Meeting needs in responsible lending

morses club

Annual Report and Accounts 2017

Who we are

Morses Club PLC is a UK consumer finance business in the Home Collected Credit (HCC) market, with a proud heritage going back over 130 years. Our c. 216,000 customers are served by c.1,800 self-employed agents, as well as 617 employees based across 98 branches.

Approximately 1.8m people regularly use the services of HCC companies. It is a well-established specialist market, lending principally to the 'non-standard' borrower population – defined as people regularly refused credit by mainstream lenders. It is estimated that the UK non-standard borrower population is around 10m people.

We aim to meet the real need for responsible lending in the community across the UK, particularly for customers with a complex credit history.

Contents

Highlights

Strategic Highlights

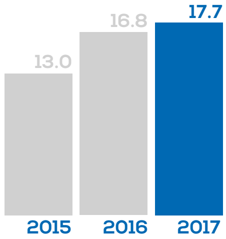
- All agents now using tablets to ensure the highest levels of compliance, quality lending and customer outcomes.
- Developed a broader range of products with the introduction of cashless lending (Morses Club Card) and online lending (Dot Dot Loans).
- Developed our core business and supplemented it with 105 new agent territory builds in the year.
- Completed 7 acquisitions with a gross receivables value of £6.8m with full integration into our core loans platform and credit policy regimes.

Operational Highlights

- Customer base grew from 198k to 216k, an increase of 9%.
- Net receivables grew from £56.8m to £61.2m, an increase of 8%.
- Achieved year on year sales (credit issued) growth of 18%.
- Managed impairment at 24.4% (FY16: 20.8%) – comfortably within our target range of 22.0% to 27.0%.
- Delivered cost-efficiency improvements, with costs as a percentage of income declining from 58.9% to 56.9%.

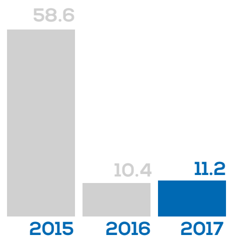
Adjusted profit before tax (£m)[1]

£17.7m



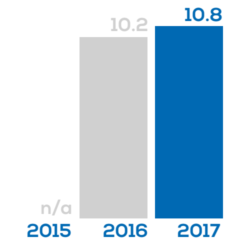
Reported profit before tax (£m)

£11.2m



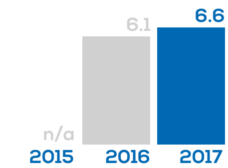
Adjusted earnings per share

10.8p



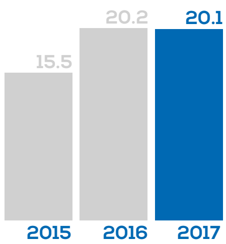
Reported earnings per share

6.6p



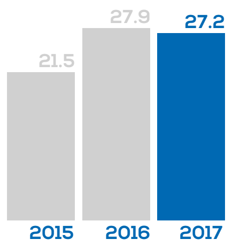
Return on assets[2]

20.1%



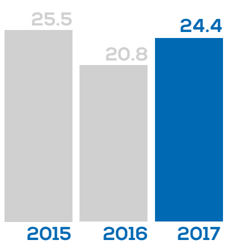
Return on equity[2]

27.2%



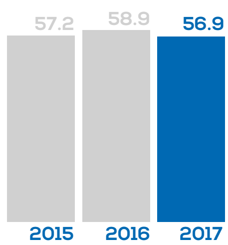
Impairment as % of revenue

24.4%



Overheads as % of revenue

56.9%



1 A reconciliation between adjusted and reported PBT is provided on page 15

2 Return on assets and return on equity are calculated based on adjusted PBT less a notional tax rate of 21%

At a Glance

This report covers Morses Club PLC, Shelby Finance Limited (trading as Dot Dot Loans) and Shopacheck Financial Services Limited (together the "Group" and "Morses Club").

The report gives greater emphasis to matters significant to Morses Club PLC and its subsidiary undertakings when viewed as a whole.

Our vision is to become the UK's market-leading, non-standard credit company, with our customers at the very heart of our business.

As an established, relationship-driven consumer finance provider, we focus on responsible lending and fair, helpful service to meet the needs of customers with complex credit histories throughout the UK.

What We Do

Our customers are usually ineligible for credit from mainstream lenders. By offering small, affordable loans of up to £1,000, either in cash or on a Morses Club Card, we proudly provide our customers with an essential service.

The Group is currently in the process of obtaining its full regulatory permissions with the Financial Conduct Authority (FCA) and continues to operate under interim permissions. We operate primarily via a network of self-employed agents from the same communities as their customers. Loans are finalised in person by a Morses Club agent who then collects the repayments each week. These personal connections allow us to know our customers and their needs, developing strong relationships that often endure for many years.

Treating Customers Fairly

We are a responsible lender and our commitment to fair customer treatment is woven throughout our business. In independent satisfaction surveys, over 95% of both employees and agents said they understood the importance of treating customers fairly.

Every time a customer borrows from us, their agent conducts an affordability check with them in person, helping to ensure good customer outcomes. We make our rates clear and never charge missed or late payment fees or interest. Our customer-centric approach to lending helps to keep our customer satisfaction scores consistently high.

Investment Opportunity:

- Experienced executive team
- **c.80 years** of Home Collected Credit experience
- No. 2 market share, **c.216,000 customers** across the UK
- Highly invested IT platform, **widening product offering** and improving infrastructure
- **Well placed to capitalise** on regulatory-driven market consolidation
- **Untapped market potential** of c.8m people
- **Focus on loan quality**
- **Cash generative business model** that allows for a progressive dividend policy

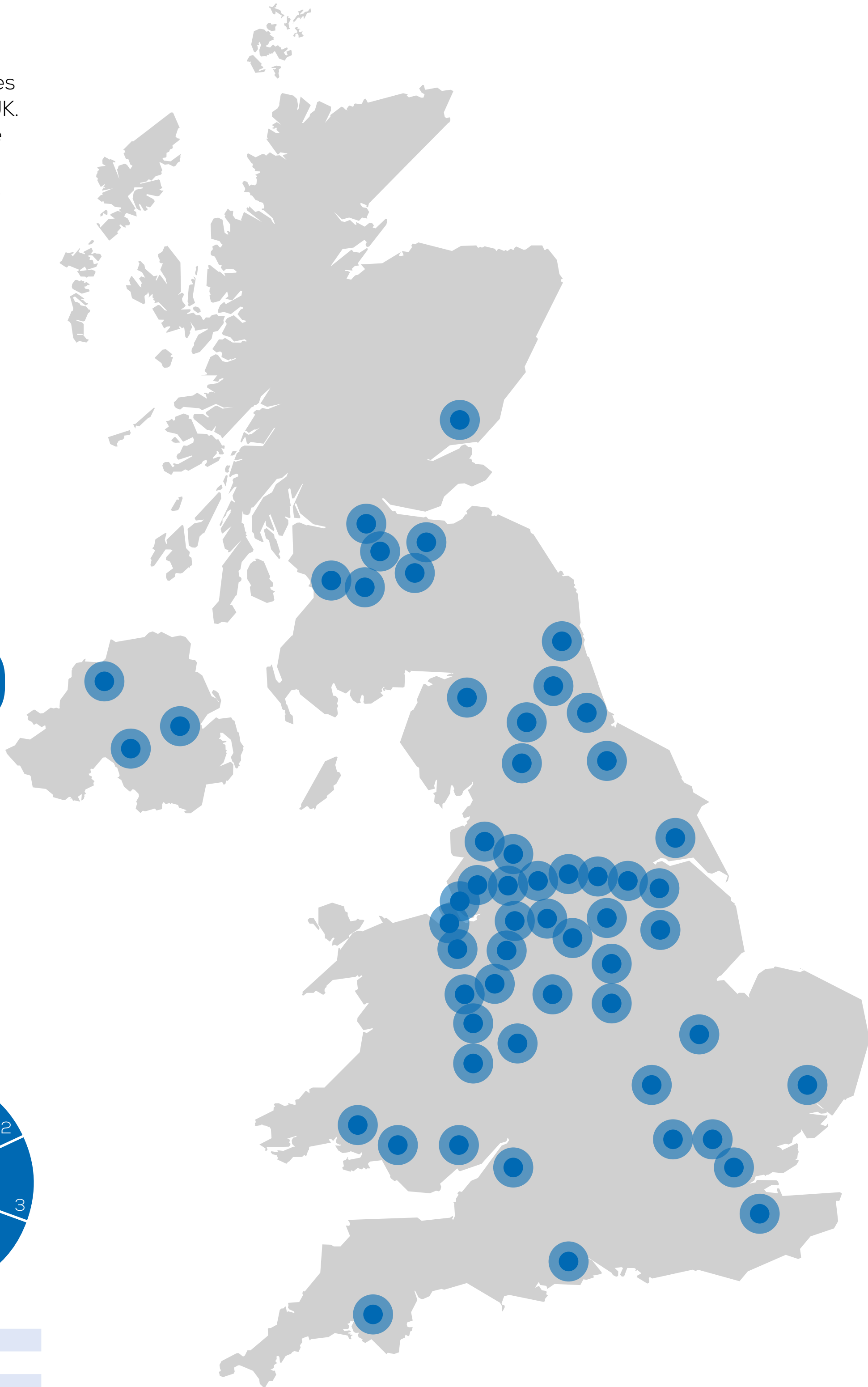
Where We Operate

Morses Club operates through a series of local branches based all over the UK. Our field management team operate from these branches, working with our network of self-employed agents. Our central support centre is based in Birstall, near Leeds.

98
branch locations

617
employees

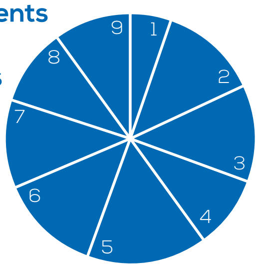
c.1,800
self-employed agents



Branch locations

Location of Agents

c.1,800 agents operating throughout the UK



1	Northern Ireland
2	Scotland
3	North East
4	Yorkshire
5	North West
6	Midlands
7	London & South East
8	Wales & South West
9	South Yorkshire and East Midlands

Customer Satisfaction Research

To ensure that we continue to provide our customers with exceptional customer service as well as products and services that meet their needs, Morses Club conducts independent customer satisfaction research.

Mustard Research, an independent research agency, contact 200 quality customers on our behalf on a monthly basis and conduct short telephone surveys with them; each survey takes about 10 minutes to complete.

The survey covers customer satisfaction with our service and their thoughts on our product offering, as well as what they would like to see in the future.

The data from these surveys gives us important insights into our customers, our market and our opportunities.

Our customer satisfaction research has allowed us to define what good service looks like for Morses Club, and identify any areas where we can improve.

We acknowledge that we cannot provide great service without the hard work of our employees and agents, and results from our customer satisfaction research are circulated to each area of the business and monitored closely each month.

We are proud of the consistently high satisfaction results we receive – which are consistently above 95%.

Paid-up Customer Research

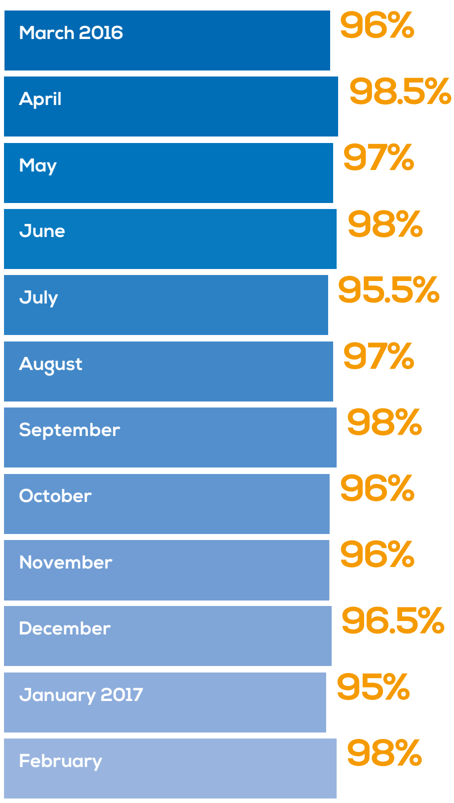
In addition to our monthly customer satisfaction research, we conduct independent paid-up customer research every year. During FY17, there were two waves of this research, conducted by Mustard Research on our behalf.

In each wave of paid-up customer research, a sample of 500 customers who have paid off their loan and left Morses Club in the previous 12 months are contacted by telephone and asked to complete a short 10-minute survey.

The surveys are important in identifying any trends as to why people have chosen to leave Morses Club, and in determining any service improvements we may need to make.

Paid-up customer research is a key part of our customer retention activity.

Customer Satisfaction During FY17



Customer Comments from February 2017 Research

"The agent calls regularly, they are lovely and keep you up to date with everything. It's all on the computer and if you need anything, they're there."

"Very friendly and really easy to communicate with and explain everything to you – no hidden things."

"The way they treat me – and I'd expect them to treat everyone else like that – they treat me well. It's a company which you can actually speak to if you have a problem and they will actually come up and sort it out."

Customer Satisfaction Research

98%
customer satisfaction rate with agent service

93.5%
likely to recommend us to family and friends

94%
likely to consider using Morses Club in the future

Chairman's Statement

Stephen Karle
Chairman

We are pleased with our continued growth and performance for the year, with progress achieved against all of our key objectives.

The Group's shares were first admitted to trading on AIM on 5 May 2016.

The Company has achieved the main strategic objectives which were set by the Board at the time of the Initial Public Offering (IPO), namely the implementation of the Morses Club Card and the purchase of Shelby Finance Limited, whose online system has been used as the platform for the recent launch of our online lending product trading as Dot Dot Loans. As a result of these investments, the Group has continued to grow both its revenue, by 10% and adjusted profit by 5% to £99.6m and £17.7m respectively. Reported PBT grew by 8% to £11.2m.

Today's Business is Built on a Proud Heritage

1878

Morses Club was founded over 130 years ago as a drapery store in Swindon

1947

The retail business expanded until it was acquired by GUS PLC

1980

The success of Morses Club led the business to be the only weekly collected credit business in the GUS PLC Group

1997

Morses Club began to sell personal loans on an unsecured basis to its customers

Culture

Morses Club is the UK's second largest Home Collected Credit (HCC) provider, offering loans with personal, professional and friendly service to customers nationwide.

We are committed to Treating Customers Fairly, a culture which is embedded throughout our organisation. We put our customers at the heart of everything we do and actively monitor and develop the ways in which we connect with them. We continuously monitor customer perceptions and are delighted that monthly independent market research consistently measures customer satisfaction levels at above 95%, representing compelling evidence of our customer-centric culture.

The Board

As part of the corporate governance work prior to the admission to AIM, three additional, Independent Non-Executive Directors were appointed to the Board: Sir Nigel Knowles, Joanne Lake and Patrick Storey. Between them, they bring a wealth of experience in compliance, financial services, legal, investment banking, accounting, and general business matters to Board deliberations. Further details are set out on pages 30 and 31. The full Board of seven Directors now comprises a majority of Independent Non-Executive Directors.

Corporate Governance

Corporate governance provides the framework within which our business operates. From the outset of our existence as a publicly listed company, we have set about the task of implementing a best practice approach to ensure that we are transparently governed and managed within a culture of integrity and accountability.

Our Corporate Governance Report appears on pages 32 to 36, with specific information on risk management and an outline of the measures that we take to mitigate risks on pages 24 to 27.

Our People

The dedicated team of people who work for and with Morses Club PLC are united in their commitment to the vision and values of the company and they share a focus on treating all of our customers fairly. This genuine attention to customer outcomes has contributed to the high quality of service provided to our customers and to the sustained progress of the Company's performance across a targeted range of key performance measures.

Our people ensure that we are able to deliver on our strategy of providing personal loans in a friendly manner. I look forward to another successful year.

Stephen Karle
Chairman

27 April 2017

2009

Morses Club was acquired by Perpignon Limited, backed by RCapital LLP

2014

Shopacheck acquired by Perpignon Limited, backed by RCapital LLP

sfs Shopacheck Financial Services

2016

£68.5m

Successful IPO raised £68.5m

Morses Club successfully listed on AIM 5 May 2016

External Landscape

Morses Club believes that there will always be a segment of the population that relies on Home Collected Credit (HCC). Our developing technology platforms and expertise will not only give us the ability to better support our customers and agents, but also enable us to address other segments of the far larger UK non-standard lending market.

The Non-Standard Consumer Credit Market

Home Collected Credit (HCC) is part of the wider UK non-standard credit market. This market consists of secured and unsecured lending and is made up of approximately 10 million people.

Non-standard credit is the provision of secured and unsecured credit to consumers other than through mainstream lenders. Lenders providing non-standard credit typically lend on an unsecured basis and the market is characterised by high-frequency borrowing.

HCC is a specialised and well-established segment of the non-standard credit market, with approximately 1.8m people using its services regularly.

HCC customers are generally part of the C2, D and E socio-economic groups. Loans are small and unsecured and typically given in cash; this model is facilitated via self-employed agents.

Other forms of non-standard credit, eg instalment loans, do not operate in the same way as HCC and rely on fully-online lending.

Regulatory Landscape

Regulatory responsibility for HCC was transferred from the Office of Fair Trading to the Financial Conduct Authority (FCA) in April 2014.

Morses Club operates within a legislative and regulatory framework set out in the Consumer Credit Act 1974 and 2006 along with the FCA's handbook and associated guidance notes.

Morses Club's HCC business currently operates on an interim permission from the FCA whilst application for full authorisation is considered. Morses Club has provided all of the requested information to the FCA and is continuing an open dialogue with the FCA regarding full authorisation. Full permission is anticipated during 2017.

Morses Club conducts its business taking account of all relevant legislation, secondary legislation, regulation and practice applicable to UK HCC lenders.

Shelby Finance Limited, trading as Dot Dot Loans, is operating under full authorisation.

Competitor Landscape

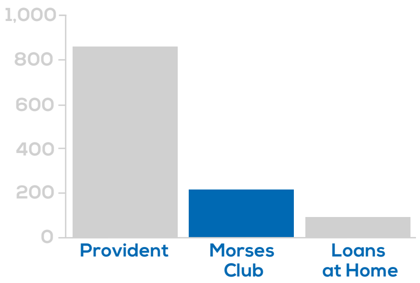
The largest three HCC lenders have an aggregate market share of approximately 65%. Below this level, the market is highly fragmented with multiple small lenders operating at a local level.

Morses Club is currently the second largest HCC lender with c.216,000 customers nationwide.

The number of HCC lenders in the UK has decreased due to tighter rules and regulations. Morses Club has acquired several smaller HCC businesses as a result of this and these acquisitions continue to make up part of our growth strategy in 2017.

Digital Opportunity

We believe that new digital technologies will change the way many traditional HCC lenders interact with their customers. This is already happening through online loan applications, automated credit approval processes and the use of pre-paid cards, like the Morses Club Card, in addition to cash.

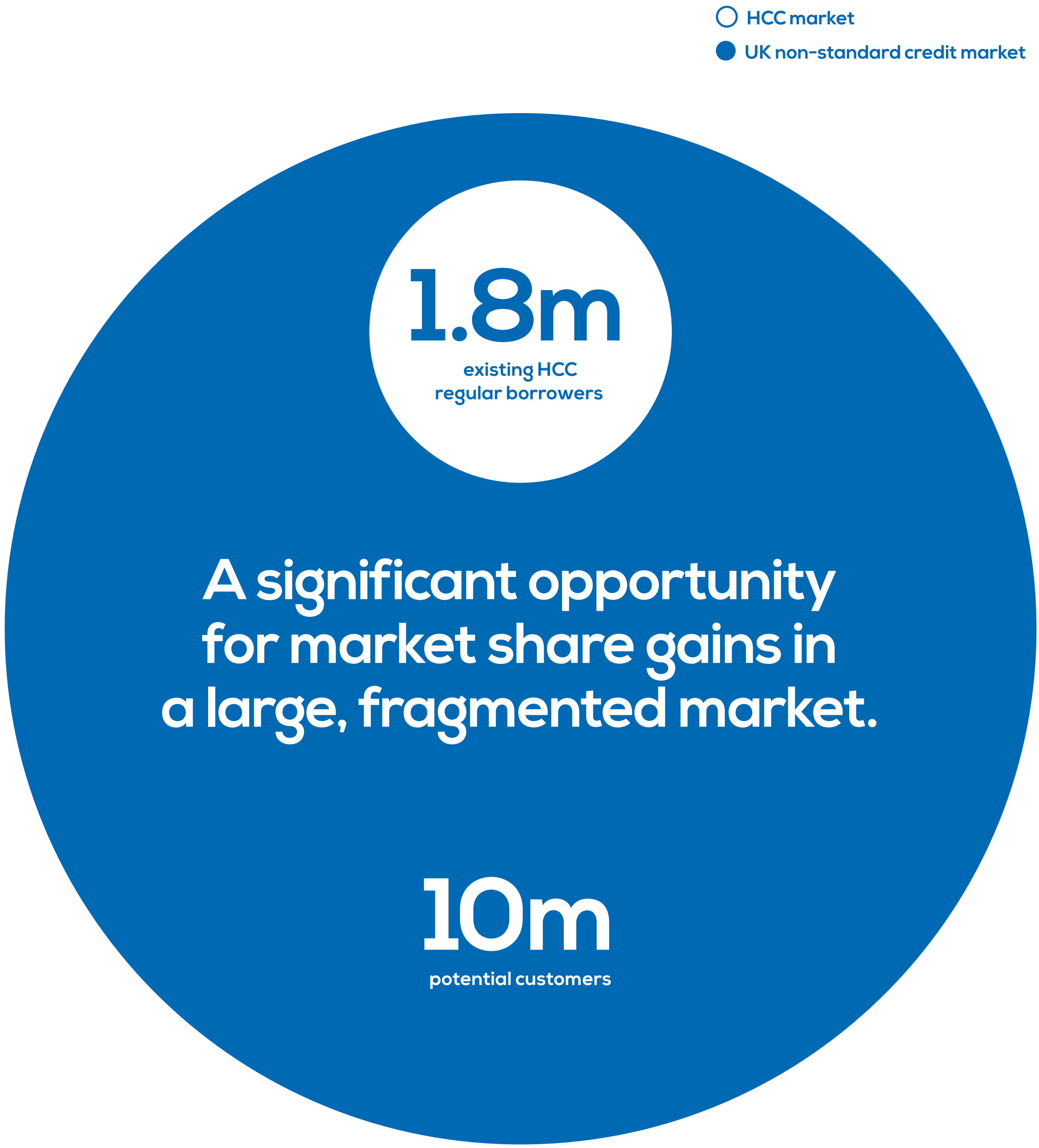


c.216,000

Morses HCC market share

1.2m

Total HCC market share



We are exploring further enhancements we can make to customer communications and loan management using digital technology and will be looking to create an online customer portal. Our monthly customer satisfaction surveys have shown that there is significant customer interest in this, particularly among the 18-35 customer demographic.

