

Chairman's Introduction to Governance

Dear Shareholder,

I am pleased to present our 2019 Corporate Governance report for the Group which includes reports from the Audit, Risk & Compliance, Remuneration & Corporate Social Responsibility, Nominations and Disclosure Committees on pages 40 to 62.

The Board is committed to applying the highest standards of corporate governance and has adopted the main principles of the UK Corporate Governance Code (the Code), although as an AIM-listed company, we are not required to comply. The only exception is the Directors' Remuneration Report which has been prepared in accordance with AIM Rule 19. The Directors believe that this general 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 Directors have already started to implement the changes being introduced by the July 2018 edition of the Code, although this does not become applicable until 2020.

Culture

The strapline of Morses Club PLC is 'putting you first'. During the year, the Board has again been very active in ensuring that this reflects reality and is not merely an aspiration.

The Group has a culture of looking after its customers and employees, taking account of community and stakeholder interests in its decision-making. The Directors have positively addressed the matters set out in section 172 of the Companies Act 2006.

Examples of Board activity in stakeholder engagement included:

- Monitoring the satisfaction levels of both current and past customers. Independent research covering the whole range of our customers returned scores of 97% for overall customer experience.
- Reviewing employee satisfaction surveys, with other updates from the HR team featuring prominently at meetings.
- Reviewing the satisfaction of our 2,050 self-employed agents who are in regular face-to-face contact with our customers.
- Looking at trends relating to customer complaints and health & safety.
- The introduction of an employee-wide HMRC tax-advantaged share option plan under which all staff with a minimum of one year's service have been given shares in the Company.
- Reviewing engagement with the Company's shareholders, and asking for feedback from such meetings.
- Providing advice to the Executive Team concerning relations with the Regulator.

Board of Directors

Much work was done three years ago to establish a Board equipped with the experience and expertise to drive forward the Group's future direction, strategy and culture prior to the Company's admission to AIM. During the financial year, Board membership again remained stable and unchanged, as it has done during the three years since three new Non-Executive Directors were appointed in April 2016. The Board currently comprises five Non-Executive Directors and two Executive Directors, whose biographies are presented on pages 36 and 37. All continuing Directors are submitting themselves for re-election at the Annual General Meeting in June 2019, in accordance with the provisions of the July 2018 edition of the Code.

As Chairman, I carried out a formal Board evaluation process between November 2018 and February 2019. The performance of the other Non-Executive Directors was assessed against the quality of the discharge of their supervisory and stewardship roles. Their personal contributions at Board, in Committee and more widely were considered, and the collective performance of the entire Board was reviewed and personal development areas identified.

My conclusion was that the Group has a Board that is engaged, has a wide variety of relevant experience, and is focused on outcomes – for customers, investors, employees, self-employed agents and other stakeholders.

The Board operates on a unitary basis, and we value the views of the Executive Management team whose members attend Board meetings to provide specialist knowledge and experience.

I look forward to another year where the Group continues to grow and develop, with a strong and experienced Board at its heart.

Imminent change to the Board

In reviewing my recommendations to the Board on the renewal of Non-Executive Director contracts, it has been appropriate to assess the possible future requirements of the business and to identify any potential conflicts of interest. As a result, Patrick Storey and I have agreed that he will not seek renewal of his term of office and accordingly he will step down from the Board and his Committee duties at the end of his current contractual period on 4 May. Patrick has been a first class Board member, contributing to debate with the benefit of his deep understanding of the regulated financial services industry. He has made a significant mark in developing the control environment within the Company through his chairmanship of both the Audit and the Risk & Compliance Committees and he played a key role in the process leading to full authorisation with the Financial Conduct Authority. He led on the introduction of an internal audit function and added real value to decision-making across a range of important subjects.

In the light of the loss of such a valued Non-Executive Director, it is therefore most pleasing to report that a high calibre replacement has been secured, following an intensive search process. Baroness Simone Finn has accepted the Board's offer to become a Non-Executive Director and Chair of the Audit and Risk & Compliance Committees with effect from 5 May 2019. Baroness Finn has a deep grounding in corporate governance excellence and, through the consultancy business of which she is managing director, advises international governments in this field. She is a chartered accountant by profession and is experienced in audit practice through her previous roles and membership of the Audit

Committee of Arbuthnot Latham. Her ability to grasp complex and demanding issues is reflected in her specific Parliamentary responsibilities for reviewing secondary legislation. Baroness Finn previously worked at the Financial Services Authority, the predecessor of the FCA.

Stephen Karle
Chairman
2 May 2019



Corporate Governance Report

Application of the UK Corporate Governance Code

From the date of the Initial Public Offering in May 2016, the Directors have generally adopted the principles and provisions of the April 2016 edition of the UK Corporate Governance Code (the 'Code'), although, being AIM listed, the Group is not obliged to comply with this.

Following feedback received at the 2018 Annual General Meeting, Peter Ward, an Affiliated Director appointed by Hay Wain Group Limited, resigned from membership of the Audit Committee and the Remuneration & CSR Committee on 24 July 2018.

As a result, the only exception currently to our adoption of the April 2016 edition of the Code is the Directors' Remuneration Report, which has been prepared in accordance with AIM Rule 19.

As required by AIM Rule 26, details of the Company's adherence to the April 2016 Code is shown on its website.

The Directors have been fully briefed about the changes being introduced by the July 2018 edition of the Code. Many of these changes are already in the process of being implemented.

Leadership

Role of the Board

The Company is headed by an effective Board that is collectively responsible for the long-term success of the Company.

The Board's role is to provide entrepreneurial leadership of the Group within a framework of prudent and effective controls that 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.

The Board has established a sub-Committee structure comprising Audit, Risk & Compliance, Remuneration & Corporate Social Responsibility, Nominations and Disclosure 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 Board.

Division of responsibilities

There is a clear division of responsibilities at the head of the Company between the running of the Board and the responsibility of the Executives for the running of the Company's business. In this way, no individual has unfettered powers of decision.

