Notes to the Consolidated Financial Statements
For the 52-week period ended 27 February 2021

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 Building 1, The Phoenix Centre, 1 Colliers Way, Nottingham NG8 6AT.

Basis of preparation
The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention. In preparing the financial statements, the Directors are required to use certain critical accounting estimates and are required to exercise judgement in the application of the Group and Company's accounting policies.

The Group and Company's principal accounting policies under IFRS have been consistently applied to all the years presented.

Adoption of new accounting policies
There are no other new IFRSs or International Financial Reporting Interpretations (IFRIC) that are effective for the first time for the 52 weeks ended 27 February 2021 which have a material impact on the Group.

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and have been adopted by the EU:

New amended standard or interpretation	Effective date – for accounting periods beginning on or after
Amendments to IFRS 17 and IFRS 4, 'Insurance contracts' deferral of IFRS 9	1 January 2021

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and have not been adopted by the EU:

New amended standard or interpretation	Effective date – for accounting periods beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform	1 January 2021
Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities	1 January 2022
Narrow scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	1 January 2022
IFRS 17, 'Insurance contracts'	1 January 2023

There is not any known or reasonably estimable information relevant which suggests that the impact of applying the new standards will materially impact the financial statements in the initial period of application.

Going concern
The Directors have considered the appropriateness of adopting the going concern basis in preparing these consolidated 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.

Notes to the Consolidated Financial Statements continued
For the 52-week period ended 27 February 2021

1. Accounting policies continued

Going concern continued
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 consolidated financial statements.

With regards to a going concern review or a three-year viability period, the major challenge for the business will be one of Financial and operational resilience through a period of change and adapting to the demands of a post-Covid-19 world, whilst maintaining good customer outcomes, appropriate oversight and financial prudence.

The Group has observed a noticeable increase in the level of complaints received from both CMCs and customers during the year. The increase in complaints encountered by a small number of other lenders in the sector has triggered signs of financial stress, prompting applications to the Courts for schemes of arrangements to ensure their businesses remain viable whilst their customers receive a proportion of redress. Whilst the Group has seen an increase in complaints received, the increase is proportionately smaller to other lenders and the Board remains confident with its business model and underlying operational resilience.

As part of its annual planning process, the Group assessed its business plans and subsequently ran a number of scenarios around the key areas of sensitivities namely:
- Loan volumes
- Collections
- Loan book quality/credit risk
- Cash availability
- Collect out scenario (in accordance with regulatory guidance)

These comments do not represent management's confirmed actions – they represent a number of possible mitigants which may need to be implemented if the worst case transpires. The resilience and ability to adapt the business model the business has shown during the last 12 months give management additional confidence in assessing ongoing viability.

In May 2021, the Group agreed a new loan facility with a consortium of two lenders, which secured funding for our HCC and digital products through to December 2022. This was at a reduced commitment level of £35m, all in the RCF, compared to the £40m funding commitment previously in place until December 2021. The new facility will continue funding our existing HCC products, but crucially, it will unlock funding for our Dot Dot loan products and help the business achieve its immediate strategic objectives.

The Committee believes that to achieve this in such an economic and societal upheaval for which there is no historic comparison, showed great confidence by our lending syndicate in the robustness of our business model.

IFRS 16 Leases
The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group recognised such adjustments for vehicles during the current period in light of lease term extensions that were enacted.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Group does not have any leases that include purchase options or transfer ownership of the underlying asset.

The right-of-use assets are presented within the same line item as that within which the corresponding underlying assets would be presented if they were owned – for the Group this is property, plant and equipment.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The Group does not have any lease payments which fall under the definition of variable lease payments.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within administrative expenses in the consolidated income statement.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient for property leases for which the business rate is included in the lease contract.

Basis of consolidation
The Group financial statements drawn up to 27 February 2021 consolidate the financial statements of the Company and its subsidiary undertakings from the date control passes to the Group until the date control ceases. Control is achieved when the Group:
- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect returns.

All intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. The accounting policies of subsidiaries are consistent with the accounting policies of the Group.

Notes to the Consolidated Financial Statements continued

For the 52-week period ended 27 February 2021

1. Accounting policies continued

Revenue recognition
Under IFRS 9, all receivables are recognised within Stage 1 on inception of the loan. A customer will then move to Stage 2 when there has been a significant increase in credit risk through a deterioration in their payment performance. Stage 3 represents a customer in default. Revenue recognition is recognised on the gross receivable in Stages 1 and 2 and on the net receivable in Stage 3. A customer can only move to or back out of Stage 3 for revenue recognition purposes at the Group's interim or year end.

Stage 1 – Accounts at initial recognition. Revenue is recognised on the gross receivable before impairment provision.
Stage 2 – Accounts which have suffered a significant deterioration in credit risk but have not defaulted. Revenue is recognised on the gross receivable before impairment provision.
Stage 3 – Accounts which have defaulted. Revenue is recognised on the net receivable after impairment provision.

Under IFRS the amount of revenue recognised is capped at the contractual amount due.

Digital revenue for recurring monthly management fees in relation to current accounts is recognised in accordance with IFRS 15. Fees and commissions receivable and payable are recognised when the service is provided, or when transactions are processed on an accruals basis.

See *Critical accounting judgements and key sources of estimation uncertainty* on page 107 for more information.

Net loan book
All customer receivables are initially recognised at the amount loaned to the customer ie, fair value. After initial recognition the amounts receivable from customers are subsequently measured at amortised cost.

The Directors assess on an ongoing basis whether there is evidence that a loan asset or Group of loan assets is impaired and requires an additional deduction for impairment. 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 effective interest rate (EIR) and comparing this figure with the balance sheet carrying value. All such impairments are charged to the income statement.

Stage 1 – Accounts at initial recognition. The impairment provision is based on 12-month expected losses, based on historic performance. Under IFRS 9, all receivables are recognised within Stage 1 on inception of the loan.

Stage 2 – Accounts which have suffered a significant deterioration in credit risk but have not defaulted. The impairment provision is based on lifetime losses, based on historic performance. A customer will then move to Stage 2 when there has been a significant increase in credit risk through a deterioration in their payment performance, represented in HCC by two missed weekly payments in a 13-week period and in digital by any single missed monthly payment.

Stage 3 – Accounts which have defaulted. The impairment provision is based on lifetime losses, based on historic performance. Stage 3 represents a customer in default, equivalent in HCC to 10 missed payments in a 13-week period. In digital Stage 3 is represented by more than two missed monthly payments.

Impairment provisions under IFRS 9 are calculated based on historic loan experience as a basis for estimating the expected credit loss and considers the outlook for macro-economic conditions.

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 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.

Payment performance and missed payments are used as indicators to identify loans with no reasonable expectation of recovery and these loans are subsequently written off.

Write-off policy
A customer's balance is fully written off in HCC at the point the customer has gone 17 weeks without any payment and in digital when more than 3 payments are missed during the life of the loan. Before this point the balance is heavily provided for in accordance with IFRS 9. When a debt is sold and the cash is received for the debt, the recoveries are credited to the income statement.

See *Critical accounting judgements and key sources of estimation uncertainty* on page 107 for more information.

Macro-economic overlay
Through involvement in the Regional CBI, Morses Club PLC receives good insight into the current macro-economic landscape. Most economic analysis from the Bank of England and HM Treasury recognises the likelihood of a downturn in the economy as a result of Covid-19, with a recession and increased levels of unemployment. In terms of the impact of increased unemployment, the home credit sector has historically been quite resilient in periods where unemployment has been increasing, due in part to the HCC customer base typically having a mixture of wages and benefits within household incomes

After carefully considering the economic factors impacting the Group's loan receivables balance, and reviewing historical customer payment behaviours, management has concluded that sufficient loan impairment provisions have already been recognised in the financial statements, and a macro-economic overlay adjustment is therefore not required.

Business combinations
Acquisitions are accounted for using the acquisition method. Acquisition costs are expensed to the income statement. The consideration transferred in a business combination is measured at fair value with the fair value of deferred contingent consideration determined by considering the expected payment, discounted to present value using a risk-adjusted discount rate. The expected payment is determined separately in respect of each individual earn-out agreement taking into consideration the expected level of profitability of each acquisition. Post acquisition the discounted consideration is unwound on an EIR basis as a finance cost before being physically paid in line with the share purchase agreement.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value except that deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 Income Taxes.

Classification and measurement of financial liabilities
The Group's financial liabilities include borrowings and trade and other payables.

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business and are classified as current liabilities if payment is due within one year or less, otherwise they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, being issue proceeds less any transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds less transaction costs and the redemption value is recognised in the income statement over the expected life of the borrowings using the effective interest rate. Borrowings are classified as current liabilities unless the Group or Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

See *Critical accounting judgements and key sources of estimation uncertainty* on page 107 for more information.

Notes to the Consolidated Financial Statements continued
For the 52-week period ended 27 February 2021

1. Accounting policies continued

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 their expected benefits arising from the customer relationships associated with the agent network.

Software 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 and licences	– 20%-33% on cost

Amortisation is included within administration expenses. Other intangible assets are valued at cost less subsequent amortisation and impairment, and are tested at least annually. An impairment loss is recognised for the amount by which the asset's carrying value exceeds the higher of the asset's value in use and its fair value less costs to sell.

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 tablets	– 20%-33% on cost
Fixtures and fittings	– 20% on cost

Impairment of fixed assets
At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease, and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

Right-of-use assets are tested for impairment annually whenever there is an indication at the end of the reporting period that the asset may be impaired.

Investments in subsidiaries
Subsidiaries are entities over which the Company has power to govern the financial and operating policies so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases.

Investments in subsidiaries are stated at cost less any provision for impairment. The investments in subsidiaries are considered for impairment on a biannual basis.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand with maturities of three months or less. 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.

Intercompany
Intercompany transactions are recorded at fair value on initial recognition and then amortised cost to enable recognition of any expected credit losses. Expected credit losses on intercompany balances are assessed at each balance sheet date. The probability of default (PD) and loss given default (LGD) are determined for each loan based on the subsidiary's available funding and cash flow forecasts.

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. Deferred tax is valued at the prevailing rates 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.

Finance costs
Finance costs comprise the interest expense on external borrowings which are recognised in the income statement in the period in which they are incurred and the funding arrangement fees which were prepaid and are being amortised to the income statement over the length of the funding arrangement. Finance costs also include interest on lease liabilities.

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 in prior periods.

Notes to the Consolidated Financial Statements continued
For the 52-week period ended 27 February 2021

1. Accounting policies continued

Group restructuring reserve
The Group reconstruction reserve was created within the Company balance sheet during the financial year ending 28 February 2015. This was required following the Company's acquisition of 100% of the Ordinary Share capital of Shopacheck Financial Services Limited (SFS) from its then Parent Company, and the subsequent hive up of the trade and assets of SFS into the Company at carrying value.