Digital technology and communications are there to underpin and enhance the relationship between agents and customers in the HCC space, not to replace it.

Second Largest Player in the HCC Market

Morses Club is the second largest player in the UK HCC Market with c.216,000 customers.

Our customers are based throughout the UK, and we operate using nine regional networks which contain multiple branches. Managers and agents from each branch are relatively local to the areas they serve and are often part of their customer communities.

Our customer numbers have grown by 9% in the last 12 months and due to our robust credit policy, as well as affordability checks and general forbearance, we have increased our level of good quality customers.

Business Model

Morses Club is the UK's second largest Home Collected Credit (HCC) lender with c.216,000 customers nationwide and a management team with significant experience in HCC and consumer finance.

The Lending Process

1 Develop products to meet customer needs

- Loans for those who struggle to find credit elsewhere
- Loans of £100 to £1,000 available
- New customers eligible to borrow up to £400
- Existing customers eligible to borrow up to £1,000
- Morses Club Card launched in early 2016
- Loans offered in cash or on a Morses Club Card

2 Attract and retain customers

- Morses Club website and online channels
- Agent workforce
- 'Refer a friend' scheme
- Social media

3 Loan application process

- New customers can apply online, via an agent or by phone
- Existing customers apply via their agent
- Customers receive an Agreement In Principle (conditional on satisfying our credit checks and lending criteria)
- Details sent to customer's local branch for assigning to an agent
- Agent calls to arrange an appointment to finalise the loan

4 Loan completion process

- Agent conducts affordability checks in the customer's home
- On approval of all checks, agent issues cash or Morses Club Card loan (customer's choice)
- Agent agrees a regular weekly repayment day and time with the customer
- No hidden charges or penalty interest rates – transparent for customers
- Advanced technology and equipment underpin loan sales and completions (agents and field managers have advanced personal tablets to support consistent UK-wide customer service)

What Makes Us Different?

Treating the Customer Fairly is embedded into our approach to lending. The interest charged is agreed up-front for each loan – we never charge additional interest, even if the loan extends beyond its original term.

5 Collections and loan maintenance

- Repayments collected weekly by agents
- Experienced agents, familiar with their customers' communities
- Agents are self-employed and paid in commission
- Frequent contact with agents means there is always an open channel of communication with customers
- Issues identified quickly and sensitively, supporting customers in difficulty
- Robust complaints process
- Customer satisfaction consistently above 95%
- Customers cite agent relationship as a top reason for high satisfaction

6 Appropriate repeat lending

- Additional loans available for suitable customers according to strict criteria
- Affordability checks are completed for every single loan
- Proactive customer retention process (eg marketing campaigns, retention reports, paid-up customer research)

How This Creates Value

We use retained earnings and lower cost debt facilities to lend to our customers at a margin, and control the lending risk and costs in order to deliver consistent shareholder returns. Our ability to do this successfully relies on:

- an established national infrastructure of experienced agents and management to deliver the right products to the right customers;
- technology to ensure regulatory compliance and efficient processes and controls;
- well-considered compliance and controls to maintain our ethos of the customer being at the centre of everything we do;
- a customer base of c. 216,000 that brings economies of scale to the organisation;
- an experienced management team with a clear understanding of the dynamics of non-standard lending; and
- vision and technology to enhance the services to existing customers and develop into the broader non-standard lending space.

Chief Executive Officer's Review

Paul Smith
Chief Executive Officer

We have continued to invest in technology to support our strategic plan to offer customers a broader range of products and the ability to access credit more flexibly.

Our strategy to build a digital platform that spans all our products and services is underway. This strategy will exploit the existing platforms and bring new features to our customers.

In addition to the successful introduction of the Morses Club Card in April 2016, we are delighted to have launched our new online instalment product, Dot Dot Loans in March 2017.

We have a number of developments planned for the coming year as part of our expansion into customer rewards, customer communication channels, social media, and financial and card-related services.

We remain confident in our outlook, with a strong pipeline of territory builds for our growth plan, and continue to see attractive acquisition opportunities in the Home Collected Credit (HCC) and the wider non-standard finance markets.

Growth Strategy

The HCC business has benefited from a strong pipeline of territory builds. These are opportunities where experienced agents join us to build customer growth in specific areas. These agents already have an excellent grasp of what it takes to build good relationships with customers, thus representing a key source of premium-quality growth.

Technology

A strong technology platform brings a number of advantages. Our core underwriting system for HCC has a fully developed automated credit control engine at its centre. This not only enhances good decision making on the doorstep but allows the business to maintain compliant and highly personalised customer service.

Our mobility platform integrates fully with our core underwriting system, and provides highly developed functionality to our field teams and agents. This has led to increased efficiency gains and has virtually eradicated paper from the operation, as well as giving us highly controlled impairment.

Our strategy to build a digital platform that spans all our products and services is underway. This strategy will exploit the existing platforms and bring new features to our customers. Crucially, our technology platform increases our potential to develop products and services and to embed regulatory compliance, to make it simpler as well as enforceable and auditable. It means that training in processes, procedures and behaviours can be delivered online, with minimal disruption to daily operations and management in the field.

Acquisitions

Acquiring smaller businesses within the HCC sector is still achievable, but careful assessment of the quality of the business, timing and pricing are important factors in securing acquisitions at the right price. For the first time, due to the acquisition of Shelby Finance Limited, we are now able to purchase online instalment loan competitors, giving us more options to consider when selecting potential targets. This important activity will remain one of our focal areas for 2017/18.

Online Instalment Loan Product

As well as accelerating our IT platform capabilities, the purchase of Shelby Finance Limited has also provided us with the valuable benefit of full approval by the regulator in this very large market sector. Retraction by competitors, toxic brand associations and the need for our competitors and new entrants to take volume risks, form a part of the competitive landscape. The fact that we suffer none of these disadvantages means that we are well-positioned to enter this market.

HCC Market Conditions

The HCC competitive environment continues to reduce, although at a slower rate than in previous years. Consumer demand continues its modest growth. The key drivers to out-performing the sector are technologies that will lower costs, increase capacity, improve productivity, enforce good compliance adherence and improve our relevance and appeal to younger, digitally confident consumers. Morses Club has already invested in all of these technologies and is reaping the rewards described, with 8% overall growth in loans, 10% growth in high-quality cohorts and 5% growth in the under-35 market.

The business is now in a position to lower the cost to serve in both HCC and online lending markets and to improve its productivity. Overheads as a percentage of revenue have already started to fall, reducing to 56.9% from 58.9% in FY16. There is capacity for the business to grow using the existing field resource, with an increase of up to 28% in the ratio of customers to a business manager.

Technology and Customer Service

We have continued to concentrate on using technology to help drive further improvements to the customer experience. The efficiency of our agents and managers has been a key focus. As a result of our investment in better technologies we can now devote more management time to delivering the right outcomes for customers, helping those in difficulty and supporting agent development. The agents themselves now face far less manual administration with the eradication of paperwork and the ability to sign loan agreements on their tablet. This in turn eases the business operation, improves work-life balance and enhances loyalty to Morses Club, thus reducing agent churn.

Digitising our business has brought many planned and subtle advantages in addition to those already detailed. The fact that every part of the lending and collecting process is digitally and geographically time-stamped means that we can deliver enhanced management reporting from our data warehouse. This makes us a much more transparent organisation.

The platform has also allowed us to automate credit decisions based on policy with minimal levels of intervention or management overrides. This ensures responsible lending and sound compliance, as evidenced by our controlled impairment and the increase in the proportion of debt in our best performing arrears bands.

The installation of tailored risk management systems and complaint management systems illustrate how we have adopted the same systematic approach in these areas, too. Our committee structures, risk framework, corporate governance policies and our high-quality executive and non-executive Board structure all culminate in an approach closely resembling that of a large, main market PLC. I am proud that we are equipped and empowered by robust, systematised processes managed by highly skilled and ethical management teams.

The fact that we are developing our technology for customer interface and customer use is a hugely positive aspect of the business. The outcome for the customer is that Morses Club is more accessible as a financial option in their daily life. For the first time in our history, we can gather detailed data on the spending behaviour of our customer base. This helps us significantly in designing even better value-added services for our customers, which in turn will improve customer acquisition (particularly amongst younger age groups) and retain more high-quality customers.

Regulatory Context

I believe that the best way to create a positive relationship with the regulator is to focus on the customer. Our improvements and investments have been made with our customers' satisfaction in mind. It is however no accident that the developments in which we have invested also enable us to be more productive, reduce our operating costs, re-use technology many times over for the same investment case and, of course, to attract and retain customers. The primary vision of better customer outcomes via technology investment will be the key to maintaining a harmonious relationship, something which I believe we are on course to achieve.

Marketing

Morses Club has been in existence for over 130 years and has strong brand loyalty and identity. Our website traffic demonstrates that this positive brand awareness reaches beyond the HCC market into the wider, non-standard credit market, too. This will be a major advantage to us as we grow our brand and reputation in, and potentially beyond, the online instalment market.

Morses Club Card

Morses Club Card is our pre-paid Visa debit card which allows customers to receive loans via card rather than cash. The card allows customers to pay for goods and services electronically as well as access cash via cash machines, free of charge. Further benefits of the card include greater security for agents and customers, as the cards are PIN protected. In addition, customers have access to an online portal, a mobile app as well as the opportunity to earn cashback from selected retailers.

E-loans

We have made a strong start in our diversification strategy. Our online lending brand launched in March 2017. A fully interactive customer portal and downloadable mobile app will mean easier, two-way communication with customers. As the delivery and awareness platforms continue to develop, we will be able to take much larger strides into customer retail benefits (such as discounting and cashbacks). Our expansion of our Morses Club Card base, the portal and app platforms will allow us to offer simple financial services to our customers and we will encourage our customers to share their experience of Morses Club on social media, improving our reputation and relevance with emerging, younger markets.

Market Opportunities

The Board remains vigilant to market developments that could help accelerate our strategy and augment our vision. We are currently reviewing several growth and diversification opportunities and our horizon-scanning capabilities will ensure that we identify and evaluate these opportunities as they emerge.

Paul Smith
Chief Executive Officer

27 April 2017

Investment Highlights and Key Performance Indicators (KPIs)

Strategy and Performance

On flotation, we identified a number of investment highlights for investors.

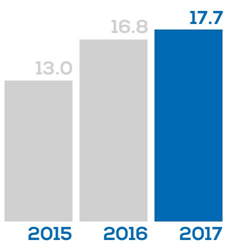
Building a Market-leading UK Non-standard Consumer Finance Company

- Long-established UK Home Collected Credit (HCC) market player with strong returns
- Proven track record of KPI-enhancing acquisitions and organic growth
- Prudent credit control and shorter duration loans improve both impairment and profitability
- Consolidation opportunities created by regulatory change
- Initiatives to future-proof the core business
- Highly invested IT platform
- Progressive dividend policy supported by strong cash generation

Our KPIs below comprise a set of performance metrics used by management to help gauge the meaningful progress of our business. The set is not exhaustive and management may also consider other measures when assessing performance.

KPIs

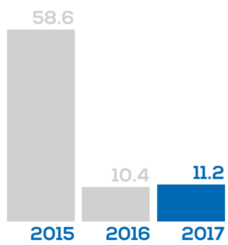
Adjusted profit before tax (£m)



A profitability measure that deducts operating and non-operating expenses, but excludes the payment of tax and exceptional and non-recurring costs.

Adjusted profit before tax rose to £17.7m, an increase of 5%. Revenue growth of 10% was achieved whilst maintaining impairment comfortably within management's guidance range and improving operating efficiencies.

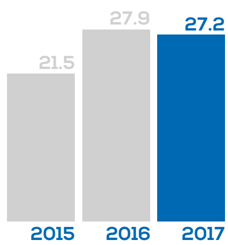
Reported profit before tax (£m)



A measure showing the profit before tax as reported in the Group's statutory accounts.

Reported profit before tax increased to £11.2m, an increase of 8%.

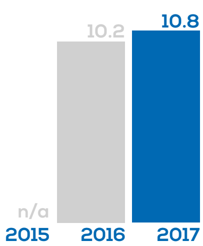
Return on equity (%)



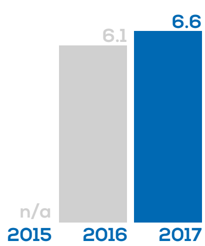
Adjusted earnings[1] as a percentage of tangible equity value.[2]

Return on equity of 27.2% demonstrates the strong returns within HCC and compares favourably with major competitors.

Adjusted earnings per share (p)



Reported earnings per share (p)

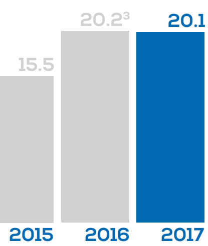


Total earnings divided by the weighted average number of shares, adjusted to remove impact of non-core activities and exceptional costs.

Adjusted earnings per share of 10.8p and reported earnings per share of 6.6p reflect the strong profit contribution from our maiden year as a PLC, enabling the Group to pay the proposed final dividend of 4.3p (interim of 2.1p already paid).

No relevant prior year comparatives are included for the period prior to listing.

Return on assets (%)



Adjusted earnings[1] as a percentage of tangible assets.[3]

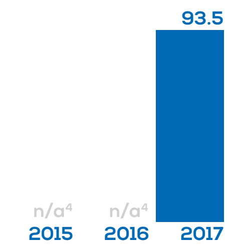
Return on assets of 20.1% demonstrates the strong returns within HCC and compares favourably with major competitors.

1 As described in the earnings per share ratio on page 15
2 Net assets less intangible assets excluding capitalised software
3 Total assets less intangible assets excluding capitalised software
4 2015 comparatives not available due to IFRS conversion

Reconciliation of reported to adjusted PBT (£m)	2015	2016	**2017**
Reported PBT	58.6	10.4	**11.2**
Exceptional Costs[I]	–	0.4	**2.2**
Restucturing and other non-recurring costs[II]	0.8	1.5	**0.6**
Amortisation of acquisition intangibles[III]	8.3	5.4	**3.7**
Gain arising on acquisition[IV]	(52.0)	–	**–**
Parent Interest charge adjustment[V]	(2.7)	(0.9)	**–**
Adjusted PBT	13.0	16.8	**17.7**

I Exceptional costs relate to the costs of flotation on AIM
II Restructuring and other non-recurring costs relate to restructuring costs incurred on acquired businesses
III Amortisation of intangibles relates to acquired businesses
IV Gain related to the acquisition of Shopacheck Financial Services Limited
V Finance charges relate to finance costs previously borne by parent company

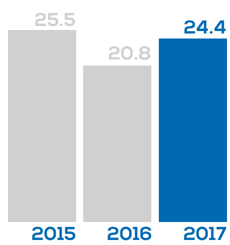
Tangible equity/average receivables ratio (%)



Tangible equity value at period end as a percentage of average net receivables over the period.

This ratio demonstrates the Group's ability to generate return with very little external debt.

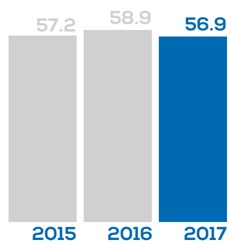
Impairment as % of revenue



The value of impairment charged as a cost to the income statement as a percentage of revenue.

The impairment:revenue ratio remains comfortably within management's guidance range of 22–27%.

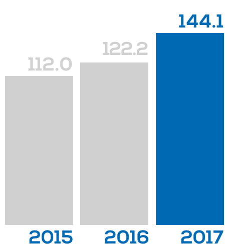
Overheads as % of revenue



The direct expenses of running the business as a percentage of revenue (including agents' commission).

The cost income ratio fell from 58.9% to 56.9% in the period as management continues to leverage operational efficiencies from its investment in technology.

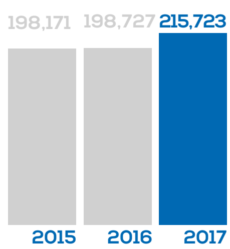
Credit issued (£m)



Aggregate value of loans issued over the period.

Sales demand was strong, especially in H2. We achieved annual growth of c.18% from core and acquisition sources.

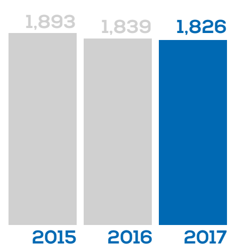
Number of customers



Total number of customers at period end.

Customer numbers grew by 9% through a combination of organic means and acquisition activity. During the year the Group introduced its own pre-paid Visa debit card, aimed at a younger demographic. By February 2017, around 6,500 customers had a Morses Club Card.

Number of self-employed agents



Total number of self-employed agents at period end.

Management has focused on reducing vacancy rates and optimising territory sizes during the year, rather than increasing absolute agency numbers.

1 As described in the earnings per share ratio on page 15
2 Net assets less intangible assets excluding capitalised software
3 Total assets less intangible assets excluding capitalised software
4 2015 comparatives not available due to IFRS conversion

Relationship Lending – Our Model

PEOPLE FOCUS

79%
of employees feel engaged with Morses Club

70%
of employees are proud to work for Morses Club

84%
of employees think Morses Club provides good customer service

98%
of employees understand the importance of Treating Customers Fairly

Putting You First: Customers and Teams

Our aim is to be the leading consumer finance provider in the UK for non-standard credit through excellence in all that we do. Our values and culture are founded on responsible lending and supporting our agents to deliver industry-leading customer service on the doorstep.

Our Core Values

Customer-centric
Our customers are at the heart of everything we do.

Trustworthy
We are direct and transparent in all that we do and say.

Clear
Our systems and processes will always be simple and straightforward.

Flexible
We will show forbearance and understanding, meeting our customers' needs with matching products.

Team Support, Development and Engagement

Training and development is central to embedding compliant lending within Morses Club. All managers and agents receive a thorough induction and everyone in the organisation – from the CEO to the newest starter – participates in compliance and conduct related training every month.

Voluntary turnover is low within our teams, consistently measuring less than 1.7%. Average service length is eight years. Both labour turnover and service length have remained consistent compared with 2015/16.

As of 25 February 2017, Morses Club employs 617 people and operates through a field network of 98 administrative branches across the UK. The Company's support operations (compliance, central operations, customer services, finance, marketing, HR, business services, IT, etc) operate from our support centre in Birstall, Leeds. Our metrics have remained consistent with 2015/16 results.

Employee and agent satisfaction is independently measured at

70%

Mustard Research, 2016

Dot Dot Loans is a UK-based online instalment loan product launched in March 2017. It has been designed to be simple, straightforward and convenient.

A Modern Lens on a Traditional Business

NEW THINKING

E-loans for the Online Customer

The core business of Morses Club PLC is Home Collected Credit (HCC). However, our growth strategy incorporates a plan to broaden our products and services.

Morses Club launched Dot Dot Loans – an online instalment loan product – in March 2017. The operational model and target demographic are fundamentally different from the HCC product. Every loan is applied for and approved online, and repayments are collected from the customer's bank account, on an agreed date each month.

Dot Dot Loans typically targets C1/C2/D profile customers with a moderate but steady income. We anticipate that the two products will see only a small overlap of customers.

The new brand website is mobile-responsive, designed to meet the needs of this different set of consumers who may have access to a wider range of financial options, and who expect fast, easily-accessible products.

Why an e-loan?

HCC customers make up approximately 30% of the 10 million people in the non-standard credit market. Dot Dot Loans helps us to access the remaining eight million UK consumers who want online instalment credit. By adding brands to the Morses Club product portfolio, we are strengthening our brand presence.

Why Dot Dot Loans?

We based the e-loan product branding on the results of consumer research conducted in August 2016.[1] Dot Dot Loans speaks to consumers in a clear and friendly manner, giving all the facts without lots of financial jargon. The brand differentiates itself from its competitors and will have the same focus on responsible lending, good customer outcomes and treating customers fairly as Morses Club.

1 Mustard Research, August 2016

Chief Financial Officer's Operational and Financial Review

Andy Thomson
Chief Financial Officer

The Group's financial performance continues to reflect our underlying aims of controlled growth through responsible lending, with a continued focus on impairment, improving the quality of our customer base.

We believe this leads to higher returns on assets and improved shareholder returns.

The Group achieved an impressive return on equity of 27.2% (FY16: 27.9%), an outstanding achievement given our comparatively low gearing.

The results for the Group for the 52 weeks to 25 February 2017 illustrate our aim of controlled growth, with credit issued up by 18%, revenue up by 10% and adjusted profit before tax up by 5%. Statutory profit before tax is also up 8%. Impairment as a percentage of revenue of 24.4% (FY16: 20.8%) remains comfortably within our guidance range of 22.0% to 27.0%. Despite the increased costs of compliance and PLC status, the ratio of total operating costs to revenue decreased by 7% because the benefits of our scale and improved technology drove greater efficiencies.

Net tangible assets, being net assets less intangible assets arising from acquisitions, plus capitalised software, increased by 14% to £54.4m with the net receivables growing by 8% to £61.2m. The value of gross customer receivables with our top performing customers increased by 10%.

Group Results

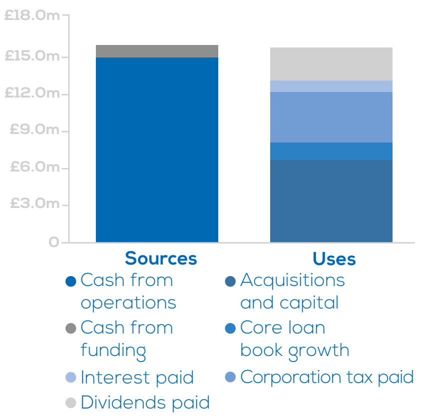
Credit issued to customers for the year increased by 18% to £144.1m (FY16: £122.2m) of which 5% can be attributed to acquisitions made during this period. Core growth reflected a successful territory build strategy in which we carried out 105 builds in the year and their quality remains strong.

Revenue increased by 10% to £99.6m (FY16: £90.6m) while the cost of collections rose by 17% to £22.4m (FY16: £19.2m), representing 22.5% (FY16: 21.2%) of revenue. There are several reasons for the disproportionate increase in collection costs. Firstly, the cost of increased territory build subsidies to agents joining from competitors accounted for £1.2m compared with £0.7m last year. Management's view is that this is a business development cost as new territory builds are usually loss-making in the first year, but result in high-quality profitable customers thereafter. Secondly, agents inherited from acquisitions are generally more expensive, creating an estimated cost increase of £0.5m this year (FY16: £0.1m). Finally, shortening the average loan duration, and therefore the finance charges, decreases the income to cash yield, making the commission paid (this is cash-based) relatively more expensive.

