiduciary duty towards our members and are committed to protecting the Group from any potential investment risk within a long-term horizon. It is recognised that the best way to do this is to take not only financial and economic factors, but also 'environmental', 'social', and 'governance' ('ESG') performance into consideration:

1. Environmental: We recognise that our branches and our offices, as well as our business travel, contribute to global climate change via greenhouse gas emissions, and we know that as we grow as a business, our environmental impact could grow too. We also know that fighting the climate crisis is important to all our stakeholders, and we want to hold ourselves to a standard that we can all be proud of

2. Social: We strive to make a significant difference and contribution for our stakeholders:

    - Colleagues: Investment in our people, in inclusive policies that meet the needs of our colleagues and their wellbeing
    - Customers: Playing our part in supporting our customers with the cost-of-living crisis
    - Community: Supporting our communities through financial inclusion, contributing to the UKs 'levelling up' agenda and by making a difference to the communities in which we live and work in
    - Suppliers: Ensuring that who we do business with are aligned in terms of values and standards

3. Governance: It is our aim to have in place robust, high standards of governance, underpinned by positive values and culture. These in turn drive colleagues and senior management within the business to act with integrity, independence of thought and with respect for the values of others, particularly our customers

Our targets

Our target durations are defined as: short-term is 1 year, medium-term is 2 years, and long term is 5 years or longer. We will keep these targets under review as we evolve our approach to ESG to ensure they continue to deliver our commitment to operating ethically and responsibly.

Environmental	• Aim to reduce carbon footprint over the next 5 years by 5% against the 2022 baseline • Consider a target to help reach net zero across the business by 2050	Short to Medium-Term Long-term
Social	**Colleagues:** • 100% of employees trained in the Code of Conduct by end of 2023	Short-term
	Customers: • Align business practices to the new Consumer Duty by 31 July 2023	Short-term
	Community: • Develop a community plan for each area where we operate by the end of 2023	Short-term
	Suppliers: • To complete the review of all supplier contracts by the end of 2023 • To complete the review of all leased properties by the end of 2023	Short-term Short-term
Governance	• To complete a review of all cyber security related documentation by the end of 2023	Short-term

Our ESG materiality assessment

Our initial materiality assessment has identified what we consider to be the Group's most significant ESG issues that our strategy must address. We plan to expand upon this materiality assessment in time to more completely understand the views and perspectives of all our stakeholders to ensure our strategy addresses their priorities over the next three to five years.

We have taken a double materiality approach to account for the sustainability issues that impact our enterprise value as well as the sustainability issues that have both a positive and negative impact on the world at large: the market, the environment, and people. This has helped us identify our greatest ESG-related risks and opportunities and determine how our strategy should focus our efforts and why.

Our assessment has also considered how we can deliver transparency on our strategy to all our stakeholders, especially our investors, through aligning with ESG standards and frameworks. We have prioritised reporting against the Taskforce for Climate-Related Financial Disclosures ('TCFD') framework (page 52) to meet regulatory and investor demand and to disclose our governance, strategy, risk management, and metrics and targets associated with climate-related risks and opportunities.

We have also considered the Sustainability Accounting Standards Board ('SASB') and Global Reporting Initiative ('GRI') standards to understand the non-financial issues that have the potential to impact our organisation's enterprise value as well as impact our stakeholders. As we progress our strategy we will assess the value of reporting according to each standard.

Our ESG strategy

We developed our ESG strategy in 2022, informed by our materiality assessment, with the aim of reducing our exposure to ESG-related risks such as emerging regulation and physical impacts associated with climate change. Our strategy also aims to help us capture and communicate ESG-related opportunities, including through our involvement in initiatives to educate people about finances, which in turn will reduce future operational risk.

Robust governance has always been a key priority for the Group, as demonstrated by our adoption of the UK Corporate Governance Code, which we consider best practice and apply as much as is practicable, taking into consideration the size and nature of our business.

<table>
<tr><td>Our vision</td><td>Everyone deserves a chance whether that be access to finance or the opportunity to develop and grow in their everyday lives.</td><td rowspan="2">Our targets are aligned to our vision, principles and values. Be assured that our values underpin everything we do, including our approach to ESG.

Our values align to our belief that we should act responsibly and with integrity in everything that we do.</td></tr>
<tr><td>Our Principles</td><td>• Choice: We want to give everyone choice and our goal is to give that to all our stakeholders whether that be our colleagues, our communities or our customers
• Inclusive: We want to drive and support the inclusivity agenda whether that be inclusive finance, diversity of thought and practice
• Give back: We want to give back to the communities we serve whether that be through our time, our funding, our expertise and our focus
• Protect: We want to protect our climate and reduce our footprint where we can</td></tr>
<tr><td>Our targets that we strive to achieve over a specified timeline</td><td colspan="2">This year we have focused on making progress to achieving our short to medium-term targets. However we aim to carry out broader risk and opportunity assessments to inform additional targets and timelines.</td></tr>
<tr><td>Our actions that we will take</td><td colspan="2">We have an ambition to disclose in future reporting the steps we are taking to achieve our targets</td></tr>
<tr><td>Our metrics/KPIs for measuring success</td><td colspan="2">The metrics we have chosen to date are those that are already measured within the business and are highlighted in this report. We intend to expand upon our ESG metrics, which we will disclose in future reports.</td></tr>
</table>

Our ESG governance structure

2022 saw Sarah Day taking on the role of Chief ESG Officer in additional to her existing role as Company Secretary. Sarah is the nominated NSF Executive responsible for managing and leading the Board's oversight of ESG-related risks and opportunities, and throughout 2022 has been instrumental in developing a new internal ESG governance structure which came into force towards the end of 2022.

The Chief ESG Officer chairs the ESG Committee, which is responsible for reviewing the Group's sustainability strategy and progress against stated targets, and assessing ESG-related risks & opportunities. An ESG Working Group consisting of a wide range of representatives from across the Group has been created to assist the ESG Committee with identifying and investigating operational activities that could support the ESG strategy.

As aforementioned, the Group has developed and documented a clear ESG-related strategy including key metrics and targets, and regular action and progress updates, together with key developments are presented to the respective Boards within the Group.

Bi-annual ESG updates are provided to the NSF plc Nomination & Governance Committee to confirm that the ESG strategies, metrics, targets, and related actions remain appropriate to fulfil the Group's agreed sustainability commitments. Assurance is provided by management that processes and procedures remain appropriate, with any changes being highlighted and rationale explained. Updates are provided on ESG-related risks and opportunities, and following thorough review, the Nomination & Governance Committee recommends Board approval of any disclosures.

The NSF plc Board is ultimately responsible for ensuring the Group's ESG strategy and related actions remain appropriate to fulfil the Group's agreed sustainability commitments. The NSF plc Board is also responsible for all applicable disclosures in relation to ESG.

Our ESG risks & opportunities

Our primary approach to risk assessment has been to flag existing risks within our risk registers so they can be identified as ESG-related risks, where relevant. At this stage of our journey, this is the most appropriate method to deal with these risks as it enables risk register owners to take responsibility for building awareness and further embedding ESG into the business. We have an existing risk in respect of the risk of inaccurate or misleading ESG reporting, and have also created 3 new risks: Failure to embed ESG strategy, and Failure to embed TCFD at Group level, and Failure to embed ESG strategy at operating subsidiary level.

We believe ESG opportunities are not necessarily standalone opportunities, but opportunities that the business would identify as part of its regular strategy sessions.

Our focus

We are great believers of continual improvement, and we acknowledge that we are on a journey with our ESG strategy. Our focus over the last year has been to build and improve on existing policies and processes within the Group and to align our strategy with planned or progressing ESG-related workstreams:

Environment

We understand our business activities have an impact on the environment, whether this occurs directly; for example, as a result of the energy that is used by our offices and by our people when they travel, or indirectly; through the activities in our supply chains. We have been operating according to our Group's Environmental Management Policy for many years, with the aim of addressing this impact.

In 2022 we expanded our Policy to include the aspiration to fully comply with the TCFD, and to report in line with the recommendations of the TCFD to better understand and disclose our climate-related risks and opportunities.

Climate change & net zero

The Group recognises the risks posed by climate change and acknowledges that we have a corporate responsibility to help mitigate one of the biggest challenges facing society, especially as this is important to our stakeholders.

Climate change will impact the nature of our business operations in various ways, including but not limited to access to, and accessibility of, our offices by staff and customers, the costs associated with running multiple premises, business travel between premises. Our services will therefore also need to be constantly reviewed to ensure resilience to the changing climate. Additionally, our branches, offices, and business travel produce greenhouse gas (GHG) emissions, and we know that as we grow as a business, our environmental impact could potentially grow too. The long-term success of our business therefore depends on the resilience of our operations, supply chains, and the communities where our customers and colleagues live and work. This means that it is essential that we minimise our environmental impact and work with others to take action on the globally important issue of climate change. We recognise the value of the Paris Agreement and the ambition to keep global warming to less than 2°C above the temperature set before the beginning of the industrial revolution.

We will be seeking energy efficiency improvements to our operations and will consider the management of our GHG emissions to be a principal component of our environmental and sustainability objectives. It is our aim to exploit all opportunities for energy savings throughout the business, in order to establish ourselves as an environmentally responsible organisation as well as a contributor to national carbon reduction targets.

Whilst complying with TCFD will require some additional work, and 'good management' of climate-related risks and opportunities will inevitably come with some additional cost to the Group, we remain supportive of the goal set by the UK Government to reach 'net zero' on or before 2050. The Group believes it can and must play its part in contributing to that objective to ensure the long-term sustainability of the business.

Current position & base year

During 2017 the Group began to capture and record data on CO_2 production and have continued the workstream for each subsequent year. Each year we review our method of data capture to increase the level of accuracy with the information available and we intend to enhance this further. However, as the pandemic impacted our usual energy consumption during prior years, we have chosen 2022 as our 'base year', which we will use to assess emission reductions toward climate change goals. We have set targets during 2022 to reflect this decision.

Streamlined energy and carbon reporting ('SECR')

The data provided below summarises the energy usage, associated emissions, energy efficiency actions and energy performance of our leased premises across the UK & Northern Ireland. This is produced in line with government guidelines for Streamlined Energy and Carbon Reporting disclosures.

This inventory has been prepared in accordance with the requirements of the measure-step of the Toitū carbon marks, which is based on the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) and ISO 14064-1:2018 Specification with Guidance at the Organisation Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals. Where relevant, the inventory is aligned with industry or sector best practice for emissions measurement and reporting.

GHG emissions and energy use for period 01 January 2022 to 31 December 2022

	Current reporting year 01 January 2022 to 31 December 2022	
	UK and offshore	**Global (excluding UK and offshore)**
Emissions from activities for which the company own or control including combustion of fuel & operation of facilities tCO_2e (Scope 1)	52.28	N/A
Emissions from purchase of electricity, heat, steam and cooling purchased for own use tCO_2e (Scope 2, location-based)	160.95	N/A
Total gross Scope 1 & Scope 2 emissions tCO_2e	213.23	N/A
Total gross Scope 1 & Scope 2 emissions tCO_2e (all)	213.23	
Energy consumption used to calculate above emissions (kWh)	1,053,219.20	N/A
Gas (kWh)	N/A	N/A
Electricity (kWh)	832,288.50	N/A
Transport fuels (kWh)	220,930.70	N/A
Total gross Scope 1 & Scope 2 emissions by unit turnover/revenue (tCO_2e/£M)	2.17	
Methodology	ISO14064 Part 1 2018 and Carbon Reduce	
Third Party verification	Verified to ISO14064 Part 1 2018 and Carbon Reduce	

1 Toitū carbon marks refers to the Toitū carbonreduce and Toitū carbonzero programmes

2 Throughout this document 'GHG Protocol' means the GHG Protocol Corporate Accounting and Reporting Standard and 'ISO 14064-1:2018' means the international standard Specification with Guidance at the Organizational Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals

3 Data is based on energy and fuel consumption of Non-Standard Finance plc, NSF Finco Ltd, Everyday Lending Ltd, and Everyday Loans Ltd for the period 1 January 2022 – 31 December 2022, and of S.D Taylor Ltd for the period 1 January 2022 – 15 March 2022. The Group uses the operational control boundary.

4 Our GHG emissions are calculated using energy usage data provided by our energy suppliers and/or landlords, and employee expense data. Some energy consumption was estimated by proxy where primary data was unavailable.

Energy efficiency

Energy efficiency measures have included the commencement of installing of occupancy sensors on lighting for a number of properties, changing to LED bulbs as and when less efficient bulbs cease to work, introduction of better paper recycling opportunities, encouraging staff to car share where appropriate. It is our aspiration to measure the impact of these energy efficiency measures in future years.

GHG emissions

Period	Total emissions for scope 1 and 2	Total quantity of energy used	Intensity metric (per £m of reported revenue)
1 January 2022 – 31 December 2022	213.23 tonnes of CO2e	1,053,219.20 kWh	2.17
1 January 2021 – 31 December 2021	508.22 tonnes of CO2e	2,281,357.26 kWh	3.87
1 January 2020 – 31 December 2020	488.11 tonnes of CO2e	2,075,020.76 kWh	3.00

For transparency and for comparative purposes, we have provided the table above showing total emissions for scope 1 and 2 in CO2e and total quantity of energy used for the last 3 periods. In 2020 the pandemic started, and on 15 March 2022 S.D. Taylor Ltd went into administration. Due to these events we felt it was prudent to make 2022 'base year', and the 2022 data will use to assess emission reductions toward our climate change goals.

Taskforce on Climate Related Financial Disclosures ('TCFD')

We are committed to assessing and responding to the risks and opportunities that climate change might present in order to increase our operational resilience and sustainability. Whilst we therefore intend to fully comply with its obligations under the TCFD we are still early in our climate reporting journey and are not yet fully compliant with all the guidance. However, we look forward to building on our reporting over 2023 and beyond to ensure our future disclosures are fully in line with the TCFD recommendations as well as evolving best practice.

Key
Compliant
Currently non-compliant but scheduled for compliance in coming 12 months

Governance	
The Group's governance around climate related risks and opportunities. a) Describe the Board's oversight of climate-related risks and opportunities. b) Describe management's role in assessing and managing climate-related risks and opportunities.	2022 saw Sarah Day taking on the role of Chief ESG Officer in addition to her existing role as Company Secretary. Sarah is the nominated NSF Executive responsible for managing and leading the Board's oversight of ESG-related (to include climate-related) risks and opportunities, and throughout 2022 has been instrumental in developing a new internal ESG governance structure which came into force towards the end of 2022. The Chief ESG Officer chairs the ESG Committee, which meets at least three times annually, and is responsible for reviewing the Group's sustainability strategy and progress against stated targets, actions, and for assessing ESG-related (to include climate-related) risks & opportunities. Commitment to our Emissions Inventory and associated emissions management is demonstrated by including emissions management as an agenda item on the ESG Committee, which reports to both the ELL and NSF plc Boards. The CEO, the Chief ESG Officer & Company Secretary, and the ELL HR Director sit on the ESG Committee. It is also attended by a number of ELL Senior Management from across the Group to help broaden awareness and embed the gravitas of the topic. Emissions performance and related projects are reviewed and follow up actions tabled as and when required to ensure the business is on track for meeting our emissions performance targets. The Group has developed and documented a roadmap for TCFD compliance, including key climate-related metrics and targets, and regular action and progress updates, together with key developments are presented to the respective Boards within the Group. Bi-annual ESG updates are provided to NSF plc Nomination & Governance Committee to confirm that the ESG strategies, metrics, targets, and related actions remain appropriate in order to fulfil the Group's agreed sustainability commitments. Assurance is provided by management that processes and procedures remain appropriate, with any changes being highlighted and rationale explained. Updates are provided on ESG-related (to include climate-related) risks and opportunities, and following thorough review, the Nomination & Governance Committee recommends Board approval of any disclosures. The NSF plc Board is ultimately responsible for ensuring the Group's ESG strategy and related actions remain appropriate in order to fulfil the Group's agreed sustainability commitments. The NSF plc Board is also responsible for all applicable climate-related disclosures.

Strategy

The actual and potential impacts of climate-related risks and opportunities on the Group's business, strategy, and financial planning.

a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

c) Describe the resilience of the strategy, taking into consideration different climate-related scenarios, including a > or < 2C scenario.

Taking in to account the value of loans provided in branch-based lending, as well as the repayment timeline, the Group considered that suitable short-, medium-, and long-term time horizons would be 1, 2, and 5 years and beyond, respectively.

Key climate-related risks:

Risk	Description	Potential financial impact	Time horizon
Transition: Policy and Legal Risks (tied in with Reputational Risk)	Objectives of policy actions around climate change generally fall into two categories: 1) attempt to constrain actions that contribute to the adverse effects of climate change, or 2) seek to promote adaptation to climate change. Both actions could add to operational costs through compliance with additional regulation and/or legislation, as well as potential new (stealth) taxes. Failure of the Group to respond to changes in regulation and/or legislation could put the Group at a competitive disadvantage, subject to reputational damage, as well as potential fines and/or costs of litigation. Reasons for such litigation include the failure of organisations to mitigate impacts of climate change, failure to adapt to climate change, and the insufficiency of disclosure around material financial risks. As the value of loss and damage arising from climate change grows, litigation risk is also likely to increase.	Increased expenses via compliance costs or reduced revenues via taxes, fines, litigation costs or reductions in opportunities for funding due to lack of confidence in the Group	Medium and long term
Transition: Technology Risk (internal cost rises)	Due to the large number of leased premises used by the business, the development and use of emerging technologies such as renewable energy, and energy efficiency, could lead to increased rental costs. Should the cost of leasing so many premises become prohibitive, adaptations to the business model may need to be considered.	Increased expenses via increased rental costs	Long-term

Transition: Technology Risk (employee cost rise)	Forms of transportation that have lower emissions (i.e. electric cars are currently more expensive than non-electric cars). Travel costs may increase for staff, and the increased cost to employees may make them seek higher salaries and/or the business considers changing the business model and/or working practices.	Increased expenses via higher salaries Potential of having to move away from the face-to-face business model.	Long-term
Transition: Market Risk (increasing costs affecting behaviour)	One of the unique selling points of branch-based lending is the face-to-face service. Should the cost of travel to the business premises by customers rise exponentially, the business may see a change in customer behaviour and need to review how to adapt the business model accordingly.	Potential of having to move away from the face-to-face business model. Costs incurred associated with finding and securing alternative leased premises Reduced revenues due to loss of opportunities	Long-term
Transition: Market Risk (accessibility affecting behaviour)	One of the unique selling points of branch-based lending is the face-to-face service. A change in climate may affect access to, and accessibility of, some of our offices by customers.	Potential of having to move away from the face-to-face business model. Costs incurred associated with finding and securing alternative leased premises	Long-term
Physical: Acute & Chronic Risk (locational impact)	Increased severity of extreme weather events, such as storms, droughts, or floods, or sustained longer-term shifts in climate patterns could adversely impact operations in a number of ways, i.e. the ability of staff and customers to get to our offices to conduct face-to-face lending, delivery of supplies.	Reduced revenues due to loss of opportunities	Medium and long-term

Key climate-related opportunities:

Opportunity	Description	Potential financial impact	Time horizon
Resource efficiency	Reducing our energy usage and focus on making premises more efficient. Whilst some initial investment may be needed, it is expected that longer term savings will be made	Reduced expenses	Medium and long-term
Human resource	Being more of a climate-conscious Group is likely to attract and retain staff who align their own values with the value of the business	Increased revenue due to increased capacity of the business	Short and medium term
Increased custom	Being more of a climate-conscious Group is likely to attract customers who align their own values with the value of the business	Increased revenue due to increased custom	Short and medium term
Increased access to funding	Investors are increasingly encouraged to seek long term value by investing in sustainable businesses who demonstrate financial as well as non-financial strengths within their business model	Increased revenue due to increased access to funding	Short and medium term

Scenario analysis to assess the impact of an increase in climate temperature, and the resilience of our strategy in different climate-related scenarios, together with determining how loans products and financing could be impacted, will be undertaken in the coming year. We also intend to consider a target for when the Group could achieve net zero.

Risk Management

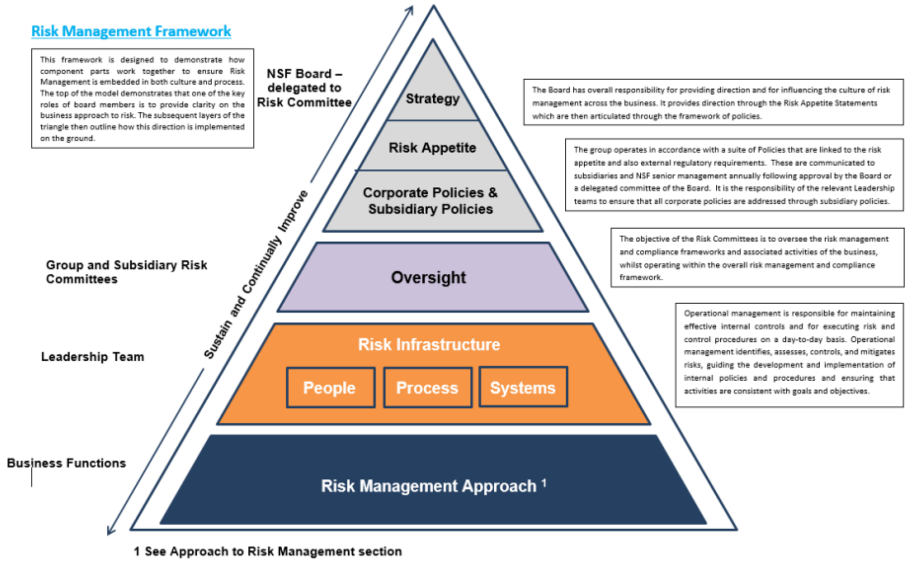
The process used by the Group to identify, assess, and manage climate-related risks.

a) Describe the organisation's processes for identifying and assessing climate-related risks.

b) Describe the organisation's processes for managing climate-related risks.

c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

The Group operates under the following Risk Management Framework:



Risk Management Framework & Methodology underpinned by the Three Lines of Defence Model

In respect of climate-related risks specifically:
1st line of defence: Company Secretariat co-ordinates and manages climate-related risks, which are embedded and owned across the business. Due to the medium- to long-term nature of these risks, company level climate-related risks have been incorporated into the Company Secretariat horizon scanning risk register, which is reviewed on a regular basis. A standalone risk; failure to embed TCFD has been created and is included within the Group level risk register.

2nd line of defence: The risk management function facilitates and monitors the implementation of effective risk management practices and assisted Company Secretariat in defining the target risk exposure. This was carried out by conducting a risk workshop with various stakeholders across the business.

2nd line of defence: The compliance function monitors adherence with applicable laws and regulations and is responsible for forward looking risk identification and providing horizon scanning information to management.

3rd line of defence: An independent third-party company called Achilles have been engaged by the Group to audit our Emissions Inventory and associated emissions management. We signed up to a Carbon Reduce Programme to assess our present status, and in 2023 became a Toitū carbonreduce certified organisation in line with ISO 14064-1.

Risks are prioritised based upon their materiality, likelihood, and impact. The determination of materiality follows a standard approach to ensure that all risks are assessed and prioritised in a proportionate and consistent manner.

All risks are provided with an 'inherent' rating, and then once controls are in place to mitigate those risks, they are then provided with a 'residual' rating. Appetite for risks and tolerances are decided by the Board, should the tolerance be breached, the risk would be considered outside of appetite, this can either be assigned an action to bring it back inside appetite, or the risk could be accepted.

Metrics & Targets	
The metrics and targets used to assess and manage relevant climate-related risks and opportunities	The Group is committed to managing and reducing its emissions. Our targets are 'SMART' targets (specific, measurable, achievable, realistic, and time-constrained) have been set in accordance with the government's aim to become net zero by 2050. Rationale behind the target setting was driven by both aligning to the Carbon Reduce Programme requirements, and consideration of sector precedents.
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Metrics used to assess climate-related risks and opportunities in line with our strategy and risk management process will be identified in 2023.
b) Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas ('GHG') emissions and the related risks.	Our emissions are reported in accordance with the GHG Protocol. We use an operational control approach to account for our emissions, and as can be viewed on page 51, we disclose our emissions data in compliance with the Streamlined Energy and Carbon Reporting guidelines. The environment intensity indicator we have chosen is CO2e per £m of reported revenue, and we measure tonnes CO2e for scope 1 and scope 2 categories. We have an ambition to broaden reporting to scope 3 and scope 5 categories in the future.
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	We have chosen 2022 as our base year and therefore there is no performance against target to report upon at the current time.

Social

Through our social strategy we aim to make the biggest difference and contribution to all our stakeholders whether that be our customers, communities, or colleagues and it is a core part of our identity and our core businesses.

Our business model is built on providing access to credit for those who aren't served by mainstream finance, the more financially vulnerable members of society. Our branch-based network operates in some of the most challenging parts of the country and our goal is to support those communities through inclusive practices, not only through the service we offer, but also with our time, knowledge, and skills.

Colleagues

An increasing number of employees, particularly younger members of the workforce, are looking to work with companies that have a strong sense of their values, vision and strategy to achieve positive societal and environmental outcomes.

Employees across the board are also interested in issues directly relevant to them, such as employee wellbeing, diversity and inclusion, as well as training and development opportunities. Cultivating a positive corporate culture is also imperative for attracting and retaining talent.

Matters we feel are top priorities for our colleagues are:

- Diverse and inclusive practices that work for all our colleagues with policies and benefits that are flexible to meet everyone's needs. We currently offer a flexible benefits programme and are looking to enhance both our benefits and policies to ensure they further meet the needs of our employees throughout their lifecycle
- Playing our part in the levelling up agenda through financial inclusion, education and supporting our people and communities with the challenges they face. We supported our employees through providing them with advice around financial wellbeing and on how to deal with the rising cost of living, including links to organisations that offer support for debt and money worries. We have also partnered with a 3rd party provider to enable our people to connect and support our communities and help engage teams in volunteering and environmental action. It will enable our employees to learn and take action on the issues that matter; from youth mentoring, food poverty and elderly help, to fighting climate change with CO2e tracked eco pledges for mass collective impact
- Ensuring investment in the wellbeing of our colleagues through multiple channels. We have mental health first aiders across the business, we provide EAP, AXA and provide all employees with access to the healthy minds hub
- Choice – Giving colleagues choice not rules and ensuring we live up to an inclusive culture. We are reviewing our benefit providers and offering to allow employees to choose what benefits suit them
- Ensuring fair and transparent opportunities that develop and grow all colleagues. This will ensure inclusive development and progression. We have enhanced our Learning and Development offering to enable colleagues to grow their careers through our new Induction programme, ELITE, our Training Academy and a new learning experience platform that provides access to all employees with both technical and soft skills content. Having run a number of external Leadership courses, we are looking to further this through the launch of a new Branch Manager Development Programme. Further programmes around coaching, people essentials are currently in design
- Values – Ensuring that our values are present in the way we behave and represent our brand. We are reviewing our values to ensure they represent our culture and our people. This will be reflective at all levels across the organisation and will be embedded in a new performance management approach, talent management approach and in all our practices

Customers

Customers are increasingly interested in being able to purchase products with strong sustainability credentials. Even though an increased interest in sustainable products doesn't always manifest in altered buying decisions, the trend towards an interest in sustainable products is clear and continues to grow.

We support our customers in our everyday practice by:

- Reflecting the cost-of-living crisis in our lending principles
- Constant monitoring of affordability 'tolerance' to incorporate cost of living/variable costs
- Financial inclusion through money management
- Listening to our customers' voice
- Supporting all customer needs whether that be through personal transcription, braille or day to day support on money matters

Communities

Organisations do not exist in a vacuum and being a responsible business means doing good for communities and society more broadly, ensuring the employer is just one part of a healthy ecosystem. Taking this external outlook and whole-systems approach to good work and responsible business is critical in today's economic environment.

We will strive to support our communities through opportunities such as:

- Donating our apprentice levy proportion to charities that share our principles and approach so that they can develop their own capabilities and invest in their development
- Loaning our technical expertise/insight to local SME's/charities to enable them to develop their capability and to strengthen our role within the community
- Developing community plans for the areas that we operate within. Plans include support, representation and attendance through school governor roles, local events, local businesses etc.
- Developing financial inclusion/education, this means providing support and guidance to community groups (with a focus on vulnerable underrepresented groups)
- Developing area community plans covering the role we play in each of the communities we are present

Suppliers

Supplier relationships and robust due diligence are critical to operating responsibly. Our approach is to conduct due diligence in advance of partnering with suppliers to confirm the sustainability of those businesses, and to ensure we are responsibly procuring the products and services we need to conduct business within the Group. We ensure all our suppliers and contractors are working within the parameters of ethical business practices, and we take into consideration the upward and downward supply and value chains by encouraging transparency within the supply chain.

We foster successful business relationships with our suppliers by:

- We are responsive to 'know your customer' requests
- We carry out comprehensive reviews of contracts to ensure both parties are compliant
- We carry out comprehensive due diligence in advance of signing contracts
- We also review our partnerships on a regular basis by carrying out an annual statement of continued compliance to ensure there are no fundamental changes with the supplier base
- We pay in accordance with the prompt payment code
- We put meaningful non-disclosure agreements and data protection agreements in place

Governance

We recognise that governance helps to mitigate risk, minimise liability, and generates business, as it gives the clarity we need to direct and lead the business.

It is our aim to have in place robust, high standards of governance, underpinned by positive values and culture. These in turn drive colleagues and senior management within the business to act with integrity, independence of thought and with respect for the values of others, particularly our customers, ultimately resulting in success for the business.

In line with the Group's strategy to act responsibly and foster a culture that balances the interests of each of our key stakeholders, we have a governance framework in place that aims to ensure the Group is compliant with current legislation and regulation, and emulates as far as practicable the best practice guidelines applicable to the companies within the Group, having regard to the nature, scale and complexity of the risks inherent in the business models and activities.

When developing the standards of governance for the Group, both the Financial Conduct Authority (FCA) UK listing, prospectus and disclosure rules as set out in the FCA handbook and the Financial Reporting Council's UK Corporate Governance Code (Code) were referred to as are sources of underlying principles of all good governance: accountability, transparency, probity and focus on the sustainable success of an entity over the longer term.

The NSF Governance Framework comprises a set of five interacting and interdependent components forming an integrated whole. Each of these components is covered in further detail, to include a high level definition and expectation, which the business reviews and measures against to ensure that the governance arrangements within the Group are robust and fit for purpose:

1) **BOARD & COMMITTEES** - Form the basis for sound and prudent management; provides management oversight ensuring strategic objectives and business plan are appropriate, and legal and regulatory requirements are complied with; challenges decision making; delegates and sets authority boundaries within which everyone must operate; undertakes regular evaluation of governance performance.

2) **BUSINESS MODEL** – Articulates the strategic direction and plan and ensures alignment of business objectives at all levels; establishes an appropriate organisational structure and operating model to deliver the business objectives and manages and reviews performance to achieve these.

3) **BEHAVIOURS & STANDARDS** – Promotes high ethical and professional standards that foster responsible behaviour and sufficient competence at all levels; priority is given to these standards and their implementation.

4) **RISK MANAGEMENT & CONTROL** – Establishes a sound and effective risk culture; a holistic Risk Management Framework extending across all business, support and control units and encompassing all relevant risks; and a strong and comprehensive Internal Control Framework including independent control functions with appropriate standing to fulfil their mission.

5) **STAKEHOLDER MANAGEMENT & ASSURANCE** – Recognises key stakeholders and supports effective dialogue and engagement based on a mutual understanding of objectives and adequate awareness of opinions and concerns.

ESG at a glance

Key ESG activity that took place in the last year:

Environmental	• Adopted the Task Force on Climate-related Financial Disclosures (TCFD) Framework to begin disclosing our climate-related risks and opportunities • Signed up to the Carbon Reduce Scheme Certification (powered by Toitū, formally CEMARS - the UK's only Accredited Greenhouse Gas Certification Scheme) and achieved certification in accordance with ISO 14064-1 in March 2023
Social	**Customers:** • Reflected the cost-of-living crisis in our lending principles by constant monitoring of affordability 'tolerance'. Affordability calculations and procedures were monitored throughout the year, with adjustments made to ensure that increasing costs of living were reflected and accounted for. This included changes to operational procedures ahead of known increases to energy prices, updates to expenditure benchmarks, reviews of affordability buffers against macroeconomic forecasts, and consideration in setting credit risk strategy • Everyday Loans maintained the Feefo Platinum status for 2022 • Everyday Loans is rated 4.5 by TrustPilot (at time of writing) • Everyday Loans remain winners of the Moneyfacts Non-mainstream Loan Provider of the Year Award • Everyday Loans won the Moneyfacts Overall Customer Service award for financial services 2023
	Colleagues: • Appointed new Chief People Officer, who hold the specified Senior Management Function for ESG under SMCR within Everyday Loans • Academy set up to enhance induction process, now instead of taking 6 months to get up to speed being trained in branch, new starters can competently contribute to the business within 6 weeks after training in the academy • To help further with embedding ESG within the Group, Senior leaders have been gathering feedback from branch visits, our employee forum and via the employee engagement survey, this will be fed into the ESG Working Group for discussion • Launch of a branch optimisation programme focused on making branch life more efficient and effective (any quantitative results to share?) • Redesigned and relaunched employee opinion survey • Succession Planning for all critical roles/groups of roles • developed a digital recruitment strategy to enhance our attraction methods in a competitive candidate recruitment market • Engaged a new Learning system which is a more agile bitesize approach that enables staff members to learn and access training 24/7 through multiple channels • All Area Managers have taken part in a Living Leader programme that is aimed at empowering leaders to develop and drive teams of continuous engagement
	Community: • £7,269 money raised by employees to donate to charity • £7,430 money donated by business to charitable causes • 1,551 number of days provided to employees by business to carry out charitable activities (61.5 days used) • Actively engaging with 3rd parties to partner with to enhance community contribution
	Suppliers: • Appointed new Senior Procurement Manager, and new Property Consultant • Commenced a review of all leased properties, which will be instrumental in helping the business improve efficiencies • Commenced a review of all contracts, and carried out tendering where necessary • Reviewed and revised contract authorities and mandates • Re-designed the procurement policy and procedures to align to the changes in the Group that took place in 2022
Governance	• ELL moved to enhanced status for the Senior Managers & Certification Regime (SMCR) • Corporate governance arrangements throughout the Group underwent a thorough collective review to align to the changes in the Group that took place in 2022 • Review of policy management process carried out, which included review of policy owners and authorising bodies • Launched review of business model in readiness for new Consumer Duty

Our future roadmap

Our commitment to ESG goals and targets is derived from the 'themes' below, which are qualitative statements of ambition to help drive our future roadmap. Our themes for the year ahead align with our strategy and will contribute to achieving our current targets and in addition to informing further targets that we may commit to.

We commit to their constant improvement, acknowledging they are built around our ability to give back, focusing on supporting our colleagues, our communities and our customers, as well as engaging effectively with other key stakeholders such as our suppliers. We strive to support all of our stakeholders with their everyday lives from cost of living through to sustainable futures, and to supporting the levelling up initiative to ensure a fairer playing field.

Themes for the year ahead

<table>
<tr><td>Environmental</td><td>• Improve emissions data quality
• Carry out a scenario analysis to determine business model resilience against different climate-related scenarios
• Enhance carbon emissions reduction targets
• Explore opportunities for carbon off-setting
• Via ESOS audit, identify opportunities for reduction in resource use
• Increase recycling capacity, particularly paper and electrical waste</td><td rowspan="6">• Increase the number of quantitative metrics to enhance process of tracking and measuring performance

• Continue to horizon scan to help ensure the business keeps up to speed with the fast-changing pace of ESG-related activity and reporting requirements

• Enhance climate-related risk assessments, and include scenario planning</td></tr>
<tr><td rowspan="4">Social</td><td>Customers:
• To streamline the customer journey to enhance their experience
• To produce informational videos to ensure consistent messaging
• To increase customer feedback channels</td></tr>
<tr><td>Colleagues:
• Enhance employee policies
• Enhance employee proposition
• Educate employees on sustainability, climate-related risks and opportunities
• Launch our branch manager development programme; the Everyday Leader Programme</td></tr>
<tr><td>Community:
• Loan our technical expertise/insight to local SME's/charities to enable them to develop their capability and to strengthen our role within the community
• To support charity projects via our apprenticeship levy</td></tr>
<tr><td>Suppliers:
• Strengthen our monitoring of landlord provision
• Refresh and update supplier due diligence
• Make improvements where contracts of services are not in place</td></tr>
<tr><td>Governance</td><td>• Enhance ELL's risk culture by heightening awareness of incident reporting, upskilling managers across the business, and developing new training for all employees
• Aim for ESG to be embedded in the risk registers by end of 2023
• Measure progress and evaluate the effectiveness of the Group's climate-related governance structure to ensure that the results from the risk and opportunities assessment and scenario analysis are considered by the Board in all strategic business decisions</td></tr>
</table>

Corporate Governance
Chairman's Introduction

Dear Shareholder,

I am pleased to present our 2022 corporate governance report for the Company which incorporates reports from the Chairs of each of the Nomination & Governance, Audit, Risk, and Remuneration Committees on pages 75 to 87.