The Group reconstruction reserve was initially accounted for using merger accounting, with the assets and liabilities of SFS therefore being transferred into the Company at carrying value rather than fair value. The difference between the carrying value of the assets and liabilities transferred and the consideration paid was taken directly to the Group reconstruction reserve.

There has been no change to the balance held within this reserve since it was initially recognised and this is due to the Company continuing to own 100% of the Ordinary Share capital of SFS.

Share-based payments
The Company operates three equity-settled share-based compensation schemes for Directors and three for employees.

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 income statement.

The fair value of the share options granted, excluding the impact of any non-market vesting conditions, is calculated using established option pricing models, being Monte Carlo simulation or Black-Scholes. 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 or incidence and which the Directors consider should be disclosed separately to enable a full understanding of the Group's results. Exceptional income and costs are recognised in the income statement in the period they are incurred.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably

Contingent liabilities
Contingent liabilities are possible obligations depending on whether some uncertain future event occurs, or present obligations where an economic outflow of resources is not probable, or the amount cannot be measured reliably. Contingent liabilities are not recognised in the balance sheet, but relevant information is disclosed, unless the possibility of an outflow of economic resources is remote.

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).

The accounting policies of the reportable segments are consistent with the accounting policies of the Group as a whole. Segment profit represents the profit earned by each segment. This is the measure of profit that is reported to the Board of Directors for the purpose of resource allocation and the assessment of segment performance.

When assessing segment performance and considering the allocation of resources, the Board of Directors review information about segment assets and liabilities. For this purpose, all assets and liabilities are allocated to reportable segments with the exception of intangible assets and current and deferred tax assets and liabilities.

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
There are no critical accounting judgements.

Key sources of estimation uncertainty
Impairment
Under IFRS 9 an impairment provision is recognised for expected credit losses on financial assets measured at amortised cost based on expected future credit losses. At the reporting date £36.6m (2020: £48.1m) was recognised as an impairment provision against amounts receivable from customers.

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.

A key estimate within the impairment provision is the collection curves. Management have considered the best way to deal with the Covid-19 event and its impact on the impairment provision and income recognition. It was determined that continuing to use a flat five year average of the cash curves would materially understate the provision. A weighting of the individual cash curves to give more prominence to the most recent cohort was adopted.

	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Impairment Provision	Deferred Income
Option 1	20%	20%	20%	20%	20%	(£32.1m)	(£20.8m)
Option 2	15%	15%	15%	15%	40%	(£32.3m)	(£21.4m)
Option 3	10%	10%	10%	10%	60%	(£32.6m)	(£21.4m)
Option 4	0%	0%	0%	0%	100%	(£33.1m)	(£21.4m)

Management believes that weighting option 3 is this most reflective of the impact of Covid-19 on the Group's revenue and impairment.

Please note that the remote lending and collection model of our Digital lending business has resulted in a smaller Covid-19 impact, and therefore management have not applied this weighting to the Digital Division. The impairment numbers above are for Home Collect Credit only.

The following sensitivities are in relation to HCC only given Digital is not materially sensitive in this area.

Based on past experience, actual cash collections could vary by up to 5% from this estimate. If cash collections were 5% higher/lower than this estimate, the impact on the impairment provision would be £4.4m (2020: £11.0m) higher/lower. The prior year impact was measured on a 10% variation on the estimate of cash collections.

Another key estimate is the determination of whether there has been a significant increase in credit risk on financial assets since initial recognition which determines whether 12-month or lifetime expected credit losses are recognised. If lifetime expected credit losses were recognised on all assets this would result in an increase in expected credit losses of £0.5m (2020: £0.5m). The sensitivity is of a small magnitude due to the short-term nature of the products.

Notes to the Consolidated Financial Statements continued
For the 52-week period ended 27 February 2021

1. Accounting policies continued

Key sources of estimation uncertainty continued
Revenue recognition
Under IFRS 9 interest income is recognised by applying the EIR to the carrying value of a loan. The EIR is calculated at inception and represents the rate which exactly discounts the future contractual cash receipts from a loan to the amount of cash advanced under that loan.

Management determined that continuing to use a flat five year average of the average lives would materially understate the provision. A weighting of the individual cash curves to give more prominence to the most recent cohort was adopted. Details of the weightings considered can be found on page 107.

The following sensitivities are in relation to HCC only given Digital is not materially sensitive in this area.

If the expected life of the loan lengthens by two weeks, as has been seen under Covid-19, it is estimated that revenue would be approximately £0.6m (2020: £0.8m) lower. The maximum movement in the average life year on year for the last five years has been two weeks, therefore this is considered to be a reasonable basis for the sensitivity analysis performed.

Impairment of non-financial assets and goodwill
In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses a weighted average cost of capital (WACC) of 13% to discount them. The absolute headroom for Shelby Finance Ltd is £154.7m. The annual growth rate in year one is -138%, year two is 308%, year three is 58% and every +/- 1% change in the annual growth rate results in a +/- £0.1m change to the cumulative discounted cash flow over the same period. Every +/- 1% change in the discount rate results in a +/- £12.9m change in the estimated recoverable amount. The terminal growth rate used in the calculation is 2% and every +/- 0.5% change in the terminal growth rate results in a +/- £7.0m change to the recoverable amount. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate and future growth rates.

2. Staff costs

	Group		Company	
	52 weeks ended 27.2.21 £000	53 weeks ended 29.2.20 £000	52 weeks ended 27.2.21 £000	53 weeks ended 29.2.20 £000
Wages and salaries	**22,059**	22,519	**17,453**	16,772
Social security costs	**2,588**	2,589	**2,171**	2,026
Other pension costs	**979**	1,038	**770**	792
Total staff costs	**25,626**	26,146	**20,394**	19,590
Redundancy costs	**1,172**	933	**1,122**	734
Total staff costs	**26,798**	27,079	**21,516**	20,324

Redundancy costs are a combination of post-acquisition integration costs and business as usual restructuring costs. The table above excludes the network of self-employed agents.

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

	Group		Company	
	52 weeks ended 27.2.21	53 weeks ended 29.2.20	52 weeks ended 27.2.21	53 weeks ended 29.2.20
Management	**218**	201	**182**	164
Clerical & field staff	**382**	439	**289**	335
	600	640	**471**	499

3. Exceptional gains

	52 weeks ended 27.2.21 £000	53 weeks ended 29.2.20 £000
Deferred consideration on acquisition	–	2,335
Total exceptional gain	–	2,335

In 2020 exceptional items were made up of the release of deferred consideration in relation to the acquisition of U Holdings Limited amounting to £2,335,000.

4. Profit before tax

The operating profit is stated after charging:

	52 weeks ended 27.2.21 £000	53 weeks ended 29.2.20 £000
Depreciation – owned assets	**329**	740
Amortisation of intangibles	**2,811**	3,135
Depreciation of right-of-use asset	**1,586**	1,696
Impairment of financial assets	**20,794**	36,358
Operating lease rentals – motor vehicles	**205**	339
Operating lease rentals – property	**443**	710

Directors' and key management personnel remuneration includes the following expenses:

	52 weeks ended 27.2.21 £000	53 weeks ended 29.2.20 £000
Short-term employee benefits	**1,055**	979
Post-employment benefits	**32**	25
Long-term benefits	–	275
Share-based payments	**248**	134
	1,335	1,413
The number of Directors to whom retirement benefits were accruing was as follows:		
Money purchase schemes	**4**	3

Information regarding the highest paid Director is as follows:

	52 weeks ended 27.2.21 £000	53 weeks ended 29.2.20 £000
Emoluments	**462**	570
Pension contributions to money purchase schemes	**17**	15

The analysis of auditor's remuneration is as follows:

	52 weeks ended 27.2.21 £000	53 weeks ended 29.2.20 £000
Fees payable to the Company's auditors for the audit of the Group's annual accounts	**312**	410
Total audit fees	**312**	410
Audit-related assurance services	**35**	30
Corporate finance services	–	55
Total non-audit fees	**35**	85

Notes to the Consolidated Financial Statements continued
For the 52-week period ended 27 February 2021

5. Segment reporting

IFRS 8 requires segment reporting to be determined by the internal financial and operational information reported to the Chief Operating Decision Maker. The Group's Chief Operating Decision Maker is deemed to be the ExCo whose primary responsibility is to support the CEO in managing the Group's day-to-day operations and trading performance. On this basis the Group has determined it has two cash generating units for the purposes of segmental reporting comprising Home Collected Credit (Morses Club) and Digital (Shelby Finance Limited and U Holdings Limited). These two cash generating units are then assessed for impairment, see note 11. The Group's operations are all located in the United Kingdom and all revenue is attributable to customers in the United Kingdom.

	Revenue		Profit/(loss) before taxation	
Group	52 weeks ended 27.2.21 £000	53 weeks ended 29.2.20 £000	52 weeks ended 27.2.21 £000	53 weeks ended 29.2.20 £000
Home Collected Credit	**86,430**	119,269	**14,050**	22,940
Digital	**13,804**	14,382	**(10,512)**	(11,225)
Total Group before amortisation of acquisition intangibles and exceptional items	**100,234**	133,651	**3,538**	11,715
Intra-Group elimination*	**–**	–	**36**	750
Group acquisition costs	**–**	–	**–**	(213)
Amortisation of intangibles	**–**	–	**(3,118)**	(3,136)
Exceptional items	**–**	–	**–**	2,335
Total Group	**100,234**	133,651	**456**	11,451

	Segment assets		Segment liabilities		Net assets/(liabilities)	
Group	27.2.21 £000	29.2.20 £000	27.2.21 £000	29.2.20 £000	27.2.21 £000	29.2.20 £000
Home Collected Credit	**114,485**	124,462	**(21,255)**	(42,543)	**93,230**	81,919
Digital	**23,260**	21,145	**(23,976)**	(22,691)	**(716)**	(1,546)
Total before intra-Group elimination	**137,745**	145,607	**(45,231)**	(65,234)	**92,514**	80,373
Eliminations*	**(25,290)**	(11,103)	**3,429**	1,386	**(21,861)**	(9,717)
Intra-Group elimination	**(19,665)**	(20,448)	**19,665**	20,448	**–**	–
Total Group	**92,790**	114,056	**(22,137)**	(43,400)	**70,653**	70,656

* Group assets includes fixed asset investment of £23,011,415 (2020: £11,011,415), a tax asset of £40,000 (2020: £72,000) which are offset by intangible assets on acquisition £Nil (2020: £380,000), goodwill on acquisition £Nil (2019: £192,000) and inter-company provision £786,000 (2020: £750,000) which are not attributable to a specific segment.