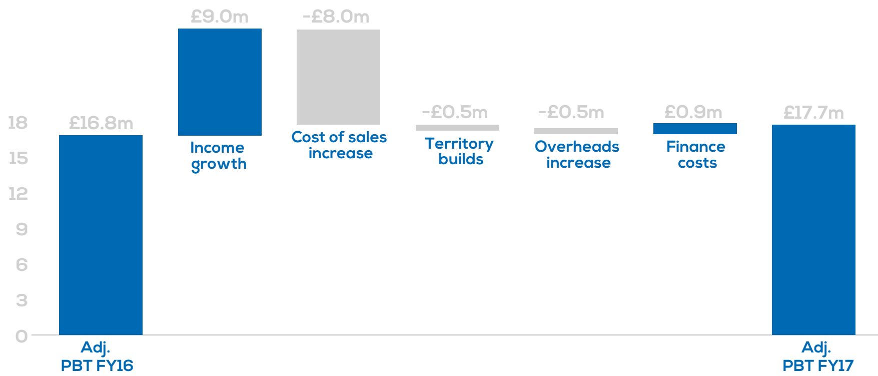
Commission Breakdown

£m	FY17	FY16
Agent commission	**21.2**	18.5
New agent subsidies	**1.2**	0.7
Total commission	**22.4**	19.2

Sources and uses of cash



Profit waterfall



Impairment of £24.3m (FY16: £18.8m) was 29% higher than last year, increasing as a percentage of revenue from 20.8% to 24.4%.

This increase reflects the very low impairment in the prior year due to modest growth in credit issued in the first half of that year and the second half of the year before. These lower levels of growth are attributable to the acquisition and integration of the Shopacheck Financial Services business at the time. This was a major undertaking and meant that management were focused on assessing the customer base that we had inherited and harmonising IT systems, credit policy and other processes and procedures rather than on new customer growth.

This current impairment level is still well within our concept of an appropriate range of 22% to 27% for an established Home Collected Credit (HCC) business.

Impairment is arguably more closely related to credit issued, and on this metric the level of impairment of 16.8% of credit issued is only slightly higher than 15.4% of credit issued last year.

Overheads of £34.6m were broadly in line with last year's £34.1m, despite increased costs associated with being a listed company and the increased investment in compliance activities. The continued focus on improving operational efficiency resulted in the reduction of overheads as a percentage of revenue from 37.6% last year to 35.1% this year, an efficiency improvement of 7%.

The adjusted profit before tax increased to £17.7m from £16.8m last year, an improvement of 5%. Adjusted earnings per share increased to 10.8p from 10.2p last year.

Reported profit before tax increased to £11.2m from £10.4m last year, an improvement of 8%.

A table of adjustments between reported profit before tax and adjusted profit before tax is shown on page 22.

The Board proposes a final dividend of 4.3p, making a total of 6.4p for the year. This excellent dividend reflects our confidence in the business' prospects and our commitment to generating high income yields for our shareholders.

Chief Financial Officer's Operational and Financial Review

continued

Reconciliation of reported to adjusted PBT (£m)	2015	2016	**2017**
Reported PBT	58.6	10.4	**11.2**
Exceptional Costs[I]	–	0.4	**2.2**
Restucturing and other non-recurring costs[II]	0.8	1.5	**0.6**
Amortisation of acquisition intangibles[III]	8.3	5.4	**3.7**
Gain arising on acquisition[IV]	(52.0)	–	**–**
Parent Interest charge adjustment[V]	(2.7)	(0.9)	**–**
Adjusted PBT	13.0	16.8	**17.7**

I Exceptional costs relate to the costs of flotation on AIM
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IV Gain related to the acquisition of Shopacheck Financial Services Limited
V Finance charges relate to finance costs previously borne by parent company

The amortisation of intangibles reflects the unwind of intangible assets in connection with acquisitions. This reduction reflects both the lower level of acquisitions in the current year and reduced levels of amortisation in connection with prior year acquisitions. Intangible assets are amortised over their useful economic life, which is based on the expected life of the acquired customer relationships. Due to the behavioural profile of our customers, this will naturally result in a greater amortisation charge in the early years, with a corresponding reduction in later years. No intangible asset is recognised for new customers agents may identify subsequently, which management considers to be a conservative approach.

In FY17, the business incurred costs of £2.2m in connection with its IPO on 5 May 2016.

Other non-operating costs are primarily in connection with non-recurring restructuring costs of the business and were higher in FY16 due to the costs associated with integrating the Shopacheck Financial Services business into Morses Club.

Online Lending

The additional costs associated with establishing our online lending facility were less than £0.1m and have therefore not been separated out from the core business performance.

Return on Equity

The Group calculates its return on equity (ROE) as profit before tax, amortisation of intangible assets arising on acquisitions, the one-off costs of the IPO and other non-operating costs as a percentage of the average book value of the shareholder funds during the period.

The Group achieved an impressive 27.2% (FY16: 27.9%) for the current year, a particularly pleasing result given the low gearing level by comparison with our peers.

Net Margin

The adjusted net margin, which excludes amortisation of intangibles on acquisitions, the one-off costs of the IPO and other non-operating costs, decreased to 17.7% compared to 18.6% last year, primarily due to sales growth and investment in our business.

Because credit-issued growth exceeded revenue growth and given that impairment is closely related to sales, the like-for-like impact of impairment cost to revenue on margin reduced it by 1.7%. Furthermore, the additional cost of the agent commission subsidies impacted net margins by 1.2% against only 0.8% in the previous year.

The net margin for the period decreased only slightly to 11.3% from 11.5% last year as the amortisation of intangibles on acquisitions charge reduced to £3.7m from £5.4m.

Acquisitions and Goodwill

In this period, the Group made six acquisitions of loan book assets along with the staff who TUPE across under such transactions. The total sum paid for these books was £5.7m, generating intangible assets and goodwill of £2.6m. This was a lower level of activity compared to last year when we paid £7.9m and generated intangible assets and goodwill of £2.8m.

In addition, we acquired the shares of Shelby Finance Limited in which an established online lending platform and associated credit decision infrastructure formed the primary asset.

Impairment of 16.8% of credit issued remains broadly comparable to the prior year of 15.4% of credit issued.

The lower intangible amortisation for the year of £3.7m compared with £5.4m in the previous year arises from both the reduced level of acquisitions and lower amortisation of intangible assets from prior year acquisitions.

Dividend

Subject to Shareholder approval at the Annual General Meeting on 20 June 2017, the Board proposes to pay a final dividend of 4.3p per ordinary share payable on 21 July 2017 to all shareholders on the register at the close of business on 23 June 2017.

This payment is additional to the interim dividend of 2.1p per ordinary share already paid, making a total dividend for the year of 6.4p. The high dividend payment reflects the Board's confidence in the business' prospects and our commitment to provide a strong income yield to our Shareholders.

Balance Sheet

The total equity for the Group has increased from £55.4m at the end of last year to £61.4m. It should be noted that there is no final dividend accounted for in our first period as a listed company.

Net tangible assets, which exclude intangible assets arising on acquisitions, have increased by 14% to £54.4m from £47.8m at the end of last year.

Our main book asset is the net customer loan book which increased in value to £61.2m from £56.8m at the end of last year, an increase of 8%. Gross receivables from customers (before impairment provisioning, which includes discounting of cash flows) increased by 5% in the year. The higher growth in the net balance sheet value reflects the Group's continued drive to improve loan book quality and thus reduce impairment provisions.

This growth follows a period of contraction in the loan book since March 2014 while we upgraded the debt quality of our Shopacheck Financial Services business acquisition.

Funding

At the end of the financial year our debt stood at £10.0m, a marginal rise from the previous year's £9.0m.

Christmas represents the Group's peak borrowing period: in this financial year, borrowing reached £21.5m, compared with £20.0m in the previous year.

The Group currently has a £25m revolving debt facility with Shawbrook Bank PLC. It is secured by a debenture on our business assets and runs until March 2019, with a further term-out period until September 2019. The facility is subject to both financial and debt quality covenants which are typical of this form of lending. The Group has met these covenants historically and expects to do so for the duration of the facility.

Whilst this facility is sufficient to fund modest business growth and maintain a progressive dividend policy, the Directors are working to secure additional facilities in order to exploit any new business opportunities that arise. We would also like to build relationships with more than one lending institution.

The Board is keen to emphasise that any increase in gearing will always be firmly founded on our culture of Treating Customers Fairly.

Cash Flow

Cash from core activities in the year generated £15.1m in cash (FY16: £13.6m), of which £6.8m (FY16: £10.6m) was invested in business acquisitions and capital expenditure.

The dividend payment in FY16 of £17.5m reflects many years of undistributed earnings as a private company.

A summary cash flow is shown below:

£m	**FY17**	FY16
Cash from Core Activity	**15.1**	13.6
External funding	**1.0**	9.0
Total Cash Sources	**16.1**	22.6
Acquisitions & Capital	**(6.8)**	(10.6)
Core Loan Book Growth	**(1.4)**	2.9
Corporation Tax Paid	**(4.1)**	(1.7)
Interest Paid	**(0.9)**	(0.6)
Dividends Paid	**(2.7)**	(17.5)
Total Cash Utilisation	**(15.9)**	(27.5)
Cash Movement	**0.2**	(4.9)

Andy Thomson
Chief Financial Officer

27 April 2017

Strong cash flows from short-term loan products allow the business to react rapidly to market changes and customer performance.

Risk Management

Principal risks are a risk or a combination of risks that, given the Group's current position, could seriously affect the performance, future prospects or reputation of the Group. They include those risks that could materially threaten our business model, performance, solvency or liquidity, or prevent us from delivering our strategic objectives.

The Board has the overall responsibility for ensuring that risk is appropriately managed across the Group. The Board has established the Group's risk appetite and strategy and approved its frameworks, methodologies, policies, and roles and responsibilities.

The Group has an internal audit manager who reports to the Audit Committee Chairman. The internal audit manager's priorities have been agreed by the Board's Audit Committee and Risk & Compliance Committee and focus on (i) high residual risks and (ii) those risks which have been significantly reduced by Group actions and procedures.

The Group's approach to risk management is underpinned by the 'Three Lines of Defence' model which is summarised in the diagram below.

Responsibility for the First Line of Defence resides with the front-line business divisions and functions (eg operations and finance). Line managers are directly accountable for identifying and managing the risks arising in their functional or business area.

The Second Line of Defence comprises the Group's central and independent risk management and compliance functions with responsibility for oversight, compliance monitoring and reporting to the Board's Risk & Compliance Committee and the Executive Risk Committee. This is led by the Risk and Compliance Director who reports to the Chairman of the Risk & Compliance Committee and to the CEO.

The Third Line of Defence includes the internal audit manager who reports to the Chairman of the Audit Committee and is independent of the First and Second Lines of Defence. In addition, external accountants undertake a quarterly audit on behalf of the Group's external lenders.

Line of Defence	Role	Functions
First Line of Defence	Direct responsibility for the performance and monitoring of front-line control activities across the business	– Field operations – regional managers, area managers and business managers – Central operations – Banking and finance
Second Line of Defence	– Support and challenge the business via control activities – Independently review the effectiveness of front-line control activity – Manage fraud	– Compliance, risk and financial crime
Third Line of Defence	Independently assess and assure: – Internal control framework – Risk management effectiveness	– Internal audit – Use of third-party specialists to assist the internal auditor – Use of third-party internal auditors and legal specialists

The Group maintains a risk register covering the entire business. Risks are rated according to the probability of occurrence and potential impact. Each risk is assigned to an appropriate individual and all mitigation and action plans are recorded.

The Group operates only in the UK financial services sector and the Directors believe that whatever form Brexit may take, it is not a material risk to the business. The principal risks faced by the business by risk category are as displayed on pages 26 and 27.

The Directors, through the Risk & Compliance Committee, have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

Viability Statement

The Directors consider the Group's viability as part of their continuing programme of monitoring risk. For the purposes of assessing the future prospects of the Group, the Directors have selected a three-year timeframe. This timeframe was selected as it corresponds with the Board's strategic planning horizon. The assessment has been made with reference to the Group's current position and prospects, the Group's strategy, the Board's risk appetite and the Group's principal risks and uncertainties and how these are identified, managed and mitigated (as shown on pages 26 and 27).

The strategy for the Group is included on pages 16 to 19 and its business model is on pages 10 and 11. Home Collected Credit (HCC) is a long-established offering, and parts of the Group have been undertaking this business for more than 80 years.

The Directors review and renew the three-year strategic plan at least annually. Progress against the strategic plan is reviewed every month by the Board through presentations from the Executive Management Team on the performance of their respective business units, the assessment of market opportunities, and the consideration by the Board of its ability to fund its strategic ambitions.

In addition to standard internal governance, the Group is also monitored against key financial covenants tied in with current funding facilities. These are produced and submitted on a monthly basis with key schedules included in the monthly board papers.

The Group is profitable and cash generative. It currently has a debt facility in the form of a £25m revolving facility secured by a debenture on the assets of the business. This facility expires in March 2019 and it is the Group's policy to renew such a facility well in advance of this date. The Directors are very confident that the credit facility will be renewed prior to March 2019.

Due to the short-term nature of its products, the Group is well placed to react promptly to any changes in its liquidity requirements.

Based on the above, the Board confirms that it has a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years.

Principal Risks and Uncertainties

Type of Risk	Definition	Impacts	Mitigation
Conduct Risk	The risk of poor outcomes for customers.	– Offering inappropriate products. – Failing to assess affordability. – Failing to identify vulnerable customers. – Failing to show forbearance if customers struggle with their repayments.	Treating Customers Fairly is a fundamental part of the Company's culture. Comprehensive and verifiable training of agents and staff is undertaken. First and second-line quality assurance operates alongside an automated, mobile technology-based sales process.
Regulatory Risk	The risk of legal or regulatory action resulting in fines, penalties, censure or other sanction or legal action arising from failure to identify or meet regulatory and legislative requirements only operate in UK. This also includes the risk that new regulation(s) or changes to the interpretation or implementation of existing regulation(s) may affect the Group's operations and cost base.	– Interpretation of the Group's regulatory requirements is not consistent with the FCA principles for business and rules. – Legal or regulatory non-compliance. – FCA authorisation process is inappropriately managed.	Initial gap analysis completed and adjusted when any rules change. We maintain continuous communication with key external stakeholders and professional contacts. Governance, risk and compliance are independently and externally reviewed. We sustain good relationships with key external stakeholders to keep our information updated.
Credit Risk	The risk of default on a debt may arise from a borrower failing to make the necessary payments. The initial risk lies with the lender and includes lost principal and interest, disruption to cash flow, and increased collection costs.	– Credit risk and underwriting functions insufficiently assess affordability.	Group policy prescribes lending constraints coupled with automated credit and underwriting functions. Weekly management information allows the Group to monitor the effects of lending decisions.
Reputational Risk	Reputational risk is the chance of a loss due to damage to, or a decline in, the Group's reputation.	– Management style does not encourage effective control over business units. – Poor customer outcomes result in a high level of complaints.	Effective corporate governance provides business oversight and control. Independent monitoring, for example market surveys and mystery shopping.
Strategic and Business Risk	Strategic risk would arise from poor business decisions, substandard execution of decisions, inadequate resource allocation, and/or from failure to adapt sufficiently to changes in the business environment.	– Acquisitions result in stretching resource beyond capability. – Inadequate corporate governance. – Failure to maintain the Company's competitiveness across the markets it serves or plans to serve. – Pursuit of an expansion strategy that over-stretches management's resources. – Wider credit market perceptions and contagion that impacts the Company.	The recruitment process is highly automated. and efficient. A full Committee governance structure is in place. Detailed strategic planning and oversight is implemented alongside horizon scanning. Committee-based corporate governance structure operates with Board oversight. Trade association membership and lobbying.

Type of Risk	Definition	Impacts	Mitigation
Operational Risk	This describes the risk of loss arising from inadequate or failed procedures, systems or policies, employee errors, system failures, fraud, other criminal activity – indeed any event which disrupts business processes.	– Insufficient safety and protection of agents and staff in the home collect environment. – Failure to recruit and retain key staff.	All agents and staff participate annually in a personal safety review and follow our home/remote working policy. The Group ensures that effective recruitment, retention and incentive programmes are in place. The Group has a comprehensive suite of policies and procedures covering its operational activities that are subjected to regular review and revision.
Liquidity Risk	Liquidity risks arise when a Company is unable to meet its current and future financial obligations on time.	– Funding is not available to achieve growth targets.	The Group currently has a debt facility in the form of a £25m revolving facility secured by a debenture on the assets of the business. This facility expires in March 2019 and it is the Group's policy to renew such a facility well in advance of this date. This is sufficient to fund modest business growth. The Directors are also actively engaged in securing additional facilities in order to exploit business opportunities in the future.
IT Risk	Cyber risks.	– IT systems and networks can be damaged and/or information can be lost owing to third party actions.	The Group has an ongoing programme to conduct regular vulnerability assessments against our core infrastructure services. Penetration testing of our external and internal networks helps to identify new or emerging security concerns.
	The potential that a given threat will exploit vulnerabilities of an asset or group of assets, causing harm to the organisation. The risk of an event is measured in terms of its probability and its consequences.	– Business continuity plan fails to maintain customer service.	A comprehensive business continuation policy and procedure are in place. Service level agreements and business continuation plans are verified and tested with outsourced suppliers.
	Integration risk that arises on the acquisition of a business that may have a significant impact on the risk exposure and risk management strategies.	– Data protection/information security issues occur, ie data is lost.	We have a dedicated information security resource and full penetration testing is undertaken.
	Strategy and architecture risk arising from inadequate requirements gathering and business analysis.	– Major change impacts on daily business and/or results in poor quality delivery.	The business change team closely monitors demand and resource plans.
	Outsourced supplier risk arising from the use of external IT platforms.	– Material breach or complete loss of key outsourced service.	Supplier management accounts and the supplier failure matrix are closely monitored.

This Strategic Report was approved by the Board on 27 April 2017 and signed on its behalf by:

Paul Smith
Chief Executive Officer

27 April 2017

Chairman's Introduction to Governance

Stephen Karle
Chairman

Committed to a high standard of corporate governance, from the date of the IPO, the Directors have adopted the provisions of the September 2014 edition of the UK Corporate Governance Code (although being AIM listed, the Group is not obliged to comply with this). The only exception is the Directors' Remuneration Report which has been prepared in accordance with AIM Rule 19. The Directors believe that this approach is a firm foundation for good governance and clarifies not only the appropriate allocation of duties, authority and responsibilities, but also the way the Group meets its legal and regulatory obligations.

The Board comprises five Non-Executive Directors and two Executive Directors.

Board of Directors

As part of the process leading to the Company's Initial Public Offering (IPO) and in order to strengthen our governance arrangements, three new Non-Executive Directors were appointed to the Board on 14 April 2016 prior to the Group's admission to AIM on 5 May 2016.

The Board currently comprises five Non-Executive Directors and two Executive Directors, whose biographies are presented on pages 30 and 31.

The Board considers four of the Non-Executive Directors (myself, Joanne Lake, Patrick Storey and Sir Nigel Knowles) to be independent in character and judgement because while we each own shares in the Company, we all have significant other business interests and activities. The Board as a whole considers the Non-Executive Directors' minor shareholdings in the Company to be advantageous to shareholders, as in addition to our fiduciary duties our interests are aligned with shareholders in general. Non-Executive Directors are not entitled to share options and there are no cross-directorships between Executive and Non-Executive Directors.

Peter Ward has been appointed by Perpignon Limited and so is not considered to be independent. Sir Nigel Knowles has been appointed as the Senior Independent Director.

Much work was done during 2016 to build a Board equipped with the experience and expertise to drive the Group's future direction, strategy and culture. All five Non-Executive Board members were appointed for an initial one-year term of office. Following a review of their effectiveness and commitment, both individually and collectively, by the Nominations Committee (which I chair), all have been recommended to the Board for an extension of their appointments for the remaining two years, subject to annual review and to election by the shareholders at the Annual General Meeting on 20 June 2017.

All Directors have access to the Company Secretary, Dave Belmont, who is responsible for ensuring that Board procedures are observed. Any Director wishing to do so may take independent advice at the Group's expense.

Board Meetings

The Board is responsible to the shareholders for the Group's proper management. A Directors' Responsibilities Statement in respect of the financial statements appears on page 42 of this Annual Report.

The Board is scheduled to meet 10 times during the year. All Directors receive the timely and appropriate information and briefing papers they need to enable the Board to discharge its duties.

There is a formal schedule of matters reserved for the Board. Certain items are delegated to specific committees, as set out on pages 34 to 36. The formal schedule of matters reserved for the Board includes the determination of strategy, approval of the budget and major capital expenditure.

The Board meeting agenda normally comprises a review of monthly management accounts, a CEO review of activity, a review of potential acquisitions and other growth opportunities, together with an update on the progress of the Group's other strategic objectives.

The April Board meeting covers the approval of the preliminary results and the year-end financial statements, whilst the October meeting approves the interim results. The November meeting is dedicated to annual strategy and is held in partnership with the executive management team.

Board Evaluation

As Independent Chairman, I carried out an informal and internal Board evaluation process between November 2016 and January 2017. My performance as Chairman was evaluated by the Non-Executive Directors and led by the Senior Independent Director, Sir Nigel Knowles, with input from the executive team. The requirement for more formalised succession planning was actioned during the year. The quality of management information produced to the Board on a monthly basis was also further enhanced during the year as a result of ongoing feedback.

Stephen Karle
Chairman

Board of Directors

Paul Smith
Chief Executive Officer

Date of Appointment 20 January 2015

Background and Career
Paul has experience in mobile payment technology as Managing Director of EZ-Pay Limited, a pre-paid MasterCard organisation. Beginning his career in the global software market, he later joined Phones4U in 1998, where he became MD and was an integral member of the management team until the firm's sale for £1.4 billion in 2006.

Areas of Expertise
Paul has been responsible for growing the Company organically and by acquisition. His expertise in software and technology has been invaluable in driving efficiencies while maintaining excellent customer service levels.

Andy Thomson
Chief Financial Officer

Date of Appointment 1 March 2009 (Non-Executive Finance Director), 1 March 2016 (CFO)

Background and Career
After graduating from Warwick University (accounting and financial analysis) and qualifying as a chartered management accountant at Cadbury-Schweppes and Tesco, Andy held a variety of senior finance roles in SMEs where he has been the most senior finance professional continuously since 1996. Involved in the RCapital acquisition of Morses Club in March 2009, he remained on the Board as a Non-Executive Director with responsibility for financial management. Andy led the finance function during the acquisition and integration of Shopacheck Financial Services in 2014/15, before his appointment as full-time CFO in 2016.

