

Directors' Report

The Directors present their report and audited consolidated financial statements for the year ended 24 February 2018.

The Corporate Governance Statement set out on pages 32 to 61 forms part of this report.

Information about the use of financial instruments by the Company and its subsidiaries is given in note 23 to the financial statements.

Dividend

The Directors have declared their intention to pursue a progressive dividend policy. Subject to shareholder approval at the Annual General Meeting on 26 June 2018, the Board proposes to pay a final dividend of 4.8p per Ordinary Share payable on 27 July 2018 to shareholders on the register at close of business on 29 June 2018. This would represent a total dividend of 7.0p per Ordinary Share for 2018.

Directors

The Directors of the Company who served during the year ended 24 February 2018, and up to the date of this report, are:

Stephen Karle
Non-Executive Chairman

Sir Nigel Knowles
Senior Independent Director

Joanne Lake
Independent Non-Executive Director

Patrick Storey
Independent Non-Executive Director

Peter Ward
Non-Executive Director

Paul Smith
Chief Executive Officer

Andy Thomson
Chief Financial Officer

Details of the remuneration, service agreements and interests in the share capital of the Company of the Directors are given in the Remuneration Report on pages 51 to 54.

Biographical details of the current Directors are given on pages 34 and 35. These include the details for Stephen Karle, Patrick Storey and Peter Ward, who are standing for re-election at the forthcoming Annual General Meeting.

Capital structure

Details of the authorised and issued share capital, together with details of any movements in the Company's issued share capital during the year, are shown in note 19.

As at 24 February 2018, the Company had 129,500,000 Ordinary Shares of one pence each in issue (2017: 129,500,000).

The Company's issued Ordinary Share capital comprises a single class of Ordinary Shares which carry no right to fixed income. The rights attached to the Ordinary Shares are set out in the Articles of Association. Each share carries the right to one vote at general meetings of the Company.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Main Board Terms of Reference, copies of which are available on request, and the Corporate Governance Statement on page 38.

Information contained in other sections

The Company's principal risks and uncertainties and future developments, which are required to be included within the Report of the Directors, can be found within the Strategic Report on pages 30 to 31.

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, all parts of the business are required to undergo appropriate training and instruction to ensure that they have effective anti-bribery and corruption policies and procedures in place. Every staff member receives regular and relevant training on Bribery and Corruption using the Company's internal training system. 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 Company has maintained throughout the year Directors' and Officers' liability insurance for the benefit of the Company, the Directors and its officers. During January 2018, the Company offered qualifying third party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of the Companies Act 2006. These arrangements are currently in force for all Directors.

Important events since the end of the financial year (24 February 2018)

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

Employees

It is our policy to make adequate provision for the wellbeing, health and safety of our employees and self-employed agents. We are committed to offering 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.

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. Where existing employees become disabled, we endeavour to offer them continuing suitable work within the Company, offering retraining where necessary.

We encourage our employees to engage with the development of our organisation. To promote this, the Chief Executive Officer and the executive 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.

On 19 October 2017, the Group introduced an unapproved share option scheme and awarded share options to all of its employees who had been employed for a minimum of 12 months at 1 October 2017. Subject to the Group achieving its profitability targets, the Group intends to award further grants of unapproved share options to its employees on an annual basis.

Substantial Interests in Shares

As at 16 April 2018, the Company has been notified of the following substantial interests of 3% or more in its Ordinary Shares:

	Number of shares	% issued capital
Hay Wain Group Limited (formerly Perpignon Limited)	47,683,640	36.82%
Woodford Investment Management	11,985,704	9.26%
Miton Investment Management	9,672,489	7.47%
Artemis Investment Management	9,000,000	6.95%
J O Hambro Capital Management	8,729,250	6.74%
Majedie Asset Management	6,915,548	5.34%
BlackRock Investment Management	5,590,649	4.32%
Legal & General Investment Management	4,174,375	3.22%

Directors' Report *continued*

Relationship with our controlling shareholder

As a result of the IPO on 5 May 2016, the shareholding of the controlling shareholder in the Company, Hay Wain Group Limited (formerly Perpignon Limited), reduced from 100% to 51%.

On 21 February 2018, Hay Wain Group Limited sold 14.2% of the shares in the Company and at 16 April 2018 held 36.8% of the shares in the Company. Hay Wain Group 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 Hay Wain Group Limited are effected at arm's length and on a normal commercial basis. Hay Wain Group 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, Hay Wain Group Limited and its associates have also complied with such provisions.

Political donations

The Company made no political donations in 2018 (2017: £nil).

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 is contained in the Strategic Report on page 29.

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 S418 of the Companies Act 2006.

Our auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution will be proposed at the Annual General Meeting to reappoint Deloitte LLP as the Company'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 26 June 2018, together with an explanation of the resolutions to be proposed at the meeting, is contained on the Company's website at www.morsesclubplc.com/investors.

By order of the Board,

Dave Belmont

Company Secretary
26 April 2018