

NON-STANDARD FINANCE PLC

Registered Number: 09122252

**UNAUDITED INTERIM ACCOUNTS
FOR THE NINE MONTHS ENDED 30 September 2019**



These interim accounts are prepared only for the purposes of Sections 836 and 838 of the Companies Act 2006. They are abridged and unaudited.

Statement of comprehensive income for the nine months ended 30 September 2019

		Nine months ended 30 September 2019 £'000	Nine months ended 30 September 2018 £'000
Income from fixed asset investments	3	10,000	7,700
Administrative expenses		(4,267)	(4,160)
Operating profit		5,733	3,540
Exceptional items	4	(35,835)	-
Profit on ordinary activities before interest and tax		(30,102)	3,540
Net finance costs		(15)	(2)
Profit on ordinary activities before tax		(30,117)	3,538
Tax on ordinary activities		2,143	790
Profit for the period		(27,974)	4,328
Total comprehensive profit for the period		(27,974)	4,328

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

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Statement of financial position as at 30 September 2019

	Note	30 September 2019 £'000	31 December 2018 £'000
ASSETS			
Non-current assets			
Investment	5	188,366	212,674
Property, plant and equipment		142	180
Right of use asset		227	-
		188,735	212,854
Current assets			
Trade and other receivables		60,638	61,729
Cash and cash equivalents		1,023	393
		61,661	62,122
Total assets		250,396	274,976
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		13,115	4,786
Lease liability		258	-
Total liabilities		13,373	4,786
Equity attributable to owners of the parent			
Share capital	6	15,602	15,852
Share premium	6	180,019	254,995
Other reserves	7	2,193	(2,026)
Retained profit		39,209	1,369
Total equity		237,023	270,190
Total equity and liabilities		250,396	274,976

These financial statements were approved by the Board of Directors on 11 October 2019.

Signed on behalf of the Board of Directors



Nick Teunon
Director

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Statement of changes in equity for the nine months ended 30 September 2019

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained profit £'000	Total £'000
At 31 December 2016	15,852	254,995	-	2,441	273,288
Total comprehensive profit for the period	-	-	-	4,719	4,719
Transactions with owners, recorded directly in equity:					
Dividends paid	-	-	-	(4,439)	(4,439)
Purchase of own shares	-	-	(1,357)	-	(1,357)
Share based payment charge	-	-	278	-	278
At 31 December 2017	15,852	254,995	(1,079)	2,721	272,489
Total comprehensive profit for the period	-	-	-	5,826	5,826
Transactions with owners, recorded directly in equity:					
Dividends paid	-	-	-	(7,177)	(7,177)
Purchase of own shares	-	-	(2,102)	-	(2,102)
Share based payment charge	-	-	1,155	-	1,155
At 31 December 2018	15,852	254,995	(2,026)	1,369	270,190
Total comprehensive profit for the period	-	-	-	(27,974)	(27,974)
Transactions with owners, recorded directly in equity:					
Dividends paid	-	-	-	(6,241)	(6,241)
Issue of shares	4	24	-	-	28
Cancellation of shares	(254)	-	3,459	(3,233)	(28)
Share capital reduction	-	(75,000)	-	75,000	-
IFRS 16 opening balance adjustment	-	-	-	(39)	(39)
Purchase of own shares	-	-	-	-	-
Share based payment charge	-	-	760	327	1,087
At 30 September 2019	15,602	180,019	2,193	39,209	237,023

Notes to the financial statements for the nine months ended 30 September 2019

General Information

Non-Standard Finance plc is a public limited company, limited by shares, incorporated and domiciled in England and Wales, in the United Kingdom. The address of the registered office is 7 Turnberry Park Road, Gildersome, Morley, Leeds, LS27 7LE.

The unaudited interim financial statements do not constitute the statutory financial statements of the group within the meaning of section 434 of the Companies Act 2006. The statutory financial statements for the year ended 31 December 2018 were approved by the board of directors on 14 March 2019 and have been delivered to the Registrar of Companies in England and Wales. The report of the auditors on those financial statements was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006. No statutory accounts have been delivered to the Registrar of Companies in England and Wales in respect of the period covered by these interim accounts.

1. Basis of preparation

These interim accounts and notes have been prepared to support the proposed dividend on the Ordinary Shares in accordance with and for the purposes of sections 836 and 838 of the Companies Act 2006, and on the basis of accounting policies which are in accordance with International Financial Reporting Standards ("IFRS") for determining whether the proposed distribution would contravene said Act. These interim accounts are abridged and unaudited.