The Board has a formal schedule of matters reserved to it and is scheduled to hold eight formal meetings each year, including one that concentrates solely on strategy. In addition, two teleconferences are convened each year in order to agree the final and interim results and dividend. Further teleconferences are arranged, if required. Members of the Executive Team are invited to the formal meetings as attendees. The Board 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, annual budgets, progress towards achievement of those budgets and capital expenditure programmes.

The Board meeting agenda normally comprises a review of management financial statements and operational performance, a CEO review of activity, reports from the Executive Team, a review of potential acquisitions and other growth opportunities, a review of relevant Board sub-Committee minutes and reports, together with an update on the progress of the Company's other strategic objectives.

The April Board meeting covers the approval of the preliminary results and the year-end financial statements, whilst a meeting in October approves the interim results. A meeting in November is dedicated to the Group’s strategy.

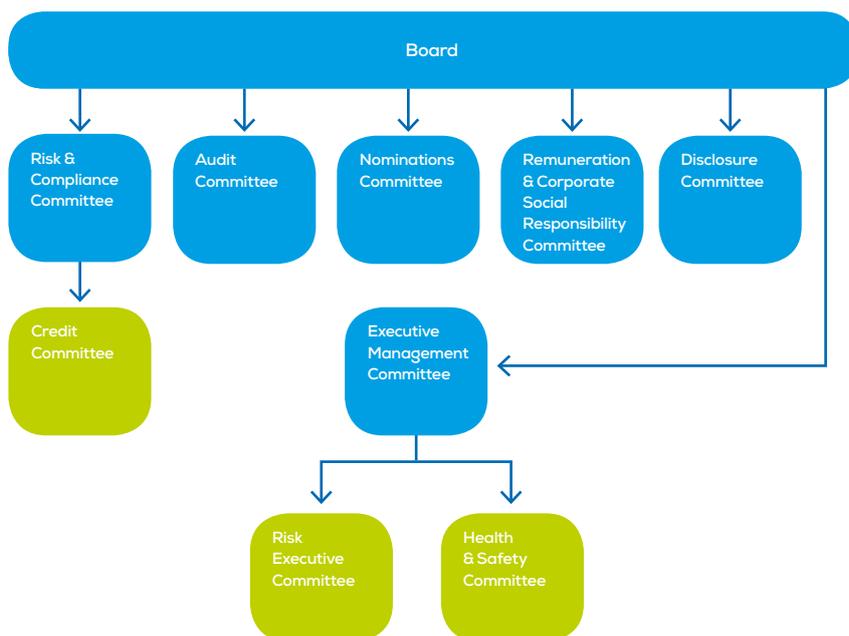
The Chairman

The Chairman is mainly responsible for the leadership of the Board and ensuring its effectiveness concerning all aspects of its role. His duties include ensuring that all Directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. The Chairman regularly reviews the contents of the information pack sent out prior to Board meetings in order to ensure that important issues are prioritised and each pack is kept to a manageable size.

Non-Executive Directors

As part of their role as members of a unitary board, Non-Executive Directors are active at providing constructive challenge and helping develop proposals on strategy.

Board Structure



The Board has established a sub-Committee structure comprising Risk & Compliance, Audit, Nominations, Remuneration & Corporate Social Responsibility and Nominations Committees.

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

Corporate Governance Report continued

Effectiveness

Composition of the Board

The Board currently comprises five Non-Executive Directors and two Executive Directors, whose biographies are presented on pages 36 and 37.

The Board considers three of the Non-Executive Directors (Joanne Lake, Patrick Storey and Sir Nigel Knowles) to be independent in character and judgement because while each owns shares in the Company, they all have significant other business interests and activities.

The Chairman was also considered to be independent upon his appointment as Chairman in 2015. The Board as a whole considers the Non-Executive Directors' minor shareholdings in the Company to be advantageous to shareholders, since in addition to meeting their fiduciary duties, their 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 the Group's major shareholder, Hay Wain Group Limited, and so is not considered to be independent.

Appointments to the Board

On 1 May 2019, it was announced that Patrick Storey would not be renewing his appointment at the expiry of his three-year term of office and that Baroness Simone Finn would replace him as a Director with effect from 5 May 2019.

Commitment

The Group appreciates the benefits that are brought by a Board with a range of business backgrounds. The Board is satisfied that each Non-Executive Director has sufficient capacity to discharge their responsibilities effectively. This is demonstrated by the 100%

attendance at Board meetings during the year, and 98% attendance during the previous year. Their record of attendance at meetings is shown on page 44, and they have also demonstrated their commitment by the work and advice provided throughout the year. Following guidance contained in the 2018 edition of the Code, the Board is now required to give prior approval to the Directors for any new appointments.

Diversity

The Board and its Committees are considered to have an appropriate balance of skills, experience, independence and knowledge to enable them to discharge their respective duties and responsibilities effectively. The Directors have a wide range of backgrounds and extensive knowledge of a variety of areas of expertise.

With effect from the appointment of Baroness Simone Finn on 5 May 2019, there will be two women on the Board.

Development

The Board also ensures that Directors receive relevant training upon appointment and then subsequently as appropriate.

During the last 15 months, Directors have received regular briefings on corporate governance matters. In January they were briefed about the FCA's Senior Management & Certification Regime that is being implemented in December 2019. Following feedback received as part of the Board evaluation exercise, the Company is looking to increase the amount of training available to Directors during the year, with the first such training session taking place in March 2019.

Information and support

The Board considers that it is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

Our Non-Executive Directors receive full updates on Company progress and relevant issues and bring their experience and sound judgement to bear on matters arising.

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 also able to take independent advice to enable them to fulfil their duties if necessary.

Board Evaluation

Our CEO is appraised every six months by the Chairman. During the year, the Chairman has undertaken a formal internal Board evaluation, and the Senior Independent Director has appraised the Chairman after consultation with the other Directors.