As summarised in my Chairman's statement on pages 5 to 7, the past twelve months have continued to pose a significant set of challenges, both from a macro-economic context with the impact of the cost-of-living crisis and the current inflationary environment, and also from a regulatory perspective. It is in such circumstances that governance and oversight become even more important and so, despite these additional challenges, the Board remains committed to applying the highest standards of corporate governance. Whilst the Group had a standard listing on the Main Market of the London Stock Exchange throughout 2022, the Board continued to comply with the UK Corporate Governance Code wherever possible (even though there was no obligation to do so).

The performance of the Board and its committees is explained in the following sections of this Annual Report and for the purposes of this report, are benchmarked against the Code. If a provision of the Code has not been met, the details are highlighted together with an explanation under the heading: 'Statement of compliance with the Code' on page 62 below.

A vital aspect of good governance in any business relates to conflicts of interest. It is worth noting that as the development of the Scheme evolved over the year and in particular as the terms of the Proposed Recapitalisation and Alternative Transaction were developed, over the recent year, that Toby Westcott (due to his role as Alchemy Nominee Director on the Board) has taken independent legal advice (as catered for in our Corporate Policies) and from 6 April 2023, has now formally recused himself from all matters relating to the Proposed Recapitalisation and going concern (due to the topics being intrinsically linked). All reference to Board or Committee approval of these topics, therefore take into account Toby's conflict of interest and recusal.

The scale and complexity of the Group requires that during the development and execution of its business strategy, the interests of a broad group of stakeholders are taken into account (see pages 37 to 47). Whilst the Board's primary goal is to create long-term value for the Company's shareholders, there is also a clear focus on ensuring that the way we operate our business reflects our culture, values and model behaviours that have been shaped to deliver good customer outcomes, underpinning the long-term sustainability of our business. We are also pleased to disclose more details on how we are addressing environmental, social and governance risks and opportunities, as can be viewed in our sustainability report on page 48.

1 *A copy of the Code is available from the Financial Reporting Council's website: www.frc.org.uk.*

Key developments

The key developments have already been covered in both my Chairman's statement and in the Group Chief Executive's Report on pages 12 to 17.

As explained throughout this Annual Report, the Board is committed to raising additional funding through the Proposed Recapitalisation (or the Alternative Transaction) as soon as practicable such that, if successful, together with the Group's current cash balances, will mean that many constraints on our ability to operate effectively and execute our business strategy will be removed, and the prospects for the Group significantly improved.

Resolving the Group's outstanding regulatory issues has been a more detailed process and taken longer than expected and has required an enormous effort over the past year. At the same time, dealing with the fallout from having placed our guarantor loans business into managed run-off in 2021, and then our home credit business into administration in 2022, together with recovery from the impact of the pandemic, has also been particularly challenging. I wish to again convey my sincere thanks to the management teams and colleagues whom continue to display immense resilience and professionalism in what have been and remain highly difficult circumstances.

The Group continues to deliver good underlying financial performance driven by higher revenues, lower delinquency, and lower finance costs. However, we are still in a net liability position, due to the opening position, the redress provision held in respect of the Scheme, the net losses to date, the derecognition of Loans at Home and the continued non-recognition of deferred tax assets. Continued support in principle from the Group's secured lenders and largest shareholder, (which support remains subject to the Conditions outlined on page 2), means management continue to believe that the balance sheet situation will be remedied.

The FCA's current views in relation to the Scheme are set out in its letter of 25 April 2023. The FCA has stated that it does not, at this stage, anticipate that it will oppose the Scheme from being sanctioned should the requisite majorities of Scheme Creditors vote in favour of the Scheme. The FCA has confirmed that it does, however, fully reserve its position in respect of the Scheme and its right to object to the Scheme in due course, if the FCA considers it appropriate to do so.

Should the Scheme be sanctioned, the key priority is to complete the Proposed Recapitalisation as planned. The Board continues to believe that the execution of the Proposed Recapitalisation is in the best interest of all stakeholders as it will, amongst other things, partially fund the redress claims, strengthen the Group's balance sheet and enable the branch-based lending business to move forward with its growth plan. The Group's largest shareholder has indicated it is prepared to support the Proposed Recapitalisation (subject to satisfaction of the Conditions outlined on page 2). In addition, the Group's secured lenders continue to provide waivers and have expressed their support for the business and entered into a contractual commitment to execute the Alternative Transaction in the event that the Scheme is successfully sanctioned but the Proposed Recapitalisation is unsuccessful, such that the branch-based lending business would be preserved as a going concern, but which, if implemented, would result in no recovery for the Group's current shareholders and may result in the Company (ultimate parent company) entering into an insolvency process. Both the plan for the Proposed Recapitalisation and the Alternative Transaction include significant debt write-offs and extensions to the term of the Group's existing debt facilities to support the business going forward. The Board notes that although the Group has contractual commitments from its secured lenders to support the Alternative Transaction, there is a risk that it will not be possible to implement either the Proposed Recapitalisation or the Alternative Transaction. In these circumstances, if neither the Proposed Recapitalisation nor the Alternative Transaction has been implemented by 31 December 2023, it will not be possible to pay the Scheme fund into a nominated trust account and the Scheme will fail.

Without the successful completion of the Scheme and the Proposed Recapitalisation (or the Alternative Transaction in the event the Conditions outlined on page 2, to the Proposed Recapitalisation are not satisfied, which, if implemented, would result in no recovery for the Group's current shareholders and the Company (ultimate parent company) may enter into an insolvency process), the balance sheet remains deeply insolvent.

However, if the Scheme is not sanctioned by the Court, or the Scheme is sanctioned but the Proposed Recapitalisation and the Alternative Transaction both fail, then the Group would remain insolvent and the most likely outcome would be a Group-wide insolvency (most likely administration), resulting in no return for the current shareholders, a significantly reduced return for secured lenders and minimal or no cash recovery for customers with valid redress claims. In the event that the Scheme is sanctioned and the Alternative Transaction takes place (due to the failure of the Proposed Recapitalisation), there would be no recovery for the Company's shareholders and the Company (ultimate parent company) may enter into an insolvency process.

However, the Directors continue to believe there is a reasonable prospect of resolving this position through the Scheme and the Proposed Recapitalisation with the support in principle of the Group's largest shareholder and secured lenders, which support remains subject to the Conditions outlined on page 2, or, in case of the Alternative Transaction, the support of the secured lenders.

Whilst there remain a number of material uncertainties which may cast significant doubt on the ability of both the Group and Company to continue as a going concern and remain viable, it remains the Directors' reasonable expectation that the Group and Company will recapitalise in the timeframe required and will continue to operate and meet their respective liabilities as they fall due for the next 12 months and beyond. The Board has therefore concluded that, whilst a material uncertainty remains, the business is viable and remains a going concern.

The fact that we have been able to continue to drive our business forward in the face of these developments has been underpinned by the strong and positive business culture to which, as a Board, senior management team and workforce, we remain committed.

Whilst the make-up of the Group has changed significantly over the past 12 to 18 months, our purpose remains unchanged; we remain committed to meeting the needs of and helping those consumers who are either unable or unwilling to borrow from mainstream lenders. Branch-based lending is the driving force behind the Group's performance and the Board's primary focus is on capitalising on the core strengths of Everyday Loans - its network, its people, and its proven business model. We continue to believe that there is a significant opportunity to grow the business through organic expansion and productivity gains, through careful investment in technology and people.
To fulfil our purpose, our business strategy includes: 'being a leader in branch-based lending', 'investing in our core assets', and 'acting responsibly'.

The ongoing nature of the regulatory issues facing the Group has meant that there has been little in the way of news flow for investors, however we have continued to maintain our regular calendar of financial reporting and hope to return to increased direct shareholder contact once the regulatory issues are resolved and the Proposed Recapitalisation (or the Alternative Transaction) is under way.

While the Group did not conduct a formal Board performance review in 2022, it is intended that a review of Board membership shall take place in readiness for a successful proposed recapitalisation so as to ensure that the Group continues to be overseen by a Board with an appropriate range of skills.

I am pleased to report that 2022 saw the appointment of Sarah Day to the Board as an Executive Director. Sarah brings a wealth of experience and has a broad skill set. Her particular focus remains on overall governance and risk management, however she also now manages our ESG agendas. As noted in the 2021 Nominations & Governance Committee report, the Board plans to appoint two Independent Non-Executive Director during 2023 following the completion of the Proposed Recapitalisation.

The Audit Opinion from PKF Littlejohn and the audit report is on pages 106 to 112.

Whilst committed to ensuring that colleagues have the opportunity to hold even a small stake in the ultimate parent of the firm where they work, the Board acknowledges that the current share price means that membership of a sharesave scheme at the current time is not possible given the other challenges faced. The Group intends to address this matter in 2023 following a successful completion of the Proposed Recapitalisation.

Plans for 2023
As previously outlined, our primary focus for 2023, should the Scheme be successfully sanctioned and the Proposed Recapitalisation or Alternative Transaction successfully completed, is the growth and development of our branch-based lending business Everyday Loans. Robust corporate governance remains as ever high on the agenda, and as noted in each of the respective committee reports in this Annual Report, there are a number of specific objectives that each committee plans to achieve in 2023.

As outlined in the Chairman's statement on page 5, as announced on 14 April 2023, I have decided not to stand for re-election at the forthcoming Annual General Meeting ('AGM') on 23 June 2023. Having served for nearly eight years, it is time for a refreshed Board under the Chairmanship of Niall Booker, to lead the business. With the new challenges and opportunities that lie ahead should there be a successful sanctioning of the Scheme and Proposed Recapitalisation.

I'd like to take this opportunity to thank colleagues and fellow Board members for their support and hard work over the last eight years.

Charles Gregson
Non-Executive Chairman
28 April 2023

NSF is committed to high standards of corporate governance

Statement of compliance with the Code

As a standard listed company, the Company is not obligated to comply with the UK Corporate Governance Code 2018 (the Code), however as in previous years, during 2022 the Company sought to implement and comply with the Code wherever possible and appropriate to do so. The Code can be found on the Financial Reporting Council's website: https://www.frc.org.uk/Directors/corporate-governance-and-stewardship/uk-corporate-governance-code.

Whilst the Board believes that a high standard of governance was achieved throughout 2022, given the Company's individual circumstances and bearing in mind its size and complexity, as well as the nature of the risks and challenges faced by the Group, the Directors deemed that non-compliance with some aspects of the Code was justified. These are highlighted below.

Provision 9 – The Company does not comply with provision 9 of the Code, as the Board does not consider Charles Gregson to be independent as a result of him being a holder of Founder Shares. More details on the Founder Shares are set out in the Directors' Remuneration Report on pages 85 to 101. The Board determines that Charles Gregson would be an independent Non-Executive Director if he did not hold Founder Shares. However, due to his professionalism, independence in character and judgement, together with his experience and taking into account the size and nature of the Company, the Board has deemed non-compliance with this provision justified.

Provisions 11, 17, 24 & 32 – The Company does not comply with provision 11 of the Code as both Charles Gregson and Toby Westcott are deemed not to be independent, meaning that half the Board (excluding the Chair) were not independent Non-Executive Directors. Given the Board composed of one Non-Executive Director that was considered independent, the Company did not therefore fully comply with Provisions 17, 24 & 32, as the Committees were not composed (majority or wholly) of independent Non-Executive Directors.

In addition, the Chairman of the Board was also a member of the Audit Committee and of the Remuneration Committee. As outlined above, the Board considers that the challenge and expertise brought to the Committees by Charles Gregson makes it appropriate for him to remain a member of the Audit Committee and of the Remuneration Committee.

It is also noteworthy that in respect to Provision 32, the Chairman of the Remuneration Committee is not considered independent. Again, due to his professionalism, independence in character and judgement, together with his experience and taking into account the size and nature of the Company, the Board deemed it appropriate for Toby Westcott to Chair the Remuneration Committee.

Provision 20 – The Company does not fully comply with provision 20 as open advertising has not generally been used for the appointment of the Chair and Non-Executive Directors. Given the specialist nature of the business, appointments have usually been made through searches or, more latterly in the case of Sarah Day, as a result of internal development and promotion.

Principle L – The Company does not comply with principle L as it did not conduct a formal Board performance review in 2022. It is intended that a review of Board membership shall take place in readiness for a successful Proposed Recapitalisation. The rationale for this is explained on page 74.

Non-compliance during 2022 with the provisions and principle identified above were deemed justified given the circumstances currently faced by the Company and following the appointment of Sarah Day during the year. The Board believes that Sarah Day's addition to the Board has broadened its skill set and this has prompted a more complete discussion around matters raised. Whilst the proportion of independent Non-Executive Directors on the Board and on each of its committees does not align with the Code, the Board is confident that both the Board and its committees remain effective.

Should the Scheme be successfully sanctioned and the Proposed Recapitalisation take place, the Board intends appoint two independent Non-Executive Directors.

Board of Directors

Jono Gillespie, 50
Group Chief Executive
Appointed 1 April 2020 (became Group Chief Executive on 31 August 2021)
Committees D

Skills and experience:
Jono is a chartered management accountant and is a member of the Chartered Institute of Management Accountants. He has held senior financial and technology positions in non-standard financial companies throughout his career, and brings strong leadership with solid financial, commercial, analytical and digital technology experience across a range of non-standard financial channels to the Board.
Current external appointments: None.

Background and previous appointments:
Chief Financial Officer at NSF Group, Chief Financial Officer of Loans at Home. Change and Technology Director of the Consumer Credit Division of Provident Financial plc. Finance Director of the Consumer Credit Division of Provident Financial plc. Various Head of Function roles across finance, performance analysis, business intelligence and strategic marketing at Provident Financial plc.

Niall Booker, 64
Senior Independent Non-Executive Director
Appointed 9 May 2017
Committees A (Chair) / N / R / RC

Skills and experience:
Niall spent 35 years in banking providing him with a wide range of experience in both consumer and wholesale products. His sub-prime financial experience includes his time at Household International (part of HSBC). He also has vast experience of mergers and acquisitions having looked to buy banks whilst at HSBC and also from selling cards and auto businesses in the USA. Dealing with regulation and regulators has been an important aspect of Niall's career and he has extensive experience of dealing with shareholders during the sub-prime crisis in the US and during the recapitalisation of the Cooperative Bank in the UK.
Other relevant experience includes capital and liquidity management, people development and management, strategy, banking operations, customer outcomes, and IT migration.

Current external appointments:
Chairman of Monument Bank Ltd.

Background and previous appointments:
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. CEO of the Cooperative Bank (three years) having been tasked with rebuilding the capital base, stabilising the operational infrastructure and maintaining the franchise after the problems the bank faced in 2013.

Charles Gregson, 75
Non-Executive Chairman
Appointed 10 December 2014
Committees A / N (Chair) / R / RC (Chair)

Skills and experience:
Charles is a highly experienced executive having previously held a number of senior positions in finance. He has long experience of the sector including extensive experience at Provident Financial plc, Wagon Finance and International Personal Finance plc.
Charles also has extensive experience of the regulatory environment having worked for companies such as ICAP/NEX, CPP and St James's Place Wealth Management, and has more than 20 years' experience as a Non-Executive Director and Chairman of both public and private companies.

Current external appointments:
Independent Non-Executive Director of ED&F Man (Capital Markets) Limited and Chair of the Audit, Risk and Compliance Committee.

Background and previous appointments:
Non-Executive Chairman of NEX Group plc, formerly ICAP plc (20 years). Non-Executive Chairman of Wagon Finance Group Limited (10 years). Non-Executive Director and Deputy Chairman of Provident Financial plc (9 years). Non-Executive Director of International Personal Finance plc (3 years). In addition, Charles has been Chairman of CPP Group plc, Chairman of St James's Place plc, Executive Director of United Business Media plc (formerly MAI plc) (18 years), and Global CEO and Chairman of PR Newswire (6 years).

Toby Westcott, 45
Nominee Non-Executive Director
Appointed 1 October 2020

Skills and experience:
Toby is a Partner at Alchemy, an investor in debt and equity special situations across Europe, where he has focused predominantly on investing in the financial services sector. He has a degree in Mathematics from the University of Warwick and is a Chartered Accountant.

Current external appointments:
Member of Alchemy Special Opportunities LLP, and holds various other positions and Directorships relating to Alchemy and its investments.

Background and previous appointments:
Toby joined Alchemy in 2008 from Hawkpoint Partners where he specialised in mergers and acquisitions in the financial services sector, advising Alchemy on several transactions. Prior to that Toby worked in the corporate finance team at Grant Thornton.

Committees A / N / R (Chair) / RC

Sarah Day, 51
Chief ESG Officer & Company Secretary
Appointed Company Secretary 27 November 2017 / Appointed Director 27 May 2022
Committees D

Skills and experience:
Sarah is a chartered accountant. Having trained and qualified with PwC, she initially gained experience of the non-standard finance sector via the home credit industry through involvement in external audit.
She established the UK Consumer Credit Division Governance and Company Secretarial function at Provident Financial plc and joined the NSF Group in August 2016 as Financial Controller and Company Secretary of Loans at Home. In addition to her existing role as Company Secretary of NSF, Sarah brings risk management and audit experience, overseeing risk reporting, internal audit. governance and the company secretariat departments across the Group. In 2022 Sarah has taken on the executive role of Chief ESG Officer, with Board responsibility for Consumer Duty oversight and delivery of the ESG strategy.

Current external appointments:
None.

Background and previous appointments:
Varied roles at Provident Financial plc (17 years) initially working in the International Division (now IPF) with responsibility for the smooth establishment of finance functions within overseas operations before moving to Provident UK in 2002. Her roles within Provident covered all aspects of finance on both the performance and financial accounting sides of the function. More recently, Sarah was responsible for UK tax compliance for Provident's Consumer Credit Business and established the UK Consumer Credit Division Governance and Company Secretarial function.

Key to committees:
Audit Committee: A
Nomination Committee: N
Risk Committee: RC
Remuneration Committee: R
Disclosure Committee: D

Director profiles can be found on the Group's website: **http://www.nsfgroupplc.com/about-us/our-leadership**

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 current Director will offer themselves for re-election at the next Annual General Meeting taking place at 13:00 on 23 June 2023.

Corporate Governance Report
Governance at a glance

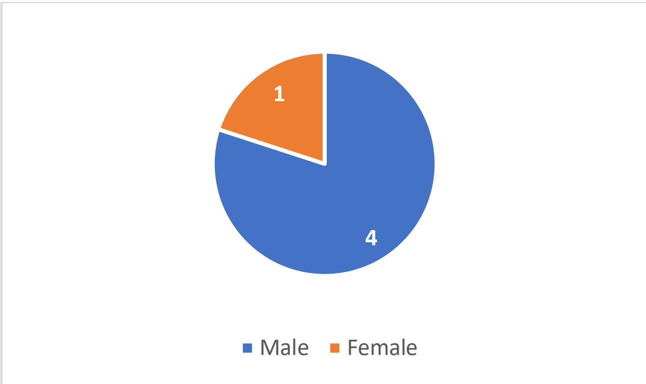
Board skills and experience

	Sector	Operational	Financial	Strategy	Risk	Information technology	People and general management
Jono Gillespie	✓	✓	✓	✓	✓	✓	✓
Charles Gregson	✓	✓	✓	✓	✓	□	✓
Niall Booker	✓	✓	✓	✓	✓	✓	✓
Toby Westcott	✓	✓	✓	✓	✓	□	✓
Sarah Day	✓	✓	✓	✓	✓	□	✓

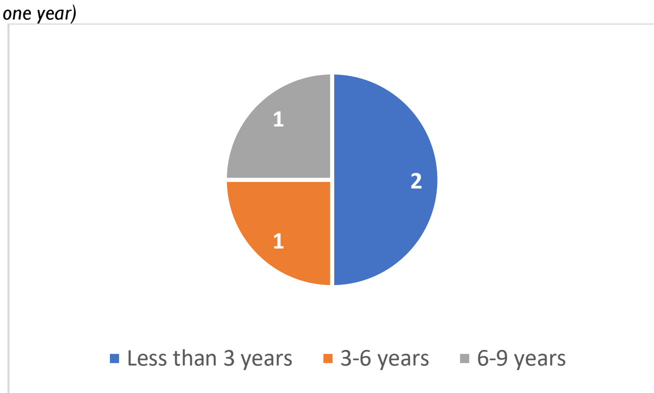
Board changes in the year
During the course of the year, the membership of the Board of Directors changed with the appointment of Sarah Day on 27 May 2022.

Board composition and diversity

Gender of the Board as at 31 December 2022



Tenure of Directors (*based on those who were Board members for the whole of 2022 - note Sarah Day is not included as her tenure is less than one year)*



Board time	
Number of Board meetings in 2022	14
Number of Board meetings in 2021	16

'Site' visits (in addition to Board meetings)

(based on those who were Board members for the whole of 2022)

40	0	4
Visits to Everyday Loans	Visits to Guarantor Loans	Visits to Loans at Home

Board Leadership

Summary of Board committee structure and responsibilities

The Company's corporate governance framework draws upon the work of the Board and five Board committees as outlined below:

Board of Directors
Membership at 31 December 2022
See pages 63 and 64.

Meetings held in 2022:
14 (of which 8 were scheduled meetings and 6 related to ad-hoc matters such as Loans at Home reasonable prospects, consideration of planning for the Scheme, and regulatory matters).

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

The Company's Articles of Association are available from the Companies House website.

Matters reserved for the Board
The Board is primarily responsible for:

- the overall leadership of the Group, setting the company purpose, core values and standards and overseeing the Group's values and culture;
- 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 including solvency and going concern;
- 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.

Board and committee structure

Board of Directors
Certain responsibilities have been delegated to the Board's five committees so as to assist the effective operation of the Board and to ensure the right level of attention and consideration is given to all relevant matters.

Nomination & Governance Committee
Key objectives: To ensure that the Board and its committees comprise individuals with the requisite skills, knowledge and experience to ensure they are effective in discharging their responsibilities and that all governance requirements are being adequately addressed by the Board.
The membership of the Nomination & Governance Committee and its report is on page 75.

Audit Committee
Key objectives: To assist the Board in discharging its duties and responsibilities for financial reporting and internal financial control.
The membership of the Audit Committee and its report is on page 77.

Risk Committee
Key objectives: To assist the Board in fulfilling its oversight responsibilities with regard to the Group's risk appetite and overall risk management.
The membership of the Risk Committee and its report is on page 83.

Remuneration Committee
Key objectives: Recommending to the Board the remuneration of the Chairman, Executive Directors, Company Secretary and Senior Management.
The membership of the Remuneration Committee and its report is on page 85.

Disclosure Committee
Key objectives: To assist the Board in discharging its duties and responsibilities with regard to disclosures, and disclosure controls and procedures.
The membership of the Disclosure Committee is the Group Chief Executive and the Chief ESG Officer & Company Secretary.

Activities covered during 2022
During 2022 the Board had 8 scheduled meetings to review current trading and operational performance of the business as well as to consider the following five categories of business: (i) strategic; (ii) financial; (iii) internal controls and risk management; (iv) governance and stakeholder management; and (v) people and culture. The Board also held 6 unscheduled meetings, some of which were called at short notice, to consider, challenge and facilitate the Group's response to regulatory matters and matters relating to the raising of additional equity capital. Attendance at scheduled meetings was 100% for all Board members.

A summary of the topics covered during 2022 is set out on page 70.

The composition and role of each committee is detailed in their respective reports that follow (save that there is no report from the Disclosure Committee that met twice to review and approve external announcements). The terms of reference for each committee are available from the Company's registered office address and also from the Company's website: **www.nsfgroupplc.com**.

The Boards of each of the Company's operating subsidiaries report into the Non-Standard Finance plc Board. There is also a Group Risk Committee that oversees all divisions regarding Group risk oversight (see Risk Committee report on page 83).

Board and committee meetings
All Directors are required to attend Board meetings as well as committee meetings for which they hold membership. Due to the focus on the Scheme, the Proposed Recapitalisation, the possible Alternative Transaction and ongoing regulatory issues, the Board decided to postpone the annual two-day, off-site strategy meeting to review and agree the Group's three-year business and financial strategy.

All Directors receive Board papers, which are circulated approximately one week in advance of scheduled meetings and minutes are taken of each meeting. A table reflecting the Directors' attendance at Board meetings is shown below.

Board diversity
The Company recognises the importance of diversity both at Board level and throughout the Group and the Board remains committed to increasing diversity. Consequently, diversity is considered during each recruitment and appointment process and the Company is determined to attract outstanding candidates with diverse backgrounds, skills, ideas, and culture.

Appointments
The Board has adopted a formal procedure for the appointment of new Directors by appointing a Nomination & Governance 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.

During 2022, Sarah Day was appointed to the Board to increase the bandwidth of the executive team. The Nomination & Governance Committee will seek to appoint two additional Independent Non-Executive Directors following the Proposed Recapitalisation.

Board performance review
In view of the number of events in 2022 and issues faced by the Board during recent years, the Board has not considered formal evaluation to be appropriate. This will be reviewed during the current year as the Board looks to return to a position of greater stability and once the Board is satisfied that its composition is appropriate for the developing strategy of the Group.

Meetings attended/Number of meetings eligible to attend	Board	Nomination & Governance Committee	Audit Committee	Risk Committee	Remuneration Committee	Disclosure Committee
Jono Gillespie	14/14					2/2
Sarah Day	5/5					2/2
Charles Gregson	14/14	3/3	8/8	4/4	4/4	
Toby Westcott	11/14	3/3	7/8	4/4	4/4	
Niall Booker	13/14	3/3	7/8	4/4	4/4	

Attendance at scheduled Board meetings was 100%. Non-attendance at ad-hoc meetings was due to short notice of meetings and other diary commitments.

Independent advice
All Directors have access to advice from professional advisers, as and when required and at the Company's expense, ensuring that the Board and its committees are provided with the requisite resources to undertake their duties effectively.

Conflicts of interest
Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Company. This duty is not infringed if the matter has been authorised by the Board of 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 any 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 their wider duties is, or may be affected. The Director would subsequently refrain from voting on any matter that represented an actual or potential conflict of interest. With the appointment of Toby Westcott to the Board in October 2020, in order to ensure that no conflicts of interest arise with respect to the appointment of a Nominee Director, the Board adopted specific guidance notes detailing how Board matters which may cause a conflict of interest should be addressed, which may include requiring the Nominee Director to be excluded from the meeting for the duration of relevant agenda items. All Board members declare their interests at the start of each Board meeting and also when agenda items which may give rise to conflicts are about to be discussed.

The Company Secretary keeps a record of any actual or potential conflict of interest declared. All potential conflicts approved by the Board are recorded in a Conflicts of Interest Register, which is reviewed by the Board regularly to ensure that the procedure is working effectively.

It is worth noting that as the development of the Scheme evolved over the year and in particular as the terms of the Proposed Recapitalisation and Alternative Transaction were developed, over the recent year, that Toby Westcott has taken independent legal advice (as catered for in our Corporate Policies) and, as from 6 April 2023, has now formally recused himself from all matters relating to the Proposed Recapitalisation and going concern (due to the topics being intrinsically linked). All reference to Board or Committee approval of these topics, therefore take into account Toby's conflict of interest and recusal.

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 internal control 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 and intends to discharge its duties in this area through:

- the review of financial performance including budgets, KPIs, forecasts and debt covenants and balance sheet position on a monthly basis;
- the receipt of regular reports which provide an assessment of key risks and controls and how effectively they are working;
- annual Board review of the Group's business strategy, including reviews of the material risks and uncertainties facing the business (despite the plans to reinstate a specific strategy review in 2022, there was no such review in 2022 due to ongoing process to resolve the Group's outstanding regulatory issues, it is anticipated that this will be reinstated post the Proposed Recapitalisation);
- the receipt of reports from senior management on the risk and control framework as well as culture within the Group;
- the presence of a clear organisational structure with defined hierarchy and clear delegation of authority;
- ensuring there are documented policies and procedures in place; and
- continued support and advice from Grant Thornton and other advisers to help facilitate management and monitoring of solvency risk.

Through the Risk Committee, the Board reviews the risk management framework, the key risks facing the business and how they may have changed since the previous review (see pages 20 to 26) ensuring a robust assessment of the emerging and principal risks.

The finance department is responsible for preparing the Group financial statements and ensuring that accounting policies are in accordance with International Financial Reporting Standards ('IFRS'). All financial information published by the Group is subject to the approval of the Audit Committee.

The Audit Committee and the Risk Committee receive regular reports on compliance with Group policies and procedures.

On behalf of the Board, the Audit Committee and the Risk Committee confirm that, through discharging their responsibilities under their terms of reference as described, they have reviewed the effectiveness of the Group's system of internal controls, including focus on areas highlighted in the Audit Committee report (pages 77 to 82) and are able to confirm that necessary actions have been or are being taken to remedy any failings or weaknesses identified.

The Board, with advice from the Risk and Audit Committees, is satisfied that a robust system of internal controls and risk management is in place which enables the Company to identify, evaluate and manage key risks effectively. Further details of the Group's system of internal control and its relationship to the corporate governance structure are contained in the risk management section of this report on pages 20 to 27, the Audit Committee report on pages 77 to 82 and the Risk Committee report on page 83 to 84.

Division of Responsibilities

Leadership and effectiveness
The Company recognises the importance of a highly engaged Board, one that is: close to the operations of the business; able to both support and challenge the executive team; and that is well-equipped to oversee governance, financial controls, people, culture and risk management.

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, and in accordance with Company policy, subsequent appointments to other Directorships are disclosed in advance to the Board.

Board composition and structure
The Board comprised five Directors in 2022, four of whom have served throughout the financial year (Jono Gillespie, Charles Gregson, Niall Booker and Toby Westcott), Sarah Day was appointed to the Board on 27 May 2022. Details of each member of the Board, their respective representation and a description of the Board's activities are summarised in the following table:

<table>
<tr><th>Role</th><th>Responsibilities</th><th>Description of activities</th></tr>
<tr><td>Non-Executive Chairman
Charles Gregson</td><td>The Chairman is responsible for:

• the leadership of the Board
• the effectiveness of the Board
• setting the Board's agenda
• ensuring adequate time is available for discussion
• promoting a culture of openness and debate
• encouraging active engagement and appropriate challenge by all Directors
• ensuring that Directors receive accurate, timely and clear information
• regularly reviewing and agreeing with the Directors their training and development needs to enable them to fulfil their roles</td><td rowspan="3">The roles of Chairman and Group Chief Executive are fulfilled by separate individuals. Their roles are set out in writing and agreed by the Board. It is considered that no one individual or small group of individuals have unfettered powers of decision.

The Board is collectively responsible for the long-term success of the Company.

The Board sets the strategic objectives as well as the overall strategic direction of the Company. It also oversees the Group's values and standards and is responsible for nurturing and sustaining a positive corporate culture.

These objectives facilitate the implementation of the strategy and provide indicators through which management performance can be measured. At Board meetings the Directors discuss the financial, operational, strategic, regulatory, cultural, resource, and governance matters that affect the Group.

The Directors recognise the importance of being a dynamic business with the ability to respond to both opportunities and threats, thereby sustaining the long-term viability of the Group. The Company's strategy and business plan is therefore reviewed regularly, taking into account macro-and micro-environmental factors as well as the needs and desires of key stakeholders.

All decision-making is in the best interests of the Company and is conducted within a framework of prudent and effective controls that enable opportunities and risks to be assessed and managed.</td></tr>
<tr><td>One independent Non-Executive Director and One Nominee Director
Niall Booker
(Senior Independent Director)

Toby Westcott
(Nominee)

In addition, the Senior Independent Director has responsibility for:</td><td>The Non-Executive Directors along with the Non-Executive Chairman have a responsibility for:

• providing an external focus to the Board's discussions
• providing constructive challenge in light of wider experience gained outside of the Company/industry
• helping to develop proposals put forward by the Executive Directors on strategy and other matters affecting the Group's operational and financial performance
• upholding high standards of integrity and probity
• satisfying themselves on the integrity of financial information and that financial controls and systems of risk management are robust and appropriate
• taking into account the views of shareholders and other stakeholders
• supporting the Chairman and Executive Directors in instilling the appropriate culture, values and behaviours in the Boardroom and the Group as a whole
• continually reviewing the performance of the Executive Directors and the wider senior management team
• determining appropriate levels of remuneration of Executive Directors
• having a prime role in the appointment and removal of Executive Directors, and in succession planning
• providing a sounding board for the Chairman
• acting as an intermediary for other Directors as and when necessary
• being available to shareholders and other Non-Executives Directors to address any concerns or issues they feel have not been adequately dealt with through the usual channels of communication
• meeting at least annually with the Non-Executives to review the Chairman's performance and carrying out succession planning for the Chairman's role
• engaging with major shareholders to obtain a balanced understanding of their issues and concerns</td></tr>
<tr><td>Group Chief Executive

Jono Gillespie

Executive Director
Sarah Day</td><td>The Executive Directors are responsible for:

• providing the Board with specialist knowledge of the business and industry-relevant experience
• all matters affecting the operating and financial performance of the Group
• the development and implementation of strategy, policies, budgets and the financial performance of the Group
• the development and direction of the Group's culture, recognising that a healthy corporate culture can both generate and sustain long-term shareholder value
• leading and managing the risk and finance functions across the Group</td></tr>
</table>

Group Company Secretary

The role of Company Secretary is fulfilled by Sarah Day. Under the guidance of the Chairman, she ensures that all Directors have full and timely access to relevant information and that it is of a high standard to enable the Board to make informed decisions.

The Company Secretary is also responsible for ensuring that correct Board procedures are followed, for advising on governance matters and for ensuring that there is a good flow of information within the Board and its committees, as well as between senior management and the Non-Executive Directors.

Other tasks include facilitating tailored inductions and assisting with professional development of Board members, each of whom have access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Independence
In accordance with principle 10 of the Code, the Board determined Niall Booker to be an independent Non-Executive Director. The Board's assessment is based on the fact that Niall Booker received no additional benefits from the Group, has not previously held an executive role within the Group and has served less than nine years on the Board. The Board believes that there are no current or past matters which are likely to affect 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 85 to 101. The Board determines that Charles Gregson would be an independent Non-Executive Director if he had not held Founder Shares. The Board also does not consider Toby Westcott to be independent due to his connection to Alchemy Special Opportunities LLP that has a shareholding in the Group of 29.96%.