Areas of Expertise
Instrumental in shaping the Morses culture to focus on growth controlled by debt quality, Andy's analytical skills are key in the rapid identification of, and response to, financial challenges.

Stephen Karle
Chairman and Non-Executive Director

Date of Appointment 20 January 2015

Background and Career
Stephen is a Director of Karle & McCleery Limited, a strategic advisory and executive coaching business operating across and beyond the financial services sector. For four years to 2015 he served as Chairman of BCRS Business Loans Limited, an SME lending company supporting regional business growth. He is a former CEO of West Bromwich Building Society and a (non-practising) solicitor.

Areas of Expertise
Stephen's financial services sector experience includes executive, general management and Board roles. He represents Morses Club PLC on the Executive Committee of the Consumer Credit Association.

Committee Membership

	Risk & Compliance Committee	Audit Committee	Remuneration & Corporate Social Responsibility Committee	Nominations Committee	Disclosure Committee
Stephen Karle	M	M	M	C	C
Paul Smith	M				M
Andy Thomson	M				M
Sir Nigel Knowles	M	M		M	M
Joanne Lake	M	M	C	M	M
Patrick Storey	C	C		M	M
Peter Ward	M	M	M	M	M

C Chairman M Member

Joanne Lake
Independent Non-Executive Director

Date of Appointment 14 April 2016

Background and Career
A chartered accountant with over 30 years' experience in accountancy and investment banking, Joanne has worked at Panmure Gordon, Evolution Securities, Williams de Broe and Price Waterhouse. She is Chairman of wealth management and employee benefits specialists, Mattioli Woods PLC, Deputy Chairman of main market listed Henry Boot PLC, and a Non-Executive Director of Gateley (Holdings) PLC and Accrol Group Holdings PLC.

Areas of Expertise
Joanne's financial services experience includes Board level roles focusing on strategy and governance, as well as lead advisory corporate finance roles on listings, other public market transactions and continuing obligations.

Sir Nigel Knowles
Senior Independent Director

Date of Appointment 14 April 2016

Background and Career
Sir Nigel is a solicitor – a former global co-Chairman and previously global co-CEO and managing partner for nearly twenty years at DLA Piper: one of the world's largest business law firms, the company's annual turnover exceeding USD 2.5 billion.

Areas of Expertise
Sir Nigel has immense experience of building and leading a worldwide regulated services business. Since retiring as a partner of DLA Piper, he has taken on several roles and is the Chairman of Sheffield City Region Local Enterprise Partnership and a council member of The Prince's Trust.

Patrick Storey
Independent Non-Executive Director

Date of Appointment 14 April 2016

Background and Career
Patrick is a chartered accountant and founding member and former senior partner of Grant Thornton's Financial Services Group. Before retiring from partnership in 2016, Patrick had accumulated 30 years' experience with Grant Thornton focusing principally on regulation in the financial services sector.

Areas of Expertise
Patrick is a recognised specialist in helping financial services firms to achieve their strategic goals by embedding robust and sustainable management, governance and culture frameworks while complying with financial regulations and delivering good outcomes for customers.

Peter Ward
Non-Executive Director

Date of Appointment 1 March 2015

Background and Career
Peter is the Co-Founder of RCapital Partners LLP and retired as an active Partner in 2016. In 2001 he co-founded his own corporate advisory business, Three V Corporate Venturing LLP, to provide fundraising and interim management services. He had previously held senior management positions within the UK commercial and banking division of Royal Bank of Scotland Group for 23 years.

Areas of Expertise
Peter has extensive experience of working with management teams across a broad range of business sectors.

Corporate Governance Report

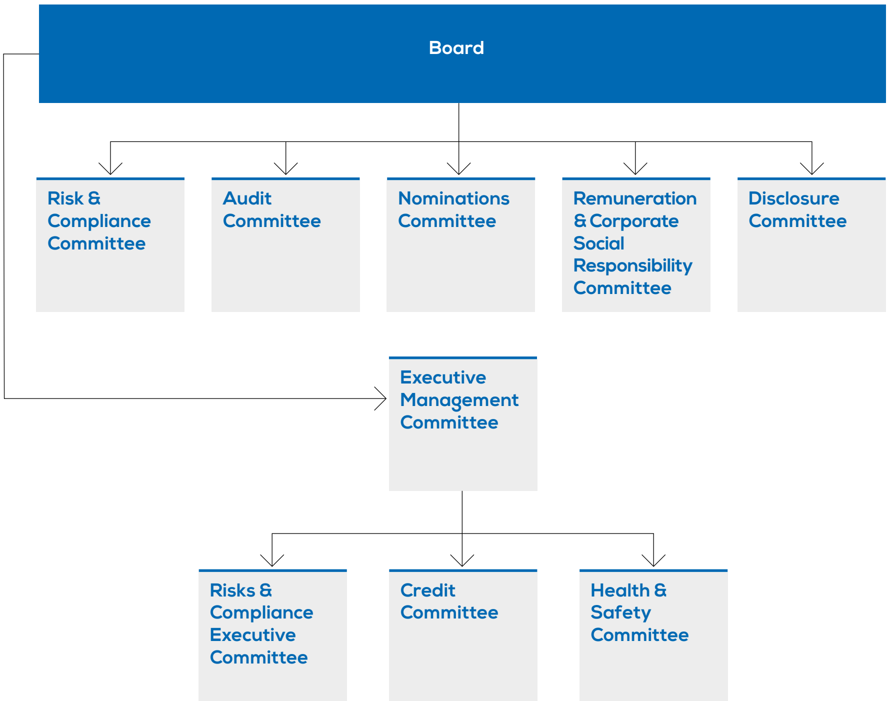
From the date of the IPO, the Directors have adopted the provisions of the September 2014 edition of the UK Corporate Governance Code (although being AIM listed, the Group is not obliged to comply with this). The only exception is the Directors' Remuneration Report, which has been prepared in accordance with AIM Rule 19.

The Board's role is to provide entrepreneurial leadership of the Group within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Group's strategic aims, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives, and reviews management performance.

As part of their role as members of a unitary board, Non-Executive Directors constructively challenge and help develop proposals on strategy.

The Board has established a sub-committee structure comprising Nominations, Risk & Compliance, Audit, Disclosure, and Remuneration & Corporate Social Responsibility committees, and has appointed a Senior Independent Director, Sir Nigel Knowles.

The Executive Management Committee, comprising all of the Executive Managers and the Executive Directors, reports to the full Board.



Membership of Board Committees

In the course of this first year since the Company's admission to AIM, the Board has agreed that all Non-Executives should participate in the Audit, Risk & Compliance, Nominations and Disclosure Committees in order to gain a full appreciation and understanding of the Company.

Details of Board Meeting attendance since the Group's listing on AIM on 5 May 2016 are shown in the table on the right.

During the period until 5 May 2016, Stephen Karle was Chairman of the Audit & Risk Committee. On 1 January 2017, the Audit & Risk Committee was split into the Audit Committee and the Risk & Compliance Committee.

	Position	Meetings Attended	Considered Independent
Stephen Karle	Non-Executive Chairman	8/8	✓
Paul Smith	Chief Executive Officer	8/8	✗
Andy Thomson	Chief Financial Officer	8/8	✗
Sir Nigel Knowles	Senior Independent and Non-Executive Director	6/8	✓
Joanne Lake	Non-Executive Director	7/8	✓
Patrick Storey	Non-Executive Director	8/8	✓
Peter Ward	Non-Executive Director	7/8	✗

Leadership

During the period since the Group's shares were listed on the AIM Market, the Group has been controlled through a Board of Directors comprising two Executive and five Non-Executive Directors. The Chairman is mainly responsible for the running of the Board. He has to ensure that all directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. The Board has a formal schedule of matters reserved to it and currently meets at least 10 times per year. It is responsible for overall Group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It monitors the exposure to key business risks and reviews the strategic direction of the business. This includes its code of conduct, its annual budgets, its progress towards achievement of those budgets and its capital expenditure programmes. The Executive Directors are responsible for all matters affecting the performance of the Group and for the implementation of strategy, policies, budgets and the financial performance of the Group.

Effectiveness

Prior to the Group's admission to AIM, the Nominations Committee conducted a formal, rigorous and transparent process to identify and recruit three additional Non-Executive Directors. The search for candidates was conducted, and appointments made, on merit, using objective criteria and with due regard for the benefits of diversity for the Board, including gender. The three appointees, Sir Nigel Knowles, Joanne Lake and Patrick Storey bring a wealth of experience covering compliance, financial services, legal, accounting, investment banking and general business matters.

There has been an induction plan for each of the new Non-Executive Directors. The Board has been briefed by the Group's lawyers on the subject of the Market Abuse Regulations. Further briefings are planned on the subjects of General Data Protection Regulation and the Senior Managers Certification Regime. In addition, Directors are updated with developments in corporate governance requirements.

The Group's CEO is appraised every six months by the Chairman. The Chairman has been evaluated by the Non-Executive Directors led by the Senior Independent Director. During this first year as an AIM-listed company, the Chairman has undertaken an informal and internal evaluation of the Directors, the Board, and the Board's committees. All of the Directors have been considered able to allocate sufficient time to the Company to discharge their responsibilities.

The Company Secretary is available to provide advice and services to all Board members and is responsible for ensuring Board procedures are followed. All directors are able to take independent advice in furtherance of their duties if necessary.

Accountability

Financial Reporting

Reviews of the performance and financial position of the Group are included in the Strategic Report within pages 12 to 27, and present a fair, balanced and understandable assessment of the Group's position and prospects. The Directors' responsibilities in respect of the financial statements are described on page 42 and those of the auditor on page 48.

Internal Control and Risk Management Systems

The Board acknowledges that it is responsible for the Group's system of internal control and risk management, and for reviewing its own effectiveness on an annual basis. Such a system is designed to manage rather than eliminate the risk of failure in pursuit of the Group's overall business objectives and can only provide reasonable, not absolute, assurance against material misstatement or loss. The Group's internal control systems are reviewed regularly with the aim of continuous improvement. Whilst the Board acknowledges its overall responsibility for internal control, it believes strongly that senior management within the Group's operating businesses should also contribute in a substantial way and this has been built into the process.

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

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

Through the Risk & Compliance Committee, the Board reviews the risk management framework and the key risks facing the business. The finance department is responsible for preparing the Group financial statements and ensuring that accounting policies are in accordance with International Financial Reporting Standards. All financial information published by the Group is subject to the approval of the Audit Committee.

Corporate Governance Report
continued

The Board. with advice from the Audit and the Risk & Compliance Committees, is satisfied that a system of internal controls and risk management is in place which enables the company to identify, manage and evaluate risks.

This process has been in place for the year under review and up to the date of approval of the report and financial statements. The process is regularly reviewed by the Board and accords with the guidance in the UK Corporate Governance Code.

The Board intends to keep its risk control procedures under constant review particularly as regards the need to embed internal control and risk management procedures further into the operations of the business and to deal with areas of improvement which come to management's and the Board's attention.

Relations with Shareholders

The Group communicates with institutional and private investors and responds quickly to all queries received verbally or in writing. All Shareholders will have at least 20 working days' notice of the Annual General Meeting at which all Directors will be present and available for questions. The Board is aware of the importance of maintaining close relations with investors and analysts for the Group's market rating. Twice-yearly road shows are conducted by the CEO and CFO when the performance and future strategy of the Group is discussed with larger shareholders. Queries from all shareholders are dealt with by the CFO: in addition, members of the Board obtain regular feedback from major shareholders and discuss this at Board meetings.

Board Committees

The terms of reference of all of the Board committees are available from the Group's registered office and on its website at www.morsesclubplc.com.

Copies of the service contracts and letters of agreement of each of the Directors are available at the Group's registered office during business hours and will be available for inspection at the AGM for at least 15 minutes prior to and until the conclusion of the AGM.

Remuneration & Corporate Social Responsibility Committee

The Remuneration & Corporate Social Responsibility Committee comprises three Non-Executive Directors, of whom two, Joanne Lake and Stephen Karle, are independent. The members of the Committee are:

- Joanne Lake (Chairman);
- Stephen Karle; and
- Peter Ward.

The Remuneration & Corporate Social Responsibility Committee meets at least twice a year and on other occasions as deemed appropriate by the Committee's Chairman.

The Committee Chairman is appointed by the Board on the recommendation of the Nominations Committee.

A full Remuneration & Corporate Social Responsibility Committee report appears on pages 37 to 39.

Audit Committee

The Audit Committee meets at least four times each year.

The Audit Committee comprises all of the Group's Non-Executive Directors, namely:

- Patrick Storey (Chairman);
- Stephen Karle;
- Sir Nigel Knowles;
- Joanne Lake; and
- Peter Ward.

The Committee monitors and reviews the Group's financial reporting from information provided by management and the auditor. The Committee reports to the Board on the Group's full and half year results having examined the accounting policies on which they are based and ensured compliance with relevant accounting standards.

External Audit

The Group's external auditor is Deloitte LLP.

The Committee is responsible for reviewing the objectivity, independence and cost effectiveness of the external auditor.

The Committee also reviews the performance of the auditor taking into account the services and advice provided to the Group and the fees charged for these services. Details of the auditor's total fees for the year can be found on page 60. The Group does not currently have a formal non-audit work policy, but the Committee maintains regular scrutiny of the auditor's activities and charges.

Deloitte LLP was first appointed as auditor of Morses Club Limited with effect from 1 March 2009. Since then, Morses Club Limited acquired Shopacheck Financial Services and the resulting Group was listed on AIM in May 2016. During this period of change, the Group has valued the continuity of the existing auditor's appointment.

On the basis of its review of the performance of the auditor since the IPO last year, the Committee has recommended to the Board that Deloitte be proposed for re-appointment at the forthcoming Annual General Meeting. Deloitte has indicated its willingness to continue in office. The Committee confirms that there are no contractual obligations that restrict the Committee's choice of external auditor in the future.

Internal Audit Function

During the Autumn of 2016, we established an internal audit function and appointed a suitably qualified and experienced internal audit manager who reports directly to the Audit Committee Chairman. The internal audit function objectively reviews the Group's internal control processes against the risk-based internal audit plan and audit charter approved by the Committee. The plan is based primarily on output from the risk management process, but it is flexible and may include ad-hoc investigations and other assurance work agreed by the Committee. Specialist technical knowledge and resource is externally sourced if and when required.

Meetings of the Committee

The Audit Committee meets with the external auditor without the presence of executive management at least once each year to discuss matters relating to its remit and any issues relating to the audit. The Committee has direct and unrestricted access to both internal and external audit functions. The Chairman also has regular contact with the external auditor, the Chief Financial Officer and the internal audit manager outside the formal meetings to ensure that any areas for discussion are dealt with in a timely manner.

The work undertaken by the Committee included the following activities:

- a review of the full-year results including the Annual Report and Accounts, preliminary results statement and the external auditor's report. In reviewing these documents and determining whether they were fair, balanced and understandable, the Committee also considered the work and recommendations of management;
- an interim results statement review;
- a consideration of the appropriateness of accounting policies and critical accounting estimates and judgements, including a review of information from the Chief Financial Officer and reports from the external auditor setting out their views on the accounting treatments and judgements in the financial statements;
- a consideration of the level of non-audit work carried out by the external auditor and the seeking of assurances from the auditor that it maintains suitable policies and processes ensuring independence;
- a review of arrangements, for example whistleblowing, by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters; and
- a review of the going concern assumptions when considering interim and final results statements and long-term viability in the case of the final results statement, taking into account internal financial projections.

We acknowledge that the external auditor has reviewed the significant areas of judgement and subjected them to robust challenge. Significant areas of judgement considered by the Committee included:

1. Impairment

The Group makes judgements in relation to identifying objective evidence of impairment and calculates the provision by reference to historical payment performance to estimate the amount and timing of expected future cash flows. These estimates are revised annually and approved by the Board.

2. Revenue Recognition

Under IAS 39, interest income should be recognised on the shorter of the expected life or the contractual life of the loan. Under IAS 39, the Committee has judged that interest income should be recognised over the contractual life of the loan based on historical loan book performance.

3. Acquisitions

During the period, the Group has made a number of acquisitions. Management has made judgements as to whether each of the acquisitions constitute a business and therefore is required to be accounted for as a business combination in accordance with IFRS 3.

Customer lists have been allocated a fair value on acquisition as the relationships are an important influence on the revenue-generating capacity of the business. Agent networks have also been identified and capitalised as an intangible asset.

The amount of goodwill initially recognised as a result of an acquisition is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement.

Corporate Governance Report
continued

Risk & Compliance Committee

The Risk & Compliance Committee is scheduled to meet four times each year.

The Morses Club strapline is 'Putting You First': customers are at the heart of the Group's culture, vision and values. In recent years, the level of public and regulatory scrutiny of the Group's marketplace has grown. The Board recognises the importance to the business of risk and compliance, and the need to devote time and energy to these vital areas.

In January 2017, the Board therefore divided the Audit & Risk Committee into two separate committees: the Audit Committee and the Risk & Compliance Committee.

The Risk & Compliance Committee comprises all of the Non-Executive Directors of the Group, namely:

- Patrick Storey (Chairman);
- Stephen Karle;
- Sir Nigel Knowles;
- Joanne Lake; and
- Peter Ward.

In addition, the following executives are also Committee members:

- Paul Smith (Chief Executive Officer);
- Andy Thomson (Chief Financial Officer);
- Ian Cooper (Risk and Compliance Director); and
- Barrie Grimshaw (Business Change & IT Director).

The Risk & Compliance Committee is responsible for reviewing and reporting to the Board on a number of topics, including:

- the Group's risk appetite (the extent and categories of risk regarded by the Board as acceptable for the Group to bear);
- the Group's risk management and internal controls framework (its principles, policies, methodologies, systems, processes, procedures and people);
- the arrangement for the identification, assessment, monitoring management and oversight of risk with regard to processes and procedures;
- the effectiveness of the Group's internal controls, compliance monitoring and risk management systems; and
- the Group's procedures for preventing and detecting money laundering and fraud.

A section covering the Group's risks can be found on pages 24 to 27.

Nominations Committee

The Nominations Committee is responsible for ensuring that the Board has a formal and transparent appointments procedure. It also has primary responsibility for reviewing the Board's balance and effectiveness, identifying the Board's skills gaps and those individuals who might best fill them. Committee policy will ensure that appointments are made on merit and with respect for the benefits of the Board's diversity.

The Nominations Committee comprises all of the Group's Non-Executive Directors:

- Stephen Karle (Chairman);
- Sir Nigel Knowles;
- Joanne Lake;
- Patrick Storey; and
- Peter Ward.

The Group recognises the importance of diversity both at Board level and throughout the whole organisation. The Board and the Nominations Committee are committed to increasing diversity and the Group is determined to recruit outstanding candidates with diverse backgrounds, skills, ideas and culture.

In future, the Nominations Committee will take responsibility for arranging formal Board appraisals. During this first year, the Board made an assessment that it was appropriate for the Chairman and Senior Non-Executive Director to conduct an informal internal evaluation.

The Nominations Committee meets at least once each year.

Disclosure Committee

The Disclosure Committee comprises:

- Stephen Karle (Chairman);
- Sir Nigel Knowles;
- Joanne Lake;
- Patrick Storey;
- Peter Ward;
- Paul Smith (Chief Executive Officer); and
- Andy Thomson (Chief Financial Officer).

The Company is required to make timely and accurate disclosure of all information required to meet the legal and regulatory obligations and requirements arising from its listing on the London Stock Exchange under the Market Abuse Regulations.

The Disclosure Committee exists to help the Company meet these requirements. The Committee's responsibilities include determining the timely disclosure of material information, and assisting in the design, implementation and periodic evaluation of disclosure controls and procedures.

The first meeting of the Committee was on 21 February 2017.

Executive Committee

The Group has established an Executive Committee which is chaired by the Chief Executive Officer and meets each week on which there is not a Board meeting. The Executive Committee is accountable to the Board and its responsibilities include the daily management of the Group's affairs. Members of the Executive Committee meet regularly with the Board and are frequently invited to attend Board meetings.

The Executive Committee has three long-standing committees, a Credit Risk Committee, a Health & Safety Committee and a Risk & Compliance Executive Committee in order to assist its supervision of these important areas.

Directors' Remuneration Statement

The approach to Directors' remuneration has been undertaken taking account of the regulatory environment, shareholder needs and market requirements, as well as individual team roles.

The Directors' Remuneration Statement deals with the remuneration for those Directors in place when the Company was listed on AIM in May 2016. During the year, a number of Directors in the Company resigned prior to the Company's securities being listed on AIM. The Director's Remuneration Report only discloses the individual remuneration of Directors who have served since the Company's securities have been listed on AIM. The aggregate remuneration of the Directors who served prior to IPO, but subsequently resigned was £0.1m.

Remuneration and Corporate Social Responsibility Committee

The Board has appointed a Remuneration Committee ("the Committee") which is chaired by Joanne Lake (Independent NED), and comprises Peter Ward (NED) and Stephen Karle (Independent Chairman). Dave Belmont (Company Secretary) also attends all meetings. The Committee was established as a direct consequence of the Company's successful listing on the AIM Market in May 2016.

The terms of reference for the Committee are available from the Company's Support Centre in Birstall.

The Committee has studied Section B of the Best Practice provisions annexed to the Listing Rules of the UK Listing Authority and has voluntarily disclosed the information given below.

This Committee's principal function is to determine the Company's policy on executive remuneration. No Director plays any part in formal decisions about their own remuneration. The HR and Communications Director and Chief Financial Officer provide relevant updates on financial and general Company remuneration matters as invited individuals only. The Committee meets periodically when it has proposals to consider – generally three times a year. In any event, the Committee would meet no less than twice a year.

The Committee's policy aims primarily to attract, retain and motivate high-calibre individuals via a competitive remuneration package designed to suit the market, taking account of regulatory requirements and the need to create an appropriate mix between fixed and variable rewards (both short and long-term) for Directors. Executives' remuneration comprises basic salary, performance-related bonus, pension benefits, other benefits in kind and a deferred share bonus scheme granted pursuant to the Morses Club PLC Group.

The Remuneration Policy is due for renewal at the AGM in 2017, and the Committee will conduct a full review of the policy this year. As part of the Company's preparation for listing on AIM in May 2016, Morses Club had external assistance in developing its approach to Directors' remuneration.