	Capital expenditure		Depreciation		Amortisation	
Group	27.2.21 £000	29.2.20 £000	27.2.21 £000	29.2.20 £000	27.2.21 £000	29.2.20 £000
Home Collected Credit	**1,727**	2,586	**170**	257	**2,101**	2,186
Digital	**3,891**	2,872	**159**	483	**710**	950
Total Group	**5,618**	5,458	**329**	740	**2,811**	3,136

6. Finance costs

	52 weeks ended 27.2.21 £000	53 weeks ended 29.2.20 £000
Lease liabilities	**353**	472
Other interest payable	**2,007**	2,783
Total interest payable	**2,360**	3,255

7. Taxation

Analysis of the tax charge
The tax charge on profit before tax for the period was as follows:

	52 weeks ended 27.2.21 £000	53 weeks ended 29.2.20 £000
Current tax		
UK corporation tax	**318**	1,866
Adjustment in respect of prior years	**24**	(3)
Total current tax	**342**	1,863
Origination and temporary timing differences	**(103)**	124
Adjustment in respect of prior years	**-**	1
Effect of change of tax rates	**-**	(14)
Total deferred tax	**(103)**	111
Tax on profit on ordinary activities	**239**	1,974

Factors affecting the tax charge
The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	52 weeks ended 27.2.21 £000	53 weeks ended 29.2.20 £000
Profit before exceptional costs	**456**	9,116
Exceptional gains	**-**	2,335
Profit on ordinary activities before tax	**456**	11,451
Profit on ordinary activities before exceptional items		
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	**87**	2,176
Effects of:		
Expenses not deductible for tax purposes	**233**	85
Release of deferred consideration	**-**	(290)
Adjustment in respect of prior periods	**24**	13
Rate difference – deferred tax	**(67)**	(13)
Movement in amounts not provided in deferred tax	**9**	3
Tax losses surrendered by another group company	**(52)**	–
Fixed asset differences	**5**	–
Tax on profit on ordinary activities	**239**	1,974

The standard rate of corporation tax applicable for the period ended 27 February 2021 is 19% (2020: 19%), the effective tax rate is 52% (2020: 17%). Deferred tax is calculated in full on temporary differences under the liability method using a rate of 19% (2020: 17%). The increase in the main rate of corporation tax was substantively enacted on 17 March 2020. The rate of 19% is applicable from 1 April 2020, rather than the previously enacted reduction of 17%. An increase to the main rate of corporation tax in the UK to 25% was announced in the 2021 Budget, and is expected to come into effect in 2023. This will increase the future tax charge accordingly.

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For the 52-week period ended 27 February 2021

8. Dividend per share

	52 weeks ended 27.2.21 £000	53 weeks ended 29.2.20 £000
Dividend (£000)	**1,312**	10,162
Weighted average number of shares (000's)	**131,383**	130,531
Per share amount (pence)	**1.00**	7.78

Subject to shareholder approval at the Annual General Meeting on 22 June 2021, the Board proposes to pay a final dividend of 2.0 pence per Ordinary Share payable on 30 July 2021 to all shareholders on the register at the close of business on 2 July 2021.

9. Earnings per share

	52 weeks ended 27.2.21	53 weeks ended 29.2.20
Earnings (£000)	**218**	9,477
Number of shares		
Weighted average number of shares	**131,383**	130,531
Effect of dilutive potential Ordinary Shares through share options ('000s)	**200**	843
Weighted average number of shares for the purposes of diluted earnings per share ('000s)	**131,583**	131,374
Basic earnings per share amount (pence)	**0.17**	7.26
Diluted earnings per share amount (pence)	**0.17**	7.21

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 Plans. 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.

10. Profit of Parent Company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Parent Company is not presented as part of these financial statements.

The Parent Company's profit for the financial period was £11,531,489 (2020: £18,705,000).

11. Goodwill

	Note	Group Goodwill £000	Company Goodwill £000
Cost			
At 23 February 2019		3,834	3,642
Additions 2019/20		9,496	–
At 29 February 2020		13,330	3,642
Additions 2020/21	26	–	–
At 27 February 2021		**13,330**	**3,642**
Impairment			
At 23 February 2019		(333)	(333)
Impairment loss for the period		(16)	(16)
At 29 February 2020		(349)	(349)
Impairment loss for the period		(127)	–
At 27 February 2021		**(476)**	**(349)**
Net book value			
At 27 February 2021		**12,854**	**3,293**
At 29 February 2020		12,981	3,293
At 23 February 2019		3,501	3,309

Key assumptions used in goodwill impairment review
The market share price of the Company at 27 February 2021 was £0.631, reflecting the market's view of the current and future value of the Group. This share price results in a market capitalisation value for the Company of £83.6m which is below the Company's net asset value of £91.5m and therefore, an indicator of possible impairment. As a result we have, assessed the recoverable amount of both the Company's goodwill and investment in subsidiary.

The recoverable amount has been calculated using the value in use method. Goodwill is tested for impairment annually or more frequently if there are indications that goodwill might be impaired. Determining whether goodwill is impaired requires an estimation of the discounted future cash flows of the Company using a discount rate of 13% (FY20: 13%) and an initial growth rate over the first three years of 47% (FY20: 22%) followed by a terminal value based on a minimum future growth rate of 2% (FY20: 2%). The future cash flows take into account management's view of the impact from Covid-19 on future performance. The Group has conducted a sensitivity analysis on the goodwill impairment assessment and 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 key assumptions used in the value in use calculation are the growth rates and the discount rates adopted. The growth rates are based on the most recent financial budgets approved by the Group Board for the next three years. The discount rates which reflect the time value of money and the risks specific to the financial services sector are sourced from an independent third party. No reasonably foreseeable reduction in the assumptions would give rise to an impairment and therefore no further sensitivity analysis has been presented. The same assumptions have been applied to the goodwill impairment review in both CGUs. The impairment loss for the period of £126,260 arose due to the CURO Transatlantic Limited loan book now being fully settled.

The carrying amount of goodwill has been allocated to cash-generating units see Note 5 as follows:

	52 weeks ended 27.2.21 £000	53 weeks ended 29.2.20 £000
HCC	**3,293**	3,293
Digital	**9,561**	9,688
	12,854	12,981

Notes to the Consolidated Financial Statements continued
For the 52-week period ended 27 February 2021

12. Other intangible assets

Group	Software & Licences £000	Customer Lists £000	Agent Networks £000	Total £000
Cost				
At 23 February 2019	8,864	21,241	874	30,979
Additions	3,897	380	–	4,277
At 29 February 2020	12,761	21,621	874	35,256
Additions	5,282	–	–	5,282
Disposals	(3,085)	–	–	(3,085)
At 27 February 2021	**14,958**	**21,621**	**874**	**37,453**
Accumulated amortisation				
At 29 February 2019	4,226	19,724	808	24,758
Charge for the period	1,914	1,191	31	3,136
At 29 February 2020	6,140	20,915	839	27,894
Charge for the period	2,428	329	16	2,773
Eliminated on disposal	(2,115)	–	–	(2,115)
Impairment losses	–	38	–	38
At 27 February 2021	**6,453**	**21,282**	**855**	**28,590**
Net book value				
At 27 February 2021	**8,505**	**339**	**19**	**8,863**
At 29 February 2020	6,621	706	**35**	7,362
At 29 February 2019	4,638	1,517	**66**	6,221

Company	Software & Licences £000	Customer Lists £000	Agent Networks £000	Total £000
Cost				
At 23 February 2019	8,687	3,689	154	12.530
Additions	2,511	–	–	2,511
At 29 February 2020	11,198	3,689	154	15,041
Additions	1,625	–	–	1,625
Disposals	(1,633)	–	–	(1,633)
At 27 February 2021	**11,190**	**3,689**	**154**	**15,033**
Accumulated amortisation				
At 29 February 2019	4,171	2,957	119	7,247
Charge for the period	1,734	438	16	2,188
At 29 February 2020	5,905	3,395	135	9,435
Charge for the period	1,969	124	8	2,101
Eliminated on disposal	(1,633)	–	–	(1,633)
Impairment losses	–	38	–	38
At 27 February 2021	**6,241**	**3,557**	**143**	**9,941**
Net book value				
At 27 February 2021	**4,949**	**132**	**11**	**5,092**
At 29 February 2020	5,293	294	**19**	5,606
At 29 February 2019	4,516	732	**35**	5,283

Impairment losses relate to the Hays Customer List amounting to £38,000.
Research and development expenditure expensed during the year was £nil (2020: £nil).

IAS 38.122 requires the Group to disclose the carrying value and remaining amortisation period of individually material intangible assets. The table below includes all intangible assets that are considered to be individually material as at 27 February 2021, at both Group and Company level. Intangibles from acquisition activities represent the estimated fair value arising on the point of acquisition. The amounts in respect of customer lists and broker relationships are calculated on the discounted cash flows associated with the specific business area and based on the realisation of the expected benefits from these relationships. These amounts are amortised over the maximum useful life of 10 years from the date of acquisition.

Significant Group intangible assets

Group

Intangible assets	Carrying Value as at 27 February 2021 £000	Carrying Value as at 29 February 2020 £000	Amortisation period Years
Morses Club acquired customer lists	**339**	706	10 years
Morses Club IT software development (CAP/MAP)	**4,949**	5,293	Various at 20% – 33% PA
Shelby IT software development (Anchor/Sentinel)	**3,287**	1,056	Various at 20% – 33% PA

Company

Intangible assets	Carrying Value as at 27 February 2021 £000	Carrying Value as at 29 February 2020 £000	Amortisation period Years
Morses Club acquired customer lists	**132**	294	10 years
Morses Club IT software development (CAP/MAP)	**4,949**	5,293	Various at 20% – 33% PA

13. Property, plant and equipment

Group	Computers & Tablets £000	Fixtures & Fittings £000	Leasehold £000	Totals £000
Cost				
At 23 February 2019	2,453	168	3	2,624
Additions	688	492	–	1,180
At 29 February 2020	3,141	660	3	3,804
Additions	165	171	–	336
Disposals	(736)	(77)	(3)	(816)
At 29 February 2021	**2,570**	**754**	**–**	**3,324**
Depreciation				
At 23 February 2019	2,106	137	3	2,246
Charge for the period	673	67	–	740
At 29 February 2020	2,779	204	3	2,986
Charge for the period	201	128	–	329
Eliminated on disposal	(669)	(53)	(3)	(725)
At 27 February 2021	**2,311**	**279**	**–**	**2,590**
Net book value				
At 27 February 2021	**259**	**475**	**–**	**734**
At 29 February 2020	362	456	–	818
At 23 February 2019	347	31	–	378

Notes to the Consolidated Financial Statements continued
For the 52-week period ended 27 February 2021

13. Property, plant and equipment continued

Company	Computers & Tablets £000	Fixtures & Fittings £000	Leasehold £000	Totals £000
Cost				
At 23 February 2019	2,045	157	–	2,202
Additions	64	11	–	75
At 29 February 2020	2,109	168	–	2,277
Additions	103	–	–	103
Disposals	(290)	(43)	–	(333)
At 29 February 2021	**1,922**	**125**	**–**	**2,047**
Depreciation				
At 23 February 2019	1,698	126	–	1,824
Charge for the period	240	17	–	257
At 29 February 2020	1,938	143	–	2,081
Charge for the period	153	17	–	170
Eliminated on disposal	(290)	(43)	–	(333)
At 27 February 2021	**1,801**	**117**	**–**	**1,918**
Net book value				
At 27 February 2021	**121**	**8**	**–**	**129**
At 29 February 2020	171	25	–	196
At 23 February 2019	347	31	–	378

14. Investment in subsidiaries

	Company £000
Cost	
At 23 February 2019	2,861
Additions – Shelby share issue	8,150
At 29 February 2020	11,011
Additions – Shelby share issue	12,000
At 29 February 2021	**23,011**

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: Building 1, The Phoenix Centre, 1 Colliers Way, Nottingham NG8 6AT, whose principal activity was the provision of consumer credit and is currently non-trading.
- Shelby Finance Limited (SFL), a company registered in England and Wales (company number: 08117620) with Registered Office: Building 1, The Phoenix Centre, 1 Colliers Way, Nottingham NG8 6AT, whose principal activity is the provision of consumer credit.