Board Activities in 2022

1. Strategic
- Review of strategic initiatives
- Consideration of strategic options for the Group (included a potential scheme or arrangement or restructuring)
- Review of collect-out for guarantor loans
- Review of competitor analysis
- Oversight of complaints analysis and customer redress
- Oversight of technology development and strategy at ELL
- Oversight of the creditworthiness workstream at ELL
- Oversight of the new consumer duty planning for implementation in 2023
- Review of the future of the home credit industry, the reasonable prospect of the LAH division, and the administration of S.D. Taylor Ltd

2. Financial
- Review and approval of subsidiary and Group budgets and quarterly forecasts
- Review of business balanced scorecards to assist with ongoing monitoring of business performance
- Review of distributable reserves forecast
- Review and renewal of banking facilities, review of covenant compliance
- Review of Board approval limits and financial delegations of authority
- Consideration of the Group's capital structure and the process required to raise new equity, review of solvency and going concern
- Approval of Treasury Strategy
- Approval of Tax Risk Strategy
- Approval of full-year and half-year results, ensuring the annual report and financial statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the entity's position, performance, business model and strategy
- Re-appointment of PKF Littlejohn LLP as external auditor

3. Internal controls and risk management
- Approval of Group Risk Appetites and Risk Management Framework
- Monitoring and oversight of risks, regulatory issues and external environment
- Approval of corporate policies
- Annual review of information security, and data protection
- Oversight of health and safety
- Review of Money Laundering Reporting Officer reports
- Director & Officer Insurance renewal
- Oversight of business continuity arrangements, and operational resilience
- Oversight of the requisite processes for the identification and treatment of vulnerable customers
- Oversight of 'fit and proper' assessment criteria for Senior Management Functions and certified personnel in accordance with SMCR
- Re-appointment of Protiviti to support the work of the internal audit function

4. Governance and stakeholder management
- Approval of Matters Reserved for the Board and Board Committee Terms of Reference
- Approval of Division of Responsibilities for Chairman and Group Chief Executive
- Approval of Accountabilities, Delegations & Mandates Register
- Approval of stakeholder management strategy and consideration of stakeholders in decision-making
- Approval of ESG strategy
- Review of Corporate Governance across the Group following administration of S.D. Taylor Ltd
- Consideration of Board composition and succession planning
- Regulatory updates
- Liaison with regulator (including trading performance, proposed redress methodology in guarantor loans, third party regulatory reviews in branch-based lending, guarantor lending, and home credit)
- Stakeholder engagement including updates on investor views
- Approval of resolutions and corresponding documentation for AGM
- Change of registered office address

5. People and culture
- Appointment of Sarah Day as Chief ESG Officer
- Remuneration decisions relating to Non-Executive Directors
- Approval of Executive Director and senior management non-financial bonus targets
- Oversight of corporate culture throughout the Group
- Oversight of whistleblowing incident
- Consideration of the impact of the cost-of-living crisis on the workforce
- Review of senior management composition across the Group

Matters for 2023

The Company Secretary plans the Board and Committee activity for the coming year in conjunction with the Chairman and the Chair of each Board Committee. The plans for 2023 include the following topics:

	Strategy	Financial	Internal control and risk management	Governance and stakeholder management	People and culture
Review strategic initiatives	■				
Review of the impact of external macro-economic matters on the business	■	■	■	■	■
Review of funding structures of the Group	■	■			■
Develop a process to create distributable reserves		■		■	
Develop and launch the Scheme	■	■	■	■	■
Engage in a process to raise additional capital		■		■	
Review of the financial performance of the Group	■	■	■		
Review of management performance and divisional performance		■			
Approval of budget, forecasts and projections		■			
Approval of the Group's half-year and full-year results		■			
Approval of risk appetites, tolerances and exposure			■		
Evaluation of corporate governance framework				■	
Review of business continuity, operational resilience, and crisis management arrangements			■		
Review of the Group's corporate culture					■
Review of employee engagement reports from divisions					■
Review of stakeholder management				■	
Investor relations				■	
Analysis of competitor activity	■		■		
Legal and regulatory horizon scanning			■		
Review of information security, cyber security and data protection			■		
Board evaluation, composition and succession planning				■	■
Approval of bonus scheme					■
Review of gender pay gap reporting, CEO pay ratio reporting, equality and diversity across the Group				■	■
Corporate social responsibility, ESG-related performance and strategy (in line with TCFD), and community activities reporting				■	■
Review of matters reserved for the Board and the Board's Terms of Reference				■	
Review of corporate policies			■	■	
Approval of modern slavery statement				■	■
Review of anti-money laundering officer reports			■	■	
Review of health and safety across the Group			■	■	
Review of anti-bribery and corruption policy, gifts and hospitality register, and conflicts of interest register				■	■
Oversight of SMCR compliance in divisions			■		■
Approval of division of responsibilities, and Accountabilities, Delegations, Mandates, & Responsibilities Register			■	■	■
Approval of resolutions and corresponding documentation for AGM				■	
Review of final redress methodology and implementation of redress programme in guarantor loans				■	
Oversight of the implementation of the Group's approach to addressing the requirements of the new Consumer Duty			■	■	■

Our positive business culture is founded on a clear purpose

Our purpose remains focused on helping UK consumers to meet their financial needs. It is driven by our firm belief that everyone should have access to credit they can afford and not just those that have prime or near prime credit ratings. Our business model seeks to provide affordable credit to those who are unable or unwilling to borrow from mainstream lenders - a population that was already large but which we believe will have expanded during the pandemic and the ensuing cost of living crisis.

Central to our model is a focus on ensuring that we deliver our loan products and services in the right way so that we can continue to deliver great outcomes for our customers as well as broader benefits for our other key stakeholders (see 'Business Model' on page 11 and 'Stakeholder management and our commitment to Section 172' on pages 37 to 47). This has been particularly challenging given the Group has sought to resolve a number of regulatory issues. Having a strong and positive business culture has been vital in ensuring that we were able to address these challenges and progress towards completing the Proposed Recapitalisation or Alternative Transaction.

Our business structure is designed to ensure that the Group's culture and core behaviours are monitored closely so that any issues are identified quickly and, if needed, changes made. This is achieved in a number of ways:

Regular evaluation of the governance framework

Culture is key and forms a cornerstone of the Group's overall governance framework with a clear commitment to develop a strong and positive culture, drawing upon some key values and behaviours that are common across the Group and that have been identified as being key to our long-term success:

- Doing the right thing
- Honesty and integrity
- Shared purpose delivered through teamwork
- Clear communication
- Entrepreneurial leadership

The Group has developed a series of processes and metrics to both assess and monitor a broad range of factors including good customer outcomes and overall satisfaction and engagement levels among the workforce. Each of these measures feeds into a 'customer outcomes' dashboard that is prepared and then reviewed on a monthly basis (see below). As we do so, we recognise that 'measuring culture' is an inexact science and so we are careful not to focus on any individual metric alone but rather view each one in the context of the picture as a whole. The assessment of the governance framework (including culture) is then reported to the respective subsidiary Boards with oversight of the results at a Group level.

It is noteworthy to mention that while the Group continued to practice good governance, and indeed carried out a review of corporate governance arrangements at both Group and divisional level during 2022, as well as a review of mandates and responsibilities to align with the enhanced SMCR requirements at ELL, an evaluation against our internal governance framework did not take place during 2022 as we eagerly await the Proposed Recapitalisation or Alternative Transaction, which may again affect the structure of the Group.

Engagement outside of the Boardroom

Recognising the value of experiencing our products and services first hand, through periodic visits to our office locations, for a number of years the Board has sought to spend some time during the year visiting our offices and branches in order to meet staff and, where possible, customers to hear about the particular issues faced and to take on board their own aspirations and objectives. Such insight provides a much deeper understanding of the dynamics, challenges and opportunities for our business than can be obtained through management reports or third hand accounts. Such meetings were complemented by attendance at employee forums by Sarah Day.

Following the easing of COVID restrictions, during 2022 the Board recommenced its previous practice of holding some Board meetings at regional locations, thereby providing the Board with additional perspective and the chance to meet local employees directly (see Governance at a glance on page 65).

Reporting against a customer outcomes dashboard

As noted above, the delivery of good customer outcomes is a key objective for all FCA-regulated consumer lending businesses and this will be further enhanced through the introduction of the FCA's new Consumer Duty that is expected to come into force in 2023. Whilst we are already developing a detailed workplan to address the expected requirements of the new Consumer Duty when finally introduced, we are continuing to track a number of performance measures that combine to form our customer outcomes dashboard. This allows executive management and the Board to monitor key performance metrics and identify potential issues before they become significant. During 2022, the customer outcome dashboard continued to be a component within an overall Groupwide balanced scorecard, providing the Board with a clear overview of the performance of each of the subsidiary operations as well as at plc level. The balanced scorecard includes a strategic update, an assessment of financial performance, customer outcomes and regulatory risk (including complaints and resolution activity), credit, operations, people and culture, ESG matters, technology, and market-related matters .

Stakeholder engagement

The Board receives regular updates on insights and feedback from key stakeholders. The Directors also, where possible, make a point of engaging directly with certain stakeholders through face-to-face meetings that provide a deeper understanding of our relationships and their importance to the Group. In addition to such regular, but relatively informal assessments of stakeholder needs, the Board also undertakes a formal review each year to ensure it has a clear view of stakeholder views and to ensure that our actions remain aligned with our overall purpose, objectives and strategy.

Stakeholder name	How the Board is kept informed
Customers	Monitoring of good customer outcomes via a customer outcomes dashboard gives the Board a broad range of indicators to help enable and focus discussion where and when necessary.
Employees	Employee forums ensure that ideas and views are heard with a direct line of communication to the Board. Engagement surveys are conducted annually in the Group's operational businesses. Results and commentary are reviewed by the Board. In 2023 we have launched Engage, our learning, development and communications platform where employees will have the chance and be encouraged to share content, talk to each other, learn, develop and grow.
Regulators	Regular updates are received by the Board regarding regulator contact and horizon scanning of any proposed or actual regulatory change that may impact the business. Board members are also directly involved in engagement with our regulators, as and when required. Regulatory affairs updates are provided to the Board on a regular basis including relevant details of engagement with industry trade associations, MPs, Members of the House of Lords, civil servants, think tanks and relevant special interest groups.
Partners and suppliers	The Board is required to approve any significant financial commitment with key suppliers. Risk management reporting into the Board also identifies any key supplier risks to the business and how they may have changed or how they are expected to change in the future.
Communities and charities	The Board receives updates about the various community-based activities and charities supported by the Group.
Providers of funding	The Board receives regular updates on the Group's interactions with equity and debt providers that take place through a number of formal processes such as the Annual General Meeting, investor roadshows and results briefings, as well as through more ad hoc interactions including one-on-one meetings, conference calls and presentations. Direct contact between the Non-Executive Directors and shareholders ensures that shareholder opinions are heard directly by all members of the Board.
Environment	The Board receives regular updates with regard to the Group's environmental impact in the form of updates from each of the operating subsidiary Boards.

Workforce engagement

We recognise that our workforce is central to us being able to drive our business model (see page 11). Members of the Board monitor and review the results of annual staff surveys closely and receive direct feedback from employee forums (see below).

As noted above, wherever possible board members make a point of visiting office locations across the country, giving them a chance to hear first-hand about the experience of our people that interact with customers daily. Regular HR updates are provided to the Board covering the areas outlined below, in addition to a general update on HR matters, employee benefits and general wellbeing.

During 2022 Sarah Day attended Employee Forums at ELL to hear from employees directly and this was then fed back into Board discussions, which this year was particularly focused on employee development and work life balance.

The Group employs a variety of different means to engage and interact with its workforce and these are described below.

1. Employee Engagement Surveys

We run an annual employee engagement survey and propose to run more regular 'pulse' surveys which enables colleagues the opportunity to give feedback and express their views on a variety of topics including their own remuneration, working environment and workforce policies and practices.

The Board reviews VOC surveys and receives updates on any themes arising including assessment on people and culture. This is to ensure we keep track of how our culture is evolving and that it continues to be strong, healthy and reflect our purpose. The employee forum is comprised of employee representatives across the organisation. Their role is to act as an ambassador for employees and work in partnership with Senior Leaders to improve and define action plans around any areas of focus that have been identified in the results. As the Board representative with responsibility for engagement with the Group, Sarah Day reviews all freeform comments received to ensure that there is a comprehensive review and no material feedback is overlooked, she then provides a summary to the Board.

2. Employee forums

Employee forums play an important role both in maintaining contact between management and staff and also between staff. Topics covered by the forums have included the ongoing regulatory reviews, culture, financial performance, business improvements, impact of the pandemic, communications and consultation. As noted above, Sarah Day has responsibility for workforce engagement (Code Provision 5), and will attend at least one forum for each division over a rolling 12-month period.

3. Ad hoc events
To complement the feedback from surveys and forums, when circumstances allow, members of the Board also look to attend subsidiary management conferences and culture development programmes. At the same time, subsidiary members of staff are invited to attend NSF level stakeholder events including Board meetings as well as results presentations and investor days (although there was no investor day in 2022). Such events help to ensure a regular two-way flow of communication between the parent and its subsidiaries and enhances the level of understanding between the two.

4. Site visits
Members of the Board visit office locations across the Group – a process that has provided a valuable insight into the day-to-day running of the business. With the advancement of video conferencing, expedited during the pandemic, Board members also now utilise this channel to communicate with colleagues from around the business to gain further understanding of the challenges that may be faced and gain 'grass root' suggestions on how enhancements could be made.

44 site visits and/or video conferences sessions were conducted by Board members during 2022 (in addition to Board meetings)

Board evaluation
The annual assessment of the Board's performance gives each of the Directors an opportunity to reflect on the effectiveness of the Board's activities, the range of discussions, the quality of decisions, and also affords an opportunity for each Director to consider their own performance and contribution. The Board believes strongly that this process provides an important and valuable feedback mechanism that enhances the overall effectiveness of the Board. However, given that the material uncertainties facing the Group remain, as do the changes expected following completion of the Proposed Recapitalisation (or the Alternative Transaction in the event the Conditions outlined on page 2, to the Proposed Recapitalisation are not satisfied), an evaluation of Board performance was not carried out in 2022. As detailed in the 2021 annual report, during 2021 and 2022, the Board undertook some forward planning as to what an effective Board would look like post the Proposed Recapitalisation (or the Alternative Transaction); the findings of which were discussed with the Group's external financial advisor, Cenkos, to provide a level of independent assessment. Those findings remain relevant to the future plans of the business.

Induction and professional development
In line with Company policy, all new Board appointments receive a full, formal induction that is tailored to the needs and experience of the new Director. New appointees are also provided with opportunities to meet major shareholders, if required.

Directors are encouraged to spend time in the Group's operating divisions and to attend external seminars on areas of relevance to their role and to devote an element of their time to self-development through available training.

Adhering to the requirements of the Code, during 2022 the Chairman reviewed and agreed training and development needs with each Director, taking into account their individual qualifications and experience. Training topics covered during 2022 via briefings to the Board Directors, included; Directors' duties and responsibilities. the new consumer duty, and ESG matters.

The Board receives regular and detailed reports from senior management on the performance of each of the Group's operating activities and other information as is deemed necessary in order to manage the Group effectively. Regular updates are provided on relevant legal, regulatory, strategic, operational, corporate governance and financial reporting developments. Reports are also supplied on a regular basis covering macroeconomic factors which supplement the horizon scanning carried out by the Directors themselves.

Information and support
Shareholders are kept informed of all material business developments via the Group's public disclosures including its Annual Report, its half-yearly financial statements and periodic trading update announcements. 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 business.

The Chairman is responsible for ensuring that appropriate channels of communication are established between the Executive Directors and shareholders, and ensures that the views of shareholders are shared with the Board.

The Group Chief Executive and Chief Financial Officer (currently fulfilled by the same individual) discuss the Company's governance and strategy with major shareholders, and listen to their views in order to help develop a balanced understanding of any issues and/or concerns.

The Board aims to foster close relations with its investors and has had contact with key shareholders during the year. All shareholders have the opportunity to convey their views via the Chief ESG Officer & Company Secretary and/or can make enquiries by email or telephone.

Annual General Meeting
The 2023 AGM of the Company is scheduled to be held at 13:00 on 23 June 2023 and a separate notice of meeting is enclosed with this Annual Report and is available from the Group's website: **www.nsfgroupplc.com**.

Sarah Day
Chief ESG Officer & Company Secretary
28 April 2023

Nomination & Governance Committee Report

for the year ended 31 December 2022

Membership and attendance

3 | **The Committee met on three occasions during the year ended 31 December 2022**

Director	Attendance and total number of meetings that the Director was entitled to attend
Charles Gregson (Chairman)	3/3
Niall Booker	3/3
Toby Westcott	3/3

The principal purpose of the Nomination & Governance Committee (the 'Committee') is to monitor the balance of skills, knowledge, experience and diversity on the Board, to recommend any changes to the composition of the Board, to review and act upon Board performance, and to oversee succession planning for the Board and Senior Management. The Committee's remit also includes oversight of matters relating to environment, social, and governance ('ESG'); such as our carbon footprint, progress against our social goals as set out in the ESG Strategy, monitoring organisational culture to ensure it is evolving to meet the changing expectations of stakeholders, continued oversight of the Senior Management & Certification Regime ('SMCR'), and ensuring that all governance requirements are being adequately addressed by the Board, and specifically confirm that the Company is taking into account, where appropriate, the views and concerns of the Group's stakeholders.

Membership

Throughout the period, the Committee was not in compliance with Provision 11 of The Code which requires that the Committee be comprised of a majority of independent Non-Executive Directors. It is planned to appoint two independent Non-Executive Directors following a successful completion of the Proposed Recapitalisation. The members of the Committee currently are: myself, Charles Gregson (Chairman), Niall Booker, and Toby Westcott, each of whose biographical details are set out on page 63. It is anticipated following the AGM, that Niall Booker will Chair the Committee.

Meetings and attendance

The table above details the attendance record of Committee members. The Group Chief Executive and the Chief ESG Officer & Company Secretary also attended Nomination & Governance Committee meetings.

Role and responsibilities

During 2022, the Committee supported the Board in discharging its responsibilities relating to the composition of the Board and any other committees of the Board. To fulfil that role, the Committee's primary functions included:

- keeping under review the leadership needs of the organisation, with a view to ensuring the continued ability of the Group to compete effectively in the marketplace, taking into account strategic issues and commercial changes affecting the Company;
- reviewing the structure, size and composition of the Board;
- identifying and nominating candidates who are assessed as having the skills, knowledge, experience, and independence, as well as sufficient time to ensure that Board vacancies were filled in a reasonable timeframe and making appropriate recommendations to the Board for the appointment of Directors;
- considering and formulating succession planning for Directors and Senior Executives;
- supporting the Board in ensuring that the Group conducts and develops its business responsibly and consistently in accordance with the Company's purpose, customer objectives, values and corporate culture;
- reviewing whether the culture of the organisation is evolving appropriately to meet the changing expectations of key stakeholders;
- overseeing associated policies, processes, procedures, systems and behaviours to ensure they are consistent with improving the customer experience, and deliver good and fair customer outcomes; and
- identifying and highlighting areas where more effort may be required and/or changes to decision-making processes.

The latest terms of reference, that explain the role of the Committee and the authority delegated to it by the Board, are available on the Group's website: **www.nsfgroupplc.com**.

Principal activities of the Committee during 2022:

- reviewing the composition of the Board and the balance of Executive and Non-Executive Directors;
- reviewing the succession plans for the Board and the senior management within the Group;
- oversight of the cultural development in each operational subsidiary through regular updates from HR Directors;
- oversight of customer experience through regular updates from subsidiary CEOs;
- oversight of environmental performance across the Group;
- approval of the stakeholder engagement strategy and approach; and
- oversight of the roll out of the enhanced SMCR processes in ELL.

Diversity

The search for Board candidates is conducted and appointments are made on merit, against clear objective criteria and with due regard given to the benefits of diversity.

The Company and each of its operating subsidiaries 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.

Wherever possible, NSF seeks to develop talent in-house, drawing upon the particular experience gained from working in the non-standard consumer credit sector. Such an approach is supported by our desire to ensure that, where possible, individuals that are appointed to senior, approved or certified roles within our operations have an in-depth knowledge of both the Group's business and the wider sector. The promotion of Sarah Day to

Chief ESG Officer in May 2022 (in addition to her role as Company Secretary) and subsequent appointment to the Board, also illustrates our commitment to developing talent within the Group. See page 65 for more information on Sarah's experience and background.

At the same time, the Group is also determined to ensure that an appropriate level of diversity, including gender diversity, exists throughout the business. While the Board endorses the aspirations of the Davies Review on Women on Boards and the Parker review on ethnic diversity and while it remains keen to increase diversity, the Board is not committing to any specific targets. The Board has one female Director (Sarah Day), whom is also the Company Secretary. Sarah Day also sits on a number of our subsidiary Boards, as does another female colleague, and throughout 2022 the Company Secretaries of our divisions were female, helping to ensure a variety of viewpoints are considered and that they're supporting robust debate and challenge. The Committee will give due consideration to Board balance and diversity when recommending new appointments to the Board. We also continue to seek to increase the level of diversity at subsidiary Board level, to ensure that there is diverse representation at Group Board meetings. 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 and professional development
Upon joining the Board, all Directors are required to undertake a formal and rigorous induction which is tailored to their individual needs. As part of this process, Directors are required to make themselves available to meet with major shareholders if they should request such a meeting.

Training topics covered during 2022 via briefings to the Board Directors, included; Directors' duties and responsibilities, the new consumer duty, and ESG matters.

Board composition, Board evaluation and individual performance review
During 2022 the Committee continued to take into consideration the composition of the Board, as well as conducting a review for succession planning. However, given the current material uncertainties and the Proposed Recapitalisation or Alternative Transaction, the Board has not considered formal evaluation to be appropriate during 2022. This will be reviewed during the current year as the Board looks to return to a position of greater stability. It is anticipated that following the successful Proposed Recapitalisation, and once the Board is satisfied that its composition is appropriate for the developing strategy of the Group, regular Board evaluations will resume, as well as a revert to NSF operating a rolling approach to evaluation with an external review being conducted every third year.

It is noteworthy to mention that Sarah Day continues to attend Employee Forums across the Group in her capacity as employee representative at the Board, alongside her role as Group Whistleblowing Champion.

The terms and conditions of appointment of all Non-Executive Directors are available for inspection at the forthcoming AGM, and on request as per the Companies Act 2006.

Areas of focus in 2023
The main areas of focus for the Committee in 2023 include: an ongoing evaluation of Board composition; succession planning (including the appointment of a new Non-Executive Director and enhancing the bandwidth of the executive team); a review of the Committee's terms of reference; a review of Board effectiveness as well as considering the prevailing culture of the business, the customer journey of each business and how ESG factors might affect the Group and its stakeholders. The Board will also consider the ongoing potential negative impact of the rising cost of inflation upon customers as well as employees.

Charles Gregson
Chair of the Nomination & Governance Committee
28 April 2023

Audit Committee Report

for the year ended 31 December 2022

Membership and attendance

8	**The Committee met on eight occasions during the year ended 31 December 2022.**

Director	Attendance and total number of meetings that the Director was entitled to attend
Niall Booker (Chairman)	7/8
Charles Gregson	8/8
Toby Westcott	7/8

Membership

The Audit Committee (the 'Committee') comprised three Non-Executive Directors, one of whom is independent. Provision 24 of the Code requires that the Audit Committee for smaller companies comprises two independent Non-Executive Directors and that the Chair of the Board should not be a member of the Committee. The Company (Non-Standard Finance plc) does not meet provision 24 of the Code due to the Chairman of the Board also being a member of the Audit Committee and also due to there being only one independent Non-Executive Director on the Committee. With regard to the membership of the Chairman, given his professionalism, independence of character and judgement, together with his experience, and taking into account the size and nature of the Company, it is deemed appropriate for him to remain a member of the Audit Committee. Regarding the number of independent Non-Executive Directors, given the current material uncertainties faced by the Group (as outlined in further detail below), it is not felt appropriate to appoint another Non-Executive Director at the current time. However, the Board does expect to appoint further Non-Executive Directors following a successful Proposed Recapitalisation. All three current members of the Committee bring complementary financial experience and diverse viewpoints, helping to ensure robust challenge and debate at the Committee.

The members of the Committee are: myself Niall Booker, Charles Gregson, and Toby Westcott each of whose biographical details are set out on page 63.

Meetings and attendance

The Committee met on 8 occasions during the year ended 31 December 2022, 5 of which were scheduled meetings and 3 of which were additional meetings (at different meetings Toby Westcott and myself were unable to attend one of the additional meetings respectively due to diary constraints, however those meetings remained quorate).

As Chair of the Committee, I met regularly for discussions with the internal and external auditor and also provide the opportunity to meet without executive management present, when required.

Committee meetings are attended by the Group Chief Executive, the Chief ESG Officer & Company Secretary, and the Group Financial Controller. Both the external auditor and internal auditor are 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. As a result of the challenges facing the Group, a number of additional Audit Committee meetings were convened, sometimes at short notice. Attendance at scheduled meetings was 100% for Committee members.

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 which 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 such announcements before they 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 throughout the audit as well as 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);
- making recommendations to the Board in relation to the appointment, reappointment and removal of the Company's internal auditor, approving the role and mandate of the internal auditor;
- agreeing the scope of the internal audit plan to ensure that it is aligned to the key risks of the business and receive regular reports on work carried out;
- ensuring the internal audit function has unrestricted scope, necessary resources and access to information to enable it to fulfil its mandate in accordance with appropriate professional standards;
- ensuring that the internal auditor has direct access to the Board Chairman and to the Committee Chair, providing independence from the executive and accountability to the Committee;
- reviewing the adequacy and effectiveness of the Company's internal audit review function and internal financial controls;
- ensuring appropriate coordination 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.

Significant issues and areas of judgement considered by the Committee

Throughout 2022 the Committee determined that the following aspects of the financial statements were of significant interest:

1. Impairment of customer receivables

There is an ongoing requirement for management to make significant judgements in the assessment of any provisions for impairment losses against customer receivables. The Committee regularly challenges the appropriateness of management's judgements and assumptions underlying the impairment provision calculations and ultimately concluded that the level of provisions held against the Group's loan book was reasonable. Further detail regarding the assumptions used in the impairment judgements is set out in note 2 to the financial statements.

1.1. IFRS 9 – macroeconomic scenarios and weighting

As part of the review of impairment of customer receivables, the Committee receives updates from management to ensure that the assessment of the macroeconomic environment was regularly reviewed and that the accounting standard continued to be applied appropriately.

As part of the year end macroeconomic review of the branch-based lending and guarantor loans divisions, the Committee reviewed analysis which indicated that, based on historical evidence, there was no strong correlation between the delinquency performance and traditional macroeconomic indicators. However, recognising that there remains potential for macroeconomic factors such as the cost-of-living crisis to pose challenges to their customers' ability to pay, the Group has included a macroeconomic overlay to reflect the increased risks associated with its customers under the current economic environment.

The company from which the home credit division traded (S.D. Taylor Limited) was placed into administration on 15 March 2022 and so is no longer controlled by the Group.

1.2. IFRS 9 – provisioning model at branch-based lending and guarantor loans divisions

The current year provisioning model remains consistent with prior year. The Committee recognises that judgement is applied to the determination of provisions which includes whether past performance provides a reasonable estimate of future losses. As with the prior year, reliance has been placed on judgement in regard to the macro-economic provision overlay, given past customer performance may not be indicative of future performance as a result of the current cost-of-living crisis. The Committee considered the assumptions made by management throughout the year and the actual customer repayment behaviours over the last year in order to form a judgement as to whether overall provisioning was appropriate.

2. Going concern basis of preparing the financial statements

As noted in the 2022 Half Year Results, the Group's subsidiary S.D. Taylor Limited (Loans at Home) was placed into administration on 15 March 2022. As the operations and activities of Loans at Home were separate from the rest of the Group, having received certain waivers from the Group's secured lenders, the administration of Loans at Home has had minimal impact on the existing funding arrangements of the Group.

For the quarters ended 31 March 2022, 30 June 2022, 30 September and 31 December 2022, the Group's loan to value (LTV) ratio was higher than the level permitted under its LTV covenant. The Group has agreed extensions with its secured lenders such that the LTV covenant will not be formally tested, and no covenant breach or event of default will arise, until the Group provides its compliance certificates for the aforementioned quarter dates. The date on which the Group is required to supply these compliance certificates has been extended until 17 May 2023, with a mechanism for this date to be extended further with lender support.

The Group is pursuing the Scheme in order to resolve the Group's outstanding regulatory issues, so as to allow it to proceed with the Proposed Recapitalisation (or the Alternative Transaction in the event the Conditions outlined on page 2, to the Proposed Recapitalisation are not satisfied). Although the independent review of the Group's branch-based lending division carried out in 2021 identified no systemic issues requiring redress, as this division and the guarantor loans division (now in collect-out) trade out of the same legal entity (Everyday Lending Limited), the Scheme encompasses potential claims from both divisions in order to ensure equitable treatment of customers. On 17 March 2023, the Group sent out a practice statement letter to its creditors and a first court hearing is scheduled for 28 April 2023.

In light of the above, the Group has produced two possible scenarios as part of its going concern assessment:

(i) the base case scenario assumes:
   a. the Scheme is successful;
   b. the Scheme is sanctioned by the court by the end of June 2023;
   c. a substantial equity injection is received in late Q2 or early Q3 2023 (the Proposed Recapitalisation);
   d. the Group has obtained extensions to the testing dates and/or other forms of waivers from its secured lenders for potential covenant breaches to enable it to proceed with the Proposed Recapitalisation;
   e. the extension of the term of the Group's debt facilities and write-off of a portion of the debt on terms acceptable to investors;
   f. the Group is able to raise a revolving credit facility at a level acceptable to its lenders and potential investors; and
   g. should the Proposed Recapitalisation be unsuccessful, the Alternative Transaction is implemented which would preserve the branch-based lending business and a going concern, but which, if implemented, would result in no recovery for the Company's current shareholders and the Company (ultimate parent company) may enter into an insolvency process.

(ii) the downside scenario assumes:
   a. the Scheme is unsuccessful;
   b. the Group is unable to complete the Proposed Recapitalisation (or the Alternative Transaction), whilst no acceptable alternative to the base case that is capable of implementation is agreed between the Group and its secured lenders, resulting in the secured lenders enforcing their security and the Group going into an insolvency process;
   c. the Group is not granted extensions to the testing dates and/or other forms of waivers from its secured lenders of covenant breaches and the Group's secured lenders become entitled to enforce their security, resulting in the Group entering an insolvency process; and
   d. as a result of the Group entering into an insolvency process, no return for current shareholders and a significantly reduced return for secured lenders.

The above downside assumptions are not mutually exclusive. The Group's ability to complete the Proposed Recapitalisation or the Alternative Transaction is entirely dependent on the success of the Scheme.

The base case scenario is entirely dependent upon the base case assumptions listed above proving true. In addition, it is dependent on factors such as the impact of the cost-of-living crisis and other macroeconomic uncertainties on performance as well as any further changes in the environment not varying materially from that assumed in the base case.

The Directors continue to maintain a regular dialogue with key stakeholders including the Group's largest shareholder and secured lenders regarding the above matters.

The Directors acknowledge the considerable challenges presented by the uncertainty around the:

- success of the Scheme;
- the ability of the Group to raise sufficient capital in the timeframes required;
- the agreement of extensions to the testing dates and other forms of waivers from secured lenders in relation to potential future covenant breaches and the implementation of the Scheme and the Proposed Recapitalisation (or the Alternative Transaction);
- the agreement from secured lenders to extend the term of existing debt facilities and to write off a portion of their debt as well as agree other changes to the facilities (including the covenant levels); and
- the impact of macroeconomic uncertainties and other unforeseen factors on the financial performance of the Group.

In making their overall assessment on going concern, the Directors considered both the balance sheet solvency and the liquidity position of the Group. In connection with the former, the Proposed Recapitalisation would create a positive net asset position. In connection with the latter the Directors have taken into consideration the impact of the Proposed Recapitalisation on the existing cash balances which would then be available to the business. This combination would provide sufficient liquidity throughout the going concern period. Whilst essential for the future of the Group and Company, the Proposed Recapitalisation would materially dilute the interest of current shareholders, most likely to negligible value unless they chose to participate in the Proposed Recapitalisation. However, the Proposed Recapitalisation is dependent on the Conditions outlined on page 2, including the sanctioning of the Scheme by the Court, and this dependency creates a material uncertainty.

The secured lenders continue to provide short-term waivers of the Group's loan to value covenant, ensuring the Group has the liquidity to pursue the Scheme and Proposed Recapitalisation (or the Alternative Transaction in the event the Conditions outlined on page 2, to the Proposed Recapitalisation are not satisfied), however the Directors recognise that, in the absence of the secured lenders granting the necessary extensions to the testing dates or other forms of waivers in respect of potential future covenant breaches, cash balances may not be available to the Group or Company. With regard to the balance sheet solvency of the Group, the Directors noted that under the base case scenario, assuming the Group is able to raise sufficient equity within the timeframes required, the Group returns to a net asset position post Proposed Recapitalisation (or Alternative Transaction) and remains there for the going concern period.

As noted above, the Group has agreed the Alternative Transaction in the event that the Scheme is sanctioned but the Proposed Recapitalisation is unsuccessful, which would preserve the branch-based lending business as a going concern. However, there is no certainty that the Alternative Transaction would necessarily be successful and, in this scenario, there would be a material risk of the Company and certain other members of the Group entering insolvency and as a result there would be no recovery for the Company's current shareholders.

Despite the material uncertainties associated with the forecast assumptions, the Directors note that the Company's largest shareholder and Group's secured lenders are supportive in principle of the Proposed Recapitalisation, subject to agreement on the terms and the satisfaction of certain conditions, including further diligence on and its assessment of the Group's revised business plan and financial projections as outlined in the Conditions on page 2.

The Directors believe that if the actual outcomes do not differ materially from the assumptions outlined in the base case, the Group can reasonably expect to continue to operate and meet its respective liabilities as they fall due for at least the next 12 months. In regards to the Company, the Directors believe that under the base case which assumes a successful Proposed Recapitalisation, the Company can reasonably expect to continue to operate and meet its respective liabilities as they fall due for at least the next 12 months. However, should the Alternative Transaction be implemented, there would be no recovery for the Company's current shareholders and may result in the Company (ultimate parent company) entering into an insolvency process. Accounting standards require that financial statements are prepared on a going concern basis unless the Directors either intend to liquidate the entity or to cease trading or have no realistic alternative but to do so. The Board therefore believes it remains appropriate to prepare the financial statements on a going concern basis whilst recognising the material uncertainties that remain. The Directors acknowledge that, whilst a scheme of arrangement is complex, time consuming and not guaranteed to be successful, they believe that there is a reasonable chance of success. The Directors' position is, in part, informed by the favourable performance to date against plan, support the Group has received from its secured lenders to date, including a contractual commitment to the Alternative Transaction, in the event the Proposed Recapitalisation fails, and the fact that the Company's largest shareholder remains supportive in principle of the Proposed Recapitalisation subject to the Conditions outlined on page 2. The Directors note that although the Group has contractual commitments from its secured lenders to support the Alternative Transaction, there is a risk that it will not be possible to implement either the Proposed Recapitalisation or the Alternative Transaction. In these circumstances, if neither the Proposed Recapitalisation nor the Alternative Transaction has been implemented by 31 December 2023, it will not be possible to pay the Scheme fund into a nominated trust account and the Scheme will fail.

As previously mentioned, Directors recognise there are a high number of assumptions and variables in the modelling of the base case which are not directly within the Group's control and have therefore concluded that a material uncertainty exists which may cast significant doubt over the Group and Company's ability to continue as a going concern and therefore, that the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business.

The Board will continue to monitor the Group and Company's financial position (including access to liquidity and balance sheet solvency) carefully as a better understanding of the impact of these various factors is developed. The Board recognises the importance of the success of the Scheme and the Proposed Recapitalisation to mitigate the uncertainties noted above and to support the future growth prospects of the Group. The Directors will also continue to monitor the Group and Company's risk management and internal control systems.

Significant judgement

The below factors form a significant judgement of the Directors in the context of approving the Group's going concern status:

- the assumption of a successful completion of the Scheme,
- support in principle from the Group's largest shareholder for the Proposed Recapitalisation,
- lender support for waivers and the Proposed Transaction and the Alternative Transaction,
- the extension of existing financing facilities and partial write-off of debt as part of the Proposed Recapitalisation and the Alternative Transaction,
- the continued performance of the Group and that the outcomes are not materially different to those assumptions envisaged under the base case and,

- should the Proposed Recapitalisation be unsuccessful, lender support for the Alternative Transaction which would preserve the branch-based lending business and a going concern, but which, if implemented, would result in no recovery for the Company's current shareholders and may result in the Company (ultimate parent company) entering into an insolvency process.

3. Administration of S.D. Taylor Limited

S.D Taylor Limited (trading as 'Loans at Home') was placed into administration on 15 March 2022. As part of the interim reporting process, it was determined that a loss of control consistent with IFRS 10 had occurred and therefore triggered the derecognition of S.D. Taylor Limited from the consolidated financial statements as at the date of administration.

4. Scheme

Following the reviews which started with the FCA's multi-firm review into the guarantor loan business in March 2020, the Group has been in the process of developing a voluntary scheme to address the redress claims in relation to its guarantor lending historical unaffordable lending since August 2020, more latterly, the development of the Scheme commenced in June 2022. As noted in the 2022 half year announcement, although the independent review of the branch-based lending division carried out in 2021 identified no systemic issues requiring redress, as this division and the guarantor loans division (now in collect-out) trade out of the same legal entity (ELL), the Scheme encompasses potential claims from both divisions in order to ensure equitable treatment of customers. The Practice Statement Letter for the scheme was published on 17 March 2023 and provides details regarding the proposed scheme. The Committee has undertaken an ongoing role to ensure that management has appropriately provided for the redress due. The Group has included an exceptional provision of £26.4m as at 31 December 2022 based on the amount it expects to be available for redress creditors and costs associated with the Scheme.

5. Complaints provisions

Provisions for complaints are in respect of complaints received where the outcome has not yet been determined. Judgement is applied to determine the quantum of such provisions, including making assumptions regarding the extent to which the complaints already received may be upheld, average redress payments and related administrative costs.

The Group launched the Scheme on 17 March 2023 which, if successful, would compromise redress liabilities for loan activity prior to 31 March 2021. The FOS announced on 30 March 2023 that it would not be progressing complaints further or taking on any new complaints affected by the Scheme. It is possible that claims relating to post 31 March 2021 loan activity could increase in the future due to unforeseen circumstances and/or if FOS were to change its policy with respect to how such claims are adjudicated. Should the final outcome of these complaints differ materially from management's current estimates, the cost of resolving such complaints could be higher than expected. It is however not possible to estimate any such increase reliably.

6. Review of the 2022 half-year results

The review during the year included the following items:

- review of customer receivables valuation and revenue recognition methodology including Effective Interest Rates ('EIRs');
- review of half-year results;
- consultation with the external auditor regarding the approach being taken regarding the announcement of unaudited interim results;
- 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 2022 full-year financial statements

In conducting its review of the Annual Report and Accounts, the Committee:

- reviewed the impairment of customer receivables valuation carried out by management;
- reviewed the accounting treatment proposed regarding IFRS 9;
- reviewed and approved the going concern paper which confirmed it was appropriate to prepare the Annual Report and financial statements for the year ended 31 December 2022 on a going concern basis, subject to the material uncertainty noted above;
- reviewed and approved the Viability Statement and related papers;
- reviewed the full-year results and the form and content of the draft Annual Report and financial statements;
- provided the opportunity to meet the external auditor without any Executive Director or employee being present;
- reviewed the audited results for the year ended 31 December 2022; and
- reviewed the statement on internal controls.