This evaluation concluded that the whole Board is consistently engaged, bringing a wide range of perspectives and experiences to discussions. The Non-Executive Directors are able to reflect on insights gained from their other activities and bring valuable input to meetings.

Following the evaluation, it was agreed to provide additional training for the Directors about matters specific to the business.

The Chairman's performance was evaluated by the Non-Executive Directors and led by the Senior Independent Director, Sir Nigel Knowles, with input from the Executive Team.

The conclusions of the evaluation process are included within the report of the Nominations Committee on page 59.

Re-election of Directors

Following the recommendation of the July 2018 edition of the Code, at the Company's AGM in June 2019, all of the continuing Directors will submit themselves for re-election, and will continue to do so at each subsequent AGM.

Accountability

Financial and business reporting

The Board believes that it is presenting a fair, balanced and understandable assessment of the Company's position and prospects.

Reviews of the performance and financial position of the Group are included in the Strategic Report within pages 1 to 35, and present a balanced and understandable assessment of the Group's position and prospects. The Directors' responsibilities in respect of the financial statements are described on page 66 and those of the auditor on page 72.

Risk management and internal control

The Board acknowledges that it is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Group maintains sound risk management and internal control systems and these are described in the Risk Management section on pages 32 to 35. Such systems are designed to manage rather than eliminate the risk of failure to achieve 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, including financial, operational and compliance controls, 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 its duties in this area through:

- the review of financial performance including budgets, Key Performance Indicators and forecasts on a monthly basis;
- the receipt of regular reports that 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.

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 that enables the Company to identify, manage and evaluate risks, including emerging risks. The report of the Audit Committee on pages 47 to 51 demonstrates how the Board has established formal and transparent arrangements for considering how it should apply the

corporate reporting and risk management and internal control principles, and for maintaining an appropriate relationship with the Company's auditor.

These processes have been in place for the year under review and up to the date of approval of the report and financial statements. They are regularly reviewed by the Board and accord with the guidance in the 2016 edition of the 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 that come to the attention of management and the Board.

Audit Committee and its auditors

The Board is required to establish formal and transparent arrangements for considering how they should apply the corporate reporting, risk management and internal control principles, and for maintaining an appropriate relationship with the Company's auditor.

The report of the Audit Committee on pages 47 to 51 demonstrates how the Board has undertaken its obligations in this area.

Corporate Governance Report continued

Dialogue with shareholders

The Board is responsible for ensuring that there is a dialogue with shareholders based on the mutual understanding of objectives. The Board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.

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 (AGM) at which all Directors, including Committee Chairpersons, will be present and available to answer questions. The Board is aware of the importance of maintaining close relations with investors and analysts. Twice-yearly road shows are conducted by the CEO and CFO when the performance and future strategy of the Group are discussed with larger shareholders. Within seven days of the preliminary announcement of the 2018 annual results, the CEO and CFO met 85% of the Company's shareholders (by shareholding). These meetings usually cover any matters arising from the analyst presentations, the market in which the Group is operating, its dealings with the regulator, together with the Group's financial performance and future strategy. Queries from all shareholders are dealt with by the CFO. In addition, members of the Board receive regular feedback from major shareholders and discuss this at Board meetings. The Chairman and the Senior Independent Director are also named and available, should an investor wish to express any views to them.

Constructive use of the AGM

The Group's successful engagement with its shareholders during the year and at the time of the AGM can be demonstrated by the results of the 2018 AGM, at which 95% of its shareholders voted, with a minimum of 98% of votes being cast in favour of all of the resolutions proposed by the Board.

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.

During the year, the Board has continued its policy that all Non-Executive Directors should attend meetings of the Audit, Risk & Compliance, Nominations and Disclosure Committees in order to maintain a full appreciation and understanding of the Company.

Details of attendance at Board and Committee meetings during the year are shown below:

		Committees					
		Board	Risk & Compliance Committee	Audit Committee	Remuneration & Corporate Social Responsibility Committee	Nominations Committee	Disclosure Committee
Meetings		8	5	4	7	3	1
Stephen Karle	Non-Executive Chairman	8	5	4	7	3	1
Paul Smith	Chief Executive Officer	8	5				1
Andy Thomson	Chief Financial Officer	8	5				1
Sir Nigel Knowles ¹	Senior Independent Director	8	3	2	5	3	1
Joanne Lake	Non-Executive Director	8	5	4	7	3	1
Patrick Storey	Non-Executive Director	8	5	4		3	1
Peter Ward ²	Non-Executive Director	8	4	2/2	4/4	3	1

¹ On 20 March 2018, Sir Nigel Knowles was appointed a member of the Remuneration & Corporate Social Responsibility Committee.

² On 24 July 2018, Peter Ward, an Affiliated Director, ceased to be a member of the Audit Committee and the Remuneration & CSR Committee.

Membership of Committees during the year were as follows:

C = Chairman
M = Member
UA = Upon appointment

	Position	Risk & Compliance Committee	Audit Committee	Remuneration & Corporate Social Responsibility Committee	Nominations Committee	Disclosure Committee	Considered Independent
Stephen Karle	Non-Executive Chairman	M	M	M	C	C	UA
Paul Smith	Chief Executive Officer	M				M	x
Andy Thomson	Chief Financial Officer	M				M	x
Sir Nigel Knowles	Senior Independent Director	M	M	M	M	M	✓
Joanne Lake	Non-Executive Director	M	M	C	M	M	✓
Patrick Storey	Non-Executive Director	C	C		M	M	✓
Peter Ward	Non-Executive Director	M	M (part)	M (part)	M	M	x

On 5 May 2019, Peter Ward, an Affiliated Director, and Executive Directors Paul Smith and Andy Thomson ceased to be members of the Risk & Compliance Committee in order that all of its members could be deemed as independent under the July 2018 edition of the Corporate Governance Code.