Executive Remuneration Policy

The incentive arrangements currently in place include a salary, bonus, contributions to a defined contribution pension scheme and a deferred share bonus scheme, which together sit within the lower quartile of market expectations against other financial companies of a similar size. As the organisation grows, we expect that the remuneration policy will be reviewed. However, the Executive team and the Committee are both committed to prudence during the early period post-listing, and to deliver shareholder value as well as embedding the Company's strategy.

Executive remuneration was reviewed as a consequence of the IPO listing, taking account of the need to balance executive remuneration with that of the rest of the organisation.

Our remuneration policy is underpinned by core principles as outlined below.

- Remuneration is determined within the Company's risk appetite, and is subject to oversight and approval by the Remuneration Committee.

Director's Remuneration Statement
continued

- Key FCA principles, including the principles of Treating Customers Fairly apply throughout. Although all employees should contribute towards a commercial result, remuneration is designed to drive a 'balanced scorecard' approach, based on responsible lending principles and outstanding individual performance. Delivery of good customer outcomes is central to the Company's remuneration approach.
- Remuneration structures will be developed in line with the appropriate regulatory environment and the Company's values.
- A blend of short-term and long-term incentives will support the long-term security of the Company and its employees.
- For key roles, remuneration will take account of pay structures in the external market. Remuneration structures will reflect the size and the scope of any given role.
- Remuneration will be driven by Company as well as individual performance, with a foundation of fairness and ability to pay.
- We will communicate policies clearly and in a timely manner.

Business Context and Committee Decisions on Remuneration

The Company successfully listed on AIM in May 2016. As detailed in the report, key elements of the Company's business strategy with regard to technology, acquisitions and targeted financial performance have been delivered. We have also made significant progress in developing new products and services for our customers.

Directors' Remuneration (This section is subject to audit)

Name	Role	Base Salary	Allowances and Benefits	Pension contribution	Bonus	Deferred Share Plan	Expenses	Total
Paul Smith	CEO	212,500	42,725	4,250	75,000	26,223	24,139	384,837
Andy Thomson	CFO	170,000	12,000	2,267	–	19,813	6,870	210,950

Non-Executive Directors (This section is subject to audit)

Name	Role	Base Salary	Allowances and Benefits	Expenses and Emoluments
Stephen Karle	Independent Chairman	91,667	–	7,222
Sir Nigel Knowles	Independent NED	37,500	6,250	13,500
Joanne Lake	NED and Chair of Remuneration Committee	37,500	6,250	12,212
Patrick Storey	NED and Chair of Audit and Risk & Compliance Committees	37,500	12,500	1,718
Peter Ward	NED	37,500	–	–

Non-Executive Directors do not participate in any of the Company's share incentive plans, nor do they receive any benefits or pension contributions.

Directors' Remuneration Policy

Service Contracts

All Executive Directors were re-issued with a revised service contract as part of the arrangements for the IPO. Service contracts cover a continuous period (ie not a fixed-term) and a notice period of six months applies to both the Company and to individuals. There are no compensation payments for loss of office.

Letters of Appointment

Non-Executive Directors do not have service contracts but are appointed under letters of appointment. Appointments are intended to be for a three-year term with a review after the initial 12 months. All new appointments would be made following recommendations by the Nominations Committee. No compensation is payable in the event of early termination except during the notice period.

Salaries and Fees

The level of remuneration for both executive and Non-Executive Directors in FY17 was reviewed as part of the process of the IPO. This process was completed in May 2016.

Allowances and Benefits

Taxable benefits received in the period include company cars or car allowances, fuel allowances and private medical insurance.

Housing Allowance

As the CEO relocated to the area to undertake the role, a housing allowance of £14k was made available until 30 April 2017. This allowance will lapse after that date. No other relocation compensation was payable.

Life Assurance

In line with all employees, Executive Directors are entitled to life assurance equivalent to four years' salary.

Holidays

Executive Directors are entitled to 30 days' paid holiday in addition to UK public bank holidays. The holiday year runs from January to December.

Pension

Executive Directors are enrolled into the Company pension scheme. Personal contributions are matched by the Company up to a maximum of 7%.

Annual Bonus

The annual bonus is the value of the bonus earned within the year and can be up to 100% of salary, based on the performance conditions outlined below. Any earned bonus is payable in August following the year end in February, conditional on independent audit and confirmation by the Committee. The actual bonus paid in the year to 25 February 2017 is outlined in the table above.

Performance Bonus Conditions

The performance bonus is payable if the Executive Director has delivered key objectives, including targeted adjusted profit before tax, promoting good-quality customer outcomes (ie treating customers fairly), maintenance of headline customer satisfaction scores, completing key strategic projects and acquisitions, all underpinned by regulatory compliance.

Deferred Share Plan (This section is subject to audit)

Executive Directors may participate in a deferred share plan, a three-year plan (commencing 2016/17) awarded through an annual deed of grant, subject to the discretion of the Remuneration Committee. Awards under the DSP may be in the form of:

- A conditional right to acquire Ordinary Shares at no cost to the participant, or an option to acquire Ordinary Shares at no cost to the participant or a right to receive a cash amount relating to the value of a certain number of notional Ordinary Shares.
- Share awards will be subject to performance conditions which are: delivery of targeted adjusted profit before tax, total shareholder return (measured over a period of one year from Admission), satisfactory audits and compliance training, and individual executive performance.
- Awards will be granted on an annual basis.
- The issue price of the shares in May 2016 was £1.08. The maximum earnings from the deferred share bonus scheme are outlined in the table below.

Name	Role	Percentage of Salary	Share Award
Paul Smith	CEO	100	208,333
Andy Thomson	CFO	100	157,407

Awards will vest on the third anniversary following the grant date (unless determined otherwise by the Remuneration Committee). Awards will lapse should an individual leave employment, and are not transferable.

Directors' Shareholdings

The table below details the shareholdings and other share interests of the directors as at 25 February 2017.

Name	Role	Number of Ordinary Shares	Percentage Shareholding
Paul Smith	CEO	655,000	0.51
Andy Thomson	CFO	5,676,939	4.38
Stephen Karle	Chairman	227,991	0.18
Peter Ward	NED	400,000	0.31
Sir Nigel Knowles	Ind NED	23,148	0.02
Joanne Lake	Ind NED	23,148	0.02
Patrick Storey	Ind NED	23,148	0.02

All Employee Remuneration

In setting the Remuneration Policy for Directors, the pay and conditions of other employees are considered along with any increases in salary. The Committee is provided with data on the remuneration structure for those management level tiers below the Executive Directors; it uses this information to ensure a consistent approach to remuneration throughout the Company.

There is no formal consultation with employees regarding the remuneration of Executive Directors.

All employees have the opportunity to participate in our key benefits such as life assurance, private health and the Company pension scheme.

Relative Importance of Spend on Pay

Shown below is the total pay (including performance bonuses) for all Morses Club PLC employees for FY17.

Total employee remuneration £17,500,504.

Corporate Social Responsibility

The Company has not undertaken any significant CSR programmes during FY17. Based on our business model as a community lender, we are now planning our approach for FY18.

Directors' Report

The Directors present their report and audited consolidated financial statements for the year ended 25 February 2017.

The Corporate Governance Statement set out on pages 32 to 36 forms part of this report.

Dividend
The Directors have declared their intention to pursue a progressive dividend policy. Subject to Shareholder approval at the Annual General Meeting on 20 June 2017, the Board proposes to pay a final dividend of 4.3p per ordinary share payable on 21 July 2017 to Shareholders on the register at close of business on 23 June 2017. This would represent a total dividend of 6.4p per ordinary share for 2017.

Directors
The Directors of the Company who served during the year ended 25 February 2017, and up to the date of this report (unless otherwise stated), are:

Stephen Karle
Independent Non-Executive Chairman;

Paul Smith
Chief Executive Officer;

Andy Thomson
Chief Financial Officer;

Peter Ward
Non-Executive Director;

Sir Nigel Knowles
(appointed 14 April 2016)
Senior Independent Director;

Joanne Lake
(appointed 14 April 2016)
Independent Non-Executive Director; and

Patrick Storey
(appointed 14 April 2016)
Independent Non-Executive Director.

The following were Directors until they resigned on 13 April 2016 in preparation for the Company's admission on to AIM:

Myron Burlak (Finance Director);

Ian Cooper (Risk and Compliance Director);

Leslie Easson (Operations Director);

Barrie Grimshaw (Business Change & IT Director); and

Tracey Mulligan (HR & Communications Director).

All of these Executives remain employed by the Group as at the date of this report, and together with the Chief Executive Officer and the Chief Financial Officer, they form the Company's Executive Management Committee.

Details of the remuneration, service agreements and interests in the share capital of the company of the Directors who have served since the Group's shares were admitted to AIM on 5 May 2016 are given in the Remuneration Report on pages 37 to 39.

Biographical details of the current Directors who are standing for re-appointment at the forthcoming Annual General Meeting are given on pages 30 and 31.

Share Capital
As at 25 February 2017, the Company had 129,500,000 ordinary shares of one pence each in issue (2016: 129,500,000).

The Company's issued ordinary share capital comprises a single class of ordinary share. The rights attached to the ordinary shares are set out in the Articles. Each share carries the right to one vote at general meetings of the Company.

Information Contained in Other Sections
The Group's principal risks and uncertainties and future developments, which are required to be included within the Directors' Report, can be found within the Strategic Report on pages 26 to 27.

Anti-bribery and Corruption
The corporate policies reflect the requirements of the Bribery Act 2010 and a corporate hospitality register is maintained using a risk-based approach. Although the risks for the Group arising from the Bribery Act 2010 continue to be assessed as low, the Directors are, nevertheless, required

to undergo appropriate training and instruction to ensure that they have effective anti-bribery and corruption policies and procedures in place.

Compliance is regularly monitored by the Executive Risk & Compliance Committee and is subject to periodic review by the group internal audit function.

Directors' and Officers' Insurance

The Group maintains Directors and Officers' liability insurance to cover appropriately for any legal action brought against the Directors.

Important Events Since the End of the Financial Year (25 February 2017)

There have been no important events since the end of the financial year.

Employees

It is our policy to make adequate provision for the well-being, health and safety of our employees. We are committed to offer equal opportunities for all employees, irrespective of age, gender, ethnicity, race, religion, belief, sexual orientation, disability, marital status and civil partnership. All employees are treated fairly and equally.

We encourage our employees to engage with the development of our organisation. To promote this, the Chief Executive Officer and the executive management team publish regular updates on important or topical issues and highlight these via roadshow presentations, management meetings, informal briefings and our intranet. We regard employee involvement as essential to the healthy development of the business.

Morses Club treats applications for employment from disabled persons in the same way as those from non-disabled applicants and selects on the basis of individual ability, experience and role requirements.

Substantial Interests in Shares

As at 24 April 2017 (the latest practicable date before the publication of this report), the Company has been notified of the following substantial interests of 3% or more in its ordinary shares:

	Number of shares	% issued capital
Perpignon Limited	66,045,000	51.00%
Schroder Investment Management	11,391,823	8.80%
Woodford Investment Management	10,175,704	7.86%
Miton Investment Management	9,672,489	7.47%
JO Hambro Capital Management	6,630,250	5.12%
Andy Thomson	5,676,939	4.38%
BlackRock Investment Management	4,614,976	3.56%

Relationship with Our Majority Shareholder

As a result of the IPO on 5 May 2016, the shareholding of the majority shareholder in the Company, Perpignon Limited, reduced from 100% to 51%.

Perpignon Limited has entered into a relationship agreement which contains provisions to ensure that, *inter alia*, there is no interference with the independent operation of the Board and that the Company's transactions with Perpignon Limited are effected at arm's length and on a normal commercial basis. Perpignon Limited can, subject to applicable laws and regulation, appoint one Director to the Board for as long as it holds more than 20% of the rights to vote at a general meeting of the Company. The first such Director appointed under this right is Mr Peter Ward. The Board confirms that, since the admission of the Company's shares on to AIM, the Company has complied with the independence provisions included in the relationship agreement and that, so far as the Company is aware, Perpignon Limited and its associates have also complied with such provisions.

Political Donations

The Group made no political donations during the year ended 25 February 2017.

Going Concern

The Directors have considered the appropriateness of the going concern basis in preparation of these financial statements. They are satisfied that the Group has sufficient resources to continue its operations for the foreseeable future. They therefore continue to adopt a 'going concern' approach in preparing the condensed financial statements. A separate viability statement (see page 25) is contained in the Strategic Report.

Disclosure of Information to the Auditor

The Directors confirm that:

- so far as each Director is aware, the auditor is aware of all relevant audit information; and
- the Directors have taken all necessary steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information, and to establish that the auditor is aware of that information.

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

Our Auditor

A resolution will be proposed at the Annual General Meeting to reappoint Deloitte LLP as the Group's auditor and to give the Directors the authority to determine the auditor's remuneration.

AGM Notice

The notice convening the Annual General Meeting to be held on 20th June 2017, together with an explanation of the resolutions to be proposed at the meeting, is contained in a separate circular to shareholders and on the Company's website at www.morsesclubplc.com.

By order of the Board,

Dave Belmont
Company Secretary

27 April 2017

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. Under the law, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and have also chosen to prepare the parent Company financial statements under IFRS as adopted by the EU. 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 IFRS 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.

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.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

a) The financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;

b) 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

c) The annual report and 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.

This responsibility statement was approved by the Board of Directors on 27 April 2017 and is signed on its behalf by:

Paul Smith
Director

27 April 2017

Andy Thomson
Director

27 April 2017

Independent Auditor's Report
To the Members of Morses Club PLC

Opinion on financial statements of Morses Club PLC

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 25 February 2017 and of the Group's profit for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

The financial statements that we have audited comprise:

- the Consolidated Income Statement;
- the Group and Parent Company Balance Sheets;
- the Group and Parent Company Statements of Changes in Equity;
- the Group and Parent Company Cash Flow Statements; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Summary of our audit approach

Key risks	The key risks that we identified in the current year were: – Impairment provisioning; and – Revenue recognition.
Materiality	The materiality that we used in the current year was £0.95m which was determined on the basis of 7.5% of adjusted pre-tax profit. Pre-tax profit was adjusted for Initial Public Offering ("IPO") costs of £2.2m, as this is a one-off cost and would distort the materiality level.
Scoping	The Group is made up of Morses Club PLC, which is the main trading entity, and its two subsidaries, being Shopacheck Financial Services Limited and Shelby Finance Limited. All entities in the Group are within our audit scope and the audit of these entities are performed directly by the Group audit team.

Independent Auditor's Report

To the Members of Morses Club PLC continued

Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group	
We are required to state whether we have anything material to add or draw attention to in relation to: – the Directors' confirmation on page 25 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; – the disclosures on pages 26-27 that describe those risks and explain how they are being managed or mitigated; – the Directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties as to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and – the Directors' explanation on page 25 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We confirm that we have nothing material to add or draw attention to in respect of these matters. We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.
Independence	
We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.	We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.
Our assessment of risks of material misstatement	
The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	

Risk description	How the scope of our audit responded to the risk	Key observation
Impairment provisioning		
The assessment of the Group's calculation of the £34.8m provision for impairment losses against loans and receivables is complex and requires management to make significant judgements, being: the identification of loss events (the "Impairment Trigger"); the estimation of future cash flows used to determine the provision required; and the level of 'incurred but not reported' ("IBNR") risk in the element of the book that has not reached the Impairment Trigger. Changes to these assumptions can have a material impact on the impairment provision. We therefore focus our work on assessing the appropriateness of these assumptions. Management's associated accounting policies are detailed on pages 54-58 with detail about judgements in applying accounting policies and critical accounting estimates on pages 57-58 and within the Audit Committee report on page 35. The quantum of the provision is set out in note 14 to the financial statements.	We first understood management's process and key controls around impairment provisioning by undertaking a walk-through. Following identification of the key controls we evaluated the associated design and implementation of such controls. Specifically, we assessed the implementation of controls that the Group has in place to manage the risk of inappropriate assumptions being used within impairment provisioning. We used internal IT specialists to test the general IT controls over the loan administration systems. We performed design and implementation testing over the manner in which data is extracted from these systems to determine impairment and completed walk-through testing of the models to confirm that they are working as intended. We used data analytics to test the mechanical accuracy and completeness of the models on which impairments are calculated by using our IT specialists to test the extraction of source data from the lending systems and recalculating the provision in accordance with the approved provisioning policy. We challenged the appropriateness of the key management assumptions used in the impairment calculations for loans and receivables including, specifically, the estimation of future cash flows and the identification of impaired accounts. This involved analysis of the Group's historical cash collection experience and benchmarking the key assumptions to external economic and industry data.	We concluded that the impairment models were working as intended and our IT specialists' work around the completeness and accuracy of data identified no significant issues. The estimation of future cash flows within the models were reasonable, albeit with a measure of conservatism applied. We found the assumptions relating to the identification of impaired accounts within the incurred loss models to be appropriate.

Independent Auditor's Report
To the Members of Morses Club PLC continued

Risk description	How the scope of our audit responded to the risk	Key observation
Revenue recognition		
Revenue recognition and specifically the application of the requirement in IAS 39 "Financial Instruments" ("IAS 39") to recognise revenue on loans using an effective interest rate method is a complex area. It requires management to make a judgement relating to the expected life of each loan to determine the effective interest rate. Changes to these assumptions could significantly impact the level of revenue recognised in any given period. We therefore focus our work on assessing the appropriateness of estimated behavioural lives and the validity and accuracy of the deferred revenue balance. Management's associated accounting policies are detailed on pages 54-58 with detail about judgements in applying accounting policies and critical accounting estimates on pages 57-58 and within the Audit Committee report on page 35.	We first understood management's process and key controls around revenue recognition by undertaking a walk-through. Following identification of the key controls we evaluated the associated design and implementation of such controls. Specifically, we assessed the implementation of controls that the Group has in place to manage the risk of inappropriate assumptions being used within the effective interest rate models. We used internal IT specialists to test the general IT controls over the loan administration systems. We performed design and implementation testing over the manner in which data is extracted from these systems to determine the effective interest rate and completed walk-through testing of the models to confirm that they are working as intended. We tested the mechanical accuracy of the models which are used to determine revenue by agreeing a sample of model inputs back to underlying source data. We used internal IT specialists to independently create an expectation of the gross loan originations and associated revenue to recalculate the level of deferred revenue to be held on the balance sheet. The effective interest rate was also recalculated for a sample of loans. We challenged management's key assumptions, including the expected life of each loan, by reference to the Group's historical experience, and assessed whether the revenue recognition policies adopted were in compliance with IAS 39.	We found the models to be working as intended and our IT specialists' work around the recalculation of the gross loan originations identified no significant issues. The underlying assumptions applied within the models, specifically in respect of the expected life of each loan used to create the product's effective interest rate, were found to be reasonable.

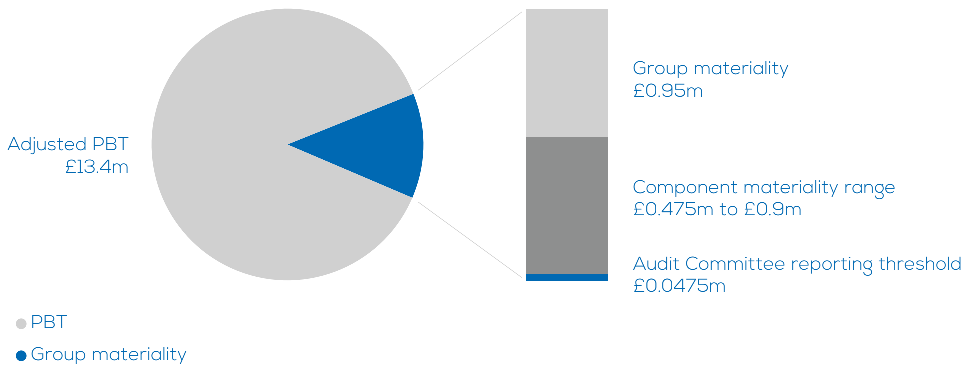
These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

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

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

Group materiality	£0.95m.
Basis for determining materiality	7.5% of adjusted pre-tax profit.
Rationale for the benchmark applied	We determined materiality using adjusted pre-tax profit as we considered this to be the most appropriate measure to assess the performance of the Group. Pre-tax profit was adjusted for Initial Public Offering ("IPO") costs of £2.2m, as this is a one-off cost and would distort the materiality level.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £47,500, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

The Group is made up of the main trading and parent entity of Morses Club PLC and two subsidaries, being Shopacheck Financial Services Limited and Shelby Finance Limited. These companies account for 100% of the Group's net assets, 100% of the Group's revenue and 100% of the Group's pre-tax profit. We performed testing over the consolidation which is prepared at the parent entity level only.

All entities in the Group are within our audit scope and the audit of these entities is performed directly by the Group audit team. These audits are executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £0.475m to £0.9m.

Opinion on other matters prescribed by the Companies Act 2006

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

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

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Independent Auditor's Report
To the Members of Morses Club PLC continued

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records Under the Companies Act 2006 we are required to report to you if, in our opinion: – we have not received all the information and explanations we require for our audit; or – adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or – the parent company financial statements are not in agreement with the accounting records and returns.	We have nothing to report in respect of these matters.
Directors' remuneration Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.	We have nothing to report arising from these matters.
Our duty to read other information in the Annual Report Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or – otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.	We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with the International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Matthew Perkins (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom

27 April 2017

Consolidated Income Statement
For the 52 week period ended 25 February 2017

	Note	52 weeks ended 25 February 2017 £'000	52 weeks ended 27 February 2016 £'000
Revenue			
Existing operations		**96,242**	84,750
Acquisitions during the period	23	**3,336**	5,816
		99,578	90,566
Cost of sales		**(46,695)**	(38,042)
Gross profit		**52,883**	52,524
Administration expenses		**(40,737)**	(41,535)
Operating profit before amortisation of intangibles and exceptional items		**17,988**	16,779
Amortisation of acquisition intangibles	11	**(3,663)**	(5,408)
Exceptional costs	3	**(2,179)**	(382)
Operating profit			
Existing operations		**10,917**	8,983
Acquisitions during the period		**1,229**	2,006
		12,146	10,989
Gain arising on acquisitions	23	**–**	32
Finance costs	5	**(927)**	(647)
Profit before taxation	4	**11,219**	10,374
Taxation	6	**(2,620)**	(2,458)
Profit after taxation		**8,599**	7,916

Earnings per share		25 February 2017 Pence	27 February 2016 Pence
Basic	8	**6.64**	6.11
Diluted	8	**6.61**	6.11

All results derive from continuing operations. A Statement of Comprehensive Income is not included as there is no other income or losses, other than those presented in the Income Statement.