Further details on the role of internal audit are set out below.

8. Internal audit function

The internal audit function, which is provided on a co-source basis with an internally appointed Head of Internal Audit supported, where necessary, by a third party, reports regularly 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. Members of the Committee have discussed the internal audit function informally with some senior members of management. Following the administration of the 'Loans at Home' home credit division in March 2022, Internal audit activity was refocused on the remaining two divisions.

Internal Audit reviews conducted during the year included:

- Broker acquisition and management review;
- Complaints review;
- Project and IT change management review;
- Remuneration and incentives review;
- Credit decisioning and scorecard review;
- Vulnerable customers review;
- Business continuity and operational resilience review;
- IFRS 9 review;
- Corporate policies and biannual attestation process; and
- Cyber and information security

Further details on the role of internal audit are set out below.

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 in note 5 to the Financial Statements.

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

External audit
The Company's auditor is PKF Littlejohn LLP, who have conducted the external audit since 19 July 2021.

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 in note 5 to the financial statements.

The Committee has considered the independence of PKF Littlejohn LLP and the level of non-audit fees and believes that the independence and objectivity of the external auditor are safeguarded and remain strong.

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. The only non-audit services provided to the Group in 2022 were for the half-year review and these meet the Financial Reporting Council's ('FRC') definition of audit related services.

During 2022 the level of non-audit fees amounted to £0.05m (2021: £0.05m).

The fees paid to the external auditor are set out in note 5 to the financial statements. The fees for non-audit work carried out by the auditor in 2022 represent 11% (2021: 9%) of audit fees.

The Audit Committee reviewed its policy for the provision of non-audit services by the external auditor (the 'Policy') as part of the annual review of the Corporate Policy suite.

Internal audit
During 2022, the Committee operated a co-source internal audit model, with an in-house Head of Internal Audit ensuring the development of in-depth knowledge within the third line, supported by externally sourced specialist personnel where necessary.

The internal audit function seeks to complete audits of the key risks identified within the risk universe of the Group, with a focus on customer outcomes and regulatory risk.

At each meeting during the year, the Audit Committee, along with the Executive Management team, focused on the progress made by management in dealing with actions raised during internal audit visits to ensure that the management responses were appropriate and timely in nature.

In addition, the Audit Committee also monitored the quality of the dialogue between internal audit and the Executive Committee in reviewing internal audit findings and agreeing action plans with appropriate levels of operational buy-in to deal with the points raised.

The internal auditor reports directly to the Audit Committee thereby ensuring the independence and effectiveness of the internal auditor.

The internal auditor provides regular reports to the Audit Committee and also to the Risk Committee, where appropriate, as well as to the Board as a whole.

10. Viability Statement

Viability Statement
The Committee reviewed the viability assessments as described in detail below. It felt the scenarios analysed and the financial consequences and assumptions made in the preparation of the financial models used for the viability assessments were plausible and the minimum three-year time period used was appropriate given the alignment with the Group's strategic plan and budgeting process. However as noted in the Viability Statement itself, the Committee felt that viability was subject to the material uncertainties referred to in respect of the Going Concern analysis.

In accordance with the 2018 FRC Corporate Governance Code, Directors are required to confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due for an extended period. The Committee agrees with management that the extended period should be at least three years. The Directors' assessment has been made with reference to the Group's current position and strategy, as laid out in the Strategic Report (see pages 5 to 59) and taking into account the Group's principal risks and uncertainties, the cost of redress, regulatory change, the impact of the macroeconomic environment, the activities of CMC's and their impact on complaints and how these are managed (see pages 20 to 24).

The Group's strategy and principal risks underpin the Group's three-year plan and scenario testing, which the Directors review quarterly. The review of the three-year plan is augmented by regular updates from the divisional management teams. The Board reviews the Group's strategy in depth annually, or more frequently if required.

The three-year plan is in line with the Group's strategic planning cycle and is built on a divisional basis using a bottom-up approach. The plan makes certain assumptions about future economic conditions, the structure of the Group, the regulatory environment, divisional performance and growth and the ability to refinance existing debt facilities as they fall due.

In making the assessment of viability, the Directors took into account the scenarios as detailed in the Going Concern section on pages 120 to 121, reviewing both the Group's access to liquidity and its future balance sheet solvency over the viability period.

The Directors consider that the longer term viability of the Group is subject to the same risks and assumptions as the going concern assessment and therefore please refer to section 2 'Going concern basis of preparing the financial statements' for detail considered as part of the Committee's viability assessments.

Directors' statement on viability
Based on the assessments and subject to the assumptions outlined in the Going Concern section on pages 120 to 121, including the scenario testing, the Directors confirm that they have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due through the three-year viability assessment period. However, there are material uncertainties referred to in respect of the Going Concern analysis which also impact the future viability of the Group.

Without the successful completion of the Scheme and the Proposed Recapitalisation (or the Alternative Transaction in the event the Conditions outlined on page 2, to the Proposed Recapitalisation are not satisfied, which, if implemented, would result in no recovery for the Group's current shareholders and the Company (ultimate parent company) may enter into an insolvency process), the balance sheet remains deeply insolvent. In the event that the Scheme is not sanctioned by the court, or in the event that both the Proposed Recapitalisation and the Alternative Transaction fail, there would then be a very significant likelihood of a Group-wide insolvency (most likely administration), resulting in no return for current shareholders and a significantly reduced return for secured lenders. However, the Directors continue to believe there is a reasonable prospect of resolving this position through the Scheme and the Proposed Recapitalisation (or Alternative Transaction), with the support in principle of the Group's largest shareholder and secured lenders, whose support remains subject to the Conditions outlined on page 2, or, in case of the Alternative Transaction, the support of the secured lenders. Accordingly, the Directors feel that, provided the actual outcomes do not differ materially from the assumptions outlined in the base case, it is reasonable to believe that the Group will continue to operate and meet its liabilities as they fall due over the viability period from both a liquidity and solvency perspective.

The assumption of a successful completion of the Scheme, support in principle from the Group's largest shareholder for the Proposed Recapitalisation, lender support for waivers and the Proposed Transaction and the Alternative Transaction, the extension of existing financing facilities and partial write-off of debt as part of the Proposed Recapitalisation and the Alternative Transaction, and the continued performance of the Group and that the outcomes are not materially different to those assumptions envisaged under the base case, forms a significant judgement of the Directors in the context of approving the Group's going concern status.

The Directors will continue to monitor the Group's risk management, access to liquidity, balance sheet solvency and internal control systems.

Reviews of internal controls across the Group are undertaken by the Group's Internal Audit function, providing comment over the design and effectiveness of controls. Report findings are regularly reported to the Audit Committee for monitoring, assessment and, where necessary, management action.

Niall Booker
Chairman of the Audit Committee
28 April 2023

Risk Committee Report

for the year ended 31 December 2022

Membership and attendance

4	**The Committee met on four occasions during the year ended 31 December 2022**

Director	Attendance and total number of meetings that the Director was entitled to attend
Charles Gregson (Chairman)	4/4
Niall Booker	4/4
Toby Westcott	4/4

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. The Group Chief Executive, the Chief ESG Officer & Company Secretary and the respective divisional Chief Risk Officers attend the Committee meetings. Other relevant parties are also invited to attend Committee meetings, as appropriate. The Directors' attendance at the meetings during 2022 is recorded in the table above.

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 taken by each committee and the Board. The Committee met four times during the year. In addition, as Committee Chair, I attended meetings with the Executive Directors and management at Everyday Loans, the Guarantor Loans Division 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, regulatory and political environment in order to advise the Board in respect of the most appropriate configuration of the Company's overall risk appetite, tolerance and strategy. As part of this process, 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;
- 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 2022

The main focus of the Committee during 2022included: ensuring that the regulatory reviews across the Group were both conducted and overseen effectively; and managing the impact of the macro-economic environment. These issues remained key areas for the Committee throughout year.

Throughout the period, the Group's risk management system continued to provide the Committee with a clear and consolidated view of risk across the Group as a whole, taking into account materiality thresholds that had already been approved by the Committee. A summary of the Group's risk management approach to principal and emerging risks is set out on pages 20 to 27.

The Committee has oversight of horizon scanning activity and has contributed to the development of a reporting framework at a Group level. This has helped to facilitate a wider external facing discussion regarding the consideration of those risks identified as being current and having the potential to impact the current and/or future prospects of the Group.

During the year to 31 December 20221 the Committee focused on the following matters:

- the ongoing review of and identification of Group risks with action plans put in place to mitigate such risks;
- a review of the risk appetite status across the Group;
- oversight of the continued embedding of the risk management system and key reporting requirements into the Group's risk management framework;
- oversight of horizon scanning activity focusing on regulatory, social, economic and technological areas;
- quarterly reviews of complaints;
- quarterly reviews of conduct risk dashboards;
- oversight of half-yearly credit risk reporting;
- oversight of annual money laundering reporting officer reporting; and
- oversight of annual whistle-blowing officer reporting.

Areas of focus in 2023

The key risks facing the Group in 2023 continue to be: the ongoing process to resolve the Group's outstanding regulatory issues; the need to complete the Scheme and the Proposed Recapitalisation (or the Alternative Transaction in the event the Conditions outlined on page 2, to the Proposed Recapitalisation are not satisfied) to both fund redress due to eligible customers and to strengthen the Group's balance sheet, the repercussions on the business resulting from the pandemic; and the impact on our customers and employees as a result of the rising costs of living. Whilst the past two years have presented the Company with numerous challenges, the resilience and perseverance of key staff around the Group means that, assuming the Proposed Recapitalisation or Alternative Transaction is completed as planned, the current business environment may provide significant opportunities for the Group and the Committee will seek to ensure that key risks are mitigated, where possible and opportunities seized within the framework of risk appetites already established.

Following the AGM it is anticipated that one of the newly recruited non-executive directors will chair the Risk Committee.

Charles Gregson
Chair of the Risk Committee
28 April 2023

Directors' Remuneration Report

Directors' remuneration report for the year ended 31 December 2022

The disclosures in this report have been prepared in compliance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008 (as amended). This report is set out in the following key sections:

Part A: Annual Statement

Part B: Annual Report on Remuneration
1. Single figure remuneration table: Executive Directors – audited
2. Implementation of Remuneration Policy for the Executive Directors for 2023
3. Consideration by the Committee of matters relating to the Directors' remuneration for 2022
4. Group Chief Executive and employee pay
5. Percentage change in Director remuneration
6. CEO Pay Ratio
7. Consideration of employee remuneration and shareholders
8. Single figure remuneration table: Non-Executive Directors – audited
9. Directors' shareholding and share interests – audited
10. Shareholder voting

Part C: Directors' Remuneration Policy
1. Executive Director Remuneration Policy

Part A: Annual Statement

Dear Shareholder

I am pleased to present the Directors' Remuneration Report for NSF for 2022. 2022 saw the continuation of the challenges faced by the business, with ongoing uncertainty in the macroeconomic environment caused by the tail end of the pandemic and the economic repercussions for many businesses. Also, the cost of living crisis, Brexit and the war in Ukraine (and the impact on fuel prices) had an impact on many people and businesses. The Group also continues to face specific challenges in the regulatory environment, the timing of the resolution of which has also been largely outside of management's control. In these challenging circumstances, the role of the Remuneration Committee has continued to be to ensure that an appropriate balance has been reached in rewarding achievement (both financial and non-financial) in the context of a disappointing overall financial result, whilst incentivising the Executive Team appropriately and ensuring stability within it in what has been a challenging period.

Business context

As noted in the Chairman's statement and in the Group Chief Executive's report, many of the challenges faced by the Group in 2020 and 2021 continued through the duration of 2022. These include a series of significant regulatory issues that, together with the gradual recovery from the pandemic, impeded the scale and pace of recovery in the Group's financial performance in 2022, although positive progress was made in the year within the branch-based lending business. In addition to having to place our guarantor loans business into managed run off in June 2021, we had to make the disappointing and difficult decision to place our home credit business into administration on 15 March 2022 as it was clear that administration was the only option available in order to preserve value for creditors.

Concluding on the Group's outstanding regulatory issues has been a much more detailed and complex process than expected, with the result that the Group's plans to raise additional equity capital were further delayed as announced in the half year results in 2022.

The ELL Directors, supported by the Group Directors (noting the conflicts of interest matter referred to on page 60, whereby I have recused myself from matters relating to the Proposed Recapitalisation and going concern), decided to pursue the Scheme to provide certainty as to the amount that will be paid to customers with valid redress claims. This is one of the Conditions outlined on page 2, to the Group's largest shareholder and secured lenders being willing to participate in the Group's Proposed Recapitalisation, support for which, remains subject to the Conditions outlined on page 2, or, in case of the Alternative Transaction in the event the Conditions outlined on page 2, to the Proposed Recapitalisation are not met, the support of the secured lenders. If successful, the proceeds of the Proposed Recapitalisation or Alternative Transaction will be used to fund the partial payment of redress claims, restore the Group's balance sheet and return the branch-based business to profitable trading.

The Group delivered a reported pre-tax loss of £56.4m (2021: pre-tax loss of £29.6m). Once again, the full year results were impacted by a number of non-operating items, including an increase in the costs associated with the Scheme as well as the impact of the Loans at Home administration. Following the reduction in lending during the pandemic and the resulting drop in loan book, the branch based lending business is gradually picking up. Group reported revenues were down 25.2% to £98.3m (2021: £131.4m), however, the lower revenue and higher impairment was partially offset by lower admin costs resulting in a normalised operating profit of £4.5m (2021: £7.1m)

Directorate changes

On 27 May 2022, Sarah Day was appointed to the Board as Chief ESG Officer, whilst also retaining the role of Group Company Secretary. On appointment her salary was revised to £175,000 to reflect her new role and additional responsibilities. Sarah also participates in the group pension plan, at a rate of 8% in line with the wider workforce and is entitled to a bonus of 100% of salary, in line with the company's approved Remuneration Policy.

Remuneration decisions in the year

Following the decision in 2021 to withdraw 50% of the overall bonus potential for Executive Directors, which related to the Group's financial performance in 2021, the Board determined that the Remuneration Policy was to be applied in full in 2022. This decision was made as part of the ongoing balancing of both management incentivisation in difficult operational circumstances and reward for strong business performance. The absence of a long term incentive scheme for management pending the resolution of the regulatory position and the Proposed Recapitalisation or Alternative Transaction led the Committee to determine that this level of short term incentivisation is necessary and justifiable despite the ongoing material uncertainty within the business. The revised Remuneration Policy approved by shareholders on 17 December 2021 implemented a change in the potential allocation of bonus between financial and non-financial elements, thereby allowing for non-financial objectives to account for up to 50% of the overall bonus potential, this allows for the Board to help ensure adequate focus on strategic goals in the currently challenging times.

As a result, the annual bonus for 2022 had a maximum potential of 100% of salary, of which 50% was subject to the achievement of non-financial performance measures and the remaining 50% was subject to the achievement of the financial targets agreed by the Board. The Committee unanimously agreed that, despite the continued material uncertainty, it was appropriate to award a bonus in line with the Remuneration Policy due to the significant challenges faced by the Executive Directors that would need to be resolved if the Group's long-term strategic objectives were to be realised. It was also determined by the Committee that in light of there being no long-term incentive plan in place at the current time, that the Executive Director's significant contribution to the continued success of the Company in the current year be recognised in accordance with the current Remuneration Policy. As such a bonus of £237,000 was awarded to Jono Gillespie (79.0% of the maximum bonus potential in the year) and £82,950 was awarded to Sarah Day with respect to the period from 27 May onwards (79.0% of the maximum bonus potential in the year). However, the Committee, Jono Gillespie and Sarah Day agreed that, in light of the current situation faced by the Group, this bonus would only be paid on sanction of the Scheme.

Looking forward to 2023

Assuming the successful completion of the anticipated Proposed Recapitalisation, the Company intends to undertake dialogue with key shareholders with regard to remuneration policy, which was to all intents and purposes 'renewed' in December 2021 until the Group was in a more stable position to address future remuneration strategy.

Implementation of the Remuneration Policy for 2023

Base salary

The Committee decided that, given the material uncertainties faced by the business at present, both Executive Directors' remuneration would remain unchanged at the current time. It is also the intention of the Committee that, should there be a successful completion of the anticipated Proposed Recapitalisation or Alternative Transaction, salaries for Executive Directors and the wider workforce will be reviewed.

Annual bonus

The Committee has determined that it is appropriate for executives to be entitled to receive an annual bonus for 2023. Objectives will be clearly focused on achieving the strategic requirement to deliver the Proposed Recapitalisation or Alternative Transaction required in addition to the achievement of financial performance and conduct-related objectives.

Long-term incentive plan

There is currently no provision for a long-term incentive under the current remuneration policy. Additionally, none of the current executives have any in-flight long-term incentives. Based on historic feedback from major shareholders together with more recent discussions, it is expected that any future long-term incentive awards will reflect a model designed to ensure that the interests of management are closely aligned with those of shareholders. As highlighted above, the Committee intends to reconsider the remuneration policy should there be a successful completion of the anticipated Proposed Recapitalisation or Alternative Transaction. This will include consideration for a long-term incentive plan.

This Annual Report on Remuneration will be put to shareholders for approval at the Annual General Meeting to be held at 13:00 on 23 June 2023 when the approval of Group's 2022 Annual Report and Accounts will also be considered and I ask for your support on the requisite resolutions.

The Committee and I would welcome any feedback or comments on this report or our Remuneration Policy in general.

On behalf of the Remuneration Committee and Board.
Toby Westcott
Chairman of the Remuneration Committee
28 April 2023

Part B: 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 2022. Disclosures in this report have been prepared in accordance with the provisions of the Companies Act 2006, Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008 (as amended). An advisory resolution to approve this report and the annual statement will be put to shareholders at the Annual General Meeting to be held on 23 June 2023.

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	Benefits	Bonus	Long-term incentives	Pension	Total	Total fixed remuneration	Total variable remuneration
		£000	£000	£000	£000	£000	£000	£000	£000
Jono Gillespie (Group Chief Executive)	**2022**	**300**	**12**	**237**	**-**	**21**	**570**	**333**	**237**
	2021	**280**	**9**	**97**	**-**	**20**	**406**	**309**	**97**
Sarah Day (Group Chief ESG Officer from 27 May 2022)	**2022**	**105**	**9**	**83**	**-**	**8**	**205**	**122**	**83**

Notes

1 Benefits comprise medical and income protection insurance in the case of Jono Gillespie and Sarah Day – 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 Sarah Day was appointed to the Board on 27 May 2022. Her salary, benefits and pension represent the actual amounts paid in respect of qualifying services as an Executive Director during the relevant financial year.

Annual bonus outcomes for the period ended 31 December 2022 – audited

For 2022 the Executive Directors had a maximum annual bonus opportunity of 100% of salary. For each Executive Director, the annual bonus determination is based on the achievement of non-financial targets. The 2022 bonus provided a maximum opportunity of 50% of salary on achievement of non-financial measures and 50% on achievement of financial targets.

The Committee unanimously agreed that, despite the continued material uncertainty, it was appropriate to award a bonus in line with the Remuneration Policy due to the significant challenges faced by the Executive Directors that would need to be resolved if the Group's long-term strategic objectives were to be realised. It was also determined by the Committee that in light of there being no long-term incentive plan in place at the current time, that the Executive Directors' significant contribution to the continued success of the Company in the current year be recognised in accordance with the current Remuneration Policy. The Committee, Jono Gillespie and Sarah Day agreed that, in light of the current situation faced by the Group, this bonus would be paid upon the successful Court sanction of the Scheme.

	Jono Gillespie and Sarah Day		
	Payout (% opportunity for metric)	**Weighting**	**Payout (% maximum bonus)**
Group financial	50.0%	50.0%	100.0%
Group non-financial	50.0%	29.0%	58.0%
Total bonus payout (% maximum)		**79.0%**	

The financial and non-financial targets for Jono Gillespie and Sarah Day's 2022 annual bonus and the extent to which they were met are as follows:

The financial metric equates to 50% of the maximum potential bonus, split into two elements, 40% relating to a gateway measure of profit before tax and 10% relating to the size of the branch based lending net loan book, the latter only being eligible for assessment if the threshold level for first element was attained. The gateway financial objective (Profit before Tax) target outcome for this metric was a loss of £33.65m based on the profit of the Company before certain adjustments including fair value adjustments, certain IFRS 9 transitional related items, amortisation of acquired intangibles, exceptional items, finance costs and tax. The threshold gateway was a loss of £37.02m and the maximum gateway was a loss of £30.29m. The actual loss on this basis was £24.59m, being 126.9% of target, in excess of the 110% maximum gateway, resulting in 100% achievement of the profit based element of the financial bonus.

The branch based lending business loan book budget as at 31 December 2022 was £158.31m, with the full 10% being payable if the loan book was within 5% of budget, at 5% for between 5% and 10% below budget and 0% should the loan book be more than 10% below the budgeted figure of £158.31m. The actual net loan book at the 31 December was £167.0m, being 105.4% of the budgeted figure, resulting in 100% achievement of the second element of the financial bonus.

The total possible 50% financial element of the budget was therefore agreed to have been achieved by the Remuneration Committee. The non-financial element was based on eight individual components representing 50% of maximum bonus in total (equivalent to 50% of salary). These non-financial targets, which are described below, were met as follows:

Metric		Percentage of total annual bonus	Vesting (% of metric achieved)	Vesting (% of total annual bonus award)
1.	To ensure that any necessary enhancements recommended in the EY reviews are implemented within ELL, with a specific focus on delivering an improvement over the course of the year in creditworthiness oversight ratings.	7.0%	50.0%	3.5%
2.	Successfully oversee the agreement and roll out of the GLD redress scheme.	3.0%	33.3%	1.0%
3.	Promote leadership, culture and guidance of the business in all matters including contact with regulatory bodies and audit partners, ensuring a strong focus on compliance matters through the Group.	6.0%	83.3%	5.0%
4.	To oversee the operational business process transformation in ELL (supported by the delivery of the technology workstream). Ensuring that the customer journey is streamlined and enhanced, manual error potential is reduced and UPE improved.	12.0%	37.5%	4.5%
5.	Successfully achieve the planned equity raise including the support of existing significant shareholders.	10.0%	70.0%	7.0%
6.	Successfully complete negotiations with secured lenders to extend credit facilities, agree waivers where necessary and to put the business in as strong a position as possible to reduce interest costs when possible.	7.0%	71.4%	5.0%
7.	To actively support the ESG agenda developed by the Group and lead by example.	5.0%	60.0%	3.0%
Total		50.0%		35.5%

When assessing the non-financial element of the bonus, the Remuneration Committee determined to exercise an element of discretion in their assessment of each objective, given the change in management action required to address the regulatory position faced by the company, with the decision made in June 2022 to pursue the Scheme. One example of this being objective 5, where the originally intended equity raise (when the objectives were set) evolved over the course of year and the Executive Directors were required to develop and launch the Scheme, determine the method for the Proposed Recapitalisation and develop an Alternative Transaction, thereby warranting in the Committee's view, the scoring allocated. As a result, 29.0% of the non-financial element vests, equivalent to 58% of the maximum annual bonus opportunity.

The Committee decided not to exercise any further discretion in respect of the annual bonus outcome and as such, the total payout for both Jono Gillespie and Sarah Day was 79.0% of the total maximum annual bonus opportunity. The Remuneration Committee has therefore determined that the bonus awarded to Jono Gillespie with respect to his role as an Executive Director is £237,000 and to Sarah Day with respect to her role as an Executive Director is £82,950 in line with the current remuneration policy. The Committee, Jono Gillespie and Sarah Day agreed that, considering the current situation faced by the Group, this bonus would be paid on the successful Court sanction of the Scheme.

Long-Term Incentive awards vesting or awarded in 2022 – audited

There were no LTI awards vesting in 2022. No LTI awards were made in 2022 in line with the current policy

Payments for loss of office – audited

There were no payments for loss of office made in 2022.

Payments to past Directors – audited

No payments to past Directors were made in the financial year ending 31 December 2022.

2. Implementation of Remuneration Policy for the Executive Director for 2023

Base salary

In setting salary levels for the Executive Director for the 2023 financial year, the Committee considered a number of factors, including the impact of external economic factors and the specific challenges faced by the Group at the current time, individual performance and experience, pay and conditions for employees across the Company, the general performance of the Company, pay levels in other comparable companies and other elements of remuneration. The Committee has determined at the current time that there should be no change to the salary of Jono Gillespie or Sarah Day for 2023. Assuming that the Proposed Recapitalisation or Alternative Transaction takes place, salary levels across the wider workforce (including Executive Directors) will be reviewed.

The salaries for 2023 and the relative increases are set out below.

	Annual Base salary £000		
	2023	2022	% change
Jono Gillespie	**£300**	£300	0%
Sarah Day[1]	**£175**	£175	0%

1 Sarah Day's base salary for 2022 was effective from 27 May 2022 as outlined in Part A of this report.

Pension and benefits

The pension contribution to a personal pension scheme or cash in lieu is equal to 8% of salary for both Jono Gillespie and Sarah Day (in line with the contribution rate for the wider workforce). Both Jono Gillespie and Sarah Day do not have prospective rights under a defined benefit pension scheme.

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

Annual bonus

The Committee has determined that, consistent with the current Remuneration Policy, Executives will receive an annual bonus in line with the target and maximum potential for 2023 as follows:

	Maximum bonus % of salary	On-target bonus % of maximum	Threshold bonus % of maximum
Jono Gillespie	100%	75%	25%
Sarah Day	100%	75%	25%

It is proposed that the composition and structure of any future remuneration package will retain an appropriate balance between delivery of strong results whilst not incentivising undue risk-taking or rewarding underperformance. Objectives will be clearly focused on delivery of the strategic requirement to deliver the capital injection required by the Group, in addition to financial performance and conduct-related objectives.

Threshold vesting will be set at 25% of target with on-target vesting at 75% and maximum vesting at 100%, 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

At the present time, the Remuneration Policy does not allow for a long-term incentive awards scheme.

3. Consideration by the Committee of matters relating to the Directors' remuneration for 2022

The Committee is responsible for making 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 2022	Independent	Meetings attended	Attendance
Niall Booker	Yes	4/4	100%
Charles Gregson	No	4/4	100%
Toby Westcott	No	4/4	100%

All Committee members attended all Remuneration Committee meetings that they were eligible to attend. The Group Chief Executive and Chief ESG Officer & Company Secretary also attended meetings at the invitation of the Committee but were not present when their own remuneration was being discussed.

The Committee received external advice in 2022 from PricewaterhouseCoopers ('PwC') during the year. PwC were appointed by the Committee in May 2015 as advisers on remuneration matters after a formal 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 inclusive of VAT, paid to PwC in respect of services to the Committee during the year were £14,160 Fees were determined based on the scope and nature of the projects undertaken for the Committee. PwC has also provided valuation advice and assistance with implementation of The Group's SAYE and long-term incentive arrangements during their tenure as advisors.

During the financial year, there were four scheduled Committee meetings. Matters covered at these meetings are detailed below:

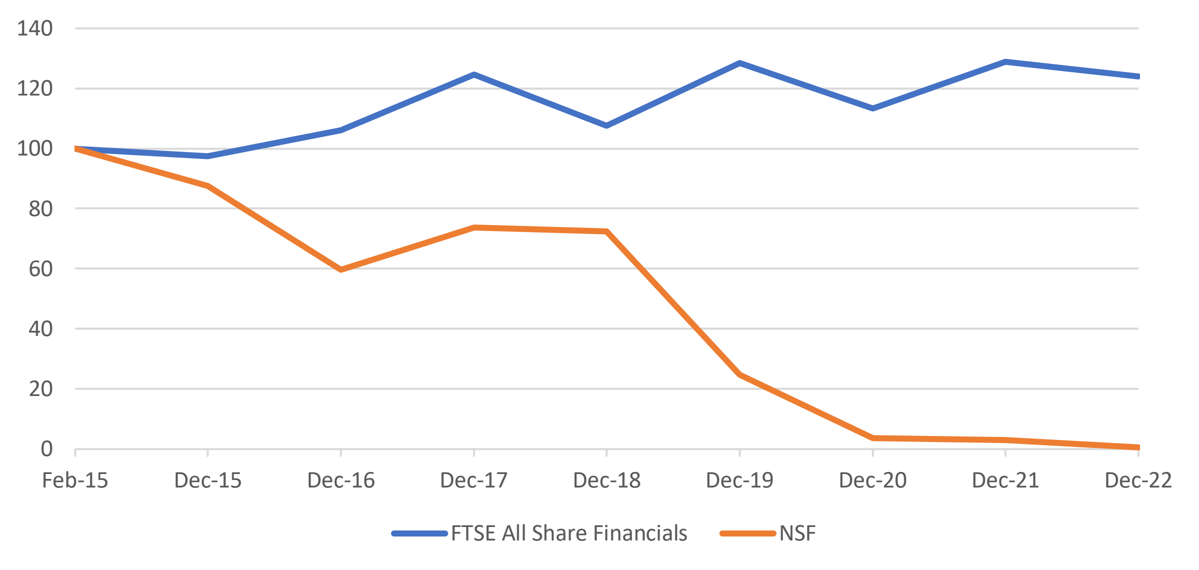
- Review and approval of 2022 Executive Directors' and Senior Management annual bonus outcomes
- Consideration of bonus payment timing
- Appointment arrangements for Sarah Day
- Consideration of Executive Directors' annual bonus performance measures for 2023
- Review of Executive Director and Senior Management remuneration for 2023

4. Group Chief Executive and employee pay

The Committee believes that the current reward structure provides 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 benchmark the Company's performance.

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 2022.

Total Shareholder Return



The Group's shares have significantly underperformed the FTSE All Share Financial Services Index during the period. The aftermath of COVID-19, the administration of the Home Credit business and winddown of guarantor lending have a significant impact on Company performance in 2022, with the need to raise capital, which was then constrained by the material uncertainties resulting from the regulatory issues faced by the Group. Other possible reasons for this underperformance include:, the impact of Claims Management Companies' behaviour, the Group's scale relative to other potential investment opportunities and the current leverage rate of the Group; and concerns over current and future market and regulatory conditions in the UK consumer finance segment.

Group Chief Executive	**2022**	**2021**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
	Jono Gillespie	Jono Gillespie	John van Kuffeler (until 31 August 2021)	John van Kuffeler	John van Kuffeler	John van Kuffeler	John van Kuffeler	John van Kuffeler	John van Kuffeler
Single figure of total remuneration (£000)	333	110	279	421	488	614	498	351	473
Bonus payout (% maximum)	79%	69%	0%	0%	25.5%	68.1%	50.5%	0%	100%
Long-term incentive vesting rates (% maximum)	0%	0%	0%	0%	n/a	n/a	n/a	n/a	n/a

For 2021, John van Kuffeler's remuneration relates to the period from 1 January 2021 to 31 August 2021 and Jono Gillespie's remuneration relates to the period from 1 September 2021 to 31 December 2021.

For 2022, Jono Gillespie's remuneration relates to the full year.
Maximum bonus potential in 2021 was 50% of salary, the actual payment therefore equated to 34.5% of salary. Maximum bonus potential in 2022 was 100% of salary.

5. Percentage change in Director remuneration

The table below compares the annual percentage increase in the Directors' pay with that of all employees of the Company (excluding Directors) on a full-time equivalent basis. The table below will build up to include 5 years of history starting from 2019.

	Salary			Benefits			Annual Bonus		
% change	2022	2021	2020	2022	2021	2020	2022	2021	2020
Group Chief Executive (JG)	0%	53.0%	n/a	0%	0%	n/a	144%	100%	n/a
Group Chief ESG Office (SD)	n/a			n/a			n/a		
Non-Executive Chairman (CG)	0%	0%	0%	-	-	-	-	-	-
Non-Executive Director (NB)	0%	0%	0%	-	-	-	-	-	-
Non-Executive Director (TW)	0%	0%	n/a		n/a	n/a		n/a	n/a
Average employee pay[2]	8.6%	-3.6%	8.1%	2.8%	-3.3%	5.5%	35%	5.9%	-33.1%

1 *The salary increase for Jono Gillespie reflects firstly the part year earnings from appointment as a Director on 1 April 2020 compared to a full year in 2021. It also reflects the remuneration increases in both September 2020 and September 2021.*

2 *The home credit division was placed into administration on 15 March 2022 and therefore annual percentage change in average employee pay figures exclude this division.*

6. CEO pay ratio

This year, in line with the Director's Remuneration Reporting regulations, the Company presents the CEO's pay against the pay of employees at the lower quartile, median and upper quartile of the Company's UK employees.

The Company has decided to continue to use Option A as this would represent the most comprehensive approach and give the most accurate statistics. The salary, benefits and total pay for employees have been calculated on a full-time equivalent basis using the same methodology as that for the single figure for the CEO. No element of pay was omitted. The data for employee pay was taken as at 31 December 2022.

The Group Chief Executive ('CEO') to employee pay ratio and comparisons with last year are as shown in the table below. These ratios are relatively low in comparison to the sector in which the Company operates and across wider listed companies. The median pay ratio was slightly higher than prior year with the administration of S.D. Taylor Limited on 15 March 2022 meaning that the business is no longer included in the pay ratio calculations. As described in section 7 of this report, the Company is committed to creating an inclusive working environment and to rewarding our employees throughout the organisation in a fair manner.

The Company therefore believes that the ratios are consistent with the pay, reward and progression policies of the UK workforce taken as a whole. The Company will continue to monitor the trends in the ratio over future years.

CEO: employee pay ratio	Method	25th percentile employee pay	50th percentile employee pay	75th percentile employee pay
2022	Option A	19:1	16:1	12:1
2021		17:1	14:1	10:1

	CEO pay	Employee pay		
		25th percentile	50th percentile	75th percentile
2022 base salary	£300,000	£26,000	£29,000	£41,000
2022 total pay and benefits	£570,000	£31,000	£35,000	£49,000

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	**2022**	2021	% change
Employee spend	**£ 33.1m**	£42.7m	-21.5%
Distributions to shareholders (including share buy-backs)	-	-	0%

7. 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 arrangements.

During 2022, the Committee had an ongoing dialogue with key shareholders across a wide variety of issues, primarily related to the hiatus regarding Director remuneration pending the successful resolution of the material uncertainties faced by the business and the need to implement an appropriate long term incentive plan when possible.

Over the course of the next year, the Committee intends to continue to engage with key investors in order to facilitate more active discussions around remuneration-related issues. The outcome of these discussions will be reported in the 2023 Directors' Remuneration Report.

Engaging with employees
NSF is committed to creating an inclusive working environment and to rewarding our employees in a fair manner. In making decisions on executive pay, the Remuneration Committee considers wider workforce remuneration and conditions. In June 2018, the Financial Reporting Council ('FRC') provided an update to the UK Corporate Governance Code (the 'Code') which included, *inter alia,* an increased focus on the link between all employee remuneration and executive remuneration. In light of the changes to the Code, the Remuneration Committee made the commitment to ensure that the approach to remuneration for all employees including within subsidiary companies will be considered when reviewing the Group's overall Remuneration Policy.

In June 2021, the Board appointed Sarah Day as the Board representative with responsibility for engagement with the Group's workforce. During 2022, Sarah attended both branch-based lending and Loans at Home forums and informal discussions until March 2022 when Loans at Home was placed into administration. In the remainder of the year, Sarah has attended a number of employee forums and 'town hall events' across the Group as well as informal employee engagement, participating in discussion in relation to all aspects of employee interests including culture, performance, business improvements, pay arrangements and communications and also taking part in Q&A sessions. Sarah provides updates to the Board regularly. Sarah has continued to have oversight of the employee surveys conducted throughout the Group (which include questions regarding pay and conditions). Summaries of the findings were fed into Group Board meetings and considered in the context of key decisions.

All-employee remuneration
As part of the Company's commitment to reward all employees in a fair manner, the Remuneration Committee makes every effort to take into account wider employee pay in setting executive remuneration. This is achieved through information being provided to Remuneration Committee meetings detailing the remuneration throughout the Company. The outcomes of these interactions include:

- wider discussion around the assessment of and timing of payment potential bonus for all senior management across the Group;
- salary increases for Executive Directors of 0% for 2023 with a review post-a successful completion of the anticipated Proposed Recapitalisation have been set in the context of a similar increase for much of the wider workforce including at subsidiary level, thereby ensuring consistency across the Group; and
- a bonus scheme being available to the majority of the Company's employees.