The accounting policies for Non-Standard Finance plc ("the Company") are explained in the relevant notes.

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

2. Accounting policies

The accounting policies applied in preparing the unaudited interim financial statements are consistent with those used in preparing the statutory financial statements for the year ended 31 December 2018.

Taxes on profits in interim periods are accrued using the tax rate that will be applicable to expected total annual profits.

New and amended standards and interpretations need to be adopted in the first interim financial statements issued after their effective date (or date of early adoption). There are no new IFRSs or IFRICs that are effective for the first time for the nine months ended 30 September 2019 which have a material impact on the Company.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment.

Share based payments

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

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value

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

Repurchase of share capital (own shares)

Where the Company purchases its own 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.

3. Related party transactions

During the four month period the Company received dividends from its subsidiaries of £10,000,000 (2018: £7,700,000).

4. Exceptional items

In the 9 months ended 30 September 2019, the Group incurred exceptional costs totalling £35.8m (including VAT) (2018: £nil). £10.8m of these costs related to fees and other costs associated with the offer to acquire Provident Financial plc on the terms set out in an offer document published on 9 March 2019. The offer lapsed on 5 June 2019. £25m of the exceptional items reflect the write-down of the value of investment in Non-Standard Finance Subsidiary Limited. Factors leading to this impairment include the significant decline in PE multiples since 31 December 2018, as well as increased sector wide risks to future cash flows and new originations which have arisen since 31 December 2018 in light of changes in the market and regulatory environment in the recent months.

5. Investment in subsidiaries

	30 September 2019	31 December 2018
	£'000	£'000
Gross Investment in subsidiaries	212,223	212,223
Less impairment recognised in the period	(25,000)	-
Net investment in subsidiaries	187,223	212,223
Share-based payment adjustment	1,143	451
	188,366	212,674

During the nine months ended 30 September 2019, the Company recognised an unaudited impairment to its investment of £25m, refer note 4 for further detail.

6. Share capital and share premium

In July 2019, the Company effected the a capital reduction consisting of: (i) a cancellation of 5,070,234 ordinary shares in the Company that were purportedly purchased through the Company's share buy-backs made between 2017 and 2019 but which, as a result of certain infringements of the Companies Act 2006, were not validly purchased of £0.05 each; and (ii) the reduction of the amount of £75 million standing to the credit of the Company's share premium account.

In July 2019, the share capital of the Company was increased by the issuance of 70,234 ordinary shares of £0.05 each to Charles Gregson in accordance with the Group Remuneration Policy approved by shareholders on 14 May 2018.

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.

7. Other reserves

Treasury shares

The treasury shares reserve represents the cost of shares in the Group purchased in the market and held by the Group to satisfy options under the Group's share options schemes.

In July 2019, the Company effected the cancellation of 5.0m ordinary shares in the Company that were purportedly purchased through the Company's share buy-backs made between 2017 and 2019 but which, as a result of certain infringements of the Companies Act 2006, were not validly purchased.

The number of treasury shares held at 30 September 2019 was nil (31 December 2018: 5.0m).

	£'000
Balance at 31 December 2016	-
Acquired in the year	1,357
Disposed of on exercised options	-
Balance at 31 December 2017	1,357
Acquired in the period	2,102
Disposed of on exercised options	-
Balance at 31 December 2018	3,459
Cancellation of shares in the period	(3,459)
Balance at 30 September 2019	-

Equity settled share option schemes

a) Movements in the period

Non-Standard Finance plc Long Term Incentive Plan

During 2017, awards were made under the Non-Standard Finance plc Long Term Incentive Plan. The awards were in the form of nil-cost options and the issue of C ordinary shares in Non-Standard Finance Subsidiary Limited.

The vesting date for awards is 31 December 2020. On vesting, participants will share in a "pool" equal to 15% of the growth in value, based on market capitalisation, of the Company at 31 December 2020, above a share price of £1.10 per share.

In respect of awards made in the form of nil-cost options, on exercise a participant will receive shares in the Company equal in value to their proportion of the pool at vesting. In respect of awards made in the form of shares in Non-Standard Finance Subsidiary Limited, on vesting a participant can exchange these shares for shares in the Company equal in value to their proportion of the pool.