As the net assets of SFL are insufficient to cover the investment value, a review of the investment carrying value in Shelby and the exposure of intercompany loans has been performed using forecast future cash flows of the Digital business. As the discounted future cash flows equate to a multiple of the investment value with headroom, no provision for impairment has been made. See Note 12 on page 114.

Shopacheck Financial Services Limited and U Holdings Limited both qualify for an exemption to audit under the requirements of section 480 of the Companies Act 2006. Shelby Finance Limited qualifies 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.

15. Right-of-use assets

Group	Building £000	Equipment £000	Vehicles £000	Total £000
Right-of-use assets				
At 29 February 2020	1,888	970	1,537	4,395
Additions	98	427	235	760
Disposals	(612)	(25)	(314)	(951)
At 27 February 2021	**1,374**	**1,372**	**1,458**	**4,204**
Accumulated depreciation				
At 29 February 2020	515	328	769	1,612
Charged to the income statement	474	451	661	1,586
Disposals	(393)	(16)	(281)	(690)
At 27 February 2021	**596**	**763**	**1,149**	**2,508**
Net book value				
At 27 February 2021	**778**	**609**	**309**	**1,696**
At 29 February 2020	1,373	642	768	2,783

Company	Building £000	Equipment £000	Vehicles £000	Totals £000
Right-of-use assets				
Cost				
At 29 February 2020	1,161	970	1,537	3,668
Additions	75	427	235	737
Disposals	(565)	(25)	(314)	(904)
At 27 February 2021	**671**	**1,372**	**1,458**	**3,501**
Depreciation				
At 29 February 2020	458	328	769	1,555
Charged to the income statement	365	451	661	1,477
Disposals	(347)	(16)	(281)	(644)
At 27 February 2021	**476**	**763**	**1,149**	**2,388**
Net book value				
At 27 February 2021	**195**	**609**	**309**	**1,113**
At 29 February 2020	703	642	768	2,113

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For the 52-week period ended 27 February 2021

16. Trade and other receivables

Amounts receivable from customers

	Group 27.2.21 £000	Group 29.2.20 £000	Company 27.2.21 £000	Company 29.2.20 £000
Amounts falling due within one year:				
Net receivable from advances to customers	**53,408**	72,171	**47,952**	67,294
Amounts falling due after one year:				
Net receivable from advances to customers	**82**	657	**–**	586
Net loan book	**53,490**	72,828	**47,952**	67,880
Other debtors	**2,880**	1,718	**2,046**	1,167
Intercompany funding	**–**	–	**20,987**	19,698
Prepayments	**3,434**	3,039	**2,254**	1,795
	59,804	77,585	**73,239**	90,540

Within the Company, an impairment provision of £0.8m (2020: £0.8m) is held against amounts owed by Group undertakings due in less than one year. The Company has assessed the estimated credit losses representing the probability of default and loss given default for these intercompany loans by considering the forecast future cash flows of the Digital business, as a result of which, there has been a £0.0m charge to the Company income statement in 2021 (2020: £0.8m).

	Group 27.2.21 £000	Group 29.2.20 £000	Company 27.2.21 £000	Company 29.2.20 £000
Amounts receivable from customers	**53,490**	72,828	**47,952**	67,880
Analysis by future date due				
– due within one year	**53,408**	72,171	**47,952**	67,294
– due in more than one year	**82**	657	**–**	586
Amounts receivable from customers	**53,490**	72,828	**47,952**	67,880
Analysis by security				
Other loans not secured	**53,490**	72,828	**47,952**	67,880
Amounts receivable from customers	**53,490**	72,828	**47,952**	67,880

Impairment provisions are recognised on inception of a loan based on the expected 12-month losses or the lifetime losses of the loan. Further details can be found on page 102 of the Annual Report and Accounts.

At 27 February 2021 the amounts receivable from customers are as follows:

	Group 27.2.21 £000	Group 29.2.20 £000	Company 27.2.21 £000	Company 29.2.20 £000
Gross carrying amount	**90,063**	120,946	**80,529**	112,773
Impairment provision	**(36,573)**	(48,118)	**(32,577)**	(44,893)
Net amounts receivable	**53,490**	72,828	**47,952**	67,880

Amounts receivable from Group customers can be reconciled as follows:

Group	Ref	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Gross carrying amount					
At 29 February 2020		60,345	34,602	25,999	120,946
New financial assets originated	1	129,004	4	–	129,008
Net transfers and changes in credit risk:					
From Stage 1 to Stage 2	2	(30,617)	30,617	–	–
From Stage 1 to Stage 3	2	(9,314)	–	9,314	–
From Stage 2 to Stage 1	2	2,147	(2,147)	–	–
From Stage 2 to Stage 3	2	–	(10,415)	10,415	–
From Stage 3 to Stage 1	2	90	–	(90)	–
From Stage 3 to Stage 2	2	–	2,755	(2,755)	–
Write-offs	3	(9,310)	(9,224)	(15,581)	(34,115)
Collections	4	(185,567)	(34,351)	(7,216)	(227,134)
Revenue	5	90,973	8,730	531	100,234
Other Movements	6	1,012	(6)	118	1,124
At 27 February 2021		**48,763**	**20,565**	**20,735**	**90,063**
Loan loss provision account					
At 29 February 2020		9,110	16,887	22,121	48,118
Movements through income statement:					
New financial assets originated	7	18,834	2	–	18,836
Net transfers and changes in credit risk:					–
From Stage 1 to Stage 2	2	(12,539)	14,166	–	1,627
From Stage 1 to Stage 3	2	(7,271)	–	7,841	570
From Stage 2 to Stage 1	2	318	(351)	–	(33)
From Stage 2 to Stage 3	2	–	(8,666)	8,666	–
From Stage 3 to Stage 1	2	25	–	(28)	(3)
From Stage 3 to Stage 2	2	–	1,758	(1,758)	–
Remeasurements within existing stage	3	10,181	(3,379)	(3,295)	3,507
Reversal of Covid-19 overlay	8	(1,134)	(461)	(75)	(1,670)
Total movements through income statement		8,414	3,069	11,351	22,834
Other movements					
Write-offs	3	(9,310)	(9,224)	(15,581)	(34,115)
Other movements	6	–	–	(264)	(264)
Loan loss provision account at 27 February 2021		**8,214**	**10,732**	**17,627**	**36,573**
Reported amounts receivable from customers at 27 February 2021		**40,549**	**9,833**	**3,108**	**53,490**
Reported amounts receivable from customers at 29 February 2020		**51,235**	**17,715**	**3,878**	**72,828**

* References above indicate what each line of the table demonstrates:

(1) New loans issued in the year
(2) Staging movements of new loans issued and existing debt brought forward
(3) Net write-offs per stage
(4) Collections per stage
(5) Revenue per stage
(6) Other movements, including acquisitions
(7) Impairment provision associated with new loans issued in the year
(8) Covid-19 overlay - This was applied to the 2019/20 impairment provision in respect of the impact of Covid-19 on trading activity and in particular, future cash flows as a result of, and a consequence of, the Covid-19 outbreak.

Notes to the Consolidated Financial Statements continued

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16. Trade and other receivables continued

Group	Ref*	Stage 1 £000	Stage 2 £000	Stage 3 £000	2019/20 IFRS 9 Total £000
Gross carrying amount					
At 23 February 2019		58,305	35,190	22,041	115,536
New financial assets originated	1	190,293	5	14	190,312
Net transfers and changes in credit risk:					–
From Stage 1 to Stage 2	2	(51,735)	51,735	–	–
From Stage 1 to Stage 3	2	(18,309)	–	18,309	–
From Stage 2 to Stage 1	2	2,031	(2,031)	–	–
From Stage 2 to Stage 3	2	–	(11,679)	11,679	–
From Stage 3 to Stage 1	2	51	–	(51)	–
From Stage 3 to Stage 2	2	–	1,849	(1,849)	–
Write-offs	3	(6,111)	(7,763)	(18,787)	(32,661)
Collections	4	(242,302)	(44,722)	(7,086)	(294,110)
Revenue	5	121,149	11,930	572	133,651
Other movements	6	6,974	88	1,156	8,218
At 29 February 2020		60,345	34,602	25,999	120,946
Loan loss provision account					
At 23 February 2019		8,179	15,949	18,362	42,490
Movements through income statement:					
New financial assets originated	7	31,747			31,747
Net transfers and changes in credit risk:					
From Stage 1 to Stage 2	2	(19,497)	22,263	–	2,766
From Stage 1 to Stage 3	2	(11,160)	–	14,148	2,988
From Stage 2 to Stage 1	2	401	(447)	–	(46)
From Stage 2 to Stage 3	2	–	(9,826)	9,826	–
From Stage 3 to Stage 1	2	10	–	(11)	(1)
From Stage 3 to Stage 2	2	–	1,142	(1,142)	–
Remeasurements within existing stage	3	2,310	(5,025)	(51)	(2,766)
Covid-19 overlay	8	1,134	461	75	1,670
Total movements through income statement		4,945	8,568	22,845	36,358
Other movements:					
Write-offs	3	(6,111)	(7,763)	(18,787)	(32,661)
Other movements:	6	2,097	133	(299)	1,931
Loan loss provision account at 29 February 2020		9,110	16,887	22,121	48,118
Reported amounts receivable from customers at 29 February 2020		51,235	17,715	3,878	72,828
Reported amounts receivable from customers at 23 February 2019		50,126	19,241	3,679	73,046

* References above indicate what each line of the table demonstrates:

(1) New loans issued in the year
(2) Staging movements of new loans issued and existing debt brought forward
(3) Net write-offs per Stage
(4) Collections per Stage
(5) Revenue per Stage
(6) Other movements, including acquisitions
(7) Impairment provision associated with new loans issued in the year
(8) Covid-19 overlay – This was applied to the 2019/20 impairment provision in respect of the impact of Covid-19 on trading activity and in particular, future cash flows as a result of, and a consequence of, the Covid-19 outbreak.