On 5 February 2019, Stephen Karle, Chairman, ceased to be a member of the Audit Committee.

Following these changes, the Company now complies with the provisions of the July 2018 edition of the Corporate Governance Code regarding Committee membership.

Membership of the Committees at the start of FY19/20 is shown below:

C = Chairman
M = Member
UA = Upon appointment

	Position	Risk & Compliance Committee	Audit Committee	Remuneration & Corporate Social Responsibility Committee	Nominations Committee	Disclosure Committee	Considered Independent
Stephen Karle	Non-Executive Chairman	M	-	M	C	C	UA
Paul Smith	Chief Executive Officer	-	-	-	-	M	x
Andy Thomson	Chief Financial Officer	-	-	-	-	M	x
Sir Nigel Knowles	Senior Independent Director	M	M	M	M	M	✓
Joanne Lake	Non-Executive Director	M	M	C	M	M	✓
Patrick Storey	Non-Executive Director	C	C	-	M	M	✓
Peter Ward	Non-Executive Director	-	-	-	M	M	x

On 1 May 2019, it was announced that Patrick Storey would not be renewing his appointment at the expiry of his three-year term of office on 4 May 2019, and that Baroness Simone Finn would replace him as a Non-Executive Director and Chair of the Audit and Risk & Compliance Committees with effect from 5 May 2019.

Corporate Governance Report continued

Remuneration & Corporate Social Responsibility Committee

During the year, the Remuneration & Corporate Social Responsibility Committee comprised the following:

- Joanne Lake (Chairman);
- Stephen Karle;
- Peter Ward (25 February 2018 – 24 July 2018); and
- Sir Nigel Knowles (20 March 2018 – present).

On 20 March 2018, Sir Nigel Knowles was appointed to the Committee in order to comply with the requirement within the April 2016 edition of the Corporate Governance Code that a Remuneration Committee should consist of a minimum of two independent Directors (not including the Board Chairman).

On 24 July 2018, Peter Ward, an Affiliated Director, resigned from the Committee in order to comply with the requirement within the April 2016 edition of the Corporate Governance Code that a Remuneration Committee should consist solely of independent Directors.

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 52 to 55. The Directors' Remuneration Report on pages 52 to 55 forms part of these financial statements.

Audit Committee

Committee members	Regular attendees
• Patrick Storey (Chairman)	Chief Executive Officer ¹
• Stephen Karle (until 5 February 2019)	Chief Financial Officer ¹
• Sir Nigel Knowles	Finance Director ¹
• Joanne Lake	Head of Internal Audit ¹
• Peter Ward (until 24 July 2018)	Risk & Compliance Director ¹
	Representatives from Deloitte, the external auditor ¹
	Company Secretary
	Peter Ward (from 25 July 2018) ¹
	Stephen Karle (from 6 February 2019) ¹

¹ By invitation.

Both Patrick Storey and Joanne Lake are Chartered Accountants with extensive experience within the financial services sector, whilst Sir Nigel Knowles is the Chairman of global legal business DWF, having been a managing partner at the global law firm DLA Piper for nearly 20 years.

What does the Committee do?

The key objective of the Committee is to provide assurance to the Board as to the effectiveness of the Company's internal controls and the integrity of its financial records and externally published results.

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.

The Committee's terms of reference are available on the Group's website.

Peter Ward, an Affiliated Director, resigned as a member of the Committee on 24 July 2018, in order to comply with the provisions of the April 2016 edition of the UK Corporate Governance Code.

Stephen Karle, Board Chairman, resigned as a member of the Committee on 5 February 2019, in order to comply with the provisions of the July 2018 edition of the UK Corporate Governance Code.

The Committee held four meetings during the year.

Audit Committee continued

Dear Shareholder,

As Chairman of the Audit Committee, I am pleased to present my report for the year ended 23 February 2019.

The report provides insight into the composition of the Committee and the work that it undertakes.

In essence, we ensure the integrity of the financial reporting, the robustness of internal operational and financial controls and the independence of the external auditor.

The Committee acknowledges and embraces its role in protecting the interests of shareholders and is committed to monitoring the integrity of the Group's reporting. The Committee performed reviews of the full year, interim and trading update announcements, and the Annual Report and Accounts and half-yearly financial statements. The Committee has satisfied itself that controls over the accuracy and consistency of information that has been presented are robust.

Composition and governance

In addition to my role as Chairman of the Audit Committee, I am also Chairman of the Risk & Compliance Committee. As Chartered Accountants, the Board considers that both Joanne Lake and I have recent and relevant financial experience. All of the independent Non-Executive Directors are members of this Committee, and have been since the Group's IPO in May 2016. The Board believes that the current members have sufficient skills, qualifications and experience to discharge their duties in accordance with the Committee's terms of reference.

The Chief Executive Officer, the Chief Financial Officer, the Finance Director, the Risk & Compliance Director, the Head of Internal Audit and senior representatives of the external auditor attend Committee meetings by invitation in order to ensure that all relevant information is available to the Committee. During the year, the IT & Business Change Director agreed to attend meetings of the Committee. Stephen Karle (Board Chairman) and Peter Ward (Affiliated Director) have also been invited to attend meetings since their resignation as full members of the Committee in February 2019 and July 2018 respectively.

The Committee meets with the external auditor without the presence of Executive Management twice each year to discuss matters relating to its remit and any issues relating to the audit. The Committee also meets each of the Risk & Compliance Director and the Head of Internal Audit individually on an annual basis without the presence of other Executive Management. The Committee has direct and unrestricted access to both internal and external audit functions. As the Chairman, I also have regular contact with the external auditor, the Chief Financial Officer, the Risk & Compliance Director, and the Head of Internal Audit outside the formal meetings to ensure that any areas for discussion are dealt with in a timely manner.

How the Committee discharged its responsibilities

The Audit Committee met four times during the year in alignment with its terms of reference and with the Group's financial reporting timetable.