8. 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	Benefits/other	Total
		£000	£000	£000
Charles Gregson	**2022**	**125**	-	**125**
	2021	125	-	125
Niall Booker	**2022**	**75**	-	**75**
	2021	75	-	75
Toby Westcott[2]	**2022**	**90**	-	**90**
	2021	90	-	90

1 Toby Westcott is a Nominee Director and receives no direct remuneration from the Company. However, Alchemy Special Opportunities LLP was remunerated for the services provided by Toby Westcott through a services agreement. This figure equates to a £75,000 fee plus VAT for a full year.

Non-Executive Directors are reimbursed all reasonable 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 2023 to the Non-Executive Directors
The following table sets out the annual fee rates for the Non-Executive Directors for the period:

		2023 £000	2022 £000	% change
Chairman's fee	Charles Gregson[1]	**125**	125	0%
	Niall Booker	**75**	75	0%
Nominee Non-Executive Director fee	Toby Westcott[2]	**90**	90	0%

1 Charles Gregson will receive his fee in line with the provisions under the Remuneration Policy. Currently he receives 50% of his fee (post tax) in NSF shares or the transfer of equivalent value to facilitate the purchase of shares

2 Toby Westcott is a Nominee Director and receives no direct remuneration from the Company. However, Alchemy Special Opportunities LLP was remunerated for the services provided by Toby Westcott through a services agreement with Alchemy Special Opportunities LLP . This figure equates to a £75,000 fee plus VAT.

9. Directors' shareholding and share interests – audited

Shareholding and other interests at 31 December 2022 – 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 2022					**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 2022**
Jono Gillespie	140,000	0.23%	No	-	140,000	-	-	-
Sarah Day	11,613				11,613			
Charles Gregson	4,594,505	-	-	-	4,594,505	-	10	10
Niall Booker	576,700	-	-	-	576,700	-	-	-
Toby Westcott[1]	-	-	-	-	-	-	-	-
Total	5,322,818			-	5,322,818	-	10	10

1. As Toby is a Nominee Director, Alchemy Special Opportunities LLP is deemed to be a 'connected person'. This shareholding reflects the shareholding of Toby Westcott, Alchemy Special Opportunities LLP and other partners of Alchemy Special Opportunities LLP.

Charles Gregson continues to receive 50% of his quarterly Chairmanship fees in the form of shares. The Company most recently allocated additional funds for the purchase of 2,190,000 Ordinary Shares. This was made up of 1,000,000 purchased on 31 March 2023, and 1,190,000 purchased on 4 April 2023 resulting in a total cost (excluding dealing costs) of £9,336.00. As at 28 April 2023 Mr Gregson held 8,241,043 Ordinary Shares, representing 2.64% of the issued share capital of the Company.

None of the Directors exercised options in 2022 and as at the 31 December 2022, no Director held shares or options that were subject to performance conditions.

No scheme interests were awarded to any of the Directors during the year.

Aside from the above, no other changes took place in the interests of the Directors between 1 January 2023 and 28 April 2023.

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, 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
No Executive Directors held Non-Executive Director positions with other organisations during the year.

10. Shareholder voting

The table below shows the binding votes approving the previous Directors' Remuneration Policy.

	Votes for	%	Votes against	%	Votes withheld
2021 GM vote on Directors' Remuneration Policy	147,201,359	97.89	3,177,355	2.11	8,503,566
2018 AGM vote on Directors' Remuneration Policy	244,276,844	95.41	11,742,238	4.59	500

Part C: Directors' Remuneration Policy

The Remuneration Policy ('Policy') was approved by shareholders at the General Meeting held on 17 December 2021 with a vote in favour of 97.89% from shareholders. As outlined earlier, given the circumstances the Company faces at the current time and in light of the need for a capital injection, the Committee intends to review the policy assuming the successful completion of the Proposed Recapitalisation or Alternative Transaction. This will, should the Proposed Recapitalisation be successful, allow the Committee the opportunity to consult with shareholders (including Alchemy Special Opportunities Fund IV L.P.) regarding a suitable Remuneration Policy.

For ease of reference, the current Remuneration Policy table and our remuneration policy for the wider workforce section is included below. The full Remuneration Policy can be found on our website at **www.nsfgroupplc.com**.

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 Directors 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

The Company believes that the current remuneration structure supports and motivates their Executive Directors in furthering the Company's long-term strategic objectives including the creation of sustainable shareholder returns.

The table below sets out the key elements of the Policy for Executive Directors and how it would change from the current policy:

Remuneration Policy table for Executive Directors

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 considers factors such as: 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. This could include, but is not limited to, a change in responsibility, a significant increase in the role's scale or increase in the Group's size and complexity. Where such changes do occur, they will be fully disclosed and explained to shareholders.	A broad assessment of individual and business performance is used as part of the salary review. No recovery provisions apply.

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.	Benefits are reviewed periodically to ensure they remain market competitive. Benefits are provided to Executive Directors in accordance with contractual terms i.e. during notice period or as part of PILON arrangements. Benefits currently include: Company car 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. Pension benefits are provided to Executive Directors in accordance with contractual terms i.e. during notice period or as part of PILON arrangements.	Pension contributions are set in line with the wider workforce (currently c.8%) for both new joiners and incumbent Directors.	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. Up to 100% of the annual bonus will be paid in cash. On-target bonus: 75% of salary. Threshold bonus: 25% of salary. Attainment of performance between Threshold and Max levels will vest on a straight-line basis.	Performance targets will be set annually by the Committee based on a range of interdependent financial and non-financial measures. Financial targets govern at least 50% of bonus payments, which may include those related to profit before tax. Non-financial measures govern the balance and will include both conduct-based measures and governance-based measures. Conduct-based measures may include ensuring delivery of good customer outcomes through appropriate affordability assessments and appropriate treatment of vulnerable customers together with appropriate collections, arrears and forbearance practices. Governance-based measures aim to install robust processes with respect to control and compliance such as compliance with certification regimes and embedding monitoring of control processes. The Committee retains overriding discretion to change the formulaic outcome of the annual bonus award (both downwards and upwards) if the Committee determines it not to be aligned with the underlying performance of the Company. The Committee also 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
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.	Executive Directors are required to build and maintain (as relevant) a minimum shareholding in the Company. Executive Directors are expected to meet the guidelines within five years of joining the Board. Shares that count towards meeting the shareholding guideline include those held beneficially by the Executive Director and their spouse/life partner, as well as vested but unexercised awards valued on a net of tax basis.	The shareholding requirement is equal to 100% of salary for Executive Directors.	Not applicable
Post-employment Shareholding guidelines			
To ensure Executive Directors retain a level of alignment with shareholders for the period immediately following their termination of employment	For share awards granted from 2020 onwards for Executive Directors, a minimum level of shares must be retained following their termination of employment.	Executive Directors will be required to hold the lower of their actual shareholding on the date of termination or: 100% of the shareholding requirement for the first year post employment; and 50% of the shareholding requirement for the second year post employment	Not applicable

The approved Policy for 2021-2023 includes no provision for a Long Term Incentive. This is due to the current material uncertainties being faced by the business and the need to raise additional capital. It is envisaged that assuming the successful completion of the Proposed Recapitalisation, the Group will engage with key shareholders to formulate an appropriate long term incentive scheme, for which appropriate shareholder approval will be sought.

Discretion with the Directors' Remuneration Policy
The Committee has discretion in several areas of Policy as set out in this report including the ability to adjust remuneration outcomes upwards or downwards to ensure that they reflect the underlying performance of the Company and overall shareholder experience. The Committee may also exercise operational and administrative discretion under relevant plan rules approved by shareholders as set out in those rules.

Determining performance measures and targets
The Committee selects the performance measures and sets targets for the annual bonus on the following basis:

<u>Annual Bonus</u>
The performance measures are selected to incentivise the delivery of the Group's strategy. The focus on financial measures reflects business priorities on financial returns. Financial measures are combined with conduct- and governance-based measures to ensure a holistic assessment of Executive Director performance that is aligned to the Company' culture, values and regulatory requirements. The performance targets are determined annually by the appropriate line manager and calibrated by the Committee considering the Company's business plan, market conditions and internal and external forecasts.

Key differences in policy for Executive Directors and other employees in the Group
The remuneration principles that apply to Executive Directors are cascaded to employees as appropriate. The table below illustrates how the different elements of the Executive Director Policy apply to other employees in the Group.

Elements of remuneration	Executive Directors	Senior management	Wider workforce	Notes
Salary	✓	✓	✓	Available to all. Salary levels differ across grades or roles.
Benefits	✓	✓	✓	Available to all. Level of benefits offered may differ across grades within the Group.
Pension	✓	✓	✓	Pension contribution levels for new Executive Directors and the wider workforce are available currently at 8% of salary.
Annual bonus	✓	✓	✓	Available to the majority of employees in the Group. Performance measures may however differ across grades or teams.
All employee share plans	✓	✓	✓	Available to all, subject to any restrictions imposed by legislation.

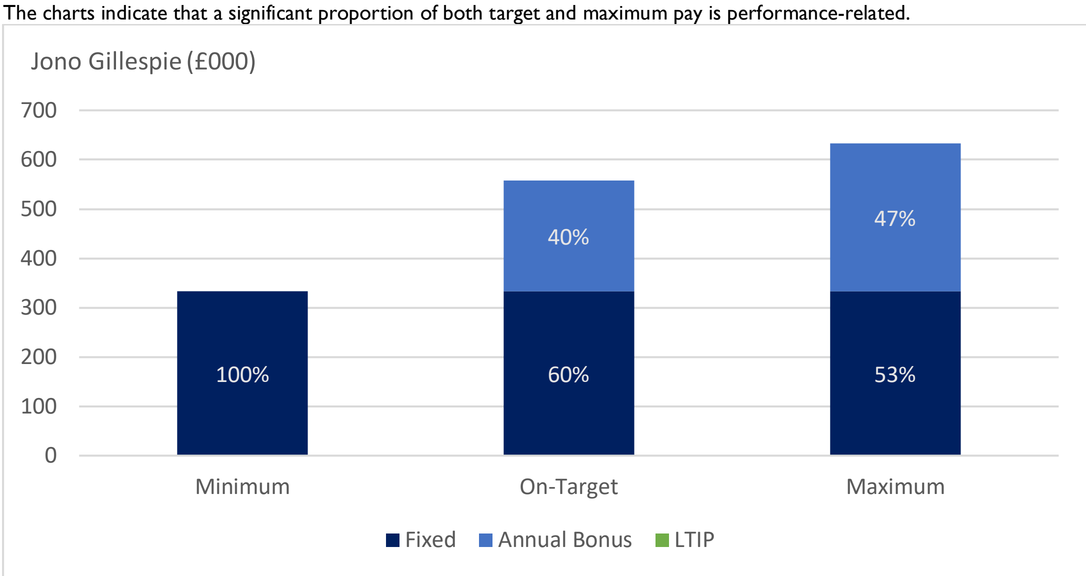
Legacy awards

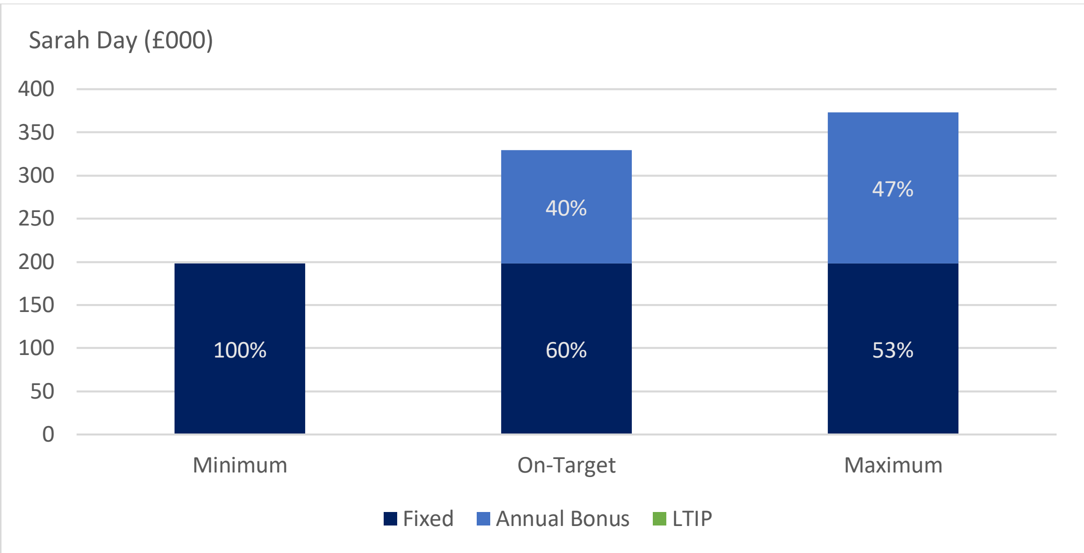
The Company will honour any remuneration-related commitments to current and former Executive Directors and Non-Executive Directors (including the exercise of any discretions available in relation to such commitments) where the terms were agreed and/or commitments made in accordance with any previous remuneration policy of the Company. Such payments or awards will be set out in the Annual Report on Remuneration in the relevant year.

2. Illustrations of application of Remuneration Policy

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

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





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

Element	Minimum	Threshold	Target	Maximum
Fixed elements				
Annual bonus	Nil	25% of maximum	75% of maximum	100% of maximum

For 2021, the Remuneration Committee determined to limit the maximum Annual Bonus payment to 50% of salary in light of the current situation faced by the Company, thereby halving the bonus percentages above for 2021. The maximum Annual Bonus payment in 2022 returned to 100%.

As the Company is not intending to implement any long-term incentive plans under this policy for Executive Directors, a 50% share price increase would have no impact on the total amount of remuneration.

3. Approach to recruitment and promotions for Executive Directors

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.
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 payments 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 Director or by the Company. The table below summarises the service contracts and letters of appointment for our current Executive Directors.

	Date of contract	Notice period
Jono Gillespie	1 April 2020	12 months
Sarah Day	27 May 2022	12 months

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

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
Pension and healthcare benefits	As per employment contract – up to 12 months following cessation of employment	None
Annual bonus	None payable.	Pro-rata bonus may be awarded dependent on reasons for leaving.

Policy on corporate transactions
In the case of a corporate transaction (e.g. takeover, material merger, winding up etc.), the Committee will determine whether awards will be:

- Exchanged for replacement awards (either in cash or shares) of equal value unless the Committee and successor company agree that the original award will continue; or
- Vest in part or in full and be released.

Where awards vest/are released, the Committee will have regard to the performance of the Company, the time elapsed between the date of grant and the relevant event and any other matter that the Committee considers relevant or appropriate.

Malus and clawback provisions
As set out in the policy table, the Committee may apply clawback and/or a malus adjustment to variable pay in certain circumstances.

Malus and clawback provision may apply to the annual bonus and long-term incentive at the discretion of the Committee where the Committee considers such action is reasonable and appropriate, for reasons such as:

- Material underperformance of the participant;
- 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.

Malus applies in the year the annual bonus is earned. Clawback applies for two years after the bonus is earned.

5. Non-Executive Director Remuneration Policy

Remuneration Policy table for Non-Executive Directors

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	Changes to policy and rationale
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 NSF shares. In exceptional circumstances, fees may also be paid for additional time spent on the Company's business outside of the normal duties. Non-Executive Directors may receive additional fees for the role of Senior Independent Director or Chairmanship of a Committee. Fees are 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.	Increases in fees will be considered with regard to salary increases received by the wider workforce or fee levels of comparable companies.	Not applicable.	No changes.
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.	

Approach to recruitment for Non-Executive Directors

Fees and Expenses for new Non-executive Director will be provided in line with the Remuneration Policy for Non-Executive Directors set out in the Policy table.

Letters of appointment

The Non-Executive Directors do not have service contracts but are appointed under letters of appointment[1].

Appointments are reviewed every three years and new appointments are made following recommendation by the Nomination Committee.

	Date of (re)appointment	Notice period by Company and Director
Charles Gregson	15 February 2021	12 months
Niall Booker	9 May 2020	6 months
Toby Westcott	1 October 2020	Immediate effect

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.

[1] *Whilst Toby Westcott has an appointment letter, as noted above he does not receive any direct remuneration in respect of his appointment and there is a service agreement between the Company and Alchemy Special Opportunities LLP (under which remuneration is paid for the services provided by Toby Westcott).*

Directors' report
for the year ended 31 December 2022

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 2022. Both the Strategic Report on pages 5 to 59 and this 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 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 5 to 59 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 20 to 26 of the Strategic Report.

Trading results and dividends
The Group's consolidated loss after taxation for the financial year was £56,359,000 (2021: loss of £29,685,000).

Given the Group's financial position and as the Company did not have any distributable reserves, it was therefore not in a position to declare a half year dividend or full year dividend in 2022. Should the Scheme be successfully sanctioned and the Proposed Recapitalisation take place, the Board intends to complete a process in due course, with shareholder and Court approval, to create sufficient distributable reserves so that the Company would be able to resume the payment of cash dividends to shareholders as soon as it was deemed appropriate to do so.

Future business developments
Information on the Company and its subsidiaries' future developments can be found in the Chairman's Statement on pages 5 to 7, the Group Chief Executive's report on pages 12 to 17 and the 2022 financial review on pages 28 to 35.

Share capital
As at 31 December 2022, the share capital of the Company consisted of 312,437,422 Ordinary Shares of £0.05 each (all of which were in issue and no shares held in treasury) and 93 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.

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.

Further details on the Company's share capital can be found in note 29 to the financial statements.

Substantial shareholdings
The Company has been notified in accordance with the Disclosure and Transparency Rules DTR-5 that as at 31 March 2023 the following investors have a substantial interest in the issued Ordinary Share capital.

The Company did not receive any further notifications pursuant to DTR 5 in the period from 31 March 2023 to 28 April 2023 (being a date not more than one month prior to the date of the Company's Notice of Annual General Meeting).

Alchemy Special Opportunities LLP	29.96%
Marathon Asset Management Limited	8.35%
Utley N	7.84%
Hargreaves Lansdown Asset Management	7.74%
Interactive Investor Services Limited	4.88%
HSBC Stockbroker Services	4.06%
Goeasy Ltd	2.98%

In accordance with the Disclosure and Transparency Rules DTR-5 as at 31 December 2022 the following investors had a substantial interest in the issued Ordinary Share capital.

Alchemy Special Opportunities LLP	29.96%
Hargreaves Lansdown Asset Management	8.54%
Marathon Asset Management Limited	8.22%
Utley N	7.84%
Interactive Investor Services Limited	5.08%
HSBC Stockbroker Services	4.01%
Goeasy Ltd	2.98%

Corporate Governance Statement
In compliance with DTR 7.2, the Board confirms that the following key listing requirements are addressed within the Annual Report;
Compliance with the Corporate Governance Code (page 62)
Internal Controls and Risk Management Systems (page 68)
Administrative, management and supervisory bodies and committees (pages 66-67)

The Directors' beneficial interests in the allotted shares of the Company as at 31 December 2022 are outlined below:

	Number of Ordinary Shares held
Jono Gillespie	140,000
Sarah Day	11.613
Niall Booker	576,700
Charles Gregson	4,594,505
Toby Westcott	-

As granted by shareholders at the 2022 AGM, the Directors currently have the power to issue and buy back the Company's shares. The Board is seeking to renew these powers at the forthcoming 2023 AGM.

In accordance with the Group's Remuneration Policy approved by shareholders on 17 December 2021, over the course of the year, the Company allocated funds for the immediate purchase of Ordinary Shares by Mr Gregson to satisfy 50% of the post-tax fees due with respect to his role as Chairman. This amounted to the purchase of 4,067,714 Ordinary Shares at a total cost of £33,925 (excluding dealing costs). The remaining 50% of fees due has been paid in cash.

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 in office during 2022:

Charles Gregson	Non-Executive Chairman
Jono Gillespie	Group Chief Executive
Sarah Day (appointed 27 May 2022)	Chief ESG Officer & Company Secretary
Niall Booker	Senior Independent Director
Toby Westcott	Nominee Non-Executive Director

The Directors and their profiles are detailed on pages 63 and 64. All of the Directors above, with the exception of Sarah Day served in office throughout the year under review.

In accordance with the Articles of Association and the UK Corporate Governance Code, each Director, with the exception of Charles Gregson, will offer themselves for re-election at the forthcoming AGM.

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 long-term success. The organisation structures of each of our operating businesses and regular staff communications help to ensure that all staff are aware of our corporate goals and are clear on how their roles help NSF to succeed.

The Company is committed to adopting employment practices which follow best practice, and 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.

During 2022, the Group continued to invest significantly in supporting the emotional and mental wellbeing of its workforce, with various initiatives in each operating division, including the expansion of 'mental health first aiders' across the Group to support staff regardless of whether they were in the office or working remotely.

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 an employee Save As You Earn share scheme which was put in place to provide employees with an opportunity to share in the Company's future success. It is expected that additional programmes aimed at enhancing employee engagement further will be developed following the successful Recapitalisation or Alternative Transaction.

Self-employed agents
Prior to the administration of the Group's home credit division on 15 March 2022, the division utilised a network of self-employed agents, each of which received regular, ongoing training to ensure that they were in a position to respond to each customer's individual needs. The training programme included: 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 33 in the notes to the financial statements.

Post-balance sheet events

The Everyday Lending Limited Directors, supported by the Group Directors, decided to pursue a scheme of arrangement to address the Group's redress liabilities and a practice statement letter for the scheme was published on 17 March 2023 (refer to note 24 for amounts provided for as part of this).
On 7 February 2023, the S.D. Taylor administrators repaid a further £3m to the Group's secured lenders, thereby reducing the Group's term loan gross debt to £252m.

Charitable and political donations

The Group made charitable donations totalling £7,269.

The Group made no political donations in the year ended 31 December 2022.

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.

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 85 to 101
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

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 AGM of the Company is scheduled to be held at 13:00 on 23 June 2023. A separate notice of meeting will be despatched to shareholders in due course and a copy made available on the Group's website: **www.nsfgroupplc.com**.

Auditor
PKF Littlejohn LLP, the external auditor for the Company, was appointed in 2021 following a full tender process. The Board will be proposing a resolution to reappoint PKF Littlejohn LLP as external auditors at the forthcoming AGM to be held on 23 June 2023.

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 they ought to have taken as a Director in order to make themselves 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
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 and Viability Statement.

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 in note 34 to 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.

Company law requires the Directors to prepare financial statements for each financial year. The consolidated and Company financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards ('IFRS Standards') adopted pursuant to Regulation (EC) No 1606/2002 as it applies to the European Union.

Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

- the Financial Statements, which have been prepared in accordance with IASs in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and loss of the Group;
- the Strategic Report includes a fair review of the development and 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 that they face; and
- the Annual Report and 2022 financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Annual Report and 2022 financial statements 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 corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board on 28 April 2023 and signed by the order of the Board.

Sarah Day
Chief ESG Officer & Company Secretary
28 April 2023

Financial Statements

Independent auditor’s report

to the members of Non-Standard Finance plc

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Non-Standard Finance Plc (the ‘parent company’) and its subsidiaries (the ‘group’) for the year ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2022 and of the group’s loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards 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.

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

Material uncertainty related to going concern

The financial statements have been prepared on a going concern basis. However, as set out in note 1, the success or risk of failure of the following factors results in material uncertainties in applying this basis of preparation:

- the agreement of extensions to testing dates or other forms of waivers from lenders in relation to the loan to value covenant and/or potential covenant breaches prior to execution of the proposed recapitalization (or the alternative transaction);
- obtaining court sanction and successful completion of the scheme of arrangement (‘scheme’) in order to remove the uncertainty around the quantum of redress liabilities;
- successful completion of equity raise by 30 June 2023 or such later date as may be agreed in writing by the majority lenders;
- agreement from secured lenders to extend the term of existing debt facilities, debt equitisation as well as other changes to the facilities (including the covenant levels);
- successful raise of a revolving credit facility at a level acceptable to its lenders and potential investors;
- the successful implementation of an alternative transaction should the capital raise itself not be successful. Under an alternative transaction the parent company may enter into an insolvency process; and
- impact of macroeconomic factors and other unforeseen factors on the financial performance of the group.

The assumptions used by management and the likelihood of them all proving correct creates material uncertainty and therefore the impact on liquidity and solvency under both the base case and downside scenarios (as described in note 1) may cast significant doubt on both the group’s and the parent company’s ability to continue as a going concern.

The group’s borrowing (£262m) disclosed in note 26 requires the loan to value (LTV) covenants to be formally tested each quarter. The LTV covenant ratios for the quarters ended 31 March 2022, 30 June 2022, 30 September 2022 and 31 December 2022 were higher than the level permitted under its LTV covenant. The LTV covenant will not be formally tested, and no covenant breach or event of default will arise, until the group provides its compliance certificates for the quarter dates. The date on which the group is required to supply these compliance certificates has been extended until 3 May 2023, with a mechanism for this date to be extended further with the lender support on a bi-weekly basis.

Under the base case scenario, the group assumes a successful scheme to allow it to proceed with planned restructuring and Recapitalisation (the ‘Proposed Recapitalisation’). Completion of the Proposed Recapitalisation is subject to the agreement of terms between lenders and the company’s largest shareholder, and a number of conditions, including court sanction of the scheme, shareholder approval, the take-up of shares under the equity raise and execution of definitive documents. Where the aforementioned conditions are satisfied, the group expects the Proposed Recapitalisation to complete at the end of the second or third quarter of 2023.

The group has agreed with its secured lenders to implement an alternative transaction if the scheme is sanctioned if the Proposed Recapitalisation is not successful. The alternative transaction results in the lenders taking control of the group. The achievement of this base case scenario is subject to the uncertainties noted above.

The group has also prepared a downside scenario which assumes an unsuccessful scheme, inability to obtain waivers to financial covenants or complete Proposed Recapitalisation (or the alternative transaction). Under this scenario, there is a material risk of the group going into insolvency.

Management has assessed these scenarios and considered the uncertainties surrounding the assumptions and have formed a judgement that it is appropriate to prepare the financial statements on the going concern basis.

As stated in note 1, these events or conditions, along with the other matters as stated in note 1, indicate that a material uncertainty exists that may cast significant doubt on the group's and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- we reviewed the Proposed Recapitalisation agreement and lock up agreement for the alternative transaction;
- we compared the Group's proposed scheme with previously successful schemes in the consumer credit sector to assess the likelihood of a court sanction;
- we held discussions with the largest shareholder and management representatives of the lenders to assess their level of support for the group's plans;
- we held discussions with the company's broker to the proposed equity raise and reviewed an independent report prepared for the board to assess the feasibility of the equity raise;
- we reviewed management's methodology of the redress provision, to determine whether the estimated redress provision is not materially misstated given the current available information;
- we reviewed a report prepared by the customer committee, which indicated support for the scheme of arrangement from borrowers;
- we reviewed correspondence from the FCA in relation to the scheme and did not note objections to the proposed scheme, although they reserve their right to oppose the proposed scheme;
- we reviewed the group's budget under the base case scenarios which covered a period of at least twelve months from signing of the financial statements by:
    - testing the mathematical accuracy and completeness of forecast considering currently available information;
    - assessing and challenging the forecast assumptions for reasonableness including consistency with each other and related assumptions used in other areas;
    - obtaining relevant documents that supports management's forecast;
    - reviewing previous performance and considering post year-end management accounts; and
    - performing a sensitivity analysis on the cashflow forecast.
- we reviewed the existing loan agreement for terms that could impact the group's going concern and verified whether waivers were obtained from the debt facility agent for financial covenants breached during the year;
- we reviewed the group's regulatory news, minutes of board meetings, management's experts and skilled individual reports to identify additional information which may impact going concern; and
- we considered and challenged the adequacy of disclosure in the context of the applicable reporting framework and to ensure a true and fair view of the financial statements.

In relation to the company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to:

- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting; and
- the directors' identification in the financial statements of the material uncertainty related to the entity's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our application of materiality

We determined the materiality for the group to be £1,110,000 (2021: £419,000) which is 0.5% of gross assets (2021: 0.2% of net loan book). The change in benchmark is due to relative stability of the group's gross asset. We believe the asset-based benchmark is appropriate given the nature of the business.

The parent company's materiality was set at £99,000 (2021: £135,000) which equalled 4% of total expenses. We believe that using expenses as the basis of determining materiality is appropriate given that the parent company is not revenue generating and its operations involve acting as the cost centre for the group.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Performance materiality has been set at 60% of the above materiality levels, to £666,000 (2021: £251,000) for the group financial statements and £59,000 (2021: £81,000) for the parent company financial statements. In determining the performance materiality, we considered a number of factors such as the history of misstatements, our risk assessment and view of the control environment. We concluded that an amount at the upper end of our range for determining performance materiality was appropriate.

We agreed with the audit committee that we would report to them all misstatements in excess of 5% of overall materiality, namely £55,000 (2021: £20,000) and £4,000 (2021: £6,000) for the group and parent company respectively. Differences below this threshold will be reported as well, if in our view they warrant reporting on qualitative grounds.

Materiality was reassessed at the closing stage of the audit and no amendments were considered necessary to the calculated level of materiality set at the planning stage of the audit.

Our approach to the audit

Our audit approach was developed by updating our existing understanding of the group's activities, the key subjective judgements used by the directors, the inherent and key audit risks in the business environment the group operates in and the overall control environment established by management. Based on this understanding, we assessed those aspect of the group's and parent company's transactions, year-end balances and disclosures which were most likely to give rise to a material misstatement and were most susceptible to irregularities, including fraud or error. Specifically, we identified what we considered to be our key audit matters and planned accordingly.

We have performed full scope audit procedures over all significant components of Non-Standard Finance Plc.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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) we identified, including 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. In addition to the matter described in the Material uncertainty related to going concern section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our scope addressed this matter
Revenue recognition	
The group's main revenue stream is interest income of £98million (2021: £132million) which is recognized based on effective interest rate (EIR) in accordance with IFRS 9 *Financial Instruments*. 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 the interest recognised 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; ● which elements are integral to loan contracts and therefore included in the EIR of the loan; ● manual adjustments to interest; ● impact of substantial loan modification on interest recognition and manual adjustments to interest; and ● appropriate application of interest on net balance for loans in Stage 3. The large volume of revenue data increases the potential risk of fraud through possible manipulation of the aforementioned factors. It is on the basis of these significant judgements and estimation that we consider revenue recognition to be a key audit matter. *Please refer to notes 1 and 3 of the financial statements for disclosures of related accounting policies and balances.*	Our work in this area included: ▪ updating our understanding of the information system and related controls relevant to interest income; ▪ evaluating the appropriateness of the information system and effectiveness of the design and implementation of the related controls; ▪ checking the completeness of interest income by the reconciliation of revenue data extracted from the loan management system to the amount recognised; ▪ testing controls over origination of loans; ▪ reviewing the EIR methodology and calculation to ensure it complies with the requirements of IFRS 9; ▪ challenging the period over which the EIR is modelled considering the contractual terms of the loans and whether all directly attributable costs and fees were identified and appropriately included in the EIR calculation; ▪ recalculating the interest income by applying the EIR for a sample of loans; ▪ testing manual adjustments to interest income for a sample of modified loans in the period through recalculation based on the modified terms of the loan; and ▪ assessing whether interest income was calculated based on the net balance of loans, after impairment, for accounts in Stage 3 and test this through recalculation. <u>Key Observations</u> Based on the work performed, we are satisfied that the revenue recognition policy is in accordance with the requirements of IFRS 9. We did not identify any material misstatement of revenue.

Impairment of Loan Receivables	
The group holds an IFRS 9 impairment provision of £35million against gross customer receivables of £212million. We have determined the IFRS 9 - loan impairment to be a significant risk given this provision entails high level of management judgment, high degree of complexity and has a material impact on the financial statements **Branch-based lending** The division's Expected Credit Loss (ECL) is estimated by reference to future cashflows based on observed historical data and updated to consider current and future conditions. The loan portfolio has been divided into segments and each segment has a corresponding standard provision rate. The standard provision rate is derived based on historic discounted collection curves. The provision against each loan is determined by multiplying the loan balance (which includes the accrued interest and unamortized broker commission) by the standard rate which is dependent on the segment the loan is assigned to. Loans that are more than 180 days in arrears are written-off and interest income is no longer recognized. The branch-based division also has loan modifications which can be substantial or non-substantial. The modification policy considers both qualitative and quantitative factors when determining whether there the modification is substantial or not. Qualitative factors include contractual cash flows after modification are no longer "solely payment of principal and interest" (SPPI), change of counterparty, the extent of change in interest rates, and maturity. The quantitative assessment that is performed to compares the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms with both amounts discounted at the original effective interest rate. **Guarantor Loans Division** The ECL methodology is consistent with that used within the branch-based lending division, in that it forecasts future cash flows, which are then discounted back at the agreements' prevailing interest rate to give a NPV of the outstanding loan balance. The main difference to branch-based lending division is the method of forecasting the collections. Historic collection curves are less predictive for GLD as the loan-book is in run off. The loan-book is segmented by delinquency stage and whether the account has been historically flagged as Covid impacted. All loans are deemed to have met the significant increase in credit risk criteria regardless of account performance due to the increased risk of customers not paying because of the brand no longer trading, and the ongoing challenges in maintaining a full and motivated collections team. Therefore, lifetime loss accounting is used for the whole portfolio, increasing the provision. Historic portfolio collection curves are no longer considered reliable enough in isolation given the materially different circumstances, so the collections and losses forecasts are based on recent roll rate trends, regularly updated if the most recent data indicates any change in trend. The future expected roll rates are also downgraded from current performance trends in recognition of the ongoing increased risk. As a result, any changes in macro-economic and internal factors are already reflected in the collect-out expectation, and hence in the provision, therefore no further macro-economic overlay is deemed necessary. *Please refer to notes 1 and 18 of the financial statements for disclosures of related accounting policies and balances.*	Our work in this area included: ▪ updating our understanding of the internal control environment in operation, undertaking a walk-through and testing key controls to ensure they have been operating in the period under audit; ▪ reviewing the methodology and procedures used in computing the ECL in accordance with IFRS 9 to ensure that they are in line with the standard; ▪ applying the business model and SPPI tests to determine whether the loan receivables are appropriately recognised at amortised cost; ▪ reviewing the accuracy of the ECL calculation and its consistency with the methodology reviewed; ▪ testing the segmentation – IFRS 9 stage and delinquency status allocated to each loan and each customer used in determining the provision rate to be applied to the outstanding loan balance, to ensure consistency with the standard; ▪ assessing management's methodology applied for the identification of a significant increase in credit risk; ▪ reviewing management's reserve adequacy or back-test to determine if historic rates used in the provisioning calculation remained appropriate; ▪ assessing and challenging management's paper on the ECL provision overlay for macro-economic factors to ensure that the provision is complete; ▪ testing management's model for determining the macro-economic overlay; ▪ testing a sample of modified loans to determine whether they have been substantially modified; ▪ ensuring that the net present value of non- ▪ substantially modified loans is calculated using the original EIR; ▪ reviewing the formulae used in each of the ECL models to ensure the consistency of the calculation and formulae in the worksheets; and ▪ testing the completeness of the data flowing into the expected credit loss calculations. Key Observations We concluded that management's judgements used in the provision calculation are reasonable and supported by a methodology that is consistently applied and compliant with IFRS 9. Our tests of control, substantive testing and review of the group's methodology did not indicate any deficiencies or departures from the requirements of IFRS 9. We did not identify any material misstatements in relation to the ECL calculation.

Laws and Regulations – Redress and professional fees provision	
The group holds a provision of £26million for customer redress and professional fees. A scheme is proposed to cap redress provisions arising from lending practices not aligned to regulatory requirements. Professional fees relating to the proposed scheme have also been included in the provision. This is considered to be an area of significant risk due to the amount of the provision and the level of estimation uncertainty in determining the redress provision. *Please refer to notes 1 and 24 of the financial statements for disclosures of related accounting policies and balances.*	Our work in this area included: ▪ reviewing management's expert paper in relation to accounting for the provision; ▪ determining the likelihood of the success of the group's proposed scheme by comparing with previously successful schemes in the consumer credit sector; and ▪ reviewing the disclosures made in the financial statements in relation to the provision. <u>Key Observations</u> The provision is based on management's assessment of the proposed scheme most likely to obtain court sanction without material modification to the key terms. We did not identify any material misstatements in relation to the amount provided.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept 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 and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate governance statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 78;
- directors' explanation as to their assessment of the parent company's prospects, the period this assessment covers and why the period is appropriate set out on page 78;
- directors' statement on whether they have a reasonable expectation that the parent company will be able to continue in operation and meets its liabilities set out on page 82;
- directors' statement that they consider the annual report and the financial statements, taken as a whole, to be fair, balanced and understandable set out on page 105;
- board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 20;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 68; and
- the section describing the work of the audit committee set out on page 77.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the group and parent company 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 group and parent company 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, review of board minutes, industry research and application of cumulative audit knowledge and experience of the sector in which the group operates.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from FCA Rules (Consumer Credit sourcebook (CONC)), Credit Consumer Acts and the Companies Act 2006.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
    - Enquiries of management
    - Review of minutes
    - Review of legal expense accounts and regulatory correspondence
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered the non-rebuttable presumption of a risk of fraud arising from management override of controls and identified revenue recognition as a risk of fraud. The Key audit matters section of our report explains the matter in more detail and describes the specific procedures performed in response to the risk.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and preliminary and final analytical review to identify any unusual or unexpected variances or relationships.