A breakdown of the gross receivable by internal credit risk rating is shown below:

2020/21

Group credit risk grade	Stage 1 £000	Stage 2 £000	Stage 3 £000	Gross Carrying Value £000
Very good	32,285	8,910	9,407	50,602
Good	14,330	9,833	8,628	32,791
Satisfactory	1,719	1,340	622	3,681
Lower quality	431	481	2,077	2,989
Total	**48,765**	**20,564**	**20,734**	**90,063**

2019/20

Group credit risk grade	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Very good	39,037	13,770	10,861	63,668
Good	18,918	17,492	10,230	46,640
Satisfactory	1,924	2,586	1,426	5,936
Lower quality	467	754	3,481	4,702
Total	60,346	34,602	25,998	120,946

Internal credit risk rating reflects the internal credit risk grade of customers at the year end. The table above illustrates the split of the gross carrying value at the year-end by the latest customer credit scores at the time of issue. Customers are re-scored if they decide to renew.

17. Trade and other payables

	Group		Company	
	27.2.21 £000	29.2.20 £000	27.2.21 £000	29.2.20 £000
Trade creditors	**3,842**	3,331	**2,956**	2,887
Amounts owed to Group undertakings	**–**	–	**1,321**	1,321
Social security and other taxes	**925**	571	**925**	571
Other creditors	**778**	537	**740**	522
Customer complaints provision	**2,012**	–	**2,012**	–
Accrued expenses	**4,494**	2,284	**3,916**	1,328
	12,051	6,723	**11,870**	6,629

18. Bank and other borrowings: amounts falling due after one year

	Group and Company	
	27.2.21 £000	29.2.20 £000
Bank loans	**8,500**	34,000
Unamortised arrangement fees	**(198)**	(162)
	8,302	33,838

In November 2018 the Company signed a £10,000,000 loan facility to bring its total revolving credit facilities to £50,000,000. In addition, the Company also signed a £15,000,000 mezzanine facility, of which £5,000,000 is committed and £10,000,000 is uncommitted.

In April 2020 an extension of the funding arrangement from August 2020 to the end of November 2021 was signed with the incumbent lender consortium, and subsequently further extended to December 2021. The facility limit was reduced from £55m committed to £40m to better match the needs of the business post Covid-19. By reducing this unused headroom and repaying the £5m mezzanine layer, non-utilisation charges for any given level of borrowing will be reduced and therefore so too will the overall cost of funding.

18. Bank and other borrowings: amounts falling due after one year continued

In May 2021 we successfully reached agreement with a new two lender consortium, for a more cost efficient and slightly lower £35m facility, extended to December 2022. The new facility will continue funding our existing HCC products, but crucially, it will unlock funding for our Dot Dot loan products and help the business achieve its immediate strategic objectives.

As anticipated the impact of Covid-19 resulted in reduced lending volumes, a smaller loan book and lower levels of borrowing. In FY21 borrowing peaked at £22.5m in December 2020 (December 2019: £40m). The bank loan is made up of a revolving credit facility held with Shawbrook Bank Limited, a major high street bank and a private equity firm. Under the terms of the loan covenants, the loan book is held as collateral against the funds borrowed. The net carrying value of the loan book at the reporting date was £53,490,135 (2020: £72,827,727).

19. Leases

	Group 27.2.21 £'000	Group 29.2.20 £'000	Company 27.2.21 £'000	Company 29.2.20 £'000
Current	**790**	1,286	**740**	1,228
Non-current	**994**	1,553	**343**	848
	1,784	2,839	**1,083**	2,076

	Other operating leases		Land & buildings		Total	
	Group 27.2.21 £000	Company 27.2.21 £000	Group 27.2.21 £000	Company 27.2.21 £000	Group 27.2.21 £000	Company 27.2.21 £000
Existing:						
Within one year	**686**	**686**	**104**	**54**	**790**	**740**
Between one and five years	**291**	**291**	**335**	**52**	**626**	**343**
In more than five years	**–**	**–**	**368**	**–**	**368**	**–**
	977	**977**	**807**	**106**	**1,784**	**1,083**

	Other operating leases		Land & buildings		Total	
	Group 29.2.20 £'000	Company 29.2.20 £'000	Group 29.2.20 £'000	Company 29.2.20 £'000	Group 29.2.20 £'000	Company 29.2.20 £'000
Existing:						
Within one year	909	909	377	319	1,286	1,228
Between one and five years	575	575	533	267	1,108	842
In more than five years	–	–	445	6	445	6
	1,484	1,484	1,355	592	2,839	2,076

The total cash outflow from leases in the 52 weeks ended 27 February 2021 amounted to £1,851,976 for the Group including short-term lease cash outflows of £12,949. At the end of the period, the Group is also committed to £Nil for short-term leases. Total cash outflows for the Company amounted to £1,685,719.

20. Operating lease commitments

The following lease obligations fall outside of the scope of IFRS 16. The amounts committed to be paid under the terms of these lease agreements are as follows:

	Land & buildings	
Group and Company	27.2.21 £000	29.2.20 £000
Existing:		
Within one year	**35**	158
Between one and five years	**9**	45
	44	203

21. Deferred tax

	Group		Company	
	27.2.21 £000	29.2.20 £000	27.2.21 £000	29.2.20 £000
Fixed asset temporary differences	**(142)**	(165)	**(46)**	(165)
Other temporary differences	**723**	824	**717**	962
Deferred tax asset	**581**	659	**671**	797

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences where the Directors believe it is probable that these assets will be recovered.

	Group £000	Company £000
Balance as at 29 February 2020	659	797
Accelerated capital allowances		
Deferred tax charge in profit and loss account for period – CY	(9)	(31)
Deferred tax charge in profit and loss account for period – PY	99	103
Deferred tax rate change	14	22
Short-term timing differences		
Deferred tax charge in profit and loss account for period – CY	(51)	(72)
Deferred tax charge in profit and loss account for period – PY	-	-
Deferred tax rate change	49	64
Intangibles		
Deferred tax charge in profit and loss account for period – CY	29	(61)
Deferred tax charge in profit and loss account for period – PY	(136)	(90)
Deferred tax rate change	(31)	(17)
Share-based payments		
Deferred tax charge in profit and loss account for period – CY	97	97
Deferred tax charge in profit and loss account for period – PY	-	-
Deferred tax rate change	6	6
Deferred tax charge on share-based payments	(145)	(145)
Balance as at 27 February 2021	**581**	**671**

	Group £000	Company £000
Asset values for which deferred tax has not been recognised in relation to the tax written down value of intangible fixed assets which is not available to deduct against profits until the intangibles are realised	508	508
Asset values for which deferred tax has not been recognised in relation to tax losses carried forward which are available to offset against future taxable profits from the same trade	46	128
Total value of assets on which deferred tax has not been recognised	554	636

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences where the Directors believe it is probable that these assets will be recovered.

22. Called up share capital

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal Value:	27.2.21 £000	29.2.20 £000
129,500,000	Ordinary	£0.01	**1,295**	1,295
292,100	Ordinary	£0.01	**3**	3
1,452,400	Ordinary	£0.01	**14**	14
1,286,095	Ordinary	£0.01	**13**	–
			1,325	1,312

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23. Reserves

Group	Retained earnings £000	Total £000
At 23 February 2019	69,681	69,681
Impact of adoption of IFRS 16	154	154
At 24 February 2019	69,835	69,835
Profit for the period	9,477	9,477
Deferred tax on acquisitions	39	39
Share-based payment charge	155	155
Dividends paid	(10,162)	(10,162)
At 29 February 2020	69,344	69,344
Profit for the period	217	217
Share-based payment charge	1,079	1,079
Dividends paid	(1,312)	(1,312)
At 27 February 2021	**69,328**	**69,328**

Company	Group reconstruction reserve £000	Retained earnings £000	Total £000
At 23 February 2019	(9,276)	79,710	70,434
Impact of adoption of IFRS 16	–	154	154
At 24 February 2019	(9,276)	79,864	70,588
Profit for the period	–	18,705	18,705
Share-based payment charge	–	155	155
Dividends paid	–	(10,162)	(10,162)
At 29 February 2020	(9,276)	88,562	79,286
Profit for the period	–	11,531	11,531
Share-based payment charge	–	1,079	1,079
Dividends paid	–	(1,312)	(1,312)
At 27 February 2021	**(9,276)**	**99,860**	**90,584**

24. 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 pension provider. 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 cost charged of £979,110 (2020: £1,012,918) represents 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 £186,943 (2020: £181,195).

25. Ultimate parent company

The Directors consider there to be no ultimate parent company.

26. 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 27 February 2021 the Company and Group's indebtedness amounted to £8.5m (2020: £34m).

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.

The Group has not disclosed impairment allowance split by risk rating as this split is not used internally by the Group to monitor loan book performance.

(i) Amounts receivable from customers
The Group's maximum exposure to credit risk on amounts receivable from customers as at 27 February 2021 is the carrying value of amounts receivable from customers of £53,490,135 (2020: £72,827,727).

The Company's maximum exposure to credit risk on amounts receivable from customers as at 27 February 2021 is the carrying value of amounts receivable from customers of £47,952,408 (2020: £67,880,532).

Home Collected Credit
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 22 and 53 weeks (2020: between 22 and 52 weeks), with an average value of approximately £396 (2020: £355). The loans are underwritten in the customers' home by an agent following a full affordability assessment and eligibility against credit policy. 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 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 products.

Write off is when a customer has made no payments on their account for 17 weeks and the account is transferred out of field operations to customer support.

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.

During the period, loans to the contractual value of £198,346,704 (2020: £298,061,173) were provided to customers.

Digital
The loans provided by Dot Dot Loans are only available online with applications coming directly through the website or via brokers; c.90% of new customer loans come via broker applications.

Credit risk is managed using a combination of lending policy criteria, credit scoring (including behavioural scoring for returning customers), policy rules, full income and expenditure validation leading to individual lending approval limits. Only 7% of applications received are accepted through the lending rules. There is a central underwriting team who review applications with discrepancies, prior to funding, on approximately 25% of the loans.

Notes to the Consolidated Financial Statements continued
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26. Financial instruments continued

Digital continued
The loans offered to customers are short-term, typically a contractual period of between three months and nine months (2020: between three and nine months), with an average value of approximately £363 (2020: £333). Once a loan has been made, the customer makes monthly repayments.

The primary repayment method is via direct debit, however, repayments can also be made by a card payment or online transfer to the Company.

Write off is when a customer has missed 4 monthly payments and the account is transferred to customer support.

Arrears management is a combination of central letters, central telephony, emails and SMS text messages. This will often involve a phone call to discuss the customer's reasons for non-payment and to agree a suitable resolution. Where customers cannot make the monthly repayments our Collections team may discuss an appropriate payment plan to help ensure the loan repayments are manageable for the customer. We do not charge missed payment or late fees. The Collections team are not paid commission on what they collect.

During the period, loans to the contractual value of £35,339,405 (2020: £27,552,501) were provided to customers.

