

## Directors' Report

The Directors present their report and audited consolidated financial statements for the year ended 23 February 2019.

The Corporate Governance Statement set out on pages 38 to 62 forms part of this report.

Information about the use of financial instruments by the Company and its subsidiaries is given in note 24 to the financial statements.

### Dividend

The Directors will assess dividend payments in the context of consolidation opportunities, new product investment requirements and the broader growth strategy of the Company. The Board intends to distribute between 50% and 60% of adjusted earnings after tax to shareholders as dividends. In due course, the Board may also consider increasing the dividend payout ratio should the funding structure of the Company enable an increase in gearing and/or the Company finds itself with surplus cash over and above its investment opportunities. Subject to shareholder approval at the Annual General Meeting on 25 June 2019, the Board proposes to pay a final dividend of 5.2p per Ordinary Share payable on 26 July 2019 to Shareholders on the register at close of business on 28 June 2019. This would represent a total dividend of 7.8p per Ordinary Share for 2019.

### Directors

The Directors of the Company who served during the year ended 23 February 2019, 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 52 to 55.

Biographical details of the current Directors are given on pages 36 and 37. As recommended by the July 2018 edition of the UK Corporate Governance Code, all continuing Directors will be standing for re-election at the forthcoming Annual General Meeting, and at all subsequent AGMs.

### 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 23 February 2019, the Company had 129,729,122 Ordinary Shares of one pence each in issue (2018: 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 40.

### Information contained in other sections

The Company's principal risks and uncertainties, together with any emerging risks, that are required to be included within the Report of the Directors, can be found within the Strategic Report on pages 34 to 35.

### Anti-bribery and corruption

The corporate policies reflect the requirements of the Bribery Act 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 Committee and is subject to periodic review by the Group's 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. The Company also provides 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.

# Directors' Report continued

## Important events since the end of the financial year (23 February 2019)

On 26 February 2019, the Group announced that it had acquired, through its fully owned subsidiary Shelby Finance Ltd, the business and certain assets of CURO Transatlantic Limited, trading as WageDayAdvance out of administration. The total consideration for the acquisition was approximately £8.5m paid in cash, 50% on completion and the balance over 5 months (depending on the final valuation of the acquired loan book).

On 1 May 2019, the Company announced that Patrick Storey, the Chair of the Company's Audit Committee and Risk & Compliance Committee would leave at the expiry of his three-year term of office on 4 May 2019. Baroness Simone Finn was appointed as a Director and the Chair of the Company's Audit Committee and Risk & Compliance Committee, with effect from 5 May 2019.

## 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, videos and our intranet. We regard employee involvement as essential to the healthy development of the business.

The Group first introduced an unapproved share option scheme on 19 October 2017, and awarded share options to all of its employees who had been employed for a minimum of 12 months at 1 October 2017.

In February 2018, Hay Wain Group Limited ceased to be a majority shareholder of the Company, and as a result, the Company was permitted to implement an HMRC tax advantaged plan for the first time. In November 2018, the Company created a new Share Incentive Plan (the 'SIP'). In the first award under the SIP, a total of 428 eligible employees applied to participate in the SIP and have each been given shares in the Company representing approximately 3.25% of their salary (based on the average share price during the few days prior to the award).

The free shares are held in trust for a minimum holding period of three years, and employees who participate in the SIP will lose their award if they resign or are dismissed from their employment during this three-year period. During the time that the shares are held in the Trust, employees will be able to vote at the AGM and receive dividends, so giving them a real stake in the business in which they work.

Subject to the Group achieving its profitability targets, the Group intends to continue to award shares under the SIP to its employees on an annual basis.

In the previous year, the Group had launched its first employee benefits survey, and the results showed us that people wanted benefits that helped them achieve a better work/life balance. The majority of employees wanted a holiday purchase scheme whereby they can buy or sell their holidays. As a result, a holiday purchase scheme was launched to functional heads for calendar year 2019.

The Group introduced a new healthcare provider which incentivises and rewards members who improve and monitor their health and wellbeing, and we have since seen participation rates increase during the year. The Group also introduced a Health Cash Plan for all eligible employees who were not eligible to participate in the healthcare scheme.

The Directors were pleased to see that the results of the annual employee satisfaction survey this year showed the highest level of satisfaction with the Company that has ever been recorded. Details are shown on page 16 of the Strategy Review. The level of staff participation in the survey increased by 26%, thereby demonstrating increased engagement as well as higher levels of satisfaction.

## Substantial Interests in Shares

As at 29 March 2019, 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	47,683,640	36.74%
Woodford Investment Management	12,652,666	9.75%
Miton Investment Management	12,643,445	9.74%
J O Hambro Capital Management	8,984,250	6.92%
Majedie Asset Management	6,644,479	5.12%
Artemis Investment Management	5,585,477	4.30%
Legal & General Investment Management	4,415,045	3.40%

### 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, reduced from 100% to 51%.

On 21 February 2018, Hay Wain Group Limited sold 14.2% of the shares in the Company and at 29 March 2019 continues to hold 36.7% 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 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 2019 (2018: £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' basis in preparing the financial statements. A separate viability statement is contained in the Strategic Report on page 33.

### 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 25 June 2019, 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](http://www.morsesclubplc.com/investors).

By order of the Board,

**Dave Belmont**  
Company Secretary  
2 May 2019