Awards in the form of nil-cost options:

	Percentage of pool allocated	Percentage of growth above £1.10 share price	Exercise price
Outstanding at 1 January 2018	62.5%	9.4%	-
Options granted in 2018	-	-	-
Lapsed	-	-	-
Exercised	-	-	-
Outstanding at 31 December 2018 and 30 September 2019	62.5%	9.4%	-

Exercisable at 31 December 2018 and 30 September 2019

Awards in the form of C ordinary shares:

	Number	Percentage of growth above £1.10 share price	Exercise price
Outstanding at 1 January 2018	375	5.6%	-
Shares issued in 2018	-	-	-
Forfeited	-	-	-
Vested	-	-	-
Outstanding at 31 December 2018 and 30 September 2019	375	5.6%	-
Exercisable at 31 December 2018 and 30 September 2019	-	-	-

Save As You Earn scheme

Awards have been made to employees of the Group under a HMRC tax-advantaged Sharesave Plan. Under the Sharesave Plan, options have been granted in three tranches with a 3 year vesting period and with an exercise price set at a 20% discount to the share price at the date of grant.

	Granted on 7 June 2017		Granted on 6 October 2017		Granted on 14 May 2018	
	Number	Exercise price (£)	Number	Exercise price (£)	Number	Exercise price (£)
Outstanding at 1 January 2017	1,278,175	0.5606	1,910,278	0.606	-	-
Options granted	-	-	-	-	3,447,742	0.495
Replaced	(454,324)	-	(728,998)	-	-	-
Lapsed	(216,395)	-	(345,071)	-	(358,747)	-
Exercised	-	-	-	-	-	-
Outstanding at 31 December 2018	607,456	0.5606	836,209	0.606	3,088,995	0.495
Options granted	-	-	-	-	-	-
Lapsed	(169,198)	-	(344,299)	-	(1,418,852)	-
Exercised	-	-	-	-	-	-
Outstanding at 30 September 2019	438,258	0.5606	491,910	0.606	1,670,143	0.495
Exercisable at 30 September 2019	-	-	-	-	-	-

b) Fair value of options granted

For the share-based awards granted during the year, the main assumptions in the valuations are as follows.

Non-Standard Finance plc Long Term Incentive Plan

Under the Non-Standard Finance plc Long Term Incentive Plan, awards can be made in the form of shares in a subsidiary company or nil-cost options. Awards will vest on 31 December 2020 based on the growth of the Company above a share price of £1.10. The fair value of the plan is £1.61m spread over the vesting period and will be equity settled. A charge of £0.36m was recognised in the nine months ended 30 September 2019 (2018: £0.36m). The following information is relevant in the determination of the fair value:

	15 September 2017	19 September 2017
Valuation method	Black-Scholes	Black-Scholes
Share price at grant date	£0.75	£0.78
Exercise price	£1.10	£1.10
Expected volatility	25%	25%
Expected life	3.3 years	3.3 years
Expected dividend yield	3.5%	3.5%
Risk-free interest rate	0.32%	0.32%

Save As You Earn scheme:

In 2017, the Non-Standard Finance plc Sharesave Plan was adopted. Under the Plan, options can be made with a 3 year vesting period and at an exercise price not more than a 20% discount to the share price at the date of grant and will be equity settled. The fair value of the awards made in June 2017 is £0.213m spread over the vesting period. The fair value of the awards made in October 2017 is £0.378m spread over the vesting period. The company has applied modification accounting treatment in respect to the May 2018 awards which have been obtained by some participants at the same time as closing their 2017 awards. The fair value of the awards made in May 2018 which do not qualify for modification treatment is £0.276m spread over the vesting period. The fair value of those awards qualifying for modification treatment is £0.061m spread over the vesting period. Charges are taken at the company in which the employee holding the award is employed. A charge of £0.008m (2018: £0.007m) was recognised in the nine months ended 30 September 2019 in relation to awards held by persons employed by Non-Standard Finance plc. The following information is relevant in the determination of the fair value:

	7 June 2017	6 October 2017	14 May 2018
Valuation method	Black-Scholes	Black-Scholes	Black-Scholes
Share price at grant date	£0.7038	£0.7700	£0.6200
Exercise price	£0.5606	£0.6060	£0.4952
Expected volatility	28.3%	29.9%	31.1%
Expected life	3 years	3 years	3 years
Expected dividend yield	1.71%	1.30%	3.55%
Risk-free interest rate	0.13%	0.51%	0.88%