(ii) Bank counterparties
The Group's maximum exposure to credit risk on bank counterparties as at 27 February 2021 was £8,257,930 (2020: £11,868,037).

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

Counterparty credit risk is managed by the Board of Directors 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 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.

In the year, funding was available through a £40m revolving asset-based credit facility and a separate £5m asset-based mezzanine 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.

Following FY20 year-end, an initial extension to the funding arrangement from August 2020 to the end of November 2021 was signed with the incumbent lender consortium, and subsequently followed up with a further extension to December 2021. The facility limit was reduced from £55m committed to £40m to better match the needs of the business post Covid-19. By reducing this unused headroom and repaying the £5m mezzanine layer, non-utilisation charges for any given level of borrowing will be reduced and therefore so too will the overall cost of funding. Post year end the existing £40m facility has been reduced to a £35m facility, with the inclusion of funding for the digital loan book, with a maturity date of December 2022 (see note 31 on page 137)

Group At 27 February 2021	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	54,795	82	–	–	–	54,877
Other assets	4,927	–	–	–	24,728	29,655
Cash at bank and in hand	8,258	–	–	–	–	8,258
Total assets	67,980	82	–	–	24,728	92,790
Shareholders' funds	–	–	–	–	(70,653)	(70,653)
Other liabilities	(12,841)	(9,296)	–	–	–	(22,137)
Total liabilities and shareholders' funds	(12,841)	(9,296)	–	–	(70,653)	(92,790)
Cumulative position	55,139	45,925	45,925	45,925	–	–

Group At 29 February 2020	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	72,672	657	–	–	–	73,329
Other assets	4,256	–	–	–	24,603	28,859
Cash at bank and in hand	11,868	–	–	–	–	11,868
Total assets	88,796	657	–	–	24,603	114,056
Shareholders' funds	–	–	–	–	(70,656)	(70,656)
Other liabilities	(8,009)	(35,391)	–	–	–	(43,400)
Total liabilities and shareholders' funds	(8,009)	(35,391)	–	–	(70,656)	(114,056)
Cumulative position	80,787	46,053	46,053	46,053	–	–

Company At 27 February 2021	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	**49,339**	**–**	**–**	**–**	**–**	**49,339**
Other assets	**23,900**	**–**	**–**	**–**	**33,309**	**57,209**
Cash at bank and in hand	**6,616**	**–**	**–**	**–**	**–**	**6,616**
Total assets	**79,855**	**–**	**–**	**–**	**33,309**	**113,164**
Shareholders' funds	**–**	**–**	**–**	**–**	**(91,910)**	**(91,910)**
Other liabilities	**(12,610)**	**(8,644)**	**–**	**–**	**–**	**(21,254)**
Total liabilities and shareholders' funds	**(12,610)**	**(8,644)**	**–**	**–**	**(91,910)**	**(113,164)**
Cumulative position	**67,245**	**58,601**	**58,601**	**58,601**	**–**	**–**

Company At 29 February 2020	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	67,794	586	–	–	–	68,380
Other assets	22,159	–	–	–	23,017	45,176
Cash at bank and in hand	9,585	–	–	–	–	9,585
Total assets	99,538	586	–	–	23,017	123,141
Shareholders' funds	–	–	–	–	(80,598)	(80,598)
Other liabilities	(7,857)	(34,686)	–	–	–	(42,543)
Total liabilities and shareholders' funds	(7,857)	(34,686)	–	–	(80,598)	(123,141)
Cumulative position	91,681	57,581	57,581	57,581	–	–

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 or trade and other payables.

The Group is exposed to movements in LIBOR rates on its external borrowings. A 1% movement in the interest rate applied to financial liabilities during 2021 would not have had a material impact on the Group's results for the year.

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26. Financial instruments continued

Capital risk management
The Board of Directors assesses the capital needs of the Group on an ongoing basis and approves all capital transactions ensuring these adhere to the criteria set out in the external loan facility.

The Group's policy is to maintain a strong equity and reserves base so as to maintain investor and market confidence and to sustain future development of the business. Management monitors the return on equity and return on assets and strives to deliver a progressive dividend policy for shareholders.

While the Group was not previously subject to any externally imposed capital requirements, it entered into a new funding arrangement during the period which limited capital expenditure in any given period. The limit of this expenditure is £5m , with an allowance to carry forward any unutilised headroom from the previous period.

The Board of Directors recognises the balance required between maximising shareholder return and maintaining a prudent balance sheet. To this end the Group has a formal gearing policy. The Group defines gearing as Total Debt/Total Equity and has a preferred average level of gearing of less than 1.0.

The Group's gearing at 27 February 2021 was:

	27.2.21 £000	29.2.20 £000
Gross debt	**8,500**	34,000
Equity	**70,653**	70,656
Gearing	**0.12**	0.48

Existing loan facilities are subject to a number of bespoke financial covenants such as interest cover which are monitored internally and submitted on a monthly basis to funders. There were no breaches of any of these covenants in the period to 27 February 2021.

Any changes to existing or adding of new loan facilities requires the approval of the PLC Board.

Fair values of financial assets and liabilities
The Group has adopted the following fair value hierarchy in relation to its financial instruments that are carried in the balance sheet at the fair values at the year end:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices); and
- Level 3 – inputs for the asset or liability not based on observable market data (unobservable inputs).

The fair values of amounts receivable from customers, bank loans and overdrafts and other assets and liabilities are considered to be 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 in accordance with IFRS 13 as follows: Level 1 for cash, Level 2 for borrowings and Level 3 for loan book, normal trade receivables, other payables and lease liabilities.

The following table sets out the carrying value of the Group's financial assets and liabilities in accordance with the categories of financial instruments:

Group At 27 February 2021	Financial assets measured at amortised cost £000	Financial liabilities measured at amortised cost £000	Non-financial assets/ liabilities £000	Total £000
Assets:				
Cash and cash equivalents	8,258	–	–	8,258
Amounts receivable from customers	53,490	–	–	53,490
Trade and other receivables	2,880	–	3,434	6,314
Property, plant and equipment	–	–	734	734
Right-of-use asset	–	–	1,696	1,696
Goodwill	–	–	12,854	12,854
Deferred tax assets	–	–	581	581
Other intangible assets	–	–	8,863	8,863
Total assets	64,628	–	28,162	92,790
Liabilities:				
Bank and other borrowings	–	(8,302)	–	(8,302)
Trade and other payables	–	(4,621)	(5,418)	(10,039)
Customer complaints provision	–	–	(2,012)	(2,012)
Lease liabilities	–	(1,784)	–	(1,784)
Total liabilities	–	(14,707)	(7,430)	(22,137)

Company At 27 February 2021	Financial assets measured at amortised cost £000	Financial liabilities measured at amortised cost £000	Non-financial assets/ liabilities £000	Total £000
Assets:				
Cash and cash equivalents	6,616	–	–	6,616
Amounts receivable from customers	47,952	–	–	47,952
Trade and other receivables	23,033	–	2,254	25,287
Property, plant and equipment	–	–	129	129
Right-of-use asset	–	–	1,113	1,113
Goodwill	–	–	3,293	3,293
Investment in subsidiary	–	–	23,011	23,011
Deferred tax assets	–	–	671	671
Other intangible assets	–	–	5,092	5,092
Total assets	77,601	–	35,563	113,164
Liabilities:				
Bank and other borrowings	–	(8,302)	–	(8,302)
Trade and other payables	–	(5,018)	(4,840)	(9,858)
Customer complaints provision	–	–	(2,012)	(2,012)
Lease liabilities	–	(1,083)	–	(1,083)
Total liabilities	–	(14,403)	(6,852)	(21,255)

Notes to the Consolidated Financial Statements continued

For the 52-week period ended 27 February 2021

26. Financial instruments continued

Fair values of financial assets and liabilities continued

Group At 29 February 2020	Financial assets measured at amortised cost £000	Financial liabilities measured at amortised cost £000	Non-financial assets/ liabilities £000	Total £000
Assets:				
Cash and cash equivalents	11,868	–	–	11,868
Amounts receivable from customers	72,828	–	–	72,828
Trade and other receivables	1,718	–	3,039	4,757
Property, plant and equipment	–	–	818	818
Right-of-use asset	–	–	2,783	2,783
Goodwill	–	–	659	659
Deferred tax assets	–	–	12,981	12,981
Other intangible assets	–	–	7,362	7,362
Total assets	**86,414**	**–**	**27,642**	**114,056**
Liabilities:				
Bank and other borrowings	–	(33,838)	–	(33,838)
Trade and other payables	–	(3,868)	(2,855)	(6,723)
Lease liabilities	–	(2,839)	–	(2,839)
Total liabilities	**–**	**(40,545)**	**(2,855)**	**(43,400)**

Company At 29 February 2020	Financial assets measured at amortised cost £000	Financial liabilities measured at amortised cost £000	Non-financial assets/ liabilities £000	Total £000
Assets:				
Cash and cash equivalents	9,585	–	–	9,585
Amounts receivable from customers	67,880	–	–	67,880
Trade and other receivables	20,865	–	1,795	22,660
Property, plant and equipment	–	–	196	196
Right-of-use asset	–	–	2,113	2,113
Goodwill	–	–	3,293	3,293
Investment in subsidiary	–	–	11,011	11,011
Deferred tax assets	–	–	797	797
Other intangible assets	–	–	5,606	5,606
Total assets	98,330	–	24,811	123,141
Liabilities:				
Bank and other borrowings	–	(33,838)	–	(33,838)
Trade and other payables	–	(4,731)	(1,898)	(6,629)
Lease liabilities	–	(2,076)	–	(2,076)
Deferred tax liabilities	–	–	–	–
Total liabilities	**–**	**(40,645)**	**(1,898)**	**(42,543)**

The tables below show the fair value of financial assets and liabilities not presented at fair value in the balance sheet.

Group	27.2.21 Fair Value £000	27.2.21 Book Value £000	29.2.20 Fair Value £000	29.2.20 Book Value £000
Assets:				
Cash and cash equivalents	**8,258**	**8,258**	11,868	11,868
Amounts receivable from customers	**72,764**	**53,490**	98,857	72,828
Trade and other receivables	**2,880**	**2,880**	1,718	1,718
Total assets	**83,902**	**64,628**	112,443	86,414
Liabilities:				
Bank and other borrowings	**(8,500)**	**(8,302)**	(34,000)	(33,838)
Trade and other payables	**(4,621)**	**(4,621)**	(3,868)	(3,868)
Lease liabilities	**(1,784)**	**(1,784)**	(2,839)	(2,839)
Total liabilities	**(14,905)**	**(14,707)**	(40,707)	(40,545)

Company	27.2.21 Fair Value £000	27.2.21 Book Value £000	29.2.20 Fair Value £000	29.2.20 Book Value £000
Assets:				
Cash and cash equivalents	**6,616**	**6,616**	9,585	9,585
Amounts receivable from customers	**64,195**	**47,952**	91,338	67,880
Trade and other receivables	**23,033**	**23,033**	20,865	20,865
Total assets	**93,844**	**77,601**	121,788	98,330
Liabilities:				
Bank and other borrowings	**(8,500)**	**(8,302)**	(34,000)	(33,838)
Trade and other payables	**(5,018)**	**(5,018)**	(4,731)	(4,731)
Lease liabilities	**(1,083)**	**(1,083)**	(2,076)	(2,076)
Total liabilities	**(14,601)**	**(14,403)**	(40,807)	(40,645)

Key considerations in the calculation of fair values of those financial assets and liabilities not presented at fair value in the balance sheet are set out below. Where there is no significant difference between carrying value and fair value no additional information has been presented. Fair value of amounts receivable from customers has been derived by discounting expected future cash flows (net of collection costs) at the credit risk-adjusted discount rate at the balance sheet date. They are categorised within Level 3 as the expected future cash flows and discount rate are deemed to be significant unobservable inputs.