A self-assessment internal review of the performance of the Committee concluded that it had discharged its responsibilities during the year.

Following this review, the time allocated to Committee meetings was increased to ensure that it remains appropriate for the issues being raised. In addition, a formal rolling agenda was introduced for the 2018/19 financial year.

Significant areas of judgement

The external auditor has scoped the audit appropriately and subjected significant areas of judgement to robust challenge.

Significant areas of judgement considered by the Committee included:

1. Loan loss provisioning

IFRS 9 requires management to record impairment provisions based on the stage of credit impairment. The recording of a provision requires management to make complex judgements. Management has adopted an approach to IFRS 9 impairment modelling, based on discounting expected future cash flows whereby the probability of default and loss given default are assessed as a single combined measure.

The key judgement is around the estimation of expected future cash flows used to determine the provision.

The Committee regularly challenges the appropriateness of management's judgements and assumptions underlying the impairment provision calculations and concluded that the provisions held against the loan book are reasonable.

2. Revenue recognition

IFRS 9 requires management to recognise interest using the effective interest rate ('EIR') method based on the stage of credit impairment. The Committee has reviewed the expected life assumptions and management's judgement paper. It has also challenged the expected life of products by reference to both historical and forecast data and comparability with the contractual life under IFRS 9, and concluded that the Group's treatment of this is reasonable.

Meetings of the Committee

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 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 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 its views on the accounting treatments and judgements in the financial statements;

Audit Committee continued

- a review of the external auditor's management letter arising from their external audit of the Company's 2018 accounts, and the managements response to the recommendations included within it;
- a consideration of the level of non-audit work carried out for the Group by the external auditor seeking confirmation from the auditor that it maintains suitable policies and processes to ensure independence. The Committee has a non-audit work policy which is reviewed annually;
- overseeing the activities of the Group's internal audit function, including its resourcing, its planning and the output of its audit work;
- approving the budgets for internal and external audit activities;
- reviewing the adequacy and effectiveness of the Group's internal audit function and the robustness of the Group's internal operational and financial controls; 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.

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. The CFO, Finance Director and other senior executives provide feedback to the Board and Audit Committees, on a regular basis regarding the services received from the external auditor.

During the year, the Committee reviewed its non-audit work policy which is designed to mitigate any risks threatening, or appearing to threaten, the external auditor's independence and objectivity.

As part of the Committee's remit, we monitor the level of non-audit work carried out by the external auditor. During the year, the Committee carefully considered a proposal from the CFO that he should be permitted to select Deloitte to undertake due diligence work in respect of future acquisitions. After careful consideration about Deloitte's independence, the Committee agreed that the Company should select whoever it believes to be the most appropriate provider under the circumstances.

During the year to 23 February 2018, the level of audit fees amounted to £254k (FY18: £224k), and non-audit fees amounted to £119k (FY18: £26k). The ratio of audit fees to non-audit fees was 29.8% (FY18: 11.6%). The non-audit work carried out during FY19 related to (i) the review of the interim results and (ii) due diligence work in respect of a number of potential acquisitions.

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

The Committee is satisfied that the Group has received good service from Deloitte LLP. Deloitte have significant experience and expertise within the Home Collected Credit market and the management team has confirmed that they are very content with the competence and performance of the team at Deloitte. Being on AIM, the Company is not required to review its external auditor after 10 years. However, within the next 12 months, the Committee expects to review whether it wishes to put the external audit service out to tender, following the successful implementation of IFRS 9.

On this basis, the Committee has recommended to the Board that Deloitte be proposed for reappointment 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.

After the completion of the FY18 audit, Matt Perkins, the then partner from the external auditor rotated off the Morses Club audit after eight years of service and was replaced by Kieren Cooper. The Committee observed that the handover went very well.

Internal audit function

The Group has an internal audit function headed by a suitably qualified and experienced Head of Internal Audit who reports directly to me, as Audit Committee Chairman. The internal audit function objectively reviews the Group's internal control processes using a risk-based internal audit plan and audit charter approved annually 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 resources are sourced externally when required.

During the year, the Internal Audit plan contained a diverse selection of risk-based reviews. One of the largest reviews on the plan was in the area of GDPR, which was seen as a high priority for the Group due to the introduction of the new regulations in May 2018. A follow up of the prior year's Information Security review was also conducted. This reviewed the sustainable implementation of the recommendations arising from the 2017 audit.

The Committee closely reviews the reports of the internal audit function. Its work is primarily risk-based, using the Group's risk register and consultation with the Executive team to identify key risks which are then prioritised. The Committee has found the reports to be both incisive and timely, presented in a way that is well articulated. The Head of Internal Audit is invited to attend all of the Committee's meetings, and meets the Committee members on an annual basis without management present. As Chairman of the Committee, I hold one-to-one meetings every month with the Head of Internal Audit.

FRC Corporate Reporting Review team

There was no interaction with the FRC's Corporate Reporting Review team during the year.

Approval

On behalf of the Audit Committee

Patrick Storey

Chairman
2 May 2019

Directors' Remuneration Statement

The approach to Directors' remuneration has been completed taking account of the market, regulatory environment, the need to deliver shareholder return and individual role responsibilities.

The Directors' Remuneration Statement deals with the remuneration for those Directors in place during 2018/19. No changes have been made to any of the Director roles. The only change to the supporting Executive Management structure has been the appointment of an additional Customer Experience Director effective from 1 February 2019.

Remuneration & Corporate Social Responsibility Committee

The Board had appointed a Remuneration Committee ('the Committee') which is chaired by Joanne Lake (Independent NED), and comprises Sir Nigel Knowles (Senior Independent NED) and Stephen Karle (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 or online at www.morsesclubplc.com. 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 approval at the AGM in 2019, and the Committee will conduct a full annual review of the policy. Remuneration proposals are supported by external benchmarking to determine external market trends and to ensure that Director remuneration is proportionate and in line with individual and business performance.