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

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

Other matters which we are required to address

We were appointed by the audit committee on 19 July 2021 to audit the financial statements for the period ending 31 December 2021 and subsequent financial periods. Our total uninterrupted period of engagement is 2 years, covering the periods ended 2021 to 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

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

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

15 Westferry Circus
Canary Wharf
London E14 4HD

28 April 2023

Financial statements

Consolidated statement of comprehensive income

for the year ended 31 December 2022

	Note	Before exceptional items £000	Exceptional items[3] £000	Year ended 31 Dec 2022 £000
Revenue[1]	3	**98,337**	-	**98,337**
Other operating income		173	-	173
Modification loss	18	(262)	-	(262)
Impairment of financial assets[2]		(27,890)	-	(27,890)
Administrative expenses		(65,898)	-	(65,898)
Operating profit/(loss)	4	**4,460**	**-**	**4,460**
Exceptional items	7	-	(31,768)	(31,768)
Profit/(loss) on ordinary activities before interest and tax		**4,460**	**(31,768)**	**(27,308)**
Finance costs	10	(29,051)	-	(29,051)
Loss on ordinary activities before tax		**(24,591)**	**(31,768)**	**(56,359)**
Tax on loss on ordinary activities	12	-	-	-
Loss for the year		**(24,591)**	**(31,768)**	**(56,359)**
Total comprehensive loss for the year				**(56,359)**

1 Revenue comprises interest income calculated using the EIR method. Refer to note 1 in the notes to the financial statements for further detail.
2 Impairments comprise expected credit losses on amounts receivable from customers. Refer to notes 1 and 18 in the notes to the financial statements for further detail.
3 Refer to the appendix for detail of alternative performance measures used ('APMs'). Refer to note 7 in the notes to the financial statements for further detail.

Loss attributable to:

• Owners of the Parent	**(56,359)**
• Non-controlling interests	-

Loss per share

	Note	Year ended 31 Dec 2022 Pence
Basic and diluted	11	**(18.04)**

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

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	Note	Before exceptional items £000	Exceptional items[3] £000	Year ended 31 Dec 2021 £000
Revenue[1]	3	131,387	-	131,387
Other operating income		983	-	983
Modification loss	18	(2,861)	-	(2,861)
Impairment of financial assets[2]		(24,163)	-	(24,163)
Exceptional provision for customer redress	7	-	(2,207)	(2,207)
Administrative expenses		(96,047)	-	(96,047)
Operating profit/(loss)	4	9,299	(2,207)	7,092
Other exceptional items	7	-	(10,723)	(10,723)
Profit/(loss) on ordinary activities before interest and tax		9,299	(12,930)	(3,631)
Finance costs	10	(25,979)	-	(25,979)
Profit/(loss) on ordinary activities before tax		(16,680)	(12,930)	(29,610)
Tax on profit/(loss) on ordinary activities	12	(75)	-	(75)
Profit/(loss) for the year		(16,755)	(12,930)	(29,685)
Total comprehensive loss for the year				(29,685)

1 Revenue comprises interest income calculated using the EIR method, refer to note 1 in the notes to the financial statements for further detail.
2 Impairments comprise expected credit losses on amounts receivable from customers. Refer to notes 1 and 18 in the notes to the financial statements for further detail.
3 Refer to the appendix for detail of alternative performance measures. Refer to note 7 in the notes to the financial statements for further detail.

Loss attributable to:	
• Owners of the Parent	(29,685)
• Non-controlling interests	-

Loss per share

	Note	Year ended 31 Dec 2021 Pence
Basic and diluted	11	(9.50)

Consolidated statement of financial position

as at 31 December 2022

	Note	31 Dec 2022 £000	31 Dec 2021 £000
ASSETS			
Non-current assets			
Intangible assets	14	**2,886**	**2,772**
Deferred tax asset	28	**-**	**–**
Right-of-use asset	16	**6,834**	**7,877**
Property, plant and equipment	15	**2,999**	**3,925**
Amounts receivable from customers	18	**101,969**	**98,836**
		114,688	**113,410**
Current assets			
Amounts receivable from customers	18	**75,135**	**109,148**
Trade and other receivables	20	**1,363**	**2,526**
Corporation tax asset	20	**-**	**1,477**
Cash and cash equivalents	21	**32,783**	**114,577**
		109,281	**227,728**
Total assets		**223,969**	**341,138**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	23, 26	**28,365**	**18,375**
Provisions	24	**30,690**	**25,643**
Lease liability	25	**1,765**	**2,129**
Loans and borrowings	26	**255,000**	**-**
Total current liabilities		**315,820**	**46,147**
Non-current liabilities			
Lease liability	25	**5,695**	**7,416**
Loans and borrowings	26	**-**	**328,762**
Total non-current liabilities		**5,695**	**336,178**
Equity			
Share capital	29	**15,621**	**15,621**
Share premium	30	**180,019**	**180,019**
Other reserves	31	**255**	**255**
Retained loss		**(293,441)**	**(237,082)**
Total equity		**(97,546)**	**(41,187)**
Total equity and liabilities		**223,969**	**341,138**

These financial statements were approved by the Board of Directors on 28 April 2023
Signed on behalf of the Board of Directors.

Jono Gillespie
Group Chief Executive

Consolidated statement of changes in equity

for the year ended 31 December 2022

	Note	Share capital £000	Share premium £000	Other reserves £000	Retained loss £000	Non-controlling interest £000	Total £000
At 31 December 2020		15,621	180,019	551	(207,727)	–	(11,536)
Total comprehensive loss for the year		–	–	–	(29,685)	-	(29,685)
Transactions with owners, recorded directly in equity:							
Dividends paid	13	–	–	–	–	–	–
Credit to equity for equity-settled share-based payments	31	–	–	34	–	–	34
Transfer of share-based payments on vesting of share awards	31	–	–	(330)	330	–	–
At 31 December 2021		15,621	180,019	255	(237,082)	–	(41,187)
Total comprehensive loss for the year		–	–	–	(56,359)	-	**(56,359)**
Transactions with owners, recorded directly in equity:							
Dividends paid	**13**	–	–	–	–	–	–
At 31 December 2022		**15,621**	**180,019**	**255**	**(293,441)**	–	**(97,546)**

Consolidated statement of cash flows

for the year ended 31 December 2022

	Note	**Year ended 31 Dec 2022 £000**	Year ended 31 Dec 2021 £000
Net cash from/(used in) operating activities	32	**17,916**	57,762
Cash flows from/(used in) investing activities			
Purchase of property, plant and equipment	15	**(315)**	(261)
Purchase of software intangibles	14	**(1,092)**	(2,514)
Proceeds from sale of property, plant and equipment		**4**	17
Reduction in cash resulting from derecognition of home credit division in administration		**(7,062)**	-
Net cash from/(used in) investing activities		**(8,465)**	(2,758)
Cash flows from/(used in) financing activities			
Finance cost		**(24,549)**	(15,832)
Repayment of principal portion of lease liabilities		**(1,696)**	(2,551)
Repayment of loans and borrowings		**(65,000)**	-
Dividends paid	13	**-**	-
Net cash from/(used in) financing activities		**(91,245)**	(18,383)
Net increase/(decrease) in cash and cash equivalents		**(81,794)**	36,621
Cash and cash equivalents at beginning of year		**114,577**	77,956
Cash and cash equivalents at end of year	21	**32,783**	114,577

Company statement of financial position

as at 31 December 2022

	Note	31 Dec 2022 £000	31 Dec 2021 £000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**3**	1
Intangible assets	14	**7**	29
Deferred tax	28	**-**	-
Right-of-use assets	16	**59**	40
Investments	17	**-**	-
		69	70
Current assets			
Trade and other receivables	20	**334**	9,887
Cash and cash equivalents	21	**1,050**	32
		1,384	9,919
Total assets		**1,453**	9,989
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	23	**6,850**	5,496
Lease liability	25	**11**	7
Non-current liabilities			
Lease liability	25	**51**	33
Total liabilities		**6,912**	5,536
Equity			
Share capital	29	**15,621**	15,621
Share premium	30	**180,019**	180,019
Other reserves	31	**255**	255
Retained profit		**(201,354)**	(191,442)
Total equity		**(5,459)**	4,453
Total equity and liabilities		**1,453**	9,989

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.

Total comprehensive loss for the financial year reported in the financial statements for the Company was £9.9m (2021: loss of £23.3m).

These financial statements were approved by the Board of Directors on 28 April 2023.

Signed on behalf of the Board of Directors.

Jono Gillespie
Group Chief Executive

Company number – 09122252

Company statement of changes in equity

for the year ended 31 December 2022

	Note	Share capital £000	Share premium £000	Other reserves £000	Retained profit £000	Total £000
At 31 December 2020		15,621	180,019	551	(168,415)	27,776
Total comprehensive loss for the year		-	-	-	(23,324)	(23,324)
Transactions with owners, recorded directly in equity:						
Dividends paid	13	-	-	-	-	-
Credit to equity for equity-settled share-based payments	31	-	-	9		9
Transfer of share-based payments on vesting of share awards	31	-	-	(305)	297	(8)
At 31 December 2021		15,621	180,019	255	(191,442)	4,453
Total comprehensive loss for the year					**(9,912)**	**(9,912)**
Transactions with owners, recorded directly in equity:						
Dividends paid	13	**-**	**-**	**-**	**-**	**-**
At 31 December 2022		**15,621**	**180,019**	**255**	**(201,354)**	**(5,459)**

Company statement of cash flows

for the year ended 31 December 2022

	Note	**Year ended 31 Dec 2022 £000**	Year ended 31 Dec 2021 £000
Net cash from /(used) in operating activities	32	**1,038**	(376)
Cash flows from /(used) investing activities			
Purchase of software intangibles, property, plant & equipment and right of use assets	15	**(2)**	(129)
Sale of Property, plant & equipment		**-**	2
Net cash from /(used) investing activities		**(2)**	(127)
Cash flows from /(used) financing activities			
Finance cost		**(5)**	(16)
Repayment of principal portion of lease liabilities		**(13)**	(2)
Dividends paid	13	**-**	–
Net cash from /(used) in financing activities		**(18)**	(18)
Net increase/(decrease) in cash and cash equivalents		**1,018**	(521)
Cash and cash equivalents at beginning of year		**32**	553
Cash and cash equivalents at end of year	21	**1,050**	32

Notes to the financial statements

General information
Non-Standard Finance plc (the 'Company') is a public limited company, limited by shares, incorporated and domiciled in the United Kingdom. The address of the registered office is The Bothy, The Nostell Estate Yard, The Nostell Estate, Nostell, Wakefield, West Yorkshire, WF4 1AB.

1. Accounting policies

Basis of preparation
The consolidated and Company financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards ('IFRS Standards') as adopted by the United Kingdom.

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as value in use ('VIU') in IAS 36 Impairment of Assets.

On 15 March 2022, the Company's indirect subsidiary S.D Taylor Limited (trading as 'Loans at Home' and forming the home credit division of the Group) was placed into administration. As a result, the financial statements of the home credit division for the prior year ended 31 December 2021 were prepared on a basis other than going concern. This required carrying value of the assets to be at the amounts they were expected to realise and the liabilities included any amounts for onerous contracts as a result of the administration. In all other respects the financial statements have been prepared in accordance with the accounting framework.

As Non-Standard Finance plc retained control of the division up to the date of administration, the financial statements of S.D. Taylor have been consolidated and are reported in the Group financial statements for the current year up to 14 March 2022 and the prior year for the full year. The financial statements of the Group have been prepared on a going concern basis with the exception of the home credit division which was prepared on non-going concern basis (as described above).

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 2022. 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 any subsidiaries acquired during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition.

As noted above, the Group's home credit division (S.D. Taylor Limited) was placed into administration on 15 March 2022. Up to the date of administration, Non-Standard Finance plc retained control of the division and as such, in line with IAS 10, its results have been consolidated to 14 March 2022 for the purposes of these financial statements. The appointment of an administrator on 15 March 2022 represents a loss of control by Non-Standard Finance plc, and as such, the home credit division has been derecognised from this date and the effect of this reflected in the current year ended 31 December 2022 financial statements.

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

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

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

Going concern
As noted in the 2022 Half Year Results, the Group's subsidiary S.D. Taylor Limited (which traded as Loans at Home) was placed into administration on 15 March 2022. As the operations and activities of Loans at Home were separate from the rest of the Group, having received certain waivers from the Group's secured lenders, the administration of Loans at Home has had minimal impact on the existing funding arrangements of the Group.

For the quarters ended 31 March 2022, 30 June 2022, 30 September and 31 December 2022, the Group's loan to value (LTV) ratio was higher than the level permitted under its LTV covenant. The Group has agreed extensions with its lenders such that the LTV covenant will not be formally tested, and no covenant breach or event of default will arise, until the Group provides its compliance certificates for the aforementioned quarter dates. The date on which the Group is required to supply these compliance certificates has been extended until 17 May 2023, with a mechanism for this date to be extended further with lender support.

The Group is pursuing a scheme of arrangement (the "Scheme") in order to resolve its outstanding regulatory issues, so as to allow it to proceed with its planned restructuring and Recapitalisation (the "Proposed Recapitalisation"). The Proposed Recapitalisation has the support in principle of the Company's largest shareholder and the Group's secured lenders, subject to agreement on the terms and other conditions described below and, in the case of the Company's largest shareholder, further diligence on and its assessment of the Group's revised business plan and financial projections.

Completion of the Proposed Recapitalisation is subject to the agreement of terms between lenders and the Company's largest shareholder, and a number of conditions, including Court sanction of the Scheme, shareholder approval, the take-up of shares under the equity raise and execution of definitive documents. Assuming all the above outlined conditions are satisfied (the "Conditions"), the Group expects the Proposed Recapitalisation to complete at the end of Q2 2023 or the start of Q3 2023. The Group has also agreed with its secured lenders to implement an alternative transaction if the Scheme is sanctioned but the Conditions outlined on page 2, to the Proposed Recapitalisation are not satisfied (the "Alternative Transaction").

Although the independent review of the Group's branch-based lending division carried out in 2021 identified no systemic issues requiring redress, as this division and the guarantor loans division (now in collect-out) trade out of the same legal entity (Everyday Lending Limited), the Scheme encompasses potential claims from both divisions in order to ensure equitable treatment of customers. On 17 March 2023, the Group sent out a practice statement letter to its creditors and a first court hearing is scheduled for 28 April 2023.

In light of the above, the Group has produced two possible scenarios as part of its going concern assessment:

(i) the base case scenario assumes:
   a. the Scheme is successful;
   b. the Scheme is sanctioned by the court by the end of June 2023;
   c. a substantial equity injection is received in late Q2 or early Q3 2023 (the Proposed Recapitalisation);
   d. the Group has obtained extensions to the testing dates and/or other forms of waivers from its secured lenders for potential covenant breaches to enable it to proceed with the Proposed Recapitalisation;
   e. the extension of the term of the Group's debt facilities and write-off of a portion of the debt on terms acceptable to investors;
   f. the Group is able to raise a revolving credit facility at a level acceptable to its lenders and potential investors; and
   g. should the Proposed Recapitalisation be unsuccessful, the Alternative Transaction is implemented which would preserve the branch-based lending business and a going concern, but which, if implemented, would result in no recovery for the Company's current shareholders and the Company may enter into an insolvency process.

(ii) the downside scenario assumes:
   a. the Scheme is unsuccessful;
   b. the Group is unable to complete the Proposed Recapitalisation (or the Alternative Transaction), whilst no acceptable alternative to the base case that is capable of implementation is agreed between the Group and its secured lenders, resulting in the secured lenders enforcing their security and the Group going into an insolvency process;
   c. the Group is not granted extensions to the testing dates and/or other forms of waivers from its secured lenders of covenant breaches and the Group's secured lenders become entitled to enforce their security, resulting in the Group entering an insolvency process; and
   d. as a result of the Group entering into an insolvency process, no return for current shareholders and a significantly reduced return for secured lenders.

The above downside assumptions are not mutually exclusive. The Group's ability to complete the Proposed Recapitalisation or the Alternative Transaction is entirely dependent on the success of the Scheme.

The base case scenario is entirely dependent upon the base case assumptions listed above proving true. In addition, it is dependent on factors such as the impact of the cost-of-living crisis and other macroeconomic uncertainties on performance as well as any further changes in the environment not varying materially from that assumed in the base case.

The Directors continue to maintain a regular dialogue with key stakeholders including the Company's largest shareholder and Group's secured lenders regarding the above matters.

The Directors acknowledge the considerable challenges presented by the uncertainty around the:

- success of the Scheme;
- the ability of the Group to raise sufficient capital in the timeframes required;
- the agreement of extensions to the testing dates and other forms of waivers from secured lenders in relation to potential future covenant breaches and the implementation of the Scheme and the Proposed Recapitalisation (or the Alternative Transaction);
- the agreement from secured lenders to extend the term of existing debt facilities and to write off a portion of their debt as well as agree other changes to the facilities (including the covenant levels); and
- the impact of macroeconomic uncertainties and other unforeseen factors on the financial performance of the Group.

In making their overall assessment on going concern, the Directors considered both the balance sheet solvency and the liquidity position of the Group and Company. In connection with the former, the Proposed Recapitalisation would create a positive net asset position. In connection with the latter the Directors have taken into consideration the impact of the Proposed Recapitalisation on the existing cash balances which would then be available to the business. This combination would provide sufficient liquidity throughout the going concern period. Whilst essential for the future of the Group and Company, the Proposed Recapitalisation would materially dilute the interest of current shareholders, most likely to negligible value unless they chose to participate in the Proposed Recapitalisation. However, the Proposed Recapitalisation is dependent on the Conditions listed on page 2, including the sanctioning of the Scheme by the Court, and this dependency creates a material uncertainty.

The secured lenders continue to provide short-term waivers of the Group's loan to value covenant, ensuring the Group has the liquidity to pursue the Scheme and the Proposed Recapitalisation (or the Alternative Transaction in the event the Conditions outlined on page 2, to the Proposed Recapitalisation are not satisfied, which, if implemented, would result in no recovery for the Group's current shareholders), however the Directors recognise that, in the absence of the secured lenders granting the necessary extensions to the testing dates or other forms of waivers in respect of potential future covenant breaches, cash balances may not be available to the Group or Company. With regard to the balance sheet solvency of the Group, the Directors noted that under the base case scenario, assuming the Group is able to raise sufficient equity within the timeframes required, the Group returns to a net asset position post Proposed Recapitalisation and remains there for the going concern period.

As noted above, the Group has agreed the Alternative Transaction in the event that the Scheme is sanctioned but the Proposed Recapitalisation is unsuccessful, which would preserve the branch-based lending business as a going concern. However, there is no certainty that the Alternative Transaction would necessarily be successful and, in this scenario, there would be no recovery for the Company's current shareholders and the Company may enter into an insolvency process. Should the going concern assumption not be appropriate, the assets of the Company would have to be reduced to their market value which is expected to be £nil and require the recognition of contractual commitments which would become onerous in relation to the lease liability held at the Company totalling £62k as at 31 December 2022.

Despite the material uncertainties associated with the forecast assumptions, the Directors note that the Group's largest shareholder and secured lenders are supportive in principle, of the Proposed Recapitalisation, subject to agreement on the terms and the satisfaction of certain conditions, including further diligence on and its assessment of the Group's revised business plan and financial projections as outlined in the Conditions noted earlier on page 2.

The Directors believe that if the actual outcomes do not differ materially from the assumptions outlined in the base case, the Group can reasonably expect to continue to operate and meet its respective liabilities as they fall due for at least the next 12 months. In regards to the Company, the Directors believe that under the base case which assumes a successful Proposed Recapitalisation, the Company can reasonably expect to continue to operate and meet its respective liabilities as they fall due for at least the next 12 months. However, should the Alternative Transaction be implemented, there would be no recovery for the Company's current shareholders and the Company may enter into an insolvency process. Accounting standards require that financial statements are prepared on a going concern basis unless the Directors either intend to liquidate the entity or to cease trading or have no realistic alternative but to do so. The Directors therefore believes it remains appropriate to prepare the financial statements on a going concern basis whilst recognising the material uncertainties that remain. The Directors acknowledge that, whilst a scheme of arrangement is complex, time consuming and not guaranteed to be successful, they believe that there is a reasonable chance of success. The Directors' position is, in part, informed by the favourable performance to date against plan, support the Group has received from its secured lenders to date, including a contractual commitment to the Alternative Transaction, in the event the Proposed Recapitalisation fails, and the fact that the Company's largest shareholder remains supportive in principle of the Proposed Recapitalisation subject to the Conditions outlined previously on page 2. The Director's notes that although the Group has contractual commitments from its secured lenders to support the Alternative Transaction, there is a risk that it will not be possible to implement either the Proposed Recapitalisation or the Alternative Transaction. In these circumstances, if neither the Proposed Recapitalisation nor the Alternative Transaction has been implemented by 31 December 2023, it will not be possible to pay the Scheme fund into a nominated trust account and the Scheme will fail.

As previously mentioned, the Directors recognise there are a high number of assumptions and variables in the modelling of the base case which are not directly within the Group's control and have therefore concluded that a material uncertainty exists which may cast significant doubt over the Group and Company's ability to continue as a going concern and therefore, that the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business.

Should the going concern assumption not be appropriate, the assets of the Group would have to be reduced to their market values and the liabilities would have to include any amounts for onerous contracts and in addition, is likely to result in an increase in the amount of the redress provision.

The Directors will continue to monitor the Group and Company's financial position (including access to liquidity and balance sheet solvency) carefully as a better understanding of the impact of these various factors is developed. The Directors recognise the importance of the success of the Scheme and the Proposed Recapitalisation to mitigate the uncertainties noted above and to support the future growth prospects of the Group. The Directors will also continue to monitor the Group and Company's risk management and internal control systems.

Significant judgement

The below factors form a significant judgement of the Directors in the context of approving the Group and Company's going concern status:

- the assumption of a successful completion of the Scheme,
- support in principle from the Group's largest shareholder for the Proposed Recapitalisation,
- lender support for waivers and the Proposed Recapitalisation,
- the extension of existing financing facilities and partial write-off of debt as part of the Proposed Recapitalisation,
- the continued performance of the Group and that the outcomes are not materially different to those assumptions envisaged under the base case, and
- should the Proposed Recapitalisation be unsuccessful, lender support for the Alternative Transaction which would preserve the branch-based lending business and a going concern, but which, if implemented, would result in no recovery for the Company's current shareholders and the Company may enter into an insolvency process.

Changes in accounting policies and disclosures

New and amended standards and interpretations for the financial year ending 31 December 2022

There are no other new IFRSs or International Financial Reporting Interpretations that are effective for the first time for the year ended 31 December 2022 which have a material impact on the Group. The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective (effective 1 January 2023): Amendments to IAS 1, Presentation of financial statements on classification of liabilities; IFRS 17, Insurance contracts; Amendments to IAS 8, Definition of accounting estimates; Amendments to IAS 12, Deferred tax relating to assets and liabilities from a single transaction, and IFRS Practice statement 2, disclosure of accounting policy

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

Alternative Performance Measures

The Group uses Alternative Performance Measures ('APMs') to monitor the financial and operational performance of each of its business divisions and the Group as a whole. The APMs are consistent with how the business is managed and therefore seek to adjust reported metrics for the impact of non-cash and other accounting charges that make it difficult to see the underlying performance of the divisions and the Group. The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business. The APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board. Some of these measures are also used for the purpose of setting remuneration targets. These adjusted metrics are described as 'normalised'. Normalised figures are reported results before fair value adjustments, amortisation of acquired intangibles and exceptional items. APMs are reviewed on an annual basis and any changes require Board approval. For the year ended 31 December 2022, APMs remain unchanged from the prior year. Refer to the Appendix for a glossary of APMs and reconciliation to IFRS reported numbers.

Revenue recognition

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

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

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

Coronavirus Job Retention Scheme
Under the CJRS, employers receive compensation from the government for part of the wages, associated National Insurance Contributions ('NIC') and employer pension contributions of employees who have been placed on furlough. The grant receipts have been measured at the fair value of the assets receivable and have been recognised under the performance model.

Under the performance model, grants shall be recognised:
- when received, where the grant does not impose future performance-related conditions on the recipient; or
- when performance-related conditions are met, where the grant imposes such conditions on the recipient.

Under the CJRS grant, the Company deems all performance related conditions to have been met when the claim was submitted, therefore income is recognised when received and no contingent liability has been recognised in the accounts for future liabilities in relation to this grant.

The amount received and included within operating income for the year as part of the CJRS is £nil in 2022 (2021: £0.06).

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 reviews information about segment assets and liabilities. For this purpose, all assets and liabilities are allocated to reportable segments with the exception of acquired intangible assets and current and deferred tax assets and liabilities.

Fair value of acquired loan book
Fair value of acquired loan book is assessed under IFRS 9 as part of the Group's assessment of ECL. The value of acquired loan books on acquisition as at 31 December 2022 was £nil (2021: £nil).

Agent commission – home credit – placed into administration on 15 March 2022
Agents are paid commission on collections only and not what they lend to customers; this ensures loans are affordable at the point at which loans are issued and collected. Affordability is reassessed each time an existing customer refinances and agents are paid a lower commission rate on settled balances. Agents are also paid for recruiting new customers. Collecting commission is accounted for on a cash basis in the month incurred, whilst new customer commission is deferred over the life of the loan.

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 has incurred £31.8m of exceptional costs for the year ended 31 December 2022 (2021: £12.9m). Refer to note 7 for further detail.

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

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

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

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

Deferred tax liabilities in the Company 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 when an indicator of impairment exists, and is carried at cost less accumulated impairment losses. Impairment is tested by comparing the carrying value of the CGU with the recoverable amount of the relevant CGU. Expected future earnings and cash flows 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.

All remaining goodwill was fully written off in year ended 31 December 2020. The balance of goodwill therefore remains at £nil for the current and prior year.

Discontinued operations
The Group considers a discontinued operation to be a component of the Group that either has been disposed of or is classified as held for sale. The component must also represent either a separate major line of business or geographical area of operations, and must be part of a single coordinated plan with regards to its disposal. If a component of the Group is to be abandoned, and it also meets the above criteria for a discontinued operation, then its results and cash flows will be presented as a discontinued operation at the date on which it ceases to be used.

Cash generating units
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ('CGUs'). In line with the operation segments reported by the Group, the Board consider home credit (Loans at Home), branch-based lending (Everyday Loans) and guarantor loans (George Banco and TrustTwo) as three CGUs, as each operate as standalone divisions and generate cash inflows that are largely independent of the cash inflows from other assets. The aggregation of George Banco and TrustTwo into a single CGU is consistent with IAS 36 which permits such aggregation provided that the CGU to which goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes; and is not larger than an operating segment, as defined by paragraph 5 of IFRS 8 Operating Segments, before aggregation.

Intangible assets
Intangible assets include IT software development and computer software. Intangible assets in the prior years also included acquired intangibles in respect of the customer list and credit decisioning technology at Everyday Loans, together with the Everyday Loans and TrustTwo brands which were fully amortised and impaired in the prior years.

The Directors will assess each of the Group's remaining intangible assets for impairment 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
Broker relationships	2 to 3 years
Credit decisioning technology	4 years
Brand	Between 1 and 5 years
Software	3 to 5 years

Project costs associated with the development of computer software and website are capitalised where the software is a unique and identifiable asset controlled by the Group and will generate future economic benefits. These assets are amortised on a 20% straight-line basis over their estimated useful lives once the development phase has been completed. Project costs are stated at cost less accumulated depreciation and any recognised impairment loss.

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 or valuation of property, plant and equipment in order to write off such cost or valuation over the expected useful lives as follows:

Group	
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
Company	
Computer and other equipment	20% straight-line
Fixtures and fittings	20% straight-line
Motor vehicles	25% straight-line

Investments
Investments in subsidiaries and associates are stated at cost less, where appropriate, provisions for impairment. In line with IAS 36, the investments in subsidiaries and associates are assessed for indications of impairment at the end of each reporting period (and if any such indication exists, the recoverable amount is estimated and compared to carrying value) and on an annual basis.

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

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

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

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

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

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

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

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

The Group does not use hedge accounting.

Trade and other receivables
Trade and other receivables are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the EIR method. Intercompany loans have been assessed for impairment; refer to note 18 and 20 for further detail.

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

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

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

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

Home credit – placed into administration on 15 March 2022
All customer accounts in home credit are categorised into the three broad stages as defined in IFRS 9. Categorisation into these stages has been made in accordance with their arrears stage which is based on missed payments in the last 13 weeks. As IFRS 9 requires that lenders provide for the 12-month ECL which represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date (stage 1), although the underlying cash flows from those loans which are currently performing in line with expectations are unchanged, this effectively results in the recognition of loan loss provisions at the point of issue and captures all loans which do not fall under stages 2 and 3.

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

IFRS 9 also requires the external environment to be considered as part of the calculation of ECL in the form of a macroeconomic adjustment. Due to the nature of the home credit industry and based on historical evidence, management determined that the effect of traditional macroeconomic downside indicators is minimal and therefore such an adjustment is not necessary.

On 15 March 2022, the home credit division was placed into administration. This event was deemed to represent a significant increase in credit risk and therefore the loss allowance for all loans in the prior year ended 31 December 2021 was measured as the lifetime ECL and loans were reflected in stage 2 and 3. The division was derecognised from the Group on at the date of administration and therefore is no longer part of the Group as at 31 December 2022.

Branch-based lending and guarantor loans
Customer accounts have been categorised into the three stages as defined in IFRS 9 with reference to the following criteria:

- Loans in stage 1 which comprise of amounts receivable from customers which have had no arrears for at least the last 6 months, and which are without a default event (in line with IFRS 9, the definition of default is over 90 days in arrears) or a modification in the last 12 months.
- Loans in stage 2 which comprise of amounts receivable from customers which show a significant increase in credit risk since origination, determined by management to be:
  - Loans which have been 5 or more days (but less than 90 days) past due at any time in the last 6 months
  - Loans which have been 90 or more days past due in the last 12 months, but have had no arrears in the last 6 months
  - Loans which have been subject to forbearance in the last 12 months.
- Loans in stage 3 which comprise of amounts receivable from customers with a default event in the last 12 months which have not demonstrated sufficient recovery to move to stage 2 (defined as no arrears in the last 6 months), as well as those accounts identified as insolvent.

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

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

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

Significant increase in credit risk ('SICR')

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

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

Home credit
On 15 March 2022, the home credit division was placed into administration. This event was deemed to represent a significant increase in credit risk and therefore the loss allowance for all loans in the prior year ended 31 December 2021 was measured as the lifetime ECL and loans were reflected in stage 2 and 3. The division was derecognised from the Group on at the date of administration and therefore is no longer part of the Group as at 31 December 2022.

Branch-based lending and guarantor loans
Within the branch-based lending division there are three ways a customer account can demonstrate SICR:
- 5 days past due performance bucket in the last 6 months;
- All accounts subject to a curing treatment, including both reschedules and deferments, within the last 12 months;
- All accounts which have had a default event (90 or more days past due) in the last 12 months.

In the guarantor loans division, the decision taken on 30 June 2021 to place the division into a managed run-off is deemed to represent a significant increase in credit risk and therefore the loss allowance for all loans is measured as the lifetime ECL.

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

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

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

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

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

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

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

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

When the contractual terms of a financial asset are modified and is not considered substantial so does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:
- the remaining lifetime PD, estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

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

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

Write-off policy

Branch-based lending and Guarantor Loans Division

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

Home credit

For the purpose of accounting in the financial statements, a customer's balance is fully written-off at the point the customer has gone 26 consecutive weeks without any payment. Before this point the balance is heavily provided for in line with IFRS 9. Whilst the customer account is written-off from our financial statements, it remains active whilst we explore any remaining methods of recovery.

The home credit division was placed into administration on 15 March 2022 and so has been derecognised from the Group at this date.

Derivative financial assets

In the prior years, the Group used an interest rate cap to manage the interest rate risk arising from the long-term loans and borrowings held within the Group.

Derivatives are initially recognised at their fair value on the date a derivative contract is entered into and are subsequently remeasured at each reporting date to their fair value. The Group measures fair value in accordance with IFRS 13, which defines fair value as the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. The Group cancelled its interest rate cap in November 2021 and has not entered into any derivatives during the year ended 31 December 2022 (31 December 2021: none)

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

Financial liabilities and equity

Financial liabilities and equity instruments issued 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.

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

Loans and borrowings

Borrowings are recognised initially at fair value, being issue proceeds less any transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds less transaction costs and the redemption value is recognised in the income statement over the expected life of the borrowings using the EIR. Borrowings are classified as current liabilities unless the Group or Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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

Provisions

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

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

Defined contribution pension schemes

The Group operates a defined contribution pension scheme. Contributions payable to the Group's pension schemes are charged to the income statement in the period to which they relate.

Dividends

Dividend distributions to the Company's shareholders are recognised in the Group and Company's financial statements as follows:

- Final dividend: when approved by the Company's shareholders at the Annual General Meeting; and
- Interim dividend: when declared by the Company.

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 applies the requirements of IFRS 2 Share-based Payments. In the prior years, the Group granted options under employee savings-related share option schemes (typically referred to as SAYE schemes) and long-term incentive schemes in. All of these schemes were 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 31 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.

Leases
The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (less than £5,000). For these leases, the Group recognises the lease payments as an operating expense (included within administrative expenses in the consolidated statement of comprehensive income) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the EIR method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Impairment of right-of-use assets is reviewed where circumstances indicate that the carrying value of an asset may not be fully recoverable. The entity did not use the practical expedient per IFRS 16 paragraph 46A rent concessions resulting from COVID-19.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset unless those costs are incurred to produce inventories. The Group does not hold any inventories as at 31 December 2022 (2021: none).

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Group does not have any leases that include purchase options or transfer ownership of the underlying asset.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The Group does not have any lease payments which fall under the definition of variable lease payments.
For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has used the practical expedient which allows the recognition of a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within administrative expenses in the consolidated statement of comprehensive income.

2. Critical accounting judgements and key sources of estimation uncertainty – Group
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 estimates are revised and in any future periods affected.

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

Given the short-term nature of lending in the home credit division, the difference between the 12-month ECL and lifetime losses is minimal; therefore this judgement applies only to the branch-based and guarantor loans divisions.

Key sources of estimation uncertainty:

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

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

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

Probability of default and loss given default
Branch-based lending
The calculation of ECL in branch-based lending uses historical data to forecast future cash flows, discounted at the receivable's EIR. A sensitivity run on collections performance shows that a 5% increase or decrease in expected cash collections would result in a £8.3m increase/decrease in provisions. The suitability of the 5% sensitivity run has been reviewed and considered appropriate based on historical performance.

Guarantor Loans Division
The calculation of ECL in the Guarantor Loans Division uses historical data to forecast future cash flows, discounted at the receivable's EIR. A sensitivity run on collections performance shows that a 10% increase or decrease in expected cash collections would result in a £1.0 increase/decrease in provisions and of this amount. The suitability of the 10% sensitivity run has been reviewed and considered appropriate based on historical performance.

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

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

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

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

The Group is pursuing the Scheme which if successful, would compromise redress liabilities for loan activity prior to 31 March 2021. It is possible that claims relating to post 31 March 2021 loan activity could increase in the future due to unforeseen circumstances and/or if the Financial Ombudsman Service (the 'FOS') were to change its policy with respect to how such claims are adjudicated. Should the final outcome of these complaints differ materially from management's current estimates, the cost of resolving such complaints could be higher than expected. It is however not possible to estimate any such increase reliably. These assumptions therefore remain subjective due to the uncertainty associated with future complaint volumes and the magnitude of redress which may be required. Complaint volumes may include complaints under review by the FOS, cases received from claims management companies or cases lodged directly by customers.

Branch-based lending
As at 31 December 2022, a 50% increase/decrease in customer complaints volumes would result in a £0.4m increase/decrease in provisions for the Group. a 50% increase/decrease in average claim redress would result in a £0.4m increase/decrease in provisions for the Group, and a 50% increase/decrease in upheld rate would result in a £0.4m increase/decrease in provisions for the Group.

Guarantor Loans Division
As at 31 December 2022, a 50% increase/decrease in customer complaints volumes would result in a £0.7m increase/decrease in provisions for the Group. a 50% increase/decrease in average claim redress would result in a £0.7m increase/decrease in provisions for the Group, and a 50% increase/decrease in upheld rate would result in a £0.7m increase/decrease in provisions for the Group.

Scheme provision

Part of the provision included in the statement of financial position relates to a provision recognised for the Scheme totalling £26.4. The provision reflects the amount the Group expects to be available for redress creditors and costs associated with the Scheme and has been determined based on information available up until the reporting date. There is uncertainty regarding the success of the Scheme and therefore although the Directors believe their best estimate represents a reasonably possible outcome; there is a risk of a less favourable outcome. Refer to note 24 for more detail regarding the customer redress provisions.