26. Financial instruments continued

Fair values of financial assets and liabilities continued

Group At 27 February 2021	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	–	**3,842**	–	–	–	**3,842**
Tax liabilities	–	–	–	–	–	–
Accruals and deferred income	–	**6,197**	–	–	–	**6,197**
Customer complaints provision	–	**2,012**	–	–	–	**2,012**
Bank loans	–	–	–	**8,302**	–	**8,302**
Lease liabilities	–	**790**	**284**	**342**	**368**	**1,784**
At 27 February 2021	–	**12,841**	**284**	**8,644**	**368**	**22,137**

Company At 27 February 2021	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	–	**2,956**	–	–	–	**2,956**
Tax liabilities	–	–	–	–	–	–
Accruals and deferred income	–	**6,902**	–	–	–	**6,902**
Customer complaints provision	–	**2,012**	–	–	–	**2,012**
Bank loans	–	–	–	**8,302**	–	**8,302**
Lease liabilities	–	**740**	**227**	**116**	–	**1,083**
At 27 February 2021	–	**12,610**	**227**	**8,418**	–	**21,255**

Group At 29 February 2020	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	–	3,331	–	–	–	3,331
Tax liabilities	–	–	–	–	–	–
Accruals and deferred income	–	3,392	–	–	–	3,392
Bank loans	–	–	–	33,838	–	33,838
Lease liabilities	–	1,286	721	387	445	2,839
At 29 February 2020	–	8,009	721	34,225	445	43,400

Company At 27 February 2020	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	–	2,887	–	–	–	2,887
Tax liabilities	–	–	–	–	–	–
Accruals and deferred income	–	3,742	–	–	–	3,742
Bank loans	–	–	–	33,838	–	33,838
Lease liabilities	–	1,228	671	170	7	2,076
At 29 February 2020	–	7,857	671	34,008	7	42,543

The table below summarises the movement in contingent consideration.

	Group		Company	
Contingent consideration	**27.2.21 £000**	29.2.20 £000	**27.2.21 £000**	29.2.20 £000
As at 29 February 2020	**–**	–	**–**	–
Contingent consideration arising on acquisitions	**–**	6,482	**–**	–
Unwind of discount on contingent consideration	**–**	509	**–**	–
Paid	**–**	(4,491)	**–**	–
Written off	**–**	(2,500)	**–**	–
As at 27 February 2021	**–**	–	**–**	–

27. Share-based payments

The Deferred Share Plan (DSP) – Senior Management Team
The Company introduced this share option plan on 26 April 2016 with 1,002,310 share options being issued under the plan on admission to AIM (Admission). A second share option plan was granted on 5 May 2017 when 989,700 share options were issued, and a third share option plan granted on 5 May 2018 when 964,100 share options were issued. No shares were awarded for 2019/20 since the TSR performance conditions were not met. Subsequent share options are granted to Executive Directors and senior managers on a rolling annual basis at the discretion of the Remuneration Committee.

During the period covered by this report, share options were issued as follows:

Grant date	Share options issued
28 January 2021	1,100,252

January 2021 was the earliest month in which awards could be made in an open period for share dealing, following the announcement of the Group's FY20 annual results. The performance period started on 21 May 2020.

Share awards are subject to performance conditions which are: delivery of total shareholder return, targeted profits, compliance training, and individual executive performance. The first of these conditions assessing the Company's absolute total shareholder return (TSR), over a twelve-month period. 25% of the award will vest for an increase in TSR of 7.5%, rising on a straight-line basis to 100% vesting for 12.6% 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 share awards will also be subject to the satisfaction of further performance conditions measured up to the end of the financial year ending February 2022. In order for these Awards to vest, the Company will have to achieve the targeted level of profit before tax for the financial year ending in February 2021. 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 2023:
- the Company's internal and external audits and compliance training delivery have been satisfactory;
- the Company has 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 2022 and 2023 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% of salary in respect of any financial year.

As of the balance sheet date, the estimated market value of each share option granted is £0.63 (2020: £1.08). This has resulted in a charge to the profit or loss account of £847,654 (2020: £156,594) during the year.

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	5 May 2017	5 May 2018	5 May 2019	1 July 2019	22 July 2019	1 Sept 2019	28 Jan 2021
Expected volatility	26%	45%	30%	30%	31%	33%	35%	90%
Expected term	1	1	1	1	0.83	0.75	0.67	0.42
Risk-free rate	0.34%	0.34%	0.34%	1.05%	0.88%	0.88%	0.88%	0.80%
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%

Notes to the Consolidated Financial Statements continued
For the 52-week period ended 27 February 2021

27. Share-based payments continued

The Deferred Share Plan (DSP) – Senior Management Team continued
Expected volatility is calculated based on movements in the Company's share price in the 12 months preceding the grant date. In prior years this was based on the volatility in the share prices for the Company's peer group due to the lack of historical data in relation to the Company's own share price.

	Number	Weighted Average Exercise Price (£)
Outstanding at 29 February 2020	1,302,533	–
Awarded/granted	1,751,519	–
Lapsed	–	–
Exercised	(989,700)	–
Outstanding at 27 February 2021	**2,064,352**	**–**
Exercisable as at 27 February 2021	**–**	**–**

For the share options outstanding at 27 February 2021, the weighted average remaining contractual life is 8.3 years (2020: 8.1 years).

All options are expected to be equity settled. The estimated amount to be transferred to the tax authority to settle the employers' tax obligations is £176,910.

The Share Option Plan (SOP) – Employees
On 19 October 2017 the Company introduced its first share option plan that entitles employees to purchase shares in the Company at an exercise price of £0.01 per share. 238,097 share options were issued under the plan.

The fair value of the employee share options has been measured using the Black-Scholes valuation method. Service and non-market performance conditions were not taken into account in measuring fair value.

As of the balance sheet date, the estimated market value of each share option granted is £0.63 (2020: £1.08). This has resulted in a charge to the profit or loss account of £37,650 (2020: £77,549) during the year.

The market value of the shares at the grant date is calculated using the Black-Scholes valuation method. The assumptions used in the calculation are set out below:

	SOP		
Grant date	19 October 2017	5 December 2018	5 December 2019
Expected volatility	40%	40%	36%
Expected term	1	1	1
Risk-free rate	0.75%	0.68%	0.98%
Dividend yield	4.75%	5.21%	6.14%

Expected volatility is calculated based on movements in the Company's share price in the 12 months preceding the grant date.

	Number	Weighted Average Exercise Price (£)
Outstanding at 29 February 2020	245,797	0.01
Awarded/granted	–	0.01
Lapsed	(21,341)	0.01
Exercised	(90,387)	0.01
Outstanding at 27 February 2021	**134,069**	**0.01**
Exercisable as at 27 February 2021	**–**	**–**

For the share options outstanding at 27 February 2021, the weighted average remaining contractual life is 7.2 years. (2020: 7.9 years).

All options are expected to be equity settled. The estimated amount to be transferred to the tax authority to settle the employers' tax obligations is £11,489.

Share Incentive Plan (SIP) – Employees

On 5 December 2018 the Company introduced an approved share incentive scheme (SIP) for all employees and issued 292,122 Ordinary Shares with a nominal value of £0.01. The shares are held by an independent trust for the duration of the holding period and subsequent share options are granted to employees on a rolling annual basis at the discretion of the Remuneration Committee and subject to the Company's profit performance in the previous financial year.

The fair value of the employee share options has been measured using a Black-Scholes option pricing model. Service and non-market performance conditions were not taken into account in measuring fair value.

As at the balance sheet date, the estimated market value of each share option granted is £0.63 (2020: £1.08). This has resulted in a charge to the profit or loss account of £238,048 (2020: £100,375) during the period.

	SIP	
Grant date	5 December 2018	5 December 2019
Expected volatility	41%	36%
Expected term	1	1
Risk-free rate	0.68%	0.98%
Dividend yield	0%	6.14%

As there are no market-based performance conditions attached to this scheme the expected volatility is deemed to be neutral.

	Number	Weighted Average Exercise Price (£)
Outstanding at 29 February 2020	554,973	–
Awarded/granted	–	–
Lapsed	(18,952)	–
Outstanding at 27 February 2021	**536,021**	**–**
Exercisable as at 27 February 2021	**–**	**–**

For the share options outstanding at 27 February 2021, the weighted average remaining contractual life is 8.3 years (2020: 9.3 years).

All options are expected to be equity settled. The estimated amount to be transferred to the tax authority to settle the employers' tax obligations is £41,521.

Notes to the Consolidated Financial Statements continued
For the 52-week period ended 27 February 2021

28. Related party transactions

Hay Wain Holdings Limited (formerly FCAP Four Limited) is the immediate parent undertaking of Hay Wain Group Limited.

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

	Dividends Received/ (Paid) £000	Interest Recharge £000	Professional Fees Recharged £000
52 weeks ended 27 February 2021			
Hay Wain Holdings Limited	**–**	**–**	**–**
Hay Wain Group Limited	**(477)**	**–**	**–**
Shopacheck Financial Services Limited	**–**	**–**	**–**
Shelby Finance Limited	**–**	**1,544**	**–**
	(477)	**1,544**	**–**
53 weeks ended 29 February 2020			
Hay Wain Holdings Limited	–	–	–
Hay Wain Group Limited	(3,719)	–	–
Shopacheck Financial Services Limited	–	–	–
Shelby Finance Limited	–	1,055	–
	(3,719)	1,055	–

At the period end the following balances were outstanding:

	27.2.21 £000	29.2.20 £000
Hay Wain Holdings Limited	**–**	–
Hay Wain Group Limited	**–**	–
Shopacheck Financial Services Limited	**(1,321)**	(1,321)
Shelby Finance Limited	**21,773**	20,448
Amounts owed from/(to) related parties	**20,452**	19,127

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

29. Provisions

Group	Customer Complaints £'000	Other £'000	Total £'000
At 29 February 2020	–	–	–
Additional Provisions in the year	2,012	–	2,012
At 27 February 2021	**2,012**	**–**	**2,012**

Group	27.2.21 £'000	29.2.20 £'000
Analysed as:		
Current liabilities	**2,012**	–
Non-current liabilities	**–**	–
	2,012	–

Complaints provision
The complaints provision represents management's best estimate of the group's liability in regard to outstanding customer complaints that remained unresolved as at the balance sheet date. In estimating the provision, management have incorporated historical company information for the average percentage of complaints which are upheld, and the average value of compensation claims paid out. The provision represents the present value of management's best estimate of the future outflow of cash required to settle the complaints and FOS fees in full. The full provision is recorded in the accounts of Morses Club PLC.