Executive remuneration policy

As the organisation continues to grow and develop, we expect that the remuneration policy will be reviewed. However, the Executive team and the Committee continue to be committed to continued diligence in setting Executive remuneration to ensure market relevance, and the delivery of shareholder value as well as continuing to embed the Company's strategy.

Executive remuneration continues to be balanced against the remuneration 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.

- 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 continuing to develop new products and services for our customers.

Directors' Remuneration 2018/19 (This section is subject to audit)

	Role	Base Salary	Allowance and Benefits	Pension Contribution	Bonus	Deferred Share Bonus Scheme	Expenses	Total
Paul Smith ¹	CEO	292,500	50,049	8,550	209,790	137,172	10,749	708,810
Andy Thomson	CFO	224,250	9,396	15,207	160,839	104,824	5,073	519,589

Directors – 2017/18

	Role	Base Salary	Allowance and Benefits	Pension Contribution	Bonus	Deferred Share Bonus Scheme	Expenses	Total
Paul Smith ¹	CEO	262,500	43,329	5,250	106,470	72,191	17,468	507,208
Andy Thomson	CFO	200,833	6,029	12,932	85,176	54,996	10,271	370,237

Non-Executive Directors 2018/19 (This section is subject to audit)

Name	Role	Base Salary	Supplements	Expenses & Emoluments
Stephen Karle	Chairman	116,667	–	5,495
Sir Nigel Knowles	Senior Independent NED	49,167	7,500	–
Joanne Lake	NED and Chair of Remuneration Committee	49,167	7,500	857
Patrick Storey	NED and Chair of Audit and Risk & Compliance Committees	49,167	15,000	1,225
Peter Ward	NED	49,167	–	1,835

Non-Executive Directors – 2017/18

Name	Role	Base Salary	Supplements	Expenses & Emoluments
Stephen Karle	Chairman	100,000	–	4,904
Sir Nigel Knowles	Senior Independent NED	45,000	7,500	–
Joanne Lake	NED and Chair of Remuneration Committee	45,000	7,500	1,148
Patrick Storey	NED and Chair of Audit and Risk & Compliance Committees	45,000	15,000	1,981
Peter Ward	NED	45,000	–	1,423

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

¹ Paul Smith is the highest paid Director.

Directors' Remuneration Statement continued

Directors' remuneration policy

Service contracts

All Executive Directors were reissued with a revised service contract as part of the arrangements for the IPO. Service contracts cover a continuous period (i.e. 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. 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.

Allowances and benefits

Taxable benefits received in the period include company cars or car allowances, fuel allowances and private medical insurance. These apply to Directors only. The Chairman and Non-Executive Directors do not receive any allowances or benefits.

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 23 February 2019 is outlined in the table on page 53.

Performance bonus conditions

The performance bonus is payable if the Executive Director has delivered key objectives, including targeted adjusted profit before tax¹, promoting good-quality customer outcomes (i.e. Treating Customers Fairly), maintenance of headline customer satisfaction score and 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. There have been no variations to the terms and conditions or performance criteria for share options during the financial year. 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 tax¹, total shareholder return (measured over a period of one year satisfactory audits), compliance training, and individual executive performance.
- Awards will be granted on an annual basis.
- The issue price on 5 May 2018 was £1.54. 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	213,400
Andy Thomson	CFO	100	163,600

The table below details the maximum earnings from the deferred share bonus scheme in 2017/18. The issue price of the shares was £1.26.

Name	Role	Percentage of Salary	Share Award
Paul Smith	CEO	100	215,300
Andy Thomson	CFO	100	165,100

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. None of the above have been exercised.

¹ Definitions are set out in the Glossary of Alternative Performance Measures on pages 105 to 107.

Directors' shareholdings

The table below details the shareholdings and other share interests of the Directors as at 23 February 2019.

Name	Role	Ordinary Shares	Percentage Shareholding
Paul Smith	CEO	327,420	0.25
Andy Thomson	CFO	3,038,171	2.34
Stephen Karle	Chairman	227,991	0.18
Peter Ward	NED	400,000	0.31
Sir Nigel Knowles	Ind NED	35,148	0.03
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

The total pay (including performance bonuses) for all Morses Club PLC employees for FY19 is £20,702,173 compared to £20,060,506 for FY18.

Corporate Social Responsibility

The Company has undertaken small localised CSR programmes during FY19. We are developing similar CSR programmes, based on local communities for FY20.

Joanne Lake

Chair – Remuneration and Corporate Social Responsibility Committee
2 May 2019

Risk & Compliance Committee

Committee members	Regular attendees
• Patrick Storey (Chairman)	Peter Ward ¹ (from 6 February 2019)
• Stephen Karle	Paul Smith ¹ (CEO) (from 6 February 2019)
• Sir Nigel Knowles	Andy Thomson ¹ (CFO) (from 6 February 2019)
• Joanne Lake	Ian Cooper ¹ (Risk & Compliance Director) (from 6 February 2019)
• Peter Ward (until 5 February 2019)	Barrie Grimshaw ¹ (IT & Business Change Director) (from 6 February 2019)
• Paul Smith (CEO) (until 5 February 2019)	Finance Director ¹
• Andy Thomson (CFO) (until 5 February 2019)	Company Secretary
• Ian Cooper (Risk & Compliance Director) (until 5 February 2019)	
• Barrie Grimshaw (IT & Business Change Director) (until 5 February 2019)	

¹ By invitation.

What does the Committee do?

The principal purpose of the Risk & Compliance Committee is to assist the Board in its oversight of risk and regulatory compliance within the Group with particular focus on the FCA's developing requirements, risk appetite, risk profile and the effectiveness of the Group's internal controls and risk management systems.

The Committee's terms of reference are available on the Group's website.

The Committee held five meetings during the year, including one that dealt solely with the proposed acquisition of the business and certain assets of CURO Transatlantic Limited.