Balance Sheets
As at 25 February 2017
Registered number: 06793980

	Note	Group 25 February 2017 £'000	Group 27 February 2016 £'000	Company 25 February 2017 £'000	Company 27 February 2016 £'000
Assets					
Non-current assets					
Goodwill	10	**2,834**	1,326	**2,642**	1,326
Other intangible assets	11	**7,058**	9,052	**4,082**	3,710
Investment in subsidiary	13	**–**	–	**2,011**	1,321
Property, plant & equipment	12	**763**	1,182	**763**	1,182
Trade and other receivables	14	**395**	679	**395**	679
		11,050	12,239	**9,893**	8,218
Current assets					
Trade and other receivables	14	**62,852**	57,706	**62,845**	57,706
Cash and cash equivalents		**3,985**	3,755	**3,983**	3,755
		66,837	61,461	**66,828**	61,461
Total assets		**77,887**	73,700	**76,721**	69,679
Liabilities					
Current liabilities					
Trade and other payables	15	**(5,892)**	(7,452)	**(7,562)**	(8,773)
		(5,892)	(7,452)	**(7,562)**	(8,773)
Non-current liabilities					
Trade and other payables	16	**(10,000)**	(9,000)	**(10,000)**	(9,000)
Deferred tax	18	**(617)**	(1,879)	**(70)**	(840)
		(10,617)	(10,879)	**(10,070)**	(9,840)
Total liabilities		**(16,509)**	(18,331)	**(17,632)**	(18,613)
Net assets		**61,378**	55,369	**59,089**	51,066
Equity					
Called up share capital	19	**1,295**	1,295	**1,295**	1,295
Group reconstruction reserve	20	**–**	–	**(9,276)**	(9,276)
Retained earnings	20	**60,083**	54,074	**67,070**	59,047
Total equity		**61,378**	55,369	**59,089**	51,066

The Parent Company's profit for the financial period was £10,612,965 (2016: £16,621,360). The consolidated and company financial statements of Morses Club PLC were approved by the Board of Directors on 27 April 2017.

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements.

Signed on behalf of the Board of Directors

Paul Smith
Director

Andy Thomson
Director

Statements of Changes in Equity

For the 52 week period ended 25 February 2017

Group	Notes	Called up share capital £'000	Share premium £'000	Retained Earnings £'000	Total Equity £'000
As at 28 February 2015		74,000	5,612	16,470	96,082
Profit for period		–	–	7,916	7,916
Total comprehensive income for the period		–	–	7,916	7,916
Capital reduction	20	(72,705)	(5,612)	78,317	–
Dividends paid		–	–	(48,629)	(48,629)
As at 27 February 2016		1,295	–	54,074	55,369
Profit for period		–	–	8,599	8,599
Total comprehensive income for the period		–	–	8,599	8,599
Deferred tax adjustment		–	–	4	4
Share based payments charge		–	–	126	126
Dividends paid		–	–	(2,720)	(2,720)
As at 25 February 2017		**1,295**	**–**	**60,083**	**61,378**

Company	Notes	Called up share capital £'000	Group reconstruction reserve £'000	Share premium £'000	Retained Earnings £'000	Total Equity £'000
As at 28 February 2015		74,000	(9,276)	5,612	12,738	83,074
Profit for the period		–	–	–	16,621	16,621
Total comprehensive income for the period		–	–	–	16,621	16,621
Capital reduction	20	(72,705)	–	(5,612)	78,317	–
Dividends paid		–	–	–	(48,629)	(48,629)
As at 27 February 2016		1,295	(9,276)	–	59,047	51,066
Profit for the period		–	–	–	10,613	10,613
Total comprehensive income for the period		–	–	–	10,613	10,613
Deferred tax adjustment		–	–	–	4	4
Share based payments charge		–	–	–	126	126
Dividends paid		–	–	–	(2,720)	(2,720)
As at 25 February 2017		**1,295**	**(9,276)**	**–**	**67,070**	**59,089**

Cash Flow Statements

For the 52 week period ended 25 February 2017

		Group		Company	
	Notes	**25 February 2017 £'000**	27 February 2016 £'000	**25 February 2017 £'000**	27 February 2016 £'000
Net cash inflow from operating activities	1	**9,726**	14,810	**10,125**	14,810
Net cash outflow from financing activities	2	**(2,647)**	(9,147)	**(2,647)**	(9,147)
Net cash (outflow)/inflow from investing activities	2	**(6,849)**	(10,558)	**(7,250)**	(10,558)
(Decrease)/increase in cash and cash equivalents		**230**	(4,895)	**228**	(4,895)
Reconciliation of (decrease)/increase in cash and cash equivalents to movement in net debt					
(Decrease)/increase in cash and cash equivalents		**230**	(4,895)	**228**	(4,895)
Change in cash and cash equivalents resulting from cash flows		**230**	(4,895)	**228**	(4,895)
Movement in cash and cash equivalents in the period		**230**	(4,895)	**228**	(4,895)
Cash and cash equivalents, beginning of period		**3,755**	8,650	**3,755**	8,650
Cash and cash equivalents, end of period		**3,985**	3,755	**3,983**	3,755

Notes to the Consolidated Cash Flow Statement
For the 52 week period ended 25 February 2017

1 Reconciliation of profit before taxation to net cash inflow from operating activities

	Group		Company	
	25 February 2017 £'000	27 February 2016 £'000	**25 February 2017 £'000**	27 February 2016 £'000
Profit before exceptional costs	**13,398**	10,756	**15,904**	20,400
Exceptional costs	**(2,179)**	(382)	**(2,179)**	(382)
Profit before taxation	**11,219**	10,374	**13,725**	20,018
Dividend from subsidiary	**–**	–	**–**	(68,599)
Depreciation charges	**544**	736	**544**	736
Gain on acquisition	**–**	(32)	**–**	(32)
Impairment of goodwill	**–**	42	**–**	42
Amortisation of intangibles	**4,412**	5,683	**1,948**	1,137
Impairment of investment	**–**	–	**–**	63,501
Loss on disposal of fixed assets	**–**	146	**–**	146
Loss on disposal of intangibles	**134**	–	**134**	–
(Increase)/decrease in receivables	**(1,918)**	27,532	**(1,459)**	27,532
Dividend in specie to Perpignon Limited	**–**	(31,129)	**–**	(31,129)
Increase/(Decrease) in payables	**(1,640)**	2,548	**(1,742)**	2,548
Interest paid included in financing activities	**927**	647	**927**	647
Share based payments charge	**126**	–	**126**	–
	2,585	6,173	**478**	(3,471)
Taxation paid	**(4,078)**	(1,737)	**(4,078)**	(1,737)
Net cash inflow from operating activities	**9,726**	14,810	**10,125**	14,810

2 Analysis of cash flows for headings netted in the cash flow statement

	Group		Company	
	25 February 2017 £'000	27 February 2016 £'000	**25 February 2017 £'000**	27 February 2016 £'000
Financing activities				
Dividends paid	**(2,720)**	(17,500)	**(2,720)**	(17,500)
Proceeds from additional long-term debt	**1,000**	9,000	**1,000**	9,000
Repayment of long-term debt	**–**	–	**–**	–
Interest paid	**(927)**	(647)	**(927)**	(647)
Net cash outflow from financing activities	**(2,647)**	(9,147)	**(2,647)**	(9,147)
Investing activities				
Purchase of intangibles	**(1,029)**	(2,523)	**(930)**	(2,523)
Purchase of property, plant and equipment	**(125)**	(1,152)	**(125)**	(1,152)
Proceeds on disposal of property, plant and equipment	**–**	500	**–**	500
Additional investment in subsidiary	**–**	–	**(500)**	–
Acquisitions	**(5,695)**	(7,383)	**(5,695)**	(7,383)
Net cash (outflow)/inflow from investing activities	**(6,849)**	(10,558)	**(7,250)**	(10,558)

Notes to the Consolidated Financial Statements

For the 52 week period ended 25 February 2017

1 Accounting Policies

General Information

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is Kingston House, Centre 27 Business Park, Woodhead Road, Birstall, Batley, West Yorkshire, WF17 9TD.

Accounting Convention

The financial statements have been prepared under International Financial Reporting Standards (IFRS) adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. The Company financial statements have also been prepared in accordance with IFRS endorsed by the European Union. These financial statements have been prepared under the historical cost convention. The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the period ended 25 February 2017.

The Group has adopted the amendments to IAS 1 Disclosure Initiative for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

The adoption of these amendments has not resulted in any impact on the financial performance or financial position of the Group.

New and Amended Standards Adopted by the Group and Company

IAS 1	Disclosure Initiative
IFRS 11	Acquisition of an Interest in a Joint Operation
IAS 16 & 38	Clarification of Acceptable Methods of Depreciation and Amortisation
IFRS 10, IFRS 12 and IAS 28	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture
IAS 27	Separate Financial Statements
Annual Improvements to IFRS:	2012-2014 Cycle

At the date of authorisation of these financial statements the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 2	Share-based Payment amendments
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements amendments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IAS 7	Statement of Cash Flows amendments
IAS 12	Income Taxes amendments
IAS 28	Investments in Associates and Joint Ventures amendments

The adoption of IFRS 15 and IFRS 16 may have a material impact on the financial assets reported by the Group. It is not practical to provide a reasonable estimate of the effect of these standards until a more detailed review is undertaken.

Implementation of IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board (IASB) issued the final IFRS 9 Financial Instruments, which will become mandatory for the Group as of 1 March 2018. The standard reflects the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace the International Accounting Standard IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 requires all financial assets, except equity instruments, to be classified at amortised cost, fair value through other comprehensive income (OCI) or fair value through profit or loss, on the basis of the entity's business model for managing financial assets and its contractual cash flow characteristics. If a financial asset meets the criteria to be measured at amortised cost or at fair value through OCI, it can be designated at fair value through profit or loss under the fair value option if doing so would significantly reduce or eliminate an accounting mismatch. Equity instruments that are not held for trading may be accounted for at fair value through OCI, with no subsequent reclassification of realised gains or losses to the income statement, while all other equity instruments will be accounted for at fair value through profit or loss.

IFRS 9 classification and measurement requirements for liabilities are unchanged except that any gain or loss arising on a financial liability designated at fair value through profit or loss that is attributable to changes in the issuer's own credit risk (own credit) is presented in OCI and not recognised in the income statement.

IFRS 9 further introduces a revised impairment model which will require entities to recognise expected credit losses based on unbiased forward-looking information. This replaces the existing IAS 39 incurred loss model which only recognises impairment if there is objective evidence that a loss is already incurred and would measure the loss at the most probable outcome. The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through OCI, loan commitments and financial guarantee contracts. In addition, IAS 39 requires the impairment to be based on the fair value loss for available for sale debt rather than estimated future cash flows.

The measurement of expected loss will involve increased complexity and judgement including estimation of probabilities of defaults, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk.

The adoption of IFRS 9 may have a material impact on the financial assets reported by the Group as a result of the expected credit loss approach for impairment assessment. It is not practical to provide a reasonable estimate of the effect of this standard until a more detailed review is undertaken. A project team will be formed over the coming months with a view to determine the financial impact on the business for disclosure in the 2018 financial statements.

The implementation of all other standards is not expected to have a material impact on the Group's financial statements.

Basis of Consolidation
The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 25 February 2017.

Revenue Recognition
Interest income is recognised in the income statement for all loans and receivables measured at amortised cost using the effective interest rate method (EIR). The EIR is the rate that exactly discounts estimated future cash flows of the loan back to the present value of the advance. Under IAS 39, credit charges on loan products continue to accrue at the EIR on all impaired capital balances throughout the life of the agreement irrespective of the terms of the loan and whether the customer is actually being charged arrears interest. This is referred to as the gross-up adjustment to revenue and is offset by a corresponding gross up adjustment to the loan loss provisioning charge to reflect the fact that this additional revenue is not collectable. See Critical Accounting Judgements and Key Sources of Estimation Uncertainty on pages 57 to 58 for more information.

Net Loan Book
All customer receivables are initially recognised at the amount loaned to the customer. After initial recognition, the amounts receivable from customers are subsequently measured at amortised cost.

The Directors assess on an ongoing basis whether there is objective evidence that a loan asset or group of loan assets is impaired and requires a deduction for impairment. A loan asset or a group of loan assets is deemed to be impaired only if there has been a trigger event. A trigger event is defined as when the cumulative amount of two or more contractual weekly payments have been missed in the previous 13 weeks. Impairment is calculated using models which use historical payment performance to calculate the estimated amount and timing of future cash flows from each arrears stage. Impairment is then calculated by estimating the future cash flows for such impaired loans, discounting the cash-flows to a present value using the original EIR and comparing this figure with the balance sheet carrying value. All such impairments are charged to the income statement. For all accounts which are not impaired, a further incurred but not reported (IBNR) provision is calculated and charged to the income statement based on management's estimates of the propensity of these accounts to default from conditions which existed at the balance sheet date.

Key assumptions in ascertaining whether a loan asset or group of loan assets is impaired include information regarding the probability of any account going into default and information regarding the likely eventual loss including recoveries. These, and assumptions for estimating future cash flows are based upon observed historical data and updated as management considers appropriate to reflect current and future conditions. All assumptions are reviewed regularly to take account of differences between previously estimated cash flows on impaired debt and the eventual losses.

Business Combinations
Acquisitions are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 Income Taxes.

Notes to the Consolidated Financial Statements

For the 52 week period ended 25 February 2017 continued

1 Accounting Policies continued

Goodwill

Goodwill arising on the acquisition of business combinations, representing any excess of fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and reviewed for impairment at least annually.

Gains on acquisition arising on the purchase of a business are recognised directly in the income statement.

Other Intangible Assets

Other intangible assets include acquisition intangibles in respect of customer relationships and agent networks as well as software, servers and licences.

The fair value of customer relationships on acquisition has been estimated by discounting the expected future cash flows from the relationships over their estimated useful economic lives of 10 years, such estimate being based on previous experience of similar acquisitions. The assets will be amortised over their estimated useful lives in line with the realisation of their expected benefits. Due to the behavioural profile of our customers, this will naturally result in a greater amortisation charge in the early years with a corresponding reduction in later years.

The fair value of agent networks on acquisition is calculated based on the estimated cost of developing a similar network organically. The assets are amortised over their estimated useful economic lives of 10 years, such estimate being based on previous experience of similar acquisitions, in line with the realisation of the expected benefits arising from the customer relationships associated with the agent network.

Software, servers and licences are stated at cost, net of amortisation and any provision for impairment. Amortisation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Software	– 20% on cost
Servers and licences	– 20% on cost

Amortisation is included within administration expenses.

Property, Plant and Equipment

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Computers and PDAs	– 20%-33% on cost
Fixtures & fittings	– 20% on cost

Investment in Subsidiaries

Subsidiaries are entities over which the Company has power to govern the financial and operating policies so as to obtain benefits from such entities' activities. Subsidiaries are consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date on which control ceases.

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

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand. Bank overdrafts are presented in current liabilities to the extent that there is no right of offset with cash balances.

Pension Costs and Other Post-retirement Benefits

The Group operates a defined contribution pension scheme. Contributions payable to the Group's pension scheme are charged to the income statement in the period to which they relate.

Going Concern

The Directors have considered the appropriateness of adopting the going concern basis in preparing these financial statements.

The Group has prepared a three-year business plan which is a continuation of its strategy of generating growth through organic and acquisitive means.

In addition to standard internal governance, the Group is also monitored against key financial covenants tied in with the current funding facilities. These are produced and submitted on a monthly basis, with key schedules included in the monthly Board Papers.

The Group is subject to a number of risks and uncertainties which arise as a result of the current economic environment. In determining that the Group is a going concern these risks, which are described in the principal risks and uncertainties section, have been considered by the Directors. The Directors have considered these risks in the Group's forecasts and projections which highlight continued profitability for the foreseeable future.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Taxation
Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. It is recognised at the prevailing rate at which it is expected to unwind.

Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Leases
Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Borrowing Costs

Borrowing costs are recognised in the income statement in the period in which they are incurred.

Leasehold
Costs incurred in refurbishing or fitting out leasehold properties are capitalised and depreciated over the length of the relevant lease. At period end, these assets had a £nil carrying value having been fully depreciated during the period.

Share-based Payments
The Company operates an equity-settled share-based compensation scheme.

The fair value of the share options granted is recognised over the vesting period to reflect the achievement of performance conditions over time. The charge relating to grants to employees of the Company is recognised as an expense in the profit and loss account.

The fair value of the share options granted, excluding the impact of any non-market vesting conditions, is calculated using established option pricing models, principally Monte Carlo simulation. The probability of meeting non-market vesting conditions, which include profitability targets, is used to estimate the number of share options which are likely to vest.

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

Segment Reporting
IFRS 8 Operating Segments requires segments to be identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker ('CODM'). The Chief Operating Decision Maker is the Executive Committee ("ExCo").

All results are viewed as one segment by the CODM for the purposes of management decisions. This is because all operations are conducted within the UK and all material operations are of the same nature and share the same economic characteristics including a similar customer base and nature of products and services (ie consumer credit). As a result, the Group only has one reportable segment, being consumer credit.

Due to the size of Shelby Finance Limited relative to the Group, it has not been considered to be a separate cash generating unit (CGU) in the current period. Shelby Finance Limited is an instalment loan business and so is not integrated within the operation of the Company.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty
The following areas are the critical judgements and key sources of estimation uncertainty that the Directors have made in applying the Group's accounting policies:

Critical Accounting Judgements:
Business Combinations
During the period, the Company has made a series of acquisitions. Management has made judgements as to whether each of the acquisitions constitutes a business and therefore is required to be accounted for as a business combination in accordance with IFRS 3.

Notes to the Consolidated Financial Statements

For the 52 week period ended 25 February 2017 continued

1 Accounting Policies continued

Goodwill

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement most notably the fair value assigned to the acquired loan book and the acquired intangible assets.

Allocation of the purchase price affects the results of the Group as intangible assets with finite lives are amortised, whereas intangible assets with indefinite lives, including goodwill, are not amortised and could result in differing amortisation charges based on the allocation to intangible assets with finite lives and those with indefinite lives.

Revenue Recognition

Under IAS 39 interest income should be recognised on the shorter of the expected life or the contractual life of the loan. Under IAS 39 management has judged that interest income should be recognised over the contractual life of the loan based on historical loan book performance.

Key Sources of Estimation Uncertainty

Impairment

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

Once a loan is deemed to be impaired, the Group is required to estimate the quantum and timing of cash flows that will be recovered, which are discounted to present value based on the EIR of the loan. Receivables are impaired when the cumulative amount of two or more contractual weekly payments have been missed in the previous 13 weeks, since only at this point do the expected future cash flows from loans deteriorate significantly. Impairment is calculated using models which use historical payment performance to generate the estimated amount and timing of future cash flows from each arrears stage. Management use a combination of historical cash performance curves to estimate future cash flows. These estimations are revised annually and approved by management. In addition to this provision a further provision is made for receivables that have not yet missed two or more payments in the previous 13, but may have the propensity to become impaired in the near future.

The impairment provision is a key estimation that is calculated based on collection curves derived from a three-year average of actual performance.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Upon acquisition, the activities of the acquired entities are closely aligned to those of the Company and are deemed to have been integrated rather than remain as separate CGUs. Determining whether goodwill is impaired requires an estimation of the discounted future cash flows of the Company using a discount rate of 10% and a terminal value based on a minimum future growth rate of 2%.

Other Intangible Assets – Customer Lists

Customer lists have been allocated a fair value on acquisition as the relationships are an important influence on the revenue generating capacity of the business.

The customer lists have been valued based on the present value of expected future cash flows.

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

- cash flow forecasts have been produced following acquisitions, which involves a number of judgements and estimates, particularly in respect of future business volumes from acquired customers, collections performance and an appropriate discount rate; and
- the customer list intangible assets are amortised in line with the realisation of their expected benefits.

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

2 Staff costs

	52 weeks ended 25 February 2017 £'000	52 weeks ended 27 February 2016 £'000
Wages and salaries	**15,218**	14,231
Social security costs	**1,892**	1,989
Other pension costs (note 21)	**391**	377
	17,501	16,597

The average monthly number of employees during the period was as follows:

	52 weeks ended 25 February 2017	52 weeks ended 27 February 2016
Management	**138**	131
Clerical & field staff	**490**	452
	628	583

Redundancy costs, included in administration expenses, total £283,188 (2016 – £782,920). These are a combination of post-acquisition integration costs and business as usual restructuring costs (see note 3). The table above excludes the network of self-employed agents.

3 Exceptional and non-operating costs

	52 weeks ended 25 February 2017	52 weeks ended 27 February 2016
Exceptional Costs		
Flotation costs	**2,179**	382
Non-Operating costs (included within Administration Costs)		
Restructuring costs	**283**	783
Non-recurring costs	**282**	744
Total exceptional and non-operating costs	**2,744**	1,909

4 Profit before taxation

Profit before tax is stated after charging:

	52 weeks ended 25 February 2017 £'000	52 weeks ended 27 February 2016 £'000
Depreciation – owned assets	**544**	736
Amortisation of intangibles	**4,412**	5,683
Impairment of goodwill	**–**	42
Operating lease rentals – motor vehicles	**1,967**	1,715
Operating lease rentals – property	**1,110**	1,259
Restructuring costs (note 3)	**283**	783
Directors' remuneration (including key management personnel)	**858**	967
Directors' pension contributions to money purchase schemes	**8**	16
The number of directors (former and current) to whom retirement benefits were accruing was as follows:		
Money purchase schemes	**6**	6

Notes to the Consolidated Financial Statements
For the 52 week period ended 25 February 2017 continued

4 Profit before taxation continued
Information regarding the highest paid Director is as follows:

	52 weeks ended 25 February 2017 £'000	52 weeks ended 27 February 2016 £'000
Emoluments	**330**	209
Pension contributions to money purchase schemes	**4**	3

The analysis of auditor's remuneration is as follows:

	52 weeks ended 25 February 2017 £'000	52 weeks Ended 27 February 2016 £'000
Fees payable to the Company's auditor for the audit of the Group's:		
– Financial statements	**156**	123
Fees payable to the Company's auditor and their associates for other services to the Group:		
– Subsidiary audit fee	**–**	2
Total audit fees	**156**	125
Audit related assurance services	**–**	1
Taxation compliance services	**42**	19
Other taxation advisory services	**–**	11
Other assurance services	**25**	10
Corporate finance services	**517**	382
Other services	**4**	32
Total non-audit fees	**588**	455

5 Finance Costs

	52 weeks ended 25 February 2017 £'000	52 weeks ended 27 February 2016 £'000
Other interest payable	**927**	647
Total interest payable	**927**	647

6 Taxation
Analysis of the tax charge
The tax charge/(credit) on profit before tax for the period was as follows:

	52 weeks ended 25 February 2017 £'000	52 weeks ended 27 February 2016 £'000
Current tax:		
UK corporation tax	**3,499**	3,367
Deferred tax:		
Origination and reversal of timing differences	**(1,562)**	(1,050)
Adjustment in respect of prior periods	**654**	147
Effect of change of tax rates	**29**	(6)
Total deferred tax	**(879)**	(909)
Tax on profit on ordinary activities	**2,620**	2,458

Factors Affecting the Tax Charge

The tax assessed for the period is higher (2016 – lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	52 weeks ended 25 February 2017 £'000	52 weeks ended 27 February 2016 £'000
Profit on ordinary activities before tax	**11,219**	10,374
Profit on ordinary activities before exceptional items multiplied by the standard rate of corporation tax in the UK of 20% (2016 – 20.25%)	**2,244**	2,101
Effects of:		
Ordinary expenses not deductible for tax purposes	**70**	239
IPO exceptional expenses not deductible for tax purposes	**436**	–
Gain on acquisition	**–**	(7)
Effect of changes in tax rate	**30**	(6)
Movement in amounts not provided in deferred tax	**8**	–
Adjustment in respect of prior periods	**(167)**	197
Tax losses surrendered by Perpignon Group	**–**	(66)
Tax on profit on ordinary activities	**2,620**	2,458

The standard rate of corporation tax applicable for the period ended 25 February 2017 is 20% (2016: 20.25%).