Going concern
Assumptions made in the base case as part of the Group's going concern assessment form a significant judgement of the Directors in the context of approving the Group and Company's going concern status. Refer note 1 of the financial statements for further detail.

3. Revenue

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

	Year ended 31 Dec 2022 £000	Year ended 31 Dec 2021 £000
Interest income	**98,337**	131,387
Total revenue	**98,337**	131,387

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

	Year ended 31 Dec 2022 £000	Year ended 31 Dec 2021 £000
Depreciation of property, plant and equipment (note 15)	**1,215**	2,175
Depreciation of right-of-use asset (note 16)	**1,462**	2,878
Amortisation and impairment of intangible assets (note 14)	**978**	7,910
Staff costs excluding agent commission[1] (note 9)	**33,093**	42,690
Rentals under operating leases	**460**	728
Profit/(loss) on sale of property, plant and equipment	**(1)**	454

1 *Agent commission for the period ended 14 March 2022 was £1.5m (year ended 31 December 2021: £9.5m). Refer to note 1 for accounting policy.*

5. Auditor's remuneration

	Year ended 31 Dec 2022 £000	Year ended 31 Dec 2021 £000
Audit services		
Fees payable to the Company's auditor for the audit of the Parent's annual financial statements	**165**	132
Fees payable to the Company's auditor and their associates for the audit of the subsidiaries of the Group	**306**	487
	471	619
Other services		
Audit related fees	**50**	45
	50	45

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 81.

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); guarantor loans (TrustTwo and George Banco); home credit (Loans at Home); and central (head office activities). The Group's divisions are all located in the United Kingdom and all revenue is attributable to customers in the United Kingdom.

	Branch-based lending £000	Home Credit[4] £000	Guarantor loans[1] £000	Central £000	**2022 Total £000**
Year ended 31 December 2022					
Interest income	84,470	7,315	6,552	-	98,337
Other income	173	-	-	-	173
Total revenue	**84,643**	**7,315**	**6,552**	**-**	**98,510**
Operating profit/(loss) before exceptionals	**7,196**	**(531)**	**835**	**(3,040)**	**4,460**
Exceptional items[2]	(12,407)	(5,647)	-	(13,714)	(31,768)
Finance cost	(14,925)	(257)	(2,000)	(11,869)	(29,051)
Loss before taxation	**(20,136)**	**(6,435)**	**(1,165)**	**(28,623)**	**(56,359)**
Taxation	**(102)**	**123**	**-**	**(21)**	**-**
Loss for the year	**(20,238)**	**(6,312)**	**(1,165)**	**(28,644)**	**(56,359)**

	Branch-based lending £000	Home credit £000	Guarantor loans[1] £000	Central £000	Consolidation adjustments[3] £000	**2022 Total £000**
Total assets	**185,129**	**-**	**10,147**	**197,994**	**(169,301)**	**223,969**
Total liabilities	**(226,088)**	**-**	**-**	**(274,061)**	**178,634**	**(321,515)**
Net assets/(liabilities)	**(40,959)**	**-**	**10,147**	**(76,067)**	**9,333**	**(97,546)**
Capital expenditure	**1,876**	**-**	**-**	**73**	**-**	**1,949**
Depreciation of plant, property and equipment	**1,214**	**-**	**-**	**1**	**-**	**1,215**
Depreciation of right-of-use asset	**1,451**	**-**	**-**	**11**	**-**	**1,462**
Amortisation and impairment of intangible assets	**957**	**-**	**-**	**22**	**-**	**979**

1 *The 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 *Refer to note 7 for further details.*
3 *Consolidation adjustments include the elimination of intra-Group balances.*
4 *The home credit division was placed into administration on 15 March 2022; therefore its results reflect the period up to 14 March 2022.*

	Branch-based lending £000	Home credit £000	Guarantor loans £000	Central £000	2021 Total £000
Year ended 31 December 2021					
Interest income	79,940	38,401	13,046	-	**131,387**
Fair value unwind on acquired loan portfolio	-	-	-	-	-
Total revenue	**79,940**	**38,401**	**13,046**	**-**	**131,387**
Exceptional provision for customer redress	-	-	(2,207)	-	**(2,207)**
Operating profit/(loss) before amortisation	**13,653**	**(2,204)**	**(272)**	**(4,085)**	**7,092**
Amortisation of intangible assets	-	-	-	-	-
Operating profit/(loss) before exceptional items	**13,653**	**(2,204)**	**(272)**	**(4,085)**	**7,092**
Other exceptional items	-	(8,542)	(601)	(1,580)	**(10,723)**
Finance cost	(14,491)	(1,102)	(4,350)	(6,036)	**(25,979)**
Loss before taxation	**(838)**	**(11,848)**	**(5,223)**	**(11,701)**	**(29,610)**
Taxation	48	158	299	(580)	(75)
Loss for the year	**(790)**	**(11,690)**	**(4,924)**	**(12,281)**	**(29,685)**

	Branch-based lending £000	Home credit £000	Guarantor loans £000	Central £000	Consolidation Adjustments restated £000	2021 Total £000
Total assets	188,068	26,929	26,763	286,258	(186,880)	**341,138**
Total liabilities	(220,927)	(20,777)	-	(325,421)	184,800	**(382,325)**
Net assets	(32,859)	6,152	26,763	(39,163)	(2,080)	**(41,187)**
Capital expenditure	2,191	1,662	-	129	-	**3,982**
Depreciation of plant, property and equipment	1,585	578	-	12	-	**2,175**
Depreciation of right-of-use asset	1,338	1,420	-	120	-	**2,878**
Amortisation and impairment of intangible assets	797	7,091	-	23	-	**7,910**

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

7. Exceptional items

During the year ended 31 December 2022, the Group incurred exceptional costs totalling £31.8m (2021: £12.9m).
Exceptional items during the current year comprised: £5.65m in relation to the derecognition of the home credit division (S.D. Taylor Limited) which was placed into administration on 15 March 2022; £13.71m impairments recognised on related intercompany receivable balances held with the division; and £12.41m of costs and redress in relation to the Scheme.

Exceptional items during the prior year comprised: £1.6m advisory fees incurred (equity related fees are treated as non-deductible for tax purposes), £2.2m additional interest costs accrued in relation to the guarantor loans redress program; £0.6m relating to the guarantor loans redundancies arising as a result of the Group's announcement on 30 June 2021 to place the division into managed run-off; and £8.5m in relation to the write-down of assets and the recognition of liabilities in the home credit division as a result of the business being placed into administration on 15 March 2022 and its financial statements no longer being prepared on a going concern basis.

8. Directors' remuneration and key management personnel

Directors' remuneration

	Year ended 31 Dec 2022 £000	Year ended 31 Dec 2021 £000
Aggregate emoluments	**1,137**	985
Company contributions to money purchase pension scheme	**29**	53
Total	**1,166**	1,038

Aggregate emoluments comprise salary, bonus and benefits earned in the year. There were no termination benefits, no aggregate gains made in the exercise of share options and no aggregate amounts receivable under the long-term incentive schemes during the year ended 31 December 2022 (2021: nil).

Sarah Day was appointed Director on 27 May 2022.

In the prior year, John Van Kuffeler resigned as Director on 31 August 2021.

Refer to the Directors' remuneration report for more detail.

Key management personnel

	Year ended 31 Dec 2022 £000	Year ended 31 Dec 2021 £000
Short-term employee benefits	**848**	660
Post-employment benefits	**29**	53
Total	**877**	713

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. There were no termination benefits during the year ended 31 December 2022.

9. Employee information

a) The average monthly number of staff (including Executive Directors but excluding Loans at Home which was placed into administration on 15 March 2022) employed by the Group was as follows:

Average number of employees (including Directors)	**Year ended 31 Dec 2022 Number**	Year ended 31 Dec 2021 Number
Branch-based lending staff	**506**	464
Guarantor loans staff	**38**	76
Home credit staff	**-**	299
Central staff	**6**	9
	550	848

b) Employment costs

	Year ended 31 Dec 2022 £000	Year ended 31 Dec 2021 £000
Wages and salaries	**28,265**	36,051
Share-based payment charge	**-**	34
Social security costs	**3,119**	3,988
Pension costs	**1,709**	2,617
	33,093	42,690

10. Finance costs

	Year ended 31 Dec 2022 £000	Year ended 31 Dec 2021 £000
Bank charges and interest payable	**(28,235)**	(24,996)
Lease finance costs under IFRS 16	**(816)**	(983)
Finance cost	**(29,051)**	(25,979)

11. Loss per share

	Year ended 31 Dec 2022	Year ended 31 Dec 2021
Retained loss attributable to Ordinary Shareholders (£000)	**(56,359)**	(29,685)
Weighted average number of Ordinary Shares at year ended 31 December	**312,437,422**	312,437,422
Basic and diluted loss per share (pence)	**(18.04)p**	(9.50)p

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 any share options would reduce the loss per share and is anti-dilutive. At 31 December 2022, nil shares were held as options and nil shares were held in treasury (2021: nil).

	Year ended 31 Dec 2022 000s	Year ended 31 Dec 2021 000s
Weighted average number of potential Ordinary Shares that are not currently dilutive	**-**	339

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 SAYE schemes. The amount is based upon the average number of shares over the year that would have been issued if 31 December 2022 was the end of the contingency period. There were no active LTIP or SAYE schemes during the year ended 31 December 2022.

12. Taxation

For the year ended 31 December 2022, the Group has continued not to recognise a deferred tax asset on its current year losses. Deferred tax assets not recognised in current and prior year losses as at 31 December 2022 totalled £30.1m (2021: £21.8m unrecognised deferred tax asset).

	Year ended 31 Dec 2022 £000	Year ended 31 Dec 2021 £000
Current tax charge		
Current tax	**-**	-
Prior period adjustment to current tax	**-**	75
Total current tax charge	**-**	75
Deferred tax charge[2]	**-**	-
Prior period adjustment to deferred tax	**-**	-
Total tax (credit)/charge	**-**	75

1 *Unrecognised deferred tax assets arising from tax losses in the current year were £6.3m (2021: £5.0m).*

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 Dec 2022 £000	Year ended 31 Dec 2021 £000
Loss before taxation	**(56,359)**	(29,610)
Tax on loss on ordinary activities at standard rate of UK corporation tax of 19% (2021: 19%):	**(10,708)**	(5,626)
Effects of:		
Fixed asset differences	**62**	114
Non-deductible expenses	**4,329**	456
Share-based payments	**-**	7
Prior year adjustments	**-**	75
Deferred tax assets not recognised on current year losses	**6,317**	5,049
Total tax (credit)/charge	**-**	75

Certain exceptional items and costs related to the derecognition of the home credit division and related impairments as well as Scheme costs have been treated as non-deductible for tax purposes.

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

13. Dividends

As a result of the significant reported losses over the past three years, the Company does not have any distributable reserves and is therefore not in a position to declare a final dividend. Assuming that the Proposed Recapitalisation is successfully completed, the Board is committed to completing a process, subject to shareholder and Court approval, to create sufficient distributable reserves so that the Company is able to resume the payment of cash dividends to shareholders as soon as it is appropriate to do so.

As reported in the Interim Results to 30 June 2022, the Group did not declare a half-year dividend during the first half of 2022 (2021: nil).

14. Intangible assets – Group

	Customer lists £000	Agent network £000	Brands £000	Broker relationships £000	Technology £000	LAH IT software development £000	Software £000	**Total £000**
Cost								
At 1 January 2022	21,924	540	2,005	9,151	6,227	11,505	6,928	58,280
Derecognition of home credit division assets[1]	-	(540)	-	-	-	(11,505)	(4,069)	(16,114)
Additions	-	-	-	-	-	-	1,092	1,092
Disposals	-	-	-	-	-	-	-	-
At 31 December 2022	**21,924**	**-**	**2,005**	**9,151**	**6,227**	**-**	**3,951**	**43,258**
Amortisation								
At 1 January 2022	21,924	540	2,005	9,151	6,227	11,505	4,156	55,508
Derecognition of home credit division assets[1]	-	(540)	-	-	-	(11,505)	(4,069)	(16,114)
Charge for the year	-	-	-	-	-	-	978	978
Disposals	-	-	-	-	-	-	-	
At 31 December 2022	**21,924**	**-**	**2,005**	**9,151**	**6,227**	**-**	**1,065**	**40,372**
Net book value								
At 31 December 2022	**-**	**-**	**-**	**-**	**-**	**-**	**2,886**	**2,886**
At 31 December 2021	-	-	-	-	-	-	2,772	2,772

1 The Group's home credit division was placed into administration on 15 March 2022 and has been derecognised from the Group from this date.

	Customer lists £000	Agent network £000	Brands £000	Broker relationships £000	Technology £000	LAH IT software development £000	Software £000	Total £000
Cost								
At 1 January 2021	21,924	540	2,005	9,151	6,227	10,401	5,600	55,848
Reclassification in current year	-	-	-	-	-	(65)	(18)	(83)
Additions	-	-	-	-	-	1,169	1,345	2,514
Disposals	-	-	-	-	-	-	1	1
At 31 December 2021	21,924	540	2,005	9,151	6,227	11,505	6,928	58,280
Amortisation								
At 1 January 2021	21,924	540	2,005	9,151	6,227	4,445	3,319	47,611
Reclassification in current year	-	-	-	-	-	-	(10)	(10)
Charge for the year	-	-	-	-	-	7,060	850	7,910
Disposals	-	-	-	-	-	-	(3)	(3)
At 31 December 2021	21,924	540	2,005	9,151	6,227	11,505	4,156	55,508
Net book value								
At 31 December 2021	-	-	-	-	-	-	2,772	2,772

IAS 38.122 requires the Group to disclose the carrying value and remaining amortisation period of individual acquired intangible assets, the table below includes all material assets held by the Group as at 31 December 2022:

Intangible asset	**Carrying value as at 31 Dec 2022 £000**	Carrying value as at 31 Dec 2021 £000	Amortisation period remaining years and months
Software	**2,886**	2,772	3 to 5 years

Intangible assets – Company

	Software £000	Total £000
Cost		
At 1 January 2022	115	**115**
Additions	-	**-**
At 31 December 2022	115	**115**
Depreciation		
At 1 January 2022	86	**86**
Charge for the year	22	**22**
At 31 December 2022	108	**108**
Net book value		
At 31 December 2022	7	**7**
At 31 December 2021	29	29

	Software £000	Total £000
Cost		
At 1 January 2021	115	115
Additions	-	-
At 31 December 2021	115	115
Depreciation		
At 1 January 2021	63	63
Charge for the year	23	23
At 31 December 2021	86	86
Net book value		
At 31 December 2021	29	29

15. Property, plant and equipment – Group

	Leasehold improvements £000	Fixtures and fittings £000	Motor vehicles £000	Computer equipment £000	Total £000
Cost					
At 1 January 2022	6,699	1,817	(176)	2,401	**10,741**
Derecognition of home credit division assets[1]	(3,688)	(1,000)	231	(2,139)	**(6,596)**
Additions	120	8	-	187	**315**
Disposals	(110)	(80)	(55)	-	**(245)**
At 31 December 2022	**3,021**	**745**	**-**	**449**	**4,215**
Depreciation					
At 1 January 2022	3,797	1,070	(181)	2,130	**6,816**
Derecognition of home credit division assets[1]	(3,687)	(995)	236	(2,130)	**(6,576)**
Charge for the year	865	114	-	236	**1,215**
Disposals	(110)	(74)	(55)	-	**(239)**
At 31 December 2022	**865**	**115**	**-**	**236**	**1,216**
Net book value					
At 31 December 2022	**2,156**	**630**	**-**	**213**	**2,999**
At 31 December 2021	2,902	747	5	271	3,925

1 *The Group's home credit division was placed into administration on 15 March 2022 and has been derecognised from the Group from this date.*

	Leasehold improvements £000	Fixtures and fittings £000	Motor vehicles £000	Computer equipment £000	Total £000
Cost					
At 1 January 2021	6,781	2,315	7	3,574	12,677
Reclassification in the year	(8)	(438)	-	645	199
Additions	135	45	-	81	261
Disposals	(209)	(105)	(183)	(1,899)	(2,396)
At 31 December 2021	6,699	1,817	(176)	2,401	10,741
Depreciation					
At 1 January 2021	2,960	854	(88)	2,673	6,400
Reclassification in the year	-	(55)	-	180	125
Charge for the year	927	317	60	871	2,175
Disposals	(90)	(46)	(153)	(1,594)	(1,883)
At 31 December 2021	3,797	1,070	(181)	2,130	6,816
Net book value					
At 31 December 2021	2,902	747	5	271	3,925

Property, plant and equipment – Company

	Leasehold improvements £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost				
At 1 January 2022	110	77	55	**242**
Additions	-	3	-	**3**
Write offs	(110)	(76)	(55)	**(241)**
At 31 December 2022	**-**	**4**	**-**	**4**
Depreciation				
At 1 January 2022	110	76	55	**241**
Charge for the year	-	1	-	**1**
Write offs	(110)	(76)	(55)	**(241)**
At 31 December 2022	**-**	**1**	**-**	**1**
Net book value				
At 31 December 2022	**-**	**3**	**-**	**3**
At 31 December 2021	-	1	-	1

	Leasehold improvements £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost				
At 1 January 2021	110	80	55	245
Additions	-	1	-	1
Disposals	-	(4)	-	(4)
At 31 December 2021	110	77	55	242
Depreciation				
At 1 January 2021	103	74	55	232
Charge for the year	7	5	-	12
Disposals	-	(3)	-	(3)
At 31 December 2021	110	76	55	241
Net book value				
At 31 December 2021	-	1	-	1

16. Right-of-use ('ROU') asset – Group

	ROU Buildings £000	ROU Vehicles £000	**Total £000**
Cost			
At 1 January 2022	17,374	814	**18,188**
Derecognition of home credit division assets[1]	(3,608)	(814)	**(4,422)**
Additions	542	-	**542**
Disposals	(1,485)	-	**(1,485)**
At 31 December 2022	**12,823**	**-**	**12,823**
Depreciation			
At 1 January 2022	9,497	814	**10,311**
Derecognition of home credit division assets[1]	(3,608)	(814)	**(4,422)**
Charge for the year	1,462	-	**1,462**
Disposals	(1,362)	-	**(1,362)**
At 31 December 2022	**5,989**	**-**	**5,989**
Net book value			
At 31 December 2022	**6,834**	**-**	**6,834**
At 31 December 2021	7,877	-	7,877

1 *The Group's home credit division was placed into administration on 15 March 2022 and has been derecognised from the Group from this date.*

	ROU Buildings £000	ROU Vehicles £000	Total £000
Cost			
At 1 January 2021	17,188	814	18,002
Additions	1,208	-	1,208
Disposals	(1,022)	-	(1,022)
At 31 December 2021	17,374	814	18,188
Depreciation			
At 1 January 2021	7,338	585	7,923
Charge for the year	2,649	229	2,878
Disposals	(490)	-	(490)
At 31 December 2021	9,497	814	10,311
Net book value			
At 31 December 2021	7,877	-	7,877

Right-of-use* ('ROU') *asset – Company

	ROU Buildings £000	**Total £000**
Cost		
At 1 January 2022	775	**775**
Additions	70	**70**
Disposals	(775)	**(775)**
At 31 December 2022	**70**	**70**
Depreciation		
At 1 January 2022	735	**735**
Charge for the year	11	**11**
Disposals	(735)	**(735)**
At 31 December 2022	**11**	**11**
Net book value		
At 31 December 2022	**59**	**59**
At 31 December 2021	40	40

	ROU Buildings £000	Total £000
Cost		
At 1 January 2021	647	647
Additions	128	128
Disposals	-	-
At 31 December 2021	775	775
Depreciation		
At 1 January 2021	615	615
Charge for the year	120	120
Disposals	-	-
At 31 December 2021	735	735
Net book value		
At 31 December 2021	40	40

Total cash outflows for leases for the year ended 31 December 2022 was £2.5m (2021: £2.7m).

The Group leases property and the average lease term for property is ten years. In the prior year, the Group's home credit division leased vehicles with an average lease term of three years. The lease term for the Company ROU asset is five years. There are no future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities.

The Group and Company's ROU assets have been assessed for impairment under IAS 36. On 15 March 2022, the Group's home credit division (trading as 'Loans at Home') was placed into administration and as a result the ROU assets for the division were fully impaired as at 31 December 2021 and derecognised from the Group from the date of administration. For the remainder of the Group's ROU the carrying amount remains above the recoverable amount of ROU assets hence no impairment has occurred in the year ended 31 December 2022.

17. 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
Everyday Loans Holdings Limited	1st Floor North, 2 Dukes Meadow, Bourne End, Buckinghamshire, England, United Kingdom, SL8 5XF	Holding company	100% of Ordinary Shares
Everyday Loans Limited	As above	Provision and servicing of secured and unsecured personal instalment loans	100% of Ordinary Shares
Everyday Lending Limited	As above	Provision of secured and unsecured personal instalment loans	100% of Ordinary Shares
Non-Standard Finance Subsidiary Limited[1]	Unit 26/27 Rear Walled Garden, The Nostell Business Estate, Wakefield, West Yorkshire, United Kingdom, WF4 1AB.[3]	Holding company	100% of Ordinary Shares
Non-Standard Finance Subsidiary II Limited	As above[3]	Holding company	100% of Ordinary Shares
Non-Standard Finance Subsidiary III Limited	As above[3]	Holding company	100% of Ordinary Shares
NSF Finco Limited	As above[3]	Financing company	100% of Ordinary Shares
NSF Group Limited[1]	As above[3]	Dormant	100% of Ordinary Shares
George Banco Limited	Epsom Court 1st Floor, Epsom Road, White Horse Business Park, Trowbridge, England, United Kingdom, BA14 0XF.	Holding company	100% of Ordinary Shares
George Banco.com Limited	As above	Holds legal title to bank account in its name on behalf of Everyday Lending Limited	100% of Ordinary Shares
S.D. Taylor Limited (trading as Loans at Home)[2]	7 Turnberry Park Road, Gildersome, Morley, Leeds, England, LS27 7LE, United Kingdom	Provision of consumer credit	100% of Ordinary Shares[2]
Loans at Home Limited[2]	As above	Dormant	100% of Ordinary Shares[2]

1 *Held directly by the Company. NSF Group Limited has taken advantage of the exemption under section 394A of the Companies Act 2006 from preparing its individual accounts.*
2 *S.D. Taylor was placed into administration on 15 March 2022 and derecognised from the Group.*
3 *On 17 April 2022, the registered office address was changed to: The Bothy, The Nostell Estate Yard, The Nostell Estate, Nostell, Wakefield, West Yorkshire, WF4 1AB*

Investment in subsidiaries – Company

	Year ended 31 Dec 2022 £000	Year ended 31 Dec 2021 £000
Gross investment in subsidiaries	212,591	212,591
Accumulated share-based payment	906	906
Accumulated impairment	(213,497)	(213,497)
Net investment carrying amount	**-**	-

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

For the current year ended 31 December 2022, the Company's investment in subsidiaries balance remained at £nil as a result of prior year impairments recognised. The Group has assessed the carrying value of the investments against the net asset value of the underlying cash generating units ('CGU') and their recoverable amounts in the current year. The calculation to determine the FV less cost to sell for investments uses actual and forecast earnings and carrying values as at 31 December 2022, 2023 and 2024 multiplied by the 31 December 2022 actual and 2023-2024 forecast PE and PB multiples for comparable companies. Earnings represents profit after tax. Disposal costs have been estimated at 2%. The VIU calculations use cash flows derived from earnings projections for the years ended 31 December 2023 to 2027, together with a terminal value based on the cash flow forecast at the end of the relevant forecast period at a perpetuity growth rate. The resulting cash flow forecasts are then discounted at a discount rate appropriate to the CGU to produce a VIU to the 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. The Group noted the net asset value of the CGU and its recoverable value remained below carrying amount of the investments and therefore no reversal of impairment on investments was recognised.

In the year ended 31 December 2021, the Company's investment in subsidiaries balance remained at £nil as a result of prior year impairments recognised. The impairment assessment in regard to the Company's investment was calculated with reference to the recoverable amount and carrying value. Recoverable amount was calculated as the higher of FV less cost to sell and value in use. The calculation to determine the FV less cost to sell for investments used actual and forecast earnings and carrying values as at 31 December 2021, 2022 and 2023 multiplied by the 31 December 2021 actual and 2022-2023 forecast PE and PB multiples for comparable companies. Earnings represented profit after tax before fair value adjustments, amortisation of intangibles and exceptional items. Disposal costs have been estimated at 2%. The VIU calculation used cash flows derived from earnings projections for the years ended 31 December 2022 to 2025, together with a terminal value based on the cash flow forecast for 2025 at a perpetuity growth rate. The resulting cash flow forecasts were then discounted at a discount rate appropriate to the CGU to produce a VIU to the Group. The Directors 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.

18. Amounts receivable from customers – Group

	2022 £000	2021 £000
Gross carrying amount	**212,153**	265,021
Loan loss provision	**(35,049)**	(57,037)
Amounts receivable from customers	**177,104**	207,984

The movement on the loan loss provision for the period relates to the provision at the branch-based lending, guarantor loans and home credit divisions for the year.

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

	2022 £000	2021 £00
Unamortised broker commissions	**7,348**	6,653
Total unamortised broker commissions	**7,348**	6,653

The fair value of amounts receivable from customers are:

	2022 £000	2021 £00
Branch-based lending[1]	**222,856**	208,440
Home credit[1]	**-**	36,368
Guarantor loans[1]	**12,316**	31,366
Fair value of amounts receivable from customers	**235,172**	276,174

1 *Includes amounts receivable from customers which have been provided for as part of the scheme of arrangement, refer to note 24 for further detail.*
2 *The home credit division was placed into administration on 15 March 2022 and derecognised from the Group.*

Fair value has been derived by discounting expected future cash flows (net of collection costs) at the credit risk adjusted discount rate at the balance sheet date. Under IFRS 13 Fair Value Measurement, receivables are classed as Level 3 which defines fair value measurements as those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Maturity of amounts receivable from customers:	2022 £000	2021 £00
Due within one year	**75,135**	109,148
Due in more than one year	**101,969**	98,836
Amounts receivable from customers	**177,104**	207,984

Analysis of receivables from customers

31 December 2022	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Branch-based lending	159,594	27,878	8,658	196,130
Guarantor loans	-	13,510	2,513	16,023
Gross carrying amount	**159,594**	**41,388**	**11,171**	**212,153**
Branch-based lending	(9,332)	(12,476)	(7,365)	(29,173)
Guarantor loans	-	(3,803)	(2,073)	(5,876)
Loan loss provision	**(9,332)**	**(16,279)**	**(9,438)**	**(35,049)**
Branch-based lending	150,262	15,402	1,293	166,957
Guarantor loans	-	9,707	440	10,147
Net amounts receivable	**150,262**	**25,109**	**1,733**	**177,104**

31 December 2021	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Branch-based lending	141,979	33,723	7,138	182,840
Home credit	-	32,162	12,975	45,137
Guarantor loans	-	30,768	6,276	37,044
Gross carrying amount	**141,979**	**96,653**	**26,389**	**265,021**
Branch-based lending	(6,831)	(13,347)	(5,481)	(25,659)
Home credit	-	(9,186)	(11,911)	(21,097)
Guarantor loans	-	(5,965)	(4,316)	(10,281)
Loan loss provision	**(6,831)**	**(28,498)**	**(21,708)**	**(57,037)**
Branch-based lending	135,148	20,376	1,657	157,181
Home credit	-	22,976	1,064	24,040
Guarantor loans	-	24,803	1,960	26,763
Net amounts receivable	**135,148**	**68,155**	**4,681**	**207,984**

Analysis of movement on loan loss provision

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

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

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

For the year ended 31 December 2022
Branch-based lending

Loan loss provision	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Loan loss provision as at 1 January 2022:	6,831	13,347	5,481	25,659
Changes in the loss provision attributable to:				
New receivables originated or purchased	12,962	-	-	12,962
– Transfers from stage 1 to 2	(4,553)	4,553	-	-
– Transfers from stage 1 to 3	(2,984)	-	2,984	-
– Transfers from stage 2 to 1	4,248	(4,248)	-	-
– Transfers from stage 2 to 3	-	(677)	677	-
– Transfers from stage 3 to 1	216	-	(216)	-
– Transfers from stage 3 to 2	-	463	(463)	-
– Write-offs	(481)	(4,187)	(6,856)	(11,524)
Net remeasurement of ECL arising from transfer of stage	(4,209)	4,657	3,253	3,701
Change in ECL resulting from repayment of loans	(2,698)	(1,432)	2,505	(1,625)
Loan loss provision as at 31 December 2022	**9,332**	**12,476**	**7,365**	**29,173**

Home credit

Loan loss provision	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Loan loss provision as at 1 January 2022	-	9,186	11,911	21,097
Changes in the loss provision attributable to:				
Derecognition of home credit division in the year	-	(9,186)	(11,911)	(21,097)
Loan loss provision as at 31 December 2022	**-**	**-**	**-**	**-**

Guarantor loans

Loan loss provision	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Loan loss provision as at 1 January 2022:	-	5,965	4,316	10,281
Changes in the loss provision attributable to:				
New receivables originated or purchased	34	-	-	34
– Transfers from stage 1 to 2	(25)	25	-	-
– Transfers from stage 1 to 3	(9)	-	9	-
– Transfers from stage 2 to 1	-	-	-	-
– Transfers from stage 2 to 3	-	(551)	551	-
– Transfers from stage 3 to 1	-	-	-	-
– Transfers from stage 3 to 2	-	848	(848)	-
– Write-offs	-	(540)	(2,422)	(2,962)
Net remeasurement of ECL arising from change in credit risk	-	34	503	537
Change in ECL resulting from repayment of loans	-	(1,978)	(36)	(2,014)
Loan loss provision as at 31 December 2022	**-**	**3,803**	**2,073**	**5,876**

The following tables further explains changes in the gross carrying amount of amounts receivable from customers to help explain their significance to the changes in the loss allowance for the same portfolios as discussed previously.

Branch-based lending

Gross carrying amount – amounts receivable from customers	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Gross carrying amount as at 1 January 2022	141,979	33,723	7,138	182,840
Changes in the gross carrying amount attributable to:		-	-	
New receivables originated or purchased	117,304	-	-	117,304
– Transfers from stage 1 to 2	(23,006)	23,006	-	-
– Transfers from stage 1 to 3	(6,643)	-	6,643	-
– Transfers from stage 2 to 1	12,233	(12,233)	-	-
– Transfers from stage 2 to 3	-	(1,759)	1,759	-
– Transfers from stage 3 to 1	457	-	(457)	-
– Transfers from stage 3 to 2	-	652	(652)	-
– Write-offs	(9,996)	(10,578)	(8,928)	(29,502)
Changes due to modification that did not result in derecognition	-	(232)	(18)	(250)
Net repayments of loans	(72,734)	(4,701)	3,173	(74,262)
Other movements	-	-	-	-
Derecognition of modified loans	-	-	-	-
Gross carrying amount as at 31 December 2022	**159,594**	**27,878**	**8,658**	**196,130**

Home credit

Gross carrying amount – amounts receivable from customers	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Gross carrying amount as at 1 January 2022	-	32,162	12,975	45,137
Changes in the gross carrying amount attributable to:				
Derecognition of home credit division in the year	-	(32,162)	(12,975)	(45,137)
Gross carrying amount as at 31 December 2022	**-**	**-**	**-**	**-**

Guarantor loans

Gross carrying amount – amounts receivable from customers	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Gross carrying amount as at 1 January 2022	-	30,768	6,276	37,044
Changes in the gross carrying amount attributable to:				
New receivables originated or purchased	82	-	-	82
– Transfers from stage 1 to 2	(73)	73	-	-
– Transfers from stage 1 to 3	(9)	-	9	-
– Transfers from stage 2 to 1	-	-	-	-
– Transfers from stage 2 to 3	-	(1,745)	1,745	-
– Transfers from stage 3 to 1	-	-	-	-
– Transfers from stage 3 to 2	-	1,858	(1,858)	-
– Write-offs	-	(2,788)	(3,521)	(6,309)
Changes due to modification that did not result in derecognition	-	(10)	(3)	(13)
Net repayments of loans	-	(14,646)	(135)	(14,781)
Other movements	-	-	-	-
Derecognition of modified loans	-	-	-	-
Gross carrying amount as at 31 December 2022	**-**	**13,510**	**2,513**	**16,023**

For the year ended 31 December 2021
Branch-based lending

Loan loss provision	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Loan loss provision as at 1 January 2021:	6,011	3,095	5,096	14,202
Changes in the loss provision attributable to:				
New receivables originated or purchased	11,359	-	-	11,359
– Transfers from stage 1 to 2	(4,947)	4,947	-	-
– Transfers from stage 1 to 3	(2,937)	-	2,937	-
– Transfers from stage 2 to 1	(100)	100	-	-
– Transfers from stage 2 to 3	-	(289)	289	-
– Transfers from stage 3 to 1	30	-	(30)	-
– Transfers from stage 3 to 2	-	669	(669)	-
– Write-offs	1,747	376	(22,779)	(20,656)
Net remeasurement of ECL arising from transfer of stage	538	5,702	24,925	31,165
Change in ECL resulting from repayment of loans	(4,870)	(1,253)	(4,288)	(10,411)
Loan loss provision as at 31 December 2021	**6,831**	**13,347**	**5,481**	**25,659**

Home credit

Loan loss provision	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Loan loss provision as at 1 January 2021	1,876	8,124	16,789	26,789
Changes in the loss provision attributable to:				
New receivables originated or purchased	10,538	135	5	10,678
– Transfers from stage 1 to 2	(6,973)	6,973	-	-
– Transfers from stage 1 to 3	(7,840)	-	7,840	-
– Transfers from stage 2 to 1	28	(28)	-	-
– Transfers from stage 2 to 3	-	(2,563)	2,563	-
– Transfers from stage 3 to 2	-	9	(9)	-
– Transfers from stage 3 to 1	3	-	(3)	-
– Write-offs	-	-	(13,482)	(13,482)
Net remeasurement of ECL arising from change in credit risk	2,368	(3,464)	(1,792)	(2,888)
Loan loss provision as at 31 December 2021	**-**	**9,186**	**11,911**	**21,097**

Guarantor loans

Loan loss provision	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Loan loss provision as at 1 January 2021:	1,366	5,864	14,520	21,750
Changes in the loss provision attributable to:				
New receivables originated or purchased	28	-	-	28
– Transfers from stage 1 to 2	(1,119)	1,119	-	-
– Transfers from stage 1 to 3	(111)	-	111	-
– Transfers from stage 2 to 1	-	-	-	-
– Transfers from stage 2 to 3	-	(967)	967	-
– Transfers from stage 3 to 1	-	-	-	-
– Transfers from stage 3 to 2	-	1,879	(1,879)	-
– Write-offs	331	(26)	(11,199)	(10,894)
Net remeasurement of ECL arising from change in credit risk	-	788	12,192	12,980
Change in ECL resulting from repayment of loans	(495)	(2,692)	(10,396)	(13,583)
Loan loss provision as at 31 December 2021	**-**	**5,965**	**4,316**	**10,281**

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

Branch-based lending

Gross carrying amount – amounts receivable from customers	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Gross carrying amount as at 1 January 2021	140,418	39,472	5,772	185,662
Changes in the gross carrying amount attributable to:		-	-	
New receivables originated or purchased	99,043	-	-	99,043
– Transfers from stage 1 to 2	(27,748)	27,748	-	-
– Transfers from stage 1 to 3	(7,031)	-	7,031	-
– Transfers from stage 2 to 1	12,883	(12,883)	-	-
– Transfers from stage 2 to 3	-	(2,061)	2,061	-
– Transfers from stage 3 to 1	301	-	(301)	-
– Transfers from stage 3 to 2	-	1,129	(1,129)	-
– Write-offs	410	849	(25,718)	(24,459)
Changes due to modification that did not result in derecognition	(93)	(835)	(842)	(1,770)
Net repayments of loans	(76,598)	(23,778)	18,552	(81,824)
Other movements	-	-	-	-
Derecognition of modified loans	394	4,082	1,712	6,188
Gross carrying amount as at 31 December 2021	**141,979**	**33,723**	**7,138**	**182,840**

Home credit

Gross carrying amount – amounts receivable from customers	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Gross carrying amount as at 1 January 2021	23,537	12,316	17,883	53,736
Changes in the gross carrying amount attributable to:				
New receivables originated or purchased	51,317	394	16	51,727
– Transfers from stage 1 to 2	(29,096)	29,096		-
– Transfers from stage 1 to 3	(8,975)		8,975	-
– Transfers from stage 2 to 1	211	(211)		-
– Transfers from stage 2 to 3		(3,260)	3,260	-
– Transfers from stage 3 to 2		17	(17)	-
– Transfers from stage 3 to 1	14		(14)	-
– Write-offs	-	-	(15,347)	(15,347)
Net repayments of loans	(37,008)	(6,190)	(1,781)	(44,979)
Gross carrying amount as at 31 December 2021	**-**	**32,162**	**12,975**	**45,137**

Guarantor loans

Gross carrying amount – amounts receivable from customers	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Gross carrying amount as at 1 January 2021	34,566	25,831	21,147	81,544
Changes in the gross carrying amount attributable to:				
New receivables originated or purchased	112	-	-	112
– Transfers from stage 1 to 2	(24,849)	24,849	-	-
– Transfers from stage 1 to 3	(1,426)	-	1,426	-
– Transfers from stage 2 to 1	-	-	-	-
– Transfers from stage 2 to 3	-	(2,666)	2,666	-
– Transfers from stage 3 to 1	-	-	-	-
– Transfers from stage 3 to 2	-	5,256	(5,256)	-
– Write-offs	105	(82)	(17,750)	(17,727)
Changes due to modification that did not result in derecognition	-	(1,085)	(1,624)	(2,709)
Net repayments of loans	(8,508)	(21,464)	5,139	(24,833)
Other movements	-	-	-	-
Derecognition of modified loans	-	129	528	657
Gross carrying amount as at 31 December 2021	**-**	**30,768**	**6,276**	**37,044**

Modification of amounts receivable from customers

Financial assets of branch-based lending and guarantor loans with a loss allowance measured at an amount equal to lifetime ECL of £1.37m (2021: £10.9m) were subject to non-substantial modification during the year with a resulting loss of £0.26m (2021:£4.4). The gross carrying amount of financial assets for which the loss allowance has changed to a 12 month ECL during the year amounts to £nil (2021: £0.003m)

Modification losses summary

	2022 £000	2021 £000
Branch-based lending	**(250)**	(1,383)
Guarantor loans	**(12)**	(1,478)
Total modification losses for the year	**(262)**	(2,861)

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

Branch-based lending

Financial assets (with loss allowance based on lifetime ECL) modified as at the balance sheet date	2022 £000	2021 £000
Gross carrying amount before modification	**33,382**	39,027
Loan loss provision before modification	**(11,245)**	-
Net amounts receivable before modification	**22,137**	39,027
Net derecognition gain/(loss)	**(3,882)**	(4,555)
Net amounts receivable after modification	**18,255**	34,472

Movement in derecognition loss in the year ended 31 December 2022 was £0.7m (2021: £0.46m).