30. Contingent Liabilities

The non-standard lending sector has continued to experience the impact of CMC's and high-profile publicity campaigners promoting the potential for customers to claim redress from their lenders. As a result, the number of complaints in regards to irresponsible lending and referrals to FOS has risen significantly across the sector. Although proportionately lower than other lenders in the home credit sector, the Group has experienced an increase in complaints and FOS referrals during the period. The Group has recognised a provision for the cost of fully settling complaints and FOS fees in relation to outstanding complaints at the balance sheet date. However, should the final outcome of these complaints differ materially to management's best estimates, the cost could be higher than expected. It is however not possible to estimate this increase reliably.

31. Post balance sheet events

In May 2021, the Group agreed a new loan facility with a consortium of two lenders, which secured funding for our HCC and digital products through to December 2022. This was at a reduced commitment level of £35m, all in the RCF, compared to the £40m funding commitment previously in place until December 2021.

ALTERNATIVE PERFORMANCE MEASURES

This Annual Report and Financial Statements provides alternative performance measures (APMs) which are not defined or specified under the requirements of International Financial Reporting Standards. We believe these APMs provide readers with important additional information on our business. To support this, we have included a reconciliation of the APMs we use where relevant and a glossary indicating the APMs that we use, an explanation of how they are calculated and why we use them.

APM	Closest Statutory Measure	Definition and Purpose
Income statement measures		
Impairment as % of Revenue (%)	None	Impairment as a percentage of revenue is reported impairment divided by reported revenue and represents a measure of credit quality that is used across the business and within the sector.
Agent Commission as % of Revenue (%)	None	Agent commission, which is included in cost of sales, divided by reported revenue. This calculation is used to measure operational efficiency and the proportion of income generated which is paid to agents.
Cost/Income Ratio or Operating Cost Ratio (%)	None	The cost/income ratio is cost of sales and administration expenses, excluding exceptional items, finance costs and amortisation divided by reported revenue. This is used as another efficiency measure of the Company's cost base.
Credit Issued (£m)	None	Credit issued is the principal value of loans advanced to customers and is an important measure of the level of lending in the business.
Sales Growth (%)	None	Sales growth is the period-on-period change in credit issued.
Gross Profit before Covid-19 adjustment	Profit Before Tax	Gross Profit per the Income statement adjusted for the Covid-19 overlay. This is used to provide a measure of gross profit before the impact of Covid-19.
Statutory Profit Before Tax before Covid-19 adjustment	Profit Before Tax	Profit Before Tax per the Income statement adjusted for the Covid-19 overlay. This is used to provide a measure of business performance before the impact of Covid-19.
Normalised Adjusted Profit Before Tax (£m)	Profit Before Tax	Profit Before Tax per the Income statement adjusted for the Covid-19 impairment, exceptional items, non-recurring costs and amortisation of goodwill and acquisition intangibles. This is used to measure ongoing business performance.
Adjusted Profit Before Tax (£m)	Profit Before Tax	Profit before tax per the income statement adjusted for exceptional items, non-recurring costs and amortisation of goodwill and acquisition intangibles. This is used to measure ongoing business performance.
Adjusted Profit Before Tax (underlying HCC)	Profit Before Tax	Profit before tax per the income statement adjusted for exceptional items, non-recurring costs and amortisation of goodwill and acquisition intangibles, territory build subsidies and losses of Digital CGU.
Normalised Earnings Per Share	Earnings Per Share	Normalised Adjusted Profit After Tax divided by the weighted average number of shares. This gives a better reflection of underlying earnings generated for shareholders.
Adjusted Earnings Per Share	Earnings Per Share	Adjusted profit after tax divided by the weighted average number of shares. This gives a better reflection of underlying earnings generated for shareholders.

Reconciliation of statutory profit before tax to adjusted profit before tax and explanation of adjusted EPS

	FY21			FY20		
£'m (unless otherwise stated)	HCC	Digital	Total	HCC	Digital	Total
Statutory Profit Before Tax	**11.8**	**(11.3)**	**0.5**	**21.2**	**(9.7)**	**11.5**
Covid-19 adjustment to impairment	–	–	–	1.7	–	1.7
Statutory Profit Before Tax before Covid-19 adjustment	**11.8**	**(11.3)**	**0.5**	**22.9**	**(9.7)**	**13.2**
Acquisition, restructuring and non-recurring costs	2.9	2.4	5.3	0.9	2.6	3.5
Exceptional gain[2]	–	–	–	–	(2.3)	(2.3)
Amortisation of acquisition intangibles[3]	0.3	–	0.3	0.8	0.4	1.2
Normalised Adjusted Profit Before Tax[1]	**15.0**	**(8.9)**	**6.1**	**24.5**	**(9.0)**	**15.5**
Covid-19 adjustment to impairment	–	–	–	(1.7)	–	(1.7)
Adjusted Profit Before Tax[1]	**15.0**	**(8.9)**	**6.1**	**22.8**	**(9.0)**	**13.8**
Tax on Adjusted Profit Before Tax	(0.8)	(0.2)	(1.0)	(2.4)	(0.4)	(2.8)
Adjusted Profit After Tax	**14.2**	**(9.1)**	**5.1**	**20.4**	**(9.4)**	**11.0**
Statutory EPS[1]			0.2p			7.3p
Normalised EPS[1]			3.9p			9.5p
Adjusted EPS[1]			3.9p			8.4p
Statutory Return on Assets[1]	22.0%		**0.3%**	27.5%		**12.8%**
Normalised Return on Assets[1]	27.2%		**8.9%**	31.1%		**16.6%**
Adjusted Return on Assets[1]	27.2%		**8.9%**	29.3%		**14.8%**
Statutory Return on Equity[1]	18.5%		**0.4%**	30.1%		**17.2%**
Normalised Return on Equity[1]	22.8%		**10.3%**	34.1%		**22.3%**
Adjusted Return on Equity[1]	22.8%		**10.3%**	32.1%		**19.9%**

1 Definitions are set out in the Glossary of Alternative Performance Measures on Pages 138 to 141 of the Annual Report and Accounts.
2 Release of contingent consideration in relation to the U Holdings Limited acquisition.
3 Amortisation of acquired customer lists and agent networks.

	52 weeks ended 27.2.21 £000	53 weeks ended 29.2.20 £000
Adjusted basic earnings per share		
Basic earnings	**217**	9,477
Amortisation of acquisition intangibles	**345**	1,222
Non-recurring (income)/costs	**5,339**	2,822
Tax effect of the above	**(799)**	(1,180)
Adjusted earnings	**5,102**	10,989
Covid-19 adjustments to impairment	**-**	**(1,669)**
Tax effect of the above	**-**	317)
Adjusted earnings	**5,102**	10,989
Weighted average number of shares for the purposes of basic earnings per share ('000s)	**131,383**	130,531
Normalised adjusted earnings per share amount (pence)	**3.9p**	9.5p
Adjusted earnings per share amount (pence)	**3.9p**	8.4p

Notes to the Consolidated Financial Statements continued

For the 52-week period ended 27 February 2021

ALTERNATIVE PERFORMANCE MEASURES continued

APM	Closest Statutory Measure	Definition and Purpose
Balance sheet and returns measures		
Tangible Equity (£m)	Equity	Net assets less intangible assets less acquisition intangibles.
Normalised Return on Equity (%)	None	Calculated as normalised adjusted profit after tax divided by rolling 12-month average of tangible equity. This calculation has been adjusted to an IFRS 9 basis. It is used as a measure of overall shareholder returns adjusted for exceptional items. This is presented within the annual report as the Directors believe they are more representative of the underlying operations of the business.
Adjusted Return on Equity (%)	None	Calculated as adjusted profit after tax divided by rolling 12-month average of tangible equity. This calculation has been adjusted to an IFRS 9 basis. It is used as a measure of overall shareholder returns adjusted for exceptional items. This is presented within the annual report as the Directors believe they are more representative of the underlying operations of the business.
Normalised Return on Assets (%)	None	Calculated as normalised adjusted profit after tax divided by 12-month average Net Loan Book. This calculation has been adjusted to an IFRS 9 basis. It is used as a measure of profitability generated from the loan book. Net Loan Book is Amounts owing from customers less provisions for deferred income and impairments. This is presented within the annual report as the Directors believe they are more representative of the underlying operations of the business.
Adjusted Return on Assets (%)	None	Calculated as adjusted profit after tax divided by 12-month average net loan book. This calculation has been adjusted to an IFRS 9 basis. It is used as a measure of profitability generated from the loan book. Net loan book is amounts owing from customers less provisions for deferred income and impairments. This is presented within the annual report as the Directors believe they are more representative of the underlying operations of the business.
Tangible Equity/Average Receivables Ratio (%)	None	Net Assets less intangible assets less acquisition intangibles divided by 12-month average receivables. This calculation has been adjusted to an IFRS 9 basis.

Adjusted return on assets and adjusted return on equity

£'m	52 weeks ended 27.2.21 FY21	53 weeks ended 29.2.20 FY20
Normalised Adjusted Profit After Tax (Rolling 12 months)	**5.1**	12.3
Adjusted profit after tax (rolling 12 months)	**5.1**	11.0
12-month average net loan book	**57.5**	74.3
Normalised adjusted return on assets	**8.87%**	16.61%
Adjusted return on assets	**8.87%**	14.79%
12-month average equity	**48.1**	55.3
Normalised adjusted return on equity	**10.29%**	22.32%
Adjusted return on equity	**10.29%**	19.87%

APM	Closest Statutory Measure	Definition and Purpose
Other measures		
Customers	None	Customers who have an active loan and from whom we have received a payment of at least £3 in the last 17 weeks.
Agents	None	Agents are self-employed individuals who represent the Group's subsidiaries and are engaged under an agency agreement.
Cash from Operations (excluding investment in loan book) (£m)	Cash from Operations	Cash from operations (excluding investment in the loan book) is cash from operations excluding the growth in the loan book due to either acquisition or movement in the net receivable otherwise.
Adjusted Net Margin	None	Adjusted profit before tax (which excludes amortisation of intangibles on acquisitions, the one-off costs of the IPO and other non-operating costs) divided by reported revenue. This is used to measure overall efficiency and profitability.
Cash from Funding (£m)	None	Cash from funding is the increase/(decrease) in the bank loan balance.