Dear Shareholder,

As Chairman of the Risk & Compliance Committee, I am pleased to present our report for the year ended 23 February 2019.

The report provides insight into the composition of the Committee and the work that it undertakes to ensure that:

- the Group remains compliant with the FCA's prevailing rules, regulations and guidance;
- the Group's risk management policies and procedures are fit for purpose; and
- the Group's risk management framework is operating effectively.

Composition and governance

In addition to my role as Chairman of the Risk & Compliance Committee, I am also Chairman of the Audit Committee. All of the independent Non-Executive Directors are members of this Committee, and have been since the Group's IPO in May 2016.

The composition of the Committee was reviewed by the Nominations Committee in November 2018. In light of the recommendation contained in the July 2018 edition of the UK Corporate Governance Code, Peter Ward (Affiliated Director), Paul Smith (CEO), Andy Thomson (CFO), Ian Cooper (Risk & Compliance Director) and Barrie Grimshaw (IT & Business Change Director) ceased to be members of the Committee on 5 February 2019 and will in future attend the Committee meetings by invitation. The Finance Director also attends Committee meetings by invitation.

How the Committee discharged its responsibilities

The Committee held five meetings during the year in accordance with its terms of reference.

Both the Group's Risk Executive Committee and its Credit Risk Committee report to this Risk & Compliance Committee and their minutes are sent to all members of this Committee.

A self-assessment internal review of the performance of the Committee concluded that it had discharged its responsibilities during the year. It also confirmed that it was satisfied with the effectiveness of the Company's risk management function. As Chairman, I am satisfied with the functioning of the Committee, and the management information provided by the Company.

The time allocated to Committee meetings was increased in FY19 to ensure that it remains appropriate for the scope of its responsibilities. A formal rolling agenda was also introduced for FY19 following the Committee's review and updating of its terms of reference in February 2018.

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.

The 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);
- processes and procedures to ensure that the Group operates in compliance with external regulators, for example the FCA and the ICO;
- the arrangement for the identification, assessment, monitoring, management and oversight of risk with regard to processes and procedures;

Risk & Compliance Committee continued

- 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.

The Committee has a schedule for matters to be discussed at the various meetings. These include a regular review of:

- The work done by the Executive Team's Risk Committee.
- The work done by the Executive Team's Credit Risk Committee.
- The Group's assessment and management of conduct risk.
- The Group's policies and practices for Treating Customers Fairly and ensuring consistently good customer outcomes.
- The Group's compliance monitoring activities.
- Information and cyber security, including adherence to GDPR.
- Customer complaints.
- Financial crime.
- Whistleblowing.
- Regulatory matters, including those relating to the FCA.

Activities during the year

During the year, some of the key topics addressed by the Committee included cyber security and data protection, Treating Customers Fairly, whistleblowing, regulatory matters and customer complaints.

Cyber security and data protection

Cyber security has been a major topic for the Committee. During the year, the Group continued to perform both penetration testing and failover testing. The Committee was very pleased with the diligent manner in which the Company implemented the GDPR regulations, introduced in May 2018.

Regulatory matters

The Chairman has more than 30 years of experience focusing principally on regulation in the financial services sector, having been a founding member and former senior partner of Grant Thornton's Financial Services Group. The Committee has been actively involved in the Group's continuing constructive dialogue with the FCA. The Committee continues to have oversight of the preparations for the implementation of the Senior Managers and Certification Regime in December 2019.

Treating Customers Fairly dashboard review

At each meeting, the Committee reviews the Company's dashboard for Treating Customers Fairly. In October 2018, the Committee chose to undertake a 'deep dive' review of the Company's policies and procedures for Treating Customers Fairly, in association with the Company's Operations Director.

Whistleblowing

During the year, the Committee reviewed the Company's whistleblowing procedures. The Company has consistently highlighted to its staff the FCA's whistleblowing hotline as well as providing an internal contact telephone number and email address. Following the review, the Company has added the contact details of one of its Independent Non-Executive Directors, in order to increase the options available to a potential whistleblower.

Customer complaints

Whilst the Group generates excellent customer satisfaction rates and has a very good track record with the Financial Ombudsman Service, the Committee continues to play a part in ensuring that management maintains its clear focus on Treating Customers Fairly and good customer outcomes.

At its meetings, the Committee takes a keen interest in trends of customer complaints and particularly in any "root cause analysis" performed routinely by management. The Committee was delighted when the Company's complaints handling process was awarded ISO 10002:2014 in August 2018.

A section on the Group risks can be found on pages 32 to 35.

Approval

On behalf of the Risk & Compliance Committee

Patrick Storey
Chairman
2 May 2019

Nominations Committee

Committee members	Regular attendees
• Stephen Karle (Chairman)	Company Secretary
• Patrick Storey	
• Sir Nigel Knowles	
• Joanne Lake	
• Peter Ward	

What does the Committee do?

The Committee is responsible for:

1. Ensuring that the Board has a formal and transparent appointments procedure and that the balance of Directors on the Board remains appropriate as the Group develops in order to ensure that the business can compete effectively in the marketplace;
2. Identifying and nominating candidates to fill Board vacancies as and when they arise;
3. Evaluating the balance of skills, knowledge, experience and diversity of the Board in order to ensure an optimum mix; and
4. Considering the succession planning for Directors, executives and senior managers to ensure that any succession is managed smoothly.

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

The Committee's terms of reference are available on the Group's website. The Committee was in place during the year and held three meetings.

During the financial year ended 23 February 2019, the Board has remained unchanged. The Executive Management Team has remained stable, with the addition of a new appointment of a Customer Experience Director.

Diversity

The Group recognises the importance of diversity both at Board level and throughout the whole organisation.

The Board remains committed to increasing diversity. Consequently, diversity is taken into account during each recruitment and appointment process, working to attract outstanding candidates with diverse backgrounds, skills, ideas and culture.