Finance (No.2) Bill 2015 provides that the tax rate will reduce to 19% with effect from 1 April 2017 and Finance Bill 2016 provides that the tax rate will further reduce to 17% with effect from 1 April 2020. The effect of these proposed tax rate reductions will be reflected in future periods.

7 Dividend per share

Dividend per share	**52 weeks ended 25 February 2017**	52 weeks Ended 27 February 2016
Dividends paid (£'000)	**2,720**	48,629
Weighted average number of shares (000's)	**129,500**	129,500
Dividend per share (pence)	**2.10**	38.00

Subject to shareholder approval at the Annual General Meeting on 20 June 2017, the Board proposes to pay a final dividend of 4.3p per ordinary share payable on 21 July 2017 to all shareholders on the register at the close of business on 23 June 2017.

Notes to the Consolidated Financial Statements
For the 52 week period ended 25 February 2017 continued

8 Earnings per share

	52 weeks ended 25 February 2017	52 weeks ended 27 February 2016
Earnings (£'000)	**8,598**	7,916
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share ('000s)	**129,500**	129,500
Effect of dilutive potential ordinary shares through share options ('000s)	**598**	–
Weighted average number of shares for the purposes of diluted earnings per share ('000s)	**130,098**	129,500
Basic per share amount (pence)	**6.64**	6.11
Diluted per share amount (pence)	**6.61**	6.11

Diluted earnings per share calculates the effect on earnings per share assuming conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares are calculated for awards outstanding under performance related share incentive schemes such as the Deferred Share Plan. The number of dilutive potential ordinary shares is calculated based on the number of shares which would be issuable if the performance targets have been met.

On 25 February 2016, the Company cancelled 72,705,000 shares and divided the remaining into 129,500,000 1p shares. This transaction changed the number of ordinary shares outstanding without a corresponding change in total equity. For the 2016 financial period, the Earnings per Share calculation has been adjusted retrospectively in accordance with IAS 33 (26), increasing the weighted average number of shares by 55,500,000.

9 Profit of parent company

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's profit for the financial period was £10,612,965 (2016: £16,621,360).

10 Goodwill

	Group £'000	Company £'000
Cost		
At 28 February 2015	585	585
Additions	1,074	1,074
At 27 February 2016	1,659	1,659
Additions	1,508	1,316
At 25 February 2017	**3,167**	**2,975**
Impairment		
At 28 February 2015	(291)	(291)
Impairment charge for the period	(42)	(42)
At 27 February 2016	(333)	(333)
Impairment charge for the period	–	–
At 25 February 2017	**(333)**	**(333)**
Net book value		
At 25 February 2017	**2,834**	**2,642**
At 27 February 2016	1,326	1,326
At 28 February 2015	294	294

Allocation of goodwill to cash generating units

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Upon acquisition, the activities of the acquired entities are closely aligned to those of the Company and are deemed to have been integrated rather than remain as separate CGUs. Determining whether goodwill is impaired requires an estimation of the discounted future cash flows of the Company using a discount rate of 10% and a terminal value based on a minimum future growth rate of 2%. The Group has conducted a sensitivity analysis on the goodwill impairment assessment. The Group believes that there are no reasonably possible changes to the key assumptions in the next year which would result in the carrying value of goodwill exceeding the recoverable amount.

The carrying value of goodwill at each period end was as follows:

	25 February 2017 £'000	27 February 2016 £'000
Shelby Finance Limited		
Carrying value of goodwill before impairment charge	**192**	–
Less: impairment	**–**	–
Carrying value of goodwill	**192**	–
Pearlmans Finance Limited		
Carrying value of goodwill before impairment charge	**389**	–
Less: impairment	**–**	–
Carrying value of goodwill	**389**	–
Portwood Finance Company Limited		
Carrying value of goodwill before impairment charge	**251**	–
Less: impairment	**–**	–
Carrying value of goodwill	**251**	–
Carson Finance Limited		
Carrying value of goodwill before impairment charge	**112**	–
Less: impairment	**–**	–
Carrying value of goodwill	**112**	–
H. Stanley (Hull) Limited		
Carrying value of goodwill before impairment charge	**271**	–
Less: impairment	**–**	–
Carrying value of goodwill	**271**	–
Deebank Financial Services Limited		
Carrying value of goodwill before impairment charge	**140**	–
Less: impairment	**–**	–
Carrying value of goodwill	**140**	–
Universal Trading Company Limited		
Carrying value of goodwill before impairment charge	**153**	–
Less: impairment	**–**	–
Carrying value of goodwill	**153**	–
KDS Finance:		
Carrying value of goodwill before impairment charge	**959**	959
Less: impairment	**–**	–
Carrying value of goodwill	**959**	959
Lagans Finance:		
Carrying value of goodwill before impairment charge	**115**	115
Less: impairment	**–**	–
Carrying value of goodwill	**115**	115
M&M Finance Limited:		
Carrying value of goodwill before impairment charge	**39**	43
Less: impairment	**–**	(4)
Carrying value of goodwill	**39**	39
Naughton Finance Limited:		
Carrying value of goodwill before impairment charge	**213**	251
Less: impairment	**–**	(38)
Carrying value of goodwill	**213**	213
Total carrying value	**2,834**	1,326

Notes to the Consolidated Financial Statements

For the 52 week period ended 25 February 2017
continued

10 Goodwill continued

Key assumptions used in goodwill impairment review

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. For the purposes of this impairment review, the Company is deemed to be a single CGU and there was no impairment in the reporting period.

11 Other intangible assets

Group	Software, Servers, & Licences £'000	Customer Lists £'000	Agent Networks £'000	Totals £'000
Cost				
At 28 February 2015	1,633	17,552	720	19,905
Additions	2,523	–	–	2,523
Acquisitions	–	1,757	64	1,821
At 27 February 2016	4,156	19,309	784	24,249
Additions	1,029	1,457	66	2,552
Disposals	(144)	–	–	(144)
At 25 February 2017	**5,041**	**20,766**	**850**	**26,657**
Accumulated amortisation				
At 28 February 2015	1,129	8,055	330	9,514
Charge for period	275	5,195	213	5,683
At 27 February 2016	1,404	13,250	543	15,197
Charge for period	749	3,517	146	4,412
Disposals	(10)	–	–	(10)
At 25 February 2017	**2,143**	**16,767**	**689**	**19,599**
Net book value				
At 25 February 2017	**2,898**	**3,999**	**161**	**7,058**
At 27 February 2016	2,752	6,059	241	9,052
At 28 February 2015	504	9,497	390	10,391

Company	Software, Servers, & Licences £'000	Customer Lists £'000	Agent Networks £'000	Totals £'000
Cost				
At 28 February 2015	1,633	–	–	1,633
Additions	2,523	–	–	2,523
Acquisitions	–	1,757	64	1,821
At 27 February 2016	4,156	1,757	64	5,977
Additions	930	1,457	66	2,453
Disposals	(144)	–	–	(144)
At 25 February 2017	**4,942**	**3,214**	**130**	**8,286**
Accumulated amortisation				
At 28 February 2015	1,129	–	–	1,129
Charge for period	275	829	34	1,137
At 27 February 2016	1,404	829	34	2,267
Charge for period	749	1,150	48	1,947
Disposals	(10)	–	–	(10)
At 25 February 2017	**2,143**	**1,979**	**82**	**4,204**
Net book value				
At 25 February 2017	**2,799**	**1,235**	**48**	**4,082**
At 27 February 2016	2,752	928	31	3,710
At 28 February 2015	504	–	–	504

12 Property, plant & equipment

Group	Computers and PDAs £'000	Fixtures & fittings £'000	Leasehold £'000	Motor Vehicles £'000	Totals £'000
Cost					
At 28 February 2015	2,082	36	3	–	2,121
Additions	847	76	–	–	924
Disposals	(1,199)	–	–	(706)	(1,904)
Acquisitions	–	–	–	706	706
At 27 February 2016	1,730	113	3	–	1,846
Additions	95	30	–	–	125
At 25 February 2017	**1,825**	**143**	**3**	**–**	**1,971**
Depreciation					
At 28 February 2015	1,172	11	3	–	1,185
Charge for period	499	23	–	214	736
Disposals	(1,044)	–	–	(214)	(1,258)
At 27 February 2016	627	34	3	–	664
Charge for period	480	64	–	–	544
At 25 February 2017	**1,107**	**98**	**3**	**–**	**1,208**
Net book value					
At 25 February 2017	**718**	**45**	**–**	**–**	**763**
At 27 February 2016	1,104	78	–	–	1,182
At 28 February 2015	910	26	–	–	936

Company	Computers and PDAs £'000	Fixtures & fittings £'000	Motor Vehicles £'000	Totals £'000
Cost				
At 28 February 2015	1,674	26	–	1,700
Additions	847	76	–	924
Disposals	(1,199)	–	(706)	(1,904)
Acquisitions	–	–	706	706
At 27 February 2016	1,322	102	–	1,424
Additions	95	30	–	125
At 25 February 2017	**1,417**	**132**	**–**	**1,549**
Depreciation				
At 28 February 2015	764	–	–	764
Charge for period	499	23	214	736
Disposals	(1,044)	–	(214)	(1,258)
At 27 February 2016	219	23	–	242
Charge for period	480	64	–	544
At 25 February 2017	**699**	**87**	**–**	**786**
Net book value				
At 25 February 2017	**718**	**45**	**–**	**763**
At 27 February 2016	1,104	79	–	1,182
At 28 February 2015	910	26	–	936

Notes to the Consolidated Financial Statements

For the 52 week period ended 25 February 2017 continued

13 Investment in subsidiaries

	Company £'000
Cost	
At 28 February 2015	64,822
Impairment	(63,501)
At 27 February 2016	1,321
Additions	690
Impairment	–
At 25 February 2017	**2,011**

Investments in subsidiary undertakings are stated at cost less any provision for impairment. On 28 February 2015 the Company acquired 100% of the ordinary share capital of Shopacheck Financial Services Ltd (SFS) from its immediate parent company, Perpignon Limited.
On 10 January 2017 the Company acquired 100% of the ordinary share capital of Shelby Finance Limited. As a result, the Company owns 100% of the ordinary share capital of the following subsidiary undertakings, which are included in the Group's consolidation:

- Shopacheck Financial Services Limited (SFS), a Company registered in England and Wales (Company number: 07067456) with Registered Office, Kingston House, Centre 27, Woodhead Road, Birstall, Batley, West Yorkshire, WF17 9TD, whose principal activity was the provision of consumer credit and is currently non-trading.
- Shelby Finance Limited, a Company registered in England and Wales (Company number: 08117620) with Registered Office, Kingston House, Centre 27, Woodhead Road, Birstall, Batley, West Yorkshire, WF17 9TD, whose principal activity is the provision of consumer credit.

During the prior period, SFS paid a dividend in specie of £68,599,000 to the Company which resulted in a reduction in the intercompany balance to £1,321,416 with a corresponding reduction in SFS' net assets by this amount. As a result, the Company's investment in SFS was reduced to its recoverable amount, which was deemed to be the revised net assets of SFS, resulting in an impairment of £63,500,887.

Shopacheck Financial Services Limited and Shelby Finance Limited both qualify for an exemption to audit under the requirements of Section 479A of the Companies Act 2006. As such, no audit has been conducted for these companies in the current financial year.

14 Trade and other receivables

	Group		Company	
	25 February 2017 £'000	27 February 2016 £'000	**25 February 2017 £'000**	27 February 2016 £'000
Amounts falling due within one year:				
Net receivable from advances to customers	**60,833**	56,152	**60,833**	56,152
Amounts falling due after one year:				
Net receivable from advances to customers	**395**	679	**395**	679
Net loan book	**61,228**	56,831	**61,228**	56,831
Amounts owed by Perpignon Group undertakings	**–**	75	**–**	75
Other debtors	**489**	238	**489**	238
Prepayments	**1,530**	1,241	**1,523**	1,241
	63,247	58,385	**63,240**	58,385

Amounts receivable from customers

	Group and Company	
	25 February 2017 £'000	27 February 2016 £'000
Amounts receivable from customers	**61,228**	56,831
Analysis by future date due		
– due within one year	**60,833**	56,152
– due in more than one year	**395**	679
Amounts receivable from customers	**61,228**	56,831
Analysis by security		
Other loans not secured	**61,228**	56,831
Amounts receivable from customers	**61,228**	56,831
Analysis of overdue		
Neither past due nor impaired	**42,990**	38,568
Past due not impaired	**224**	277
Impaired	**18,014**	17,986
Amounts receivable from customers	**61,228**	56,831

The credit risk inherent in amounts receivable from customers is reviewed under impairment as per note 1 and under this review the credit quality of assets which are neither past due nor impaired was considered to be good. The above analysis of when loans are due is based upon original contractual terms which are not rescheduled rather than payment performance over the last 13 weeks. The carrying amount of amounts receivable from customers whose terms have been renegotiated that would otherwise be past due or impaired is therefore £nil (2016: £nil)

An analysis of movements on loan loss provisions is provided below:

	Group and Company £'000
At 28 February 2015	40,782
Charge for period	22,588
Amounts written off during period	(21,741)
Unwind of discount	(9,203)
Provision subsequently recognised for customers acquired during the period	3,660
At 27 February 2016	36,086
Charge for period	21,058
Amounts written off during period	(22,526)
Unwind of discount	(2,601)
Provision subsequently recognised for customers acquired during the period	2,737
At 25 February 2017	**34,754**

There has been no material change in the average effective interest rate used for consumer credit during the period to 25 February 2017.

Notes to the consolidated financial statements

For the 52 week period ended 25 February 2017 continued

15 Trade and other payables: amounts falling due within one year

	Group		Company	
	25 February 2017 £'000	27 February 2016 £'000	**25 February 2017 £'000**	27 February 2016 £'000
Trade creditors	**1,054**	1,922	**952**	1,922
Amounts owed to group undertakings	**–**	–	**1,776**	1,321
Tax	**2,153**	2,078	**2,153**	2,078
Social security and other taxes	**451**	410	**451**	410
Other creditors	**550**	586	**451**	586
Accrued expenses	**1,684**	2,456	**1,679**	2,456
Deferred consideration	**–**	–	**100**	–
Bank loans payable	**–**	–	**–**	–
	5,892	7,452	**7,562**	8,773

16 Trade and other payables: amounts falling due after one year

	Group		Company	
	25 February 2017 £'000	27 February 2016 £'000	**25 February 2017 £'000**	27 February 2016 £'000
Bank loans	**10,000**	–	**9,000**	–
	10,000	–	**9,000**	–

The bank loan is a revolving credit facility held with Shawbrook Bank PLC. Under the terms of the loan covenant, the loan book is held as collateral against the funds borrowed.

17 Operating lease commitments

The following operating lease payments are committed to be paid as follows:

	Group and Company			
	Other operating leases		Land & buildings	
	25 February 2017 £'000	27 February 2016 £'000	**25 February 2017 £'000**	27 February 2016 £'000
Existing:				
Within one year	**1,236**	710	**422**	468
Between one and five years	**2,063**	177	**208**	117
	3,299	887	**630**	586

Land and building operating lease commitments relate to the future rental payments until first break of the Support Centre property at Kingston House, Birstall and the network of regional branches.

Other operating lease commitments relate to the fleet of company cars.

18 Deferred tax

	Group		Company	
	25 February 2017 £'000	27 February 2016 £'000	**25 February 2017 £'000**	27 February 2016 £'000
Fixed asset temporary differences	**(123)**	1,681	**(123)**	643
Other temporary differences	**740**	198	**193**	198
Deferred tax liability	**617**	1,879	**70**	840

	Group £'000	Company £'000
Balance as at 28 February 2015	2,614	636
Credit for the period	(1,057)	(118)
Arising on acquisition	174	174
Adjustment in respect of prior periods	147	147
Balance as at 27 February 2016	1,879	840
Credit for the period	(714)	(222)
Arising on acquisition	274	274
Adjustment in respect of prior periods	(822)	(822)
Balance as at 25 February 2017	**617**	**70**

19 Called up share capital

Authorised, allotted, issued and fully paid

Number:	Class:	Nominal Value	25 February 2017 £'000	27 February 2016 £'000
129,500,000	Ordinary	£0.01	**1,295**	1,295
			1,295	1,295

20 Reserves

Group	Retained Earnings £'000	Share premium £'000	Total £'000
At 28 February 2015	16,470	5,612	22,082
Profit for the period	7,916	–	7,916
Capital reduction	78,317	(5,612)	72,705
Dividends paid	(48,629)	–	(48,629)
At 27 February 2016	54,074	–	54,074
Profit for the period	8,599	–	8,599
Deferred tax adjustment	4	–	4
Share-based payment charge	126	–	126
Dividends paid	(2,720)	–	(2,720)
At 25 February 2017	**60,083**	**–**	**60,083**

Notes to the Consolidated Financial Statements

For the 52 week period ended 25 February 2017 continued

20 Reserves continued

Company	Group reconstruction reserve £'000	Retained earnings £'000	Share premium £'000	Total £'000
At 28 February 2015	(9,276)	12,738	5,612	9,074
Profit for the period	–	16,621	–	16,621
Capital reduction	–	78,317	(5,612)	72,705
Dividends paid	–	(48,629)	–	(48,629)
At 27 February 2016	(9,276)	59,047	–	49,771
Profit for the period	–	10,613	–	10,613
Deferred tax adjustment	–	4	–	4
Share-based payment charge	–	126	–	126
Dividends paid	–	(2,720)	–	(2,720)
At 25 February 2017	**(9,276)**	**67,070**	**–**	**57,794**

21 Retirement benefit schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of the trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The total costs charged of £390,952 (2016: £377,019) represent contributions payable to these schemes by the Group at rates specified in the rules of the plans. Contributions payable to the schemes at the year end were £62,162 (2016: £55,986).

22 Ultimate parent company

The Company is a 51% subsidiary of Perpignon Limited. Perpignon Limited's shareholding reduced during the year due to the IPO. Perpignon Limited continues to hold a controlling majority in the Company. At 25 February 2017, the smallest Group of undertakings into which these financial statements are consolidated is Perpignon Limited, registered in England and Wales and the largest Group of undertakings into which these financial statements are consolidated is FCAP Four Limited, registered in England and Wales. Copies of these financial statements are available from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. The ultimate controlling party of the Company is FCAP Four Limited.

23 Acquisitions

During the period, the Company made a number of acquisitions. For each of the acquisitions detailed below, the Company has undertaken an analysis of the fair value of the receivables acquired compared with the gross contractual amounts of the receivables book and the contractual cash flows not expected to be collected.

As the financials for each of the acquisitions detailed below were not available for the period prior to acquisition it is not possible to disclose the impact on profit before tax and amortisation of acquisition intangibles had the acquisitions been completed on the first day of the financial period. None of the goodwill recognised in relation to acquisitions made during this reporting period are expected to be deductible for tax purposes.