Guarantor loans

Financial assets (with loss allowance based on lifetime ECL) modified as at the balance sheet date	2022 £000	2021 £000
Gross carrying amount before modification	**1,634**	1,713
Loan loss provision before modification	**(791)**	-
Net amounts receivable before modification	**843**	1,713
Net derecognition gain/(loss)	**(101)**	(109)
Net amounts receivable after modification	**742**	1,604

Movement in derecognition gain/(loss) in the year ended 31 December 2022 was £8k (2021: £0.38m).

Derecognition losses summary

	2022 £000	2021 £000
Branch-based lending	**-**	-
Guarantor loans	**-**	-
Total derecognition losses for the year	**-**	-

19. Financial instruments

The table below sets out the carrying value of the Company's financial assets and liabilities in accordance with the categories of financial instruments set out in IFRS 9 as at 31 December 2022. Assets and liabilities outside the scope of IFRS 9 are shown within non-financial assets/liabilities:

Group

At 31 December	FVTP&L assets/ liabilities £000	Amortised cost £000	Non-financial assets/ liabilities £000	2022 Total £000
Assets				
Cash and cash equivalents	-	32,783	-	**32,783**
Amounts receivable from customers	-	177,104	-	**177,104**
Current tax asset	-	-	-	**-**
Deferred tax asset	-	-	-	**-**
Trade and other receivables	-	200	1,163	**1,363**
Intangible assets	-	-	2,886	**2,886**
Property, plant and equipment	-	-	2,999	**2,999**
Right-of-use assets	-	-	6,834	**6,834**
Total assets	**-**	**210,087**	**13,882**	**223,969**
Liabilities				
Bank loans	-	(255,000)		**(255,000)**
Lease liability	-	(7,460)		**(7,460)**
Provisions	-		(30,690)	**(30,690)**
Other liabilities	-	(12,933)	(15,432)	**(28,365)**
Total liabilities	**-**	**(275,393)**	**(46,122)**	**(321,515)**

At 31 December	FVTP&L assets/liabilities £000	Amortised cost £000	Non-financial assets/liabilities £000	2021 Total £000
Assets				
Cash and cash equivalents	-	114,577	-	**114,577**
Amounts receivable from customers	-	207,984	-	**207,984**
Current tax asset	-	-	1,477	**1,477**
Deferred tax asset	-	-	-	**-**
Trade and other receivables	-	299	2,227	**2,526**
Intangible assets	-	-	2,772	**2,772**
Property, plant and equipment	-	-	3,925	**3,925**
Right-of-use assets	-	-	7,877	**7,877**
Total assets	**-**	**322,860**	**18,278**	**341,138**
Liabilities				
Bank loans	-	(328,762)	-	**(328,762)**
Lease liability	-	(9,545)	-	**(9,545)**
Provisions	-		(25,643)	**(25,643)**
Other liabilities	-	(4,887)	(13,488)	**(18,375)**
Total liabilities	-	**(343,194)**	**(39,131)**	**(382,325)**

Company

At 31 December	Amortised cost £000	Non-financial assets/liabilities £000	2022 Total £000
Assets			
Cash and cash equivalents	1,050		**1,050**
Trade and other receivables	1	333	**334**
Property, plant and equipment and intangibles		10	**10**
Right-of-use asset		59	**59**
Total assets	**1,051**	**402**	**1,453**
Liabilities			
Lease liability	(62)		**(62)**
Other liabilities	(1,598)	(5,252)	**(6,850)**
Total liabilities	**(1,660)**	**(5,252)**	**(6,912)**

At 31 December	Amortised cost £000	Non-financial assets/liabilities £000	2021 Total £000
Assets			
Cash and cash equivalents	32	-	**32**
Trade and other receivables	128	9,759	**9,887**
Property, plant and equipment and intangibles	-	30	**30**
Right-of-use asset	-	40	**40**
Total assets	**160**	**9,828**	**9,989**
Liabilities			
Lease liability	(41)	-	**(41)**
Other liabilities	(1,674)	(3,821)	**(5,495)**
Total liabilities	**(1,715)**	**(3,821)**	**(5,536)**

20. Trade and other receivables – Group

	2022 £000	2021 £000
Other debtors	**200**	299
Prepayments	**1,163**	2,227
	1,363	2,526

Trade and other receivables – Company

	2022 £000	2021 £000
Other debtors	**1**	1
Corporation tax	**-**	-
Amounts due from subsidiaries	**198**	9,758
Prepayments	**135**	128
	334	9,887

Amounts due from subsidiaries are non-interest bearing and repayable on demand. In the current year, the Company recognised an impairment of £8.2m to its amounts due from subsidiaries (2021: £19.5) in accordance with IFRS 9. As a result, the balances relating to amounts due from Non-Standard Finance Subsidiary II Limited and Non-Standard Finance Subsidiary III Limited were fully impaired as at 31 December 2022.

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

21. Cash and cash equivalents – Group

	2022 £000	2021 £000
Cash at bank and in hand	**32,783**	114,577

Cash and cash equivalents – Company

	2022 £000	2021 £000
Cash at bank and in hand	**1,050**	32

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.

22. Derivative asset

The Group cancelled its interest rate cap on 30 November 2021 at £nil cost. No new derivatives were entered into in 2022 (2021: none)

Under IFRS 13 Fair Value Measurement, the interest rate cap is classed as Level 2 as it is not traded in an active market.

23. Trade and other payables – Group

	2022 £000	2021 £000
Trade creditors and payables	**10,941**	955
Other creditors	**1,992**	3,932
Current tax liability	**-**	-
Accruals and deferred income	**15,432**	13,488
	28,365	18,375

Trade and other payables – Company

	2022 £000	2021 £000
Trade creditors	**440**	108
Other creditors	**165**	120
Corporation tax	**-**	645
Amounts due to subsidiaries	**5,252**	3,821
Lease liability	**62**	40
Accruals and provisions	**993**	802
	6,912	5,536

Amounts owed to subsidiaries are non-interest bearing and repayable on demand. Refer to note 34 which details the Group's management of liquidity risk and note 33 which details related party transactions.
The carrying value of trade and other payables is not materially different to the FV.

24. Provisions – Group

	Plevin £000	Onerous contracts £000	Complaints £000	Dilapidations £000	Scheme provision £000	Restructuring £000	**Total £000**
Balance at 31 December 2020	49	-	5,129	1,322	15,313	-	21,813
Charge during the year	-	282	4,936	15	2,251	601	8,085
Utilised	(49)	-	(3,432)	(68)	(636)	(70)	(4,255)
Balance at 31 December 2021	-	282	6,633	1,269	16,928	531	25,643
Derecognition of home credit division[1]	-	(282)	(3,636)	(230)	-	-	(4,148)
Charge during the year	-	-	-	390	9,502	-	9,892
Utilised	-	-	(232)	-	-	(465)	(697)
Balance at 31 December 2022	**-**	**-**	**2,765**	**1,429**	**26,430**	**66**	**30,690**

[1] *The Group's home credit division was placed into administration on 15 March 2022.*

Provisions are recognised for present obligations arising as a consequence of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, which can reliably be estimated.

The Group is pursuing the Scheme in order to resolve the outstanding regulatory issues and compromise its redress liabilities. Although the independent review of the Group's branch-based lending division carried out in 2021 identified no systemic issues requiring redress, as this division and the guarantor loans division (now in collect-out) trade out of the same legal entity (Everyday Lending Limited), the Scheme encompasses potential claims from both divisions in order to ensure equitable treatment of customers. The publication of the Practice Statement Letter on 17 March 2023 provides details regarding the Scheme. The Group has included a provision of £26.4m as at 31 December 2022 based on the amount it expects to be available for redress creditors and costs associated with the Scheme. If the Scheme is successful, it would compromise redress liabilities for loan activity prior to 31 March 2021, however it is possible that claims relating to post 31 March 2021 loan activity could increase in the future due to unforeseen circumstances and/or if FOS were to change its policy with respect to how such claims are adjudicated. The Group has recognised a provision for business as usual (BAU) complaints received at year end of £2.8m as at 31 December 2022 (2021: £6.6m). This is in relation to potential outflows to customers related to past non-compliance with regulations relating to affordability assessments. Judgement is applied to determine the quantum of such provisions, including making assumptions regarding the extent to which the complaints already received may be upheld, average redress payments and related administrative costs. Refer to note 2 for sensitivity on this.
The home credit division was placed into administration on 15 March 2022 and therefore is no longer part of the Group as at 31 December 2022.

25. Lease liability – Group

	At 31 Dec 2022 £000	At 31 Dec 2021 £000
Current lease liabilities	**1,765**	2,129
Non-current lease liabilities	**5,695**	7,416
Total lease liability	**7,460**	9,545

Maturity analysis	**At 31 Dec 2022 £000**	At 31 Dec 2021 £000
Not later than one year	**1,877**	2,871
Later than one year and not later than five years	**6,650**	7,330
Later than five years	**1,323**	2,464
Total	**9,850**	12,665
Unearned finance cost	**(2,390)**	(3,120)
Total lease liability	**7,460**	9,545

Lease liability – Company

	At 31 Dec 2022 £000	At 31 Dec 2021 £000
Current lease liabilities	**11**	7
Non-current lease liabilities	**51**	33
Total lease liability	**62**	40

Maturity analysis	At 31 Dec 2022 £000	At 31 Dec 2021 £000
Not later than one year	**17**	11
Later than one year and not later than five years	**59**	40
Later than five years	**-**	-
Total	**76**	51
Unearned finance cost	**(14)**	(11)
Total lease liability	**62**	40

26. Loans and borrowings – Group[1]

	2022 £000	2021 £000
Due within one year	**262,155**	4,813
Due in more than one year	**-**	328,762

1 Amounts disclosed are net of capitalised transaction fees and include interest accrued.

The Group's total debt facilities as at 31 December 2022 comprised of a term loan provided by institutional investors which had a fully drawn balance of £255.0m at year end (2021: £285.0m). £nil (2021: £45.0m) was drawn under the revolving loan facility following a full repayment on 8 July 2022 and £nil (2021: £nil) was drawn under the securitisation facility following a closure of the facility on 14 September 2022. The term loan facility matures in August 2023.

For the quarters ended 31 March 2022, 30 June 2022, 30 September 2022 and 31 December 2022, the Group's loan to value ('LTV') ratio was higher than the level permitted under its LTV covenant. The LTV covenant will not be formally tested, and no covenant breach or event of default will arise, until the Group provides its compliance certificates for the quarter dates. The date on which the Group is required to supply these compliance certificates has been extended until 17 May 2023, with a mechanism for this date to be extended further with lender support.

Maturity analysis of amounts due on external borrowings	At 31 Dec 2022 £000	At 31 Dec 2021 £000
Not later than one year	**271,654**	67,358
Later than one year and not later than five years	**-**	297,465
Later than five years	**-**	-
	271,654	364,823

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

Borrowings are recognised initially at FV and subsequently at amortised cost. The carrying value of other payables due in more than one year is not materially different to the FV. 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. The charges made against these companies are reflected at Companies House.

27. Contingent liabilities – Group

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

The Group is pursuing the Scheme which if successful, would compromise redress liabilities for loan activity prior to 31 March 2021. It is possible that claims relating to post 31 March 2021 loan activity could increase in the future due to unforeseen circumstances and/or if FOS were to change its policy with respect to how such claims are adjudicated. Should the final outcome of these complaints differ materially from management's current estimates, the cost of resolving such complaints could be higher than expected. It is however not possible to estimate any such increase reliably.

28. Deferred tax asset/(liability) – Group

	£000
At 31 December 2021	-
Prior period adjustment to deferred tax	-
Reversal of prior year deferred tax assets	-
At 31 December 2022	**-**

Consistent with prior years, the Group has not recognised a deferred tax asset during the financial year on its losses due to the uncertainty in the regulatory and macroeconomic environment. The Group reviews the carrying amount of deferred tax assets at each balance sheet date and reduces it to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The deferred tax asset is attributable to temporary timing differences and carried forward losses arising in respect of:

	2022 £000	2021 £000
Accelerated tax depreciation	**334**	271
Carried forward losses	**26,747**	18,214
Restatement of loan loss spreading	**(22)**	(30)
Other short-term timing differences	**-**	317
Unpaid employer pension contributions	**73**	100
FRS 102 adoption	**(2)**	(3)
IFRS 16 transitional adjustment	**12**	15
IFRS 9 transitional adjustment	**2,457**	2,949
Unutilised provisions	**413**	-
Unpaid employee remuneration	**87**	-
Unpaid donations	**2**	4
Unrecognised tax losses	**(30,101)**	(21,837)
Net deferred tax asset	-	-

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

Deferred tax asset/(liability) – Company

	£000
At 31 December 2021	-
Current year credit[1]	-
At 31 December 2022	-

Unrecognised deferred tax assets arising from the tax losses in the current year were £0.4m (2021: £0.6m). Total unrecognised deferred tax assets as at 31 December 2022 were £3.0 (2021: £2.5m)

29. Share capital

All shares in issue are Ordinary 'A' Shares consisting of £0.05 per share. All 312,437,422 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.

During the year, the Company cancelled nil shares (2021: nil shares) and issued nil shares (2021: nil shares).

Share movements

	Number
Balance at 31 December 2021	312,437,422
Cancellation of shares	-
Issue of shares	-
Balance at 31 December 2022	**312,437,422**

Non-Standard Finance plc sponsors the Non-Standard Finance plc 2019 Employee Benefit Trust ('EBT') which is a discretionary trust established on 21 October 2019 for the benefit of the employees of the Group. The Company has appointed Estera Trust (Jersey) Limited to act as trustee of the EBT. The trustee has waived the right to receive dividends on the shares it holds. As at 31 December 2022, the EBT held nil (2021: nil) shares in the Company with a cost of £nil (2021: £nil) and a market value of £nil (2021: £nil).

30. 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.

	Total £000
Balance at 31 December 2021	180,019
Capital reduction	-
Issue of shares	-
Balance at 31 December 2022	**180,019**

31. Other reserves

Founder Shares scheme

The Founders have committed £255,000 of capital in the Group in the form of 100 Founder Shares in Non-Standard Finance Subsidiary Limited. The Founder Shares grant each holder the option, subject to the satisfaction of certain conditions, to require the Company to purchase some or all of their Founder Shares.

The purchase price for exercise of this Founder Shares 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 this was recognised as equity in other reserves in the financial statements.

During the course of 2019, a change of control provision was triggered on the departure of Miles Cresswell-Turner and the Founder Shares vested in full. However, following discussions with the holders, management team and shareholders, it was agreed that the Founder Shares would be subject to a further performance condition under which:

- the Company's share price must reach £1.10 within five years of 9 October 2019; or
- there is a change of control.

As Miles Cresswell-Turner was departing the Company, it was agreed that seven of his 25 Founder Shares (28% of his Founder Shares) would not be subject to these new performance conditions and he exercised his option over these Shares in exchange for 387,740 shares in Non-Standard Finance plc on 21 October 2019. The balance of his remaining 18 Founder Shares are subject to the new performance condition.

No shares have vested or were remaining to the Directors during the year ended 31 December 2022 (2021: nil).

Share-based payments

Equity-settled share option schemes

During the prior year ended 31 December 2021, the Group operated one share-based award ('SAYE') scheme which reached the end of its vesting periods and lapsed with no options exercised. The Group did not operate any SAYE schemes during the year ended 31 December 2022.

All long term incentive plans operated by the Group lapsed on or before 31 December 2020 with no options exercised. The Group did not operate any long term incentive plans during the year ended 31 December 2022 and 31 December 2021.

32. Net cash generated/(used) in operating activities – Group

	Year ended 31 Dec 2022 £000	Year ended 31 Dec 2021 £000
Operating loss	**(27,308)**	(3,631)
Taxation refund/(paid)	**1,353**	-
Interest portion of the repayment of lease liabilities	**(816)**	(983)
Depreciation	**2,677**	3,833
Share-based payment charge	**-**	34
Amortisation of intangible assets	**979**	2,727
Derecognition and impairments related to administration of home credit division	**19,361**	-
Exceptional charge for write-down of assets and recognition of liabilities of home credit division	**-**	8,542
Profit/(loss) on disposal of property, plant and equipment	**123**	1,022
Decrease/(increase) in amounts receivable from customers	**13,374**	48,522
Decrease/(increase) in receivables	**332**	(446)
(Decrease)/increase in payables and provisions	**7,841**	(1,858)
Cash generated/(used) in operating activities	**17,916**	57,762

Reconciliation of liabilities arising from financing activities

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

	Cash changes			Non-cash changes					
Group	**1 Jan 2022 £'000**	**Financing cash flows £'000**	**Lease payments £'000**	**Amortised fees £'000**	**Interest charge £'000**	**Lease additions and disposals £'000**	**Derecognition of home credit division**	**Reduction in debt from home credit administration proceeds[1]**	**31 Dec 2022 £'000**
Total loans and borrowings (note 26)	328,762	(65,000)	-	1,238	-	-	-	(10,000)	255,000
Lease liabilities (note 25)	9,545	-	(2,512)	-	816	542	(931)		7,460
Total	**338,307**	**(65,000)**	**(2,512)**	**1,238**	**816**	**542**	**(931)**	**(10,000)**	**262,460**

1 The home credit division (S.D. Taylor Limited trading as Loans at Home) was placed into administration on 15 March 2022. As S.D. Taylor Limited is a guarantor of the Group's term loan facilities proceeds from the administration have been repaid directly to the term lenders during the year.

	Cash changes			Non-cash changes			
Group	1 Jan 2021 £'000	Financing cash flows £'000	Lease payments £'000	Amortised fees £'000	Interest charge £'000	Lease additions and disposals £'000	31 Dec 2021 £'000
Total loans and borrowings (note 26)	326,587	-		2,175	-	-	328,762
Lease liabilities (note 25)	10,889	-	(3,535)	-	983	1,208	9,545
Total	337,476	-	(3,535)	2,175	983	1,208	338,307

Net cash used in operating activities – Company

	Year ended 31 Dec 2022 £000	Year ended 31 Dec 2021 £000
Operating loss	**(9,880)**	(22,720)
Interest portion of the repayment of lease liabilities	**(6)**	(4)
Depreciation	**33**	155
Share-based payment charge	**-**	1
Impairment of investment and intercompany receivables	**7,376**	19,538
Gain/(loss) on disposal of PPE, Intangibles and Right of use asset	**4**	-
(Increase)/Decrease in receivables	**2,156**	2,147
(Decrease)/increase in payables	**1,355**	507
Cash used in operating activities	**1,038**	(376)

Reconciliation of liabilities arising from financing activities

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

	Cash changes			Non-cash changes			
Company	**1 Jan 2022 £'000**	**Financing cash flows £'000**	**Lease payments £'000**	**Amortised fees £'000**	**Interest charge £'000**	**Lease additions and disposals £'000**	**31 Dec 2022 £'000**
Lease liabilities (note 25)	**40**	**-**	**(19)**	**-**	**7**	**34**	**62**
Total							

	Cash changes			Non-cash changes			
Company	**1 Jan 2021 £'000**	**Financing cash flows £'000**	**Lease payments £'000**	**Amortised fees £'000**	**Interest charge £'000**	**Lease additions and disposals £'000**	**31 Dec 2021 £'000**
Lease liabilities (note 25)	43	-	(6)	-	3	-	40
Total	43	-	(6)	-	3	-	40

33. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. The Company received dividend income of £nil from its subsidiary undertakings during the year (2021: £nil). The Company receives charges from and makes charges to these related parties in relation to shared costs, staff costs and other costs incurred on their behalf. Intra-Group transactions between the Company and the fully consolidated subsidiaries or between fully consolidated subsidiaries are eliminated on consolidation. Please refer to note 20 for the year-end amounts due from subsidiaries to the Company and note 23 for year-end amounts due to subsidiaries from the Company.

The Loan Smart charity was closed on 11 July 2022. During the year, the Company donated £nil to Loan Smart (2021: £15,000).

Information about the remuneration of individual Directors is provided in the audited part of the Directors' remuneration report on pages 85 to 101.

Toby Westcott who is a Nominee Director of the Company receives no direct remuneration from the Company. However, Alchemy Special Opportunities LLP were remunerated for the services of Toby Westcott through a services agreement. This figure equates to a £75k fee plus VAT per annum. Total fees paid in relation to these services totalled £75k (plus VAT) for the year ended 31 December 2022 (2021: £75k+VAT).

34. Financial risk management – 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 EIR on financial assets of the Group at 31 December 2022 was estimated to be 54% (2021: 93.4%).

The average EIR on financial liabilities of the Group at 31 December 2022 was estimated to be 10% (2021: 9%).

Market risk

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

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

Interest rate risk

The Group has an exposure to interest rate risk arising on changes in interest rates which leads to an increase in the Group's cost of borrowing. 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 EIR on financial liabilities.

The Group is exposed to movements in SONIA rates on its external borrowings. A 1% movement in the interest rate applied to financial liabilities during 2022 would not have had a material impact on the Group's result for the year.

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

Credit risk

The Group's credit risk inherent in amounts receivable from customers is reviewed as part of the impairment assessment process as per note 18. 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.

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

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

As at 31 December 2022
Branch-based lending

Year ended 31 December 202	Stage 1 £000	Stage 2 £000	Stage 3 £000	Gross balance £000
A1-A3	126,255	18,508	4,613	149,376
A4-A6	29,926	8,016	3,287	41,229
A7-A8+	3,413	1,354	758	5,525
Total gross receivables	**159,594**	**27,878**	**8,658**	**196,130**
Loan loss provision	**(9,332)**	**(12,476)**	**(7,365)**	**(29,173)**
At 31 December 2022	**150,262**	**15,402**	**1,293**	**166,957**

Guarantor loans

Year ended 31 December 2021	Stage 1 £000	Stage 2 £000	Stage 3 £000	Gross balance £000
Homeowner	-	6,606	1,204	7,810
Non-homeowner	-	6,904	1,309	8,213
Total gross receivables	**-**	**13,510**	**2,513**	**16,023**
Loan loss provision	**-**	**(3,803)**	**(2,073)**	**(5,876)**
At 31 December 2022	**-**	**9,707**	**440**	**10,147**

As at 31 December 2021

Branch-based lending

Year ended 31 December 2021	Stage 1 £000	Stage 2 £000	Stage 3 £000	Gross balance £000
A1-A3	109,893	21,924	3,637	135,454
A4-A6	26,485	9,545	2,606	38,637
A7-A8+	5,601	2,254	895	8,749
Total gross receivables	**141,979**	**33,723**	**7,138**	**182,840**
Loan loss provision	(6,831)	(13,347)	(5,481)	(25,659)
At 31 December 2021	**135,148**	**20,376**	**1,657**	**157,181**

Home credit[1]

Year ended 31 December 2021	Stage 1 £000	Stage 2 £000	Stage 3 £000	Gross balance £000
Up to 1 in the last 13 weeks missed	-	19,074	-	19,074
1 to 4 in the last 13 weeks missed	-	4,249	-	4,249
4 to 8 in the last 13 weeks missed	-	2,826	60	2,886
8 to 13 in the last 13 weeks missed	-	6,013	1,535	7,548
13 in the last 13 weeks missed	-	-	11,380	11,380
Total gross receivables	**-**	**32,162**	**12,975**	**45,137**
Loan loss provision	-	(9,186)	(11,911)	(21,097)
At 31 December 2021	**-**	**22,976**	**1,064**	**24,040**

1 *Home credit make weekly collections.*

Guarantor loans

Year ended 31 December 2021	Stage 1 £000	Stage 2 £000	Stage 3 £000	Gross balance £000
Homeowner	-	14,934	2,683	17,617
Non-homeowner	-	15,834	3,593	19,427
Total gross receivables	**-**	**30,768**	**6,276**	**37,044**
Loan loss provision	-	(5,965)	(4,316)	(10,281)
At 31 December 2021	**-**	**24,803**	**1,960**	**26,763**

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

Trade and other receivables owed by external parties and cash at bank are not considered to have a material credit risk as all material balances are due from investment grade banking counterparties. Impairment of intercompany receivables for the Company has been assessed at note 20. .

Capital risk management

The Board of Directors assesses the capital needs of the Group on an ongoing basis and approves all capital transactions. The capital structure of the Group consists of net debt (borrowings after deducting cash and bank balances) and equity of the Group (comprising capital, reserves, retained earnings and non-controlling interests as disclosed in notes 29 to 31). 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. Cash and covenant forecasting is conducted on a monthly basis as part of the regular management reporting exercise. The going concern position of the Group remains materially uncertain leading to a risk that the Group will have insufficient liquidity to fund its future growth plans beyond the next 12 months and this is reflected in the Group's going concern and Viability Statement on page 78 to 79 & page 81.

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

Solvency risk
This is the risk that the Group's balance sheet becomes insolvent. As at 31 December 2022, the Group and Company's statement of financial position was in a net liability position, the assessment of this has been reflected in the Group and Company's Going Concern and Viability Statement on pages 78 to 79 & page 81.

35. Distributable reserves of the Parent Company

At 31 December 2022, the Company had no distributable reserves (2021: nil distributable reserves).

36. Subsequent events
The Everyday Lending Limited Directors, supported by the Group Directors, decided to pursue a scheme of arrangement to address the Group's redress liabilities and a practice statement letter for the scheme was published on 17 March 2023 (refer to note 24 for amounts provided for as part of this).

On 7 February 2023, the S.D. Taylor administrators repaid a further £3m to the Group's secured lenders, thereby reducing the Group's gross loans and borrowings to £252m.

Additional information

Appendix

Glossary of alternative performance measures and key performance indicators

The Group has developed a series of alternative performance measures that it uses to monitor the financial and operating performance of each of its business divisions and the Group as a whole. These measures seek to adjust reported metrics for the impact of non-cash and other accounting charges (including modification loss) that make it more difficult to see the true underlying performance of the business. These APMs are not defined or specified under the requirements of International Financial Reporting Standards, however we believe these APMs provide readers with important additional information on our business. To support this, we have included a reconciliation of the APMs we use, how they are calculated and why we use them on the following pages.

Alternative performance measure	Definition
Net debt	Gross borrowings less cash at bank
Normalised revenue	
Normalised operating profit	Normalised figures are before fair value adjustments, amortisation of acquired intangibles and exceptional items (refer to note 7).
Normalised profit before tax	
Normalised earnings per share	

Key performance indicator	
Impairments/revenue	Impairments as a percentage of normalised revenues
Impairments (including modifications)/revenue	Impairments (including modification and derecognition losses) as a percentage of normalised revenues
Impairments/average loan book	Impairments as a percentage of 12-month average net loan book, excluding fair value adjustments
Net loan book	Net loan book before fair value adjustments but after deducting any impairment due
Net loan book growth	Annual growth in the net loan book
Operating profit margin	Normalised operating profit as a percentage of normalised revenues
Cost:income ratio	Normalised administrative expenses as a percentage of normalised revenue
Return on asset	Normalised operating profit as a percentage of average loan book excluding fair value adjustments
Revenue yield	Normalised revenue as a percentage of average loan book excluding fair value adjustments
Risk adjusted margin	Normalised revenue less impairments as a percentage of average loan book excluding fair value adjustments

Alternative performance measures reconciliation

1. Net debt

	31 Dec 2022 £000	31 Dec 2021 £000
Borrowings	**255,000**	330,000
Cash at bank and in hand[1]	**(31,732)**	(114,544)
	223,268	215,456

1 Cash at bank and in hand excludes cash held by the Parent Company that sits outside of the security group.

This is deemed useful to show total borrowings if cash available at year end was used to repay borrowing facilities.

2. Normalised and reported revenue

	Branch-based lending		Guarantor loans	
	31 Dec 2022 £000	31 Dec 2021 £000	**31 Dec 2022 £000**	31 Dec 2021 £000
Normalised and reported revenue	**84,470**	79,940	**6,552**	13,046

3. Normalised operating profit/(loss)

	Branch-based lending		Guarantor loans	
	31 Dec 2022 £000	31 Dec 2021 £000	**31 Dec 2022 £000**	31 Dec 2021 £000
Reported operating profit/(loss)	**7,196**	13,653	**835**	(272)
Add back fair value adjustments and amortization of acquired intangibles	**–**	–	**–**	–
Add back exceptional items	**–**	–	**–**	2,207
Normalised operating profit/(loss)	**7,196**	13,653	**835**	1,935

Fair value adjustments and amortisations have been excluded due to them being non-business-as-usual transactions. They result from the Group making acquisitions and do not reflect the underlying performance of the business. Removing this item is deemed to give a fairer representation of revenue within the relevant financial year.

4. Normalised profit/(loss) before tax

	31 Dec 2022 £000	31 Dec 2021 £000
Reported loss before tax	**(56,359)**	(29,610)
Add back fair value adjustments	**–**	–
Add back amortisation and write-off of intangibles	**–**	–
Add back exceptional items	**31,768**	12,930
Normalised (loss)/profit before tax	**(24,591)**	(16,680)

Exceptional items have been excluded due to them being non-business-as-usual transactions. They are one-off and are not as a result of underlying business-as-usual transactions (refer to note 7 for further detail) and therefore do not reflect the underlying performance of the business. Hence, removing these items is deemed to give a fairer representation of the underlying profit performance within the financial year.

5. Normalised profit/(loss) for the year

	Group	
	31 Dec 2022 £000	31 Dec 2021 £000
Reported loss for the year	**(56,359)**	(29,685)
Add back exceptional items	**31,768**	12,930
Adjustment for tax relating to above items	**–**	–
Normalised profit/(loss) for the year	**(24,591)**	(16,755)
Weighted average shares	312,437,422	312,437,422
Normalised earnings/(loss) per share (pence)	**(7.87)p**	(5.36)p

Exceptional items have been excluded due to them being non-business-as-usual transactions. They are one-off and are not as a result of underlying business-as-usual transactions (refer to note 7 for further detail) and therefore do not reflect the underlying performance of the business. Hence, removing these items is deemed to give a fairer representation of the underlying earnings/(loss) per share within the financial year.

6. Impairment as a percentage of revenue

	Branch-based lending		Guarantor loans	
	31 Dec 2022 £000	31 Dec 2021 £000	**31 Dec 2022 £000**	31 Dec 2021 £000
Normalised revenue	**84,470**	79,940	**6,552**	13,046
Impairment	**(26,704)**	(18,994)	**1,595**	1,061
Impairment as a percentage revenue	**31.6%**	23.8%	**(24.4)%**	(8.1)%

	Branch-based lending		Guarantor loans	
	31 Dec 2022 £000	31 Dec 2021 £000	**31 Dec 2022 £000**	31 Dec 2021 £000
Normalised revenue	**84,470**	79,940	**6,552**	13,046
Impairment and modifications	**(26,954)**	(20,337)	**1,583**	(417)
Impairment and modifications as a percentage revenue	**31.9%**	25.5%	**(24.2)%**	3.2%

Impairment as a percentage revenue is a key measure for the Group in monitoring risk within the business.

7. Impairment as a percentage loan book

	Branch-based lending		Guarantor loans	
	31 Dec 2022 £000	31 Dec 2021 £000	**31 Dec 2022 £000**	31 Dec 2021 £000
Opening net loan book	**157,181**	171,460	**26, 763**	59,794
Closing net loan book	**166,957**	157,181	**10,147**	26, 763
Average net loan book	**161,460**	163,724	**17,095**	40,609
Impairment	**(26,704)**	(18,994)	**1,595**	1,061
Impairment as a percentage loan book	**16.5%**	11.6%	**(9.3)%**	(2.6%)

Impairment as a percentage loan book allows review of impairment level movements year on year.

8. Net loan book growth

	Branch-based lending		Guarantor loans	
	31 Dec 2022 £000	31 Dec 2021 £000	**31 Dec 2022 £000**	31 Dec 2021 £000
Opening net loan book	**157,181**	171,460	**26, 763**	59,794
Closing net loan book	**166,957**	157,181	**10,147**	26, 763
Net loan book growth	**6.2%**	(8.3%)	**(62.1)%**	(55.2%)

9. Return on asset

	Branch-based lending		Guarantor loans	
	31 Dec 2022 £000	31 Dec 2021 £000	**31 Dec 2022 £000**	31 Dec 2021 £000
Normalised operating profit	**7,196**	13,653	**835**	1,935
Average net loan book	**161,460**	163,724	**17,095**	40,609
Return on asset	**4.5%**	8.3%	**4.9%**	4.8%

The return on asset measure is used internally to review the return on the Group's primary key assets.

10. Revenue yield

	Branch-based lending		Guarantor loans	
	31 Dec 2022 £000	31 Dec 2021 £000	**31 Dec 2022 £000**	31 Dec 2021 £000
Normalised revenue	**84,470**	79,940	**6,522**	13,046
Average net loan book	**161,460**	163,724	**17,095**	40,609
Revenue yield percentage	**52.3%**	48.8%	**38.3%**	32.1%

Revenue yield percentage is deemed useful in assessing the gross return on the Group's loan book.

11. Risk adjusted margin

	Branch-based lending		Guarantor loans	
	31 Dec 2022 £000	31 Dec 2021 £000	**31 Dec 2022 £000**	31 Dec 2021 £000
Normalised revenue	**84,470**	79,940	**6,552**	13,046
Impairments	**(26,704)**	(18,994)	**1,595**	1,061
Normalised risk adjusted revenue	**57,766**	60,946	**8,147**	14,107
Average net loan book	**161,460**	163,724	**17,095**	40,609
Risk adjusted margin percentage	**35.8%**	37.2%	**47.7%**	34.7%

The Group defines normalised risk adjusted revenue as normalised revenue less impairments. Risk adjusted revenue is not a measurement of performance under IFRSs, and you should not consider risk adjusted revenue as an alternative to profit before tax as a measure of the Group's operating performance, as a measure of the Group's ability to meet its cash needs or as any other measure of performance under IFRSs. The risk adjusted margin measure is used internally to review an adjusted return on the Group's primary key assets.

12. Operating profit margin

	Branch-based lending		Guarantor loans	
	31 Dec 2022 £000	31 Dec 2021 £000	**31 Dec 2022 £000**	31 Dec 2021 £000
Normalised operating profit	**7,196**	13,653	**835**	1,935
Normalised revenue	**84,470**	79,940	**6,552**	13,046
Operating profit margin percentage	**8.5%**	17.1%	**12.8%**	14.8%

13. Cost to income ratio

	Branch-based lending		Guarantor loans	
	31 Dec 2022 £000	31 Dec 2021 £000	**31 Dec 2022 £00**	31 Dec 2021 £000
Normalised revenue	**84,470**	79,940	**6,552**	13,046
Administration expense	**(50,493)**	(46,294)	**(7,300)**	(10,695)
Operating profit margin percentage	**59.8%**	57.9%	**111.4%**	82.0%

This measure allows review of cost management.

Company information

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