The appointment with effect from 5 May 2019 of Baroness Simone Finn will result in a position whereby for the first time, two members of the Board will be women.

Nominations Committee continued

Activities during the year

During the year, the Committee has:

- undertaken an exercise to look at executive succession planning;
- reviewed the composition of the Board and its sub-Committees;
- undertaken an annual internal evaluation process for both the Chairman and the Board as a whole;
- concluded that the Board works effectively, both as a group and in its individual Committees, bringing a wealth of relevant experience to the Company;
- agreed that the Affiliated Director, Peter Ward, should cease to be a full member of the Audit, Risk & Compliance, and Remuneration & CSR Committees in accordance with recommendations set out in the 2016 Code and also that he should cease to be a member of the Risk & Compliance Committee as recommended in the 2018 Code;
- agreed that the Executive Directors Paul Smith and Andy Thomson should cease to be members of the Risk & Compliance Committee prior to the start of FY20, in accordance with the July 2018 edition of the Corporate Governance Code;
- agreed that the Chairman, Stephen Karle, should cease to be a member of the Audit Committee prior to the start of FY20, in accordance with the July 2018 edition of the UK Corporate Governance Code;
- agreed that the Senior Independent Director, Sir Nigel Knowles, should be appointed as a member of the Remuneration & CSR Committee;
- agreed that each of the continuing Directors should stand for re-election at the AGM in June 2019 and in all subsequent years, in accordance with the 2018 edition of the UK Corporate Governance Code; and
- reviewed and updated the Committee's terms of reference.

Internal evaluations

Following the internal evaluation, the Committee concluded that:

- the Board remains focused on outcomes – for customers, investors, employees, self-employed agents and stakeholders. This can be demonstrated by the management information requested by and produced to the Board at each Board meeting, including additional customer research commissioned during the year;
- the Board consistently considers the relevance of its capabilities to meet the challenges ahead. This is debated in relation to every acquisition and at Nominations Committee;
- the culture at the Board table encourages wide, deep and relevant participation;
- the Board is consistently engaged. All Non-Executive Directors add value in maximising the leverage and quality of their third party relationships;
- board colleagues bring a wide range of perspectives to the Board table. Non-Executive Directors reflect on insights gained from their other activities and bring valuable input to meetings;
- additional training should be provided to the Directors on topics specifically related to the Group's activities. This process was started at the Board meeting in March 2019, when the Directors were briefed on the Company's current pricing policies, together with a comparison against its competitors; and
- the Board agenda and management information are continually reviewed to ensure that concise and relevant information is made available at an appropriate time. As an example, standing agendas were adopted by the main Board Committees during the year, and by the Board in January 2019.

Matters after the end of the financial year

Following the end of the financial year, the Committee agreed to recommend the appointment of Baroness Simone Finn as a Non-Executive Director with effect from 5 May 2019, subject to regulatory approval. She is due to replace Patrick Storey whose three-year term of office is due to expire on 4 May 2019.

For reasons of confidentiality, reputation and efficiency, on this occasion, the Chairman used internal and external sources to provide recommendations for candidates, rather than appointing an independent search firm.

As part of the selection process, the Chairman reviewed the Boards of other public companies in the financial services sector. However, many of these Board members would (i) potentially be 'over-boarded', i.e., already serving on a number of boards, and/or (ii) probably experience a conflict of interests with Morses Club's future planned activities.

The Chairman therefore looked more closely at Directors in the wealth management sector. These would have experience within the financial services sector, but they would be unlikely to have any conflicts of interest with also being a Director of Morses Club. As a consequence, a short list of three candidates was created.

The Committee was unanimous in recommending Baroness Finn as the new Non-Executive Director.

- she is a Chartered Accountant, having run audit teams for PriceWaterhouseCoopers prior to moving into their compliance team;
- she is already a member of the Audit Committee of a company in the financial services sector;
- she has worked for the Financial Services Authority, the forerunner to the FCA;

- she has worked as a consultant at a very high level advising governments; and
- she is a member of the House of Lords and should be able to advise the Company on its public relations and lobbying activities.

The Committee will consider conducting any future search for an independent Non-Executive Director by an independent search firm, supplemented by open advertising as appropriate.

Approval

On behalf of the Nominations Committee

Stephen Karle
Chairman
2 May 2019

Disclosure Committee

Committee members	Regular attendees
• Stephen Karle (Chairman)	Company Secretary
• Patrick Storey	
• Sir Nigel Knowles	
• Joanne Lake	
• Peter Ward	
• Paul Smith (CEO)	
• Andy Thomson (CFO)	

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.

Although a change in the AIM rules removed the obligation for AIM-listed companies to maintain insider lists, there is still an obligation to take all reasonable steps to ensure that people with access to inside information acknowledge their legal and regulatory duties, and a company must be able to provide the FCA with an insider list, upon request. In practice, this means Morses Club has chosen to retain an up to date insiders list.

During FY19, the Company's Internal Audit Department undertook an audit into the Company's adherence to AIM Rule 10 (Principles of disclosure) and Rule 11 (General disclosure of price sensitive information). Following the internal audit, the Company enhanced its process for adding and removing employees from their insider lists when they joined or left the Company.

The Committee held one meeting during the year, on 20 March 2018.

Approval

On behalf of the Disclosure Committee

Stephen Karle
Chairman
2 May 2019

Executive Committee

The Company has established an Executive Committee which is chaired by the Chief Executive Officer and meets each week when there is not a Board meeting. The Executive Committee is accountable to the Board and its responsibilities include the day-to-day management of the Group's affairs. Members of the Executive Committee are invited to attend all plenary Board meetings.

The Executive Committee has two long-standing sub-committees, a Health & Safety Committee and a Risk & Compliance Executive Committee in order to assist its supervision of these important areas. The Credit Risk Committee reports directly to the Board's Risk & Compliance Committee.