Deebank Financial Services Limited

On 18 April 2016, the Company acquired the loan book and certain assets of Deebank Financial Services Limited via a cash purchase. The Company acquired the assets of Deebank Financial Services Limited for the purpose of increasing its customer base. The costs incurred in relation to this acquisition of £13,000 were expensed to the Income Statement.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Non-current assets			
Intangible assets	–	453	451
Tangible fixed assets	130	–	130
Current assets			
Debtors	788	–	788
Total assets	918	453	1,371
Non-current liabilities			
Deferred tax	–	(81)	(81)
Total liabilities	–	(81)	(81)
Net assets	918	372	1,290

Goodwill arising on acquisition	£'000
Consideration	1,430
Net assets acquired	(1,290)
Goodwill	140

Universal Trading Company Limited

On 20 July 2016, the Company acquired the loan book and certain assets of Universal Trading Company Limited via a cash purchase. The Company acquired the assets of Universal Trading Company Limited for the purpose of increasing its customer base. The costs incurred in relation to this acquisition of £12,000 were expensed to the Income Statement.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Non-current assets			
Intangible assets	–	87	87
Current assets			
Debtors	285	–	285
Total assets	285	87	372
Non-current liabilities			
Deferred tax	–	(16)	(16)
Total liabilities	–	(16)	(16)
Net assets	285	72	356

Goodwill arising on acquisition	£'000
Consideration	509
Net assets acquired	(356)
Goodwill	153

Notes to the Consolidated Financial Statements

For the 52 week period ended 25 February 2017
continued

23 Acquisitions continued

H. Stanley (Hull) Limited

On 10 August 2016, the Company acquired the loan book and certain assets of H. Stanley (Hull) Limited via a cash purchase. The Company acquired the assets of H. Stanley (Hull) Limited for the purpose of increasing its customer base. The costs incurred in relation to this acquisition of £11,200 were expensed to the Income Statement.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Non-current assets			
Intangible assets	–	197	197
Current assets			
Debtors	428	–	428
Total assets	428	197	625
Non-current liabilities			
Deferred tax	–	(36)	(36)
Total liabilities	–	(36)	(36)
Net assets	428	162	590

Goodwill arising on acquisition	**£'000**
Consideration	861
Net assets acquired	(590)
Goodwill	271

Pearlmans Finance Limited

On 15 September 2016, the Company acquired the loan book and certain assets of Pearlmans Finance Limited via a cash purchase. The Company acquired the assets of Pearlmans Finance Limited for the purpose of increasing its customer base. The costs incurred in relation to this acquisition of £13,270 were expensed to the Income Statement.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Non-current assets			
Intangible assets	–	545	545
Current assets			
Debtors	678	–	668
Total assets	678	545	1,223
Non-current liabilities			
Deferred tax	–	(98)	(98)
Total liabilities	–	(98)	(98)
Net assets	678	447	1,125

Goodwill arising on acquisition	**£'000**
Consideration	1,514
Net assets acquired	(1,125)
Goodwill	389

Portwood Finance Company Limited

On 28 September 2016, the Company acquired the loan book and certain assets of Portwood Finance Company Limited via a cash purchase. The Company acquired the assets of Portwood Finance Company Limited for the purpose of increasing its customer base. The costs incurred in relation to this acquisition of £11,290 were expensed to the Income Statement.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Non-current assets			
Intangible assets	–	145	145
Current assets			
Debtors	488	–	488
Total assets	488	145	633
Non-current liabilities			
Deferred tax	–	(26)	(26)
Total liabilities	–	(26)	(26)
Net assets	488	119	607

Goodwill arising on acquisition	**£'000**
Consideration	858
Net assets acquired	(607)
Goodwill	251

Carson Finance Limited

On 10 October 2016, the Company acquired the loan book and certain assets of Carson Finance Limited via a cash purchase. The Company acquired the assets of Carson Finance Limited for the purpose of increasing its customer base. The costs incurred in relation to this acquisition of £12,735 were expensed to the Income Statement.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Non-current assets			
Intangible assets	–	95	95
Current assets			
Debtors	274	–	274
Total assets	274	95	369
Non-current liabilities			
Deferred tax	–	(17)	(17)
Total liabilities	–	(17)	(17)
Net assets	274	78	352

Goodwill arising on acquisition	**£'000**
Consideration	464
Net assets acquired	(352)
Goodwill	112

Notes to the Consolidated Financial Statements
For the 52 week period ended 25 February 2017
continued

23 Acquisitions continued

Shelby Finance Limited

On 10 January 2017, the Group acquired 100% of the issued share capital of Shelby Finance Limited via a cash purchase. The Company acquired Shelby Finance Limited for the purpose of enabling a diversification of its product range and reduce the time to market. The costs incurred in relation to this acquisition of £nil were expensed to the Income Statement.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Non-current assets			
Tangible fixed assets	5	(5)	–
Current assets			
Debtors	67	(64)	3
Total assets	72	(69)	3
Liabilities			
Accruals and other liabilities	(5)	–	(5)
Total liabilities	(5)	–	(5)
Net assets	67	(69)	(2)

Goodwill arising on acquisition	£'000
Consideration	190
Net assets acquired	(2)
Goodwill	192

The following acquisitions occurred in the comparative period:

KDS Finance

On 26 March 2015, the Company acquired the loan book and certain assets of KDS Finance via a cash purchase. The Company acquired the assets of KDS Finance for the purpose of increasing its customer base. The costs incurred in relation to this acquisition of £170,000 were expensed to the Income Statement.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Non-current assets			
Intangible assets	–	852	852
Tangible fixed assets	546	–	546
Current assets			
Debtors	1,984	–	1,984
Total assets	2,530	852	3,382
Liabilities			
Accruals and other liabilities	(229)	–	(229)
Total liabilities	(229)	–	(229)
Net assets	2,302	852	3,153

Goodwill arising on acquisition	£'000
Consideration	4,112
Net assets acquired	(3,153)
Goodwill	959

Sunniside Finance

On 17 June 2015, the Company acquired the loan book and certain assets of Sunniside Finance via a cash purchase. The Company acquired the assets of Sunniside Finance for the purpose of increasing its customer base. The costs incurred in relation to this acquisition of £12,000 were expensed to the Income Statement.

	Book value £	Fair value adjustments £	Fair value £
Non-current assets			
Intangible assets	–	82	82
Current assets			
Debtors	348	–	348
Total assets	348	82	430
Current liabilities			
Deferred tax	–	(15)	(15)
Total liabilities	–	(15)	(15)
Net assets	348	67	415

Gain arising on acquisition	**£'000**
Consideration	383
Net assets acquired	(415)
Gain on acquisition	(32)

Lagans Finance

On 25 September 2015, the Company acquired the loan book and certain assets of Lagans Finance via a cash purchase. The Company acquired the assets of Logans Finance for the purpose of increasing its customer base. The costs incurred in relation to this acquisition of £17,000 were expensed to the Income Statement.

	Book value £	Fair value adjustments £	Fair value £
Non-current assets			
Intangible assets	–	888	888
Tangible fixed assets	159	–	159
Current assets			
Debtors	1,886	–	1,886
Total assets	2,045	888	2,933
Current liabilities			
Deferred tax	–	(160)	(160)
Total liabilities	–	(160)	(160)
Net assets	2,045	728	2,773

Goodwill arising on acquisition	**£'000**
Consideration	2,889
Net assets acquired	(2,773)
Goodwill	115

Shopacheck Financial Services Limited and Shelby Finance Limited both qualify for an exemption to audit under the requirements of Section 479A of the Companies Act 2006. As such, no audit has been conducted for these companies in the current financial year.

Notes to the consolidated financial statements

For the 52 week period ended 25 February 2017 continued

24 Financial Instruments

The Group and the Company's principal financial instruments are amounts receivable from customers, cash, bank overdrafts and bank loan.

The Group and the Company's business objectives rely on maintaining a well-spread customer base of carefully controlled quality by applying strong emphasis on good credit management, both through strict lending criteria at the time of underwriting a new credit facility and continuous monitoring of the collection process.

As at 25 February 2017, the Company and Group's indebtedness amounted to £10,000,000 (2016: £9,000,000).

Currency risk
The Group has no exposure to foreign currency risk.

Credit risk
Credit risk is the risk that the Group will suffer loss in the event of a default by a customer or a bank counterparty. A default occurs when the customer or bank fails to honour repayments as they fall due.

(i) Amounts receivable from customers
The Group's maximum exposure to credit risk on amounts receivable from customers as at 25 February 2017 is the carrying value of amounts receivable from customers of £61,227,412 (2016: £56,831,014).

Credit risk is managed using a combination of lending policy criteria, credit scoring (including behavioural scoring), policy rules, individual lending approval limits, central underwriting, and a home visit to make a decision on applications for credit.

The loans offered to customers are short-term, typically a contractual period of between 20 and 52 weeks, with an average value of approximately £500. The loans are underwritten in the customer's home by an agent with emphasis placed on any previous lending experience with the customer and the agent's assessment of the credit risk based on a completed application form and the home visit. Once a loan has been made, the agent visits the customer weekly to collect repayments. The agent is well placed to identify signs of strain on a customer's income and can moderate lending accordingly. Equally, the regular contact and professional relationship that the agent has with the customer allows them to manage customers' repayments effectively even when the household budget is tight. This can be in the form of taking part-payments, allowing missed payments or occasionally restructuring the debt in order to maximise cash collections.

Agents are primarily paid commission for what they collect and not for what they lend, so their main focus is on ensuring loans are affordable at the point of issue and then on collecting cash. Affordability is reassessed by the agent each time an existing customer is re-served. This normally takes place within 12 months of the previous loan because of the short-term nature of the product.

Arrears management is a combination of central letters, central telephony and field activity undertaken by field management. This will often involve a home visit to discuss the customer's reasons for non-payment and to agree a suitable resolution.

(ii) Bank counterparties
The Group's maximum exposure to credit risk on bank counterparties as at 25 February 2017 was £3,984,553 (2016: £3,755,291).

Counterparty credit risk arises as a result of cash deposits placed with banks.

Counterparty credit risk is managed by the Board which ensures that the Group's cash deposits are only made with high-quality counterparties with the level of permitted exposure to a counterparty firmly linked to the strength of its credit rating.

Liquidity risk
Liquidity risk is the risk that the Group will have insufficient liquid resources available to fulfil its operational plans and/or to meet its financial obligations as they fall due.

Liquidity risk is managed by daily monitoring of expected cash flows and ensuring that the group maintains headroom on its committed borrowing facilities to fund growth and contractual maturities for at least the following 12 months. Funding is available through a £25,000,000 revolving asset based credit facility. The Group's liquidity risk is shown in the following tables which measure the cumulative liquidity gap. Most of the Group's financial assets are repayable within one year which results in a positive liquidity position.

Group **At 25 February 2017**	**Less than 1 year** **£'000**	**More than 1 year but not more than 2 years** **£'000**	**More than 2 years but not more than 5 years** **£'000**	**More than 5 years** **£'000**	**No fixed maturity date** **£'000**	**Total** **£'000**
Financial assets	60,833	395	–	–	–	61,228
Other assets	2,019	–	–	–	10,655	12,674
Cash at bank and in hand	3,985	–	–	–	–	3,985
Total assets	66,837	395	–	–	10,655	77,887
Shareholders' funds	–	–	–	–	(61,378)	(61,378)
Other liabilities	(5,892)	(10,000)	–	–	(617)	(16,509)
Total liabilities and shareholders' funds	(5,892)	(10,000)	–	–	(61,995)	(77,887)
Cumulative position	**60,945**	**51,340**	**51,340**	**51,340**	**–**	**–**

Group At 27 February 2016	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	No fixed maturity date £'000	Total £'000
Financial Assets	56,152	679	–	–	–	56,831
Other Assets	1,479	–	–	–	11,635	13,114
Cash at bank and in hand	3,755	–	–	–	–	3,755
Total assets	61,386	679	–	–	11,635	73,700
Shareholders' funds	–	–	–	–	(55,369)	(55,369)
Other liabilities	(7,452)	(9,000)	–	–	(1,879)	(18,331)
Total liabilities and shareholders' funds	(7,452)	(9,000)	–	–	(57,248)	(73,700)
Cumulative Position	53,934	45,613	45,613	45,613	–	–

Company **At 25 February 2017**	**Less than 1 year** **£'000**	**More than 1 year but not more than 2 years** **£'000**	**More than 2 years but not more than 5 years** **£'000**	**More than 5 years** **£'000**	**No fixed maturity date** **£'000**	**Total** **£'000**
Financial Assets	60,833	395	–	–	–	61,228
Other Assets	2,012	–	–	–	9,498	11,510
Cash at bank and in hand	3,983	–	–	–	–	3,983
Total assets	66,828	395	–	–	9,498	76,721
Shareholders' funds	–	–	–	–	(59,089)	(59,089)
Other liabilities	(7,562)	(10,000)	–	–	(70)	(17,632)
Total liabilities and shareholders' funds	(7,562)	(10,000)	–	–	(59,159)	(76,721)
Cumulative position	**59,266**	**49,661**	**49,661**	**49,661**	**–**	**–**

Company At 27 February 2016	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	No fixed maturity date £'000	Total £'000
Financial Assets	56,152	679	–	–	–	56,831
Other Assets	1,478	–	–	–	7,615	9,093
Cash at bank and in hand	3,755	–	–	–	–	3,755
Total assets	61,385	679	–	–	7,615	69,679
Shareholders' funds	–	–	–	–	(51,066)	(51,066)
Other liabilities	(8,773)	(9,000)	–	–	(840)	(18,613)
Total liabilities and shareholders' funds	(8,773)	(9,000)	–	–	(51,906)	(69,679)
Cumulative position	52,612	44,291	44,291	44,291	–	–

Notes to the consolidated financial statements

For the 52 week period ended 25 February 2017 continued

24 Financial Instruments continued

Interest rate risk

The Group's activities do not expose it to significant financial risks of changes in interest rates. There is considered to be no material interest rate risk in cash, trade and other receivables; trade and other payables.

Capital risk management

The Board of Directors assess the capital needs of the Group on an ongoing basis and approve all capital transactions.

Fair values of financial assets and liabilities

The fair values of amounts receivable from customers, bank loans and overdrafts and other assets and liabilities are considered to be not materially different from their book values. Fair values which are recognised or disclosed in these financial statements are determined in whole or in part using a valuation technique based on assumptions that are supported by prices from observable current market transactions in the same instrument (ie without modification or repackaging) and based on available observable market data. The fair value hierarchy is derived from Level 3 inputs in accordance with IFRS 13 as the instruments are not traded in an active market and the fair value is therefore determined through discounting future cash flows.

The following table sets out the carrying value of the Group's financial assets and liabilities in accordance with the categories of financial instruments set out in IAS 39. Assets and liabilities outside the scope of IAS 39 are shown within non-financial assets/liabilities:

Group 25 February 2017	**Loans and receivables £'000**	**Financial liabilities measured at amortised cost £'000**	**Non-financial assets/ liabilities £'000**	**Total £'000**
Assets:				
Cash and cash equivalents	3,985	–	–	3,985
Amounts receivable from customers	61,228	–	–	61,228
Trade and other receivables	489	–	1,530	2,019
Property, plant and equipment	–	–	763	763
Goodwill	–	–	2,834	2,834
Other intangible assets	–	–	7,058	7,058
Total assets	**65,702**	**–**	**12,185**	**77,887**
Liabilities:				
Bank and other borrowings	–	(10,000)	–	(10,000)
Trade and other payables	–	(3,288)	–	(3,288)
Current tax liabilities	–	–	(2,604)	(2,604)
Deferred tax liabilities	–	–	(617)	(617)
Total liabilities	**–**	**(13,288)**	**(3,221)**	**(16,509)**

Company 25 February 2017	**Loans and receivables £'000**	**Financial liabilities measured at amortised cost £'000**	**Non-financial assets/ liabilities £'000**	**Total £'000**
Assets:				
Cash and cash equivalents	3,983	–	–	3,983
Amounts receivable from customers	61,228	–	–	61,228
Trade and other receivables	489	–	1,523	2,012
Property, plant and equipment	–	–	763	763
Goodwill	–	–	2,642	2,642
Investment in subsidiary	–	–	2,011	2,011
Other intangible assets	–	–	4,082	4,082
Total assets	**65,700**	**–**	**11,021**	**76,721**
Liabilities:				
Bank and other borrowings	–	(10,000)	–	(10,000)
Trade and other payables	–	(4,958)	–	(4,958)
Current tax liabilities	–	–	(2,604)	(2,604)
Deferred tax liabilities	–	–	(70)	(70)
Total liabilities	**–**	**(14,958)**	**(2,674)**	**(17,632)**

Group 27 February 2016	Loans and receivables £'000	Financial liabilities measured at amortised cost £'000	Non-financial assets/ liabilities £'000	Total £'000
Assets:				
Cash and cash equivalents	3,755	–	–	3,755
Amounts receivable from customers	56,831	–	–	56,831
Trade and other receivables	313	–	1,241	1,554
Property, plant and equipment	–	–	1,182	1,182
Goodwill	–	–	1,326	1,326
Other intangible assets	–	–	9,052	9,052
Total assets	60,899	–	12,801	73,700
Liabilities:				
Bank and other borrowings	–	(9,000)	–	(9,000)
Trade and other payables	–	(4,964)	–	(4,964)
Current tax liabilities	–	–	(2,488)	(2,488)
Deferred tax liabilities	–	–	(1,879)	(1,879)
Total liabilities	–	(13,964)	(4,367)	(18,331)

Company 27 February 2016	Loans and receivables £'000	Financial liabilities measured at amortised cost £'000	Non-financial assets/ liabilities £'000	Total £'000
Assets:				
Cash and cash equivalents	3,755	–	–	3,755
Amounts receivable from customers	56,831	–	–	56,831
Trade and other receivables	313	–	1,241	1,554
Property, plant and equipment	–	–	1,182	1,182
Goodwill	–	–	1,326	1,326
Investment in subsidiary	–	–	1,321	1,321
Other intangible assets	–	–	3,710	3,710
Total assets	60,899	–	8,870	69,679
Liabilities:				
Bank and other borrowings	–	(9,000)	–	(9,000)
Trade and other payables	–	(6,285)	–	(6,285)
Current tax liabilities	–	–	(2,488)	(2,488)
Deferred tax liabilities	–	–	(840)	(840)
Total liabilities	–	(15,285)	(3,328)	(18,613)

Notes to the consolidated financial statements

For the 52 week period ended 25 February 2017 continued

24 Financial Instruments continued

The tables below summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Group **At 25 February 2017**	**Repayable on demand £'000**	**Less than 1 year £'000**	**More than 1 year but not more than 2 years £'000**	**More than 2 years but not more than 5 years £'000**	**More than 5 years £'000**	**Total £'000**
Trade and other payables	–	1,604	–	–	–	1,604
Tax liabilities	–	2,604	–	–	–	3,221
Accruals and deferred income	–	1,684	–	–	617	1,684
Bank loans	–	–	10,000	–	–	10,000
At 25 February 2017	**–**	**5,892**	**10,000**	**–**	**617**	**16,509**

Company **At 25 February 2017**	**Repayable on demand £'000**	**Less than 1 year £'000**	**More than 1 year but not more than 2 years £'000**	**More than 2 years but not more than 5 years £'000**	**More than 5 years £'000**	**Total £'000**
Trade and other payables	–	3,179	–	–	–	3,179
Tax liabilities	–	2,604	–	–	70	2,674
Accruals and deferred income	–	1,779	–	–	–	1,779
Bank loans	–	–	10,000	–	–	10,000
At 25 February 2017	**–**	**7,562**	**10,000**	**–**	**70**	**17,632**

Group At 27 February 2016	Repayable on demand £'000	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	Total £'000
Trade and other payables	–	2,508	–	–	–	2,508
Tax liabilities	–	2,488	–	–	1,879	4,367
Accruals and deferred income	–	2,456	–	–	–	2,456
Bank loans	–	–	9,000	–	–	9,000
At 27 February 2016	–	7,452	9,000	–	1,879	18,331

Company At 27 February 2016	Repayable on demand £'000	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	Total £'000
Trade and other payables	–	3,829	–	–	–	3,829
Tax liabilities	–	2,488	–	–	840	3,328
Accruals and deferred income	–	2,456	–	–	–	2,456
Bank loans	–	–	9,000	–	–	9,000
At 27 February 2016	–	8,773	9,000	–	840	18,613

25 Share-Based Payments

The Deferred Share Plan (DSP)

The Company introduced this share option plan on 26 April 2016. 1,002,310 share options were issued under the plan on admission to AIM and subsequent share options are granted to Executive Directors and senior managers on a rolling annual basis at the discretion of the Remuneration Committee.

The initial awards granted to the Company's senior management team on Admission will be subject to three performance conditions. The first of these conditions will be measured over a period of one year from Admission assessing the Company's absolute total shareholder return ("TSR"). 25 per cent of the initial Awards will vest for 7.5 per cent annual TSR growth, rising on a straight-line basis to 100 per cent vesting for 12.6 per cent annual TSR growth, subject to the other performance conditions referred to below.

Notwithstanding the satisfaction of the TSR performance condition referred to above, any vesting of these initial awards will be subject to the satisfaction of two further performance conditions measured up to the end of the financial year ending February 2019 (ie the full three-year performance period). In order for these awards to vest, the Company will have to achieve the budgeted level of profit before tax for each of the financial years ending in February 2017, 2018 and 2019. The vesting of the initial awards is also conditional on the Remuneration Committee determining that, over the period finishing at the end of the financial year ending in February 2019:

- the Company's internal and external audits and compliance training delivery have been satisfactory;
- the Company has obtained and retained all relevant FCA authorisation for the carrying on of its business; and
- the participant has not been subject to any disciplinary action and their personal performance has been satisfactory.

For any subsequent annual grants, the Remuneration Committee will set any performance conditions by reference to the Company's long-term strategy, which may include total shareholder return and/or financial metrics and/or key strategic goals to support long-term value creation. It is the Remuneration Committee's current intention that the vesting of any Awards granted to the Company's senior management team in respect of the financial years ending February 2018 and 2019 will at least in part be subject to the Company's TSR performance.

Any performance condition may be amended or substituted if one or more events occur which cause the Remuneration Committee to consider that an amended or substituted performance condition would be more appropriate and not materially less difficult to satisfy.

Awards will not be granted to a participant under the DSP over Ordinary Shares with a market value (as determined by the Remuneration Committee) in excess of 100 per cent of salary in respect of any financial year.

As of the balance sheet date, the estimated market value of each share option granted is £1.15. No share options lapsed/were forfeited during the year. This has resulted in a charge to the profit and loss account of £126,159 during the year.

Notes to the Consolidated Financial Statements
For the 52 week period ended 25 February 2017 continued

25 Share Based Payments continued
The market value of the shares at the grant date is calculated using a Monte Carlo simulation. The assumptions used in the calculation are set out below:

	DSP
Grant date	8 May 2016
Expected volatility	0.26
Expected term	1
Risk free rate	0.34%
Dividend yield	0%

	Number	Weighted average exercise price (£)
Outstanding at 27 February 2016	–	–
Awarded/granted	1,002,310	–
Lapsed	–	–
Exercised	–	–
Outstanding at 25 February 2017	1,002,310	–

For the share options outstanding at 25 February 2017, the weighted average remaining contractual life is 2 years.

26 Related Party Transactions

Perpignon Limited is the immediate parent company of Morses Club PLC. FCAP Four Limited is the ultimate parent undertaking.

The Company undertook the following transactions with its parent and subsidiary during the period:

	Dividends received/ (paid) £'000	Management fees £'000	Professional fees recharged £'000
52 Weeks ended 25 February 2017			
FCAP Four Limited	–	–	–
Perpignon Limited	(1,387)	(120)	–
Shopacheck Financial Services Limited	–	–	–
Shelby Finance Ltd	–	–	–
	(1,387)	(120)	–
52 Weeks ended 27 February 2016			
Perpignon Limited	(48,629)	(941)	(374)
Shopacheck Financial Services Limited	68,599	–	–
	19,970	(941)	(374)

At the period-end, the following balances were outstanding:

	25 February 2017 £'000	27 February 2016 £'000
FCAP Four Limited	**–**	–
Perpignon Limited	**–**	–
Shopacheck Financial Services Limited	**(1,321)**	(1,321)
Shelby Finance Ltd	**(455)**	–
Amounts owed from/(to) Related Parties	**(1,776)**	(1,321)

Morses Club PLC Information for Shareholders

Financial Calendar
2017 – 2018

20 June 2017	Annual General Meeting
22 June 2017	Ex-dividend date
21 July 2017	Final dividend paid
October 2017	Half year results announced
January 2018	Interim dividend payable
April 2018	2017/18 year end results announced

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