24 November 2022

Morses Club PLC
Interim results for the 26 weeks ended 27 August 2022

Morses Club PLC ("the Company" or "the Group"), an established provider of non-standard credit services, announces its interim results for the 26 weeks ended 27 August 2022.

- The Company is working with key stakeholders to pursue a potential Scheme of Arrangement to deal with the ongoing liability of customer redress claims
- The Company has continued to pause the processing of all new unaffordable lending claims effective from 11 August 2022. Without this pause, it is the Directors' belief that the Group could suffer serious liquidity issues and cease to be a going concern
- A Customer Committee has been set-up and Jamie Drummond-Smith appointed as Chair
- Morses Club is working with funders, who remain supportive, to secure further funding in line with the business plan. The Group's current facility of £25m is in place until 31 March 2023. Discussions continue regarding two covenants within the facility, which remain deferred, along with the extension of the term-out clause beyond the current date of January 2023. This term-out clause is pre-existing and essentially provides assurance to the funders of the repayment of the facility within the last 6 months of the agreed term
- The quantum of the redress claims liability and timing of settlement, as well as the extension or deferral of the term out clause and availability of funding beyond 31 March 2023, create a material uncertainty that may cast significant doubt about the Group's and Company's ability to continue as a going concern
- The Directors believe that should, for any reason, the approval for the Scheme of Arrangement not be concluded, the Company could no longer continue as a going concern and would have to seek the necessary protection from insolvency, which would lead to a materially worse outcome for customers

Operational Highlights:

- Continued deep commitment to providing credit to under-served customers
- Ernst & Young have been engaged to secure funders for the medium-term to support growth targets
- Home Collected Credit ("HCC") division strategy review resulted in removal of the self-employed agent role and introduction of a new employed role of Customer Support Associate
- Total Group customer numbers: 141,000 (H1 FY22: 196,000)
- 69% (H1 FY22: 65%) of all HCC lending is cashless with 89% (H1 FY22: 86%) of collections now being made remotely
- Customer satisfaction maintained at 95% for HCC division and 94% for Dot Dot Loans ("DDL")

H1 FY23 Financial Highlights:

- **Group**
    - Revenue decreased by 17.6% to £43.2m (H1 FY22: £52.4m)
    - Total credit issued to all customers decreased by 42.0% to £45.1m (H1 FY22: £77.8m)
    - Net loan book is £37.7m, a decrease of 37.5% (H1 FY22: £60.3m)

- Statutory loss before tax of £20.8m (H1 FY22: Statutory profit before tax of £1.8m)
- Statutory loss before tax includes goodwill impairment of £9.4m relating to U Holdings Ltd
- Adjusted loss before tax[1] of £9.1m (H1 FY22: Adjusted profit before tax[1] of £2.6m)
- Balance Sheet includes a £40.0m complaints liability provision

- **HCC**
  - Revenue decreased by 10.4% to £34.6m (H1 FY22: £38.6m)
  - Total credit issued of £34.9m (H1 FY22: £53.1m)
  - Adjusted HCC loss before tax[1] of £7.0m, a decrease of 195.9%, (Adjusted profit before tax H1 FY22: £7.3m), due to the increase in complaints in the period
  - Statutory HCC loss before tax of £9.3m, (H1 FY22: Statutory profit before tax £6.5m)
  - Impairment (as a percentage of revenue) is at 15.3% which is below the Company guidance range of 21% to 26%

- **Digital**
  - Revenue decreased by 37.7% to £8.6m (H1 FY22: £13.8m)
  - Credit issued of £10.2m (H1 FY22: £24.8m)
  - Gross loan book decreased by 59.6% to £13.8m (H1 FY22: £34.2m)
  - 55.3% improvement in Adjusted loss before tax[1] of £2.1m from (H1 FY22: £4.7m)
  - Statutory Digital loss before tax of £11.5m (H1 FY22: £4.7m)

1. Definitions are set out in the Glossary of Alternative Performance Measures on page 39

Alternative Performance Measures & Key Performance Indicators

Key performance indicators	**26-week period ended 27 August 2022**	26-week period ended 28 August 2021	% +/(-)
Revenue	**£43.2m**	£52.4m	(17.6%)
Net Loan Book	**£37.7m**	£60.3m	(37.5%)
Adjusted (Loss)/Profit Before Tax[1]	**(£9.1m)**	£2.6m	(450.0%)
Statutory (Loss)/Profit Before Tax	**(£20.8m)**	£1.8m	(1255.6%)
Adjusted (loss)/earnings per share[1]	**(5.4p)**	1.6p	(437.5%)
Statutory (loss)/earnings per share	**(12.4p)**	1.1p	(1227.3%)
Cost / Income ratio	**97.2%**	61.6%	57.8%
Return on Assets	**(97.2%)**	2.0%	(4960.0%)
Adjusted Return on Assets[1]	**(15.8%)**	9.3%	(269.9%)
Return on Equity	**(225.9%)**	2.2%	(10368.2%)
Adjusted Return on Equity[1]	**(36.8%)**	10.6%	(447.2%)
Tangible Equity / average receivables[1]	**43.0%**	87.8%	(51.0%)
No of customers (000's)	**141**	196	(28.1%)
Number of agents	**996**	1,163	(14.4%)
Credit Issued	**£45.1m**	£77.8m	(42.0%)
Impairment as % of Revenue[1]	**21.1%**	31.5%	(33.0%)

1. Definitions are set out in the Glossary of Alternative Performance Measures on page 39

Gary Marshall, Chief Executive Officer of Morses Club, commented:

"We continue to face the ongoing challenge of customer redress claims, the processing of which has been paused since 11 August 2022. We are working tirelessly to deliver the detail behind a potential Scheme of Arrangement and remain deeply committed to the sector."

"We are focused on securing the future of the Group and are reshaping the business to help the Company move forward from the challenges it currently faces. We continue our discussions with the Financial Conduct Authority ("FCA") to progress on a potential Scheme of Arrangement. Any potential Scheme of Arrangement would remove the uncertainty of continued redress claims and remove the risk of ongoing liabilities with regard to volatility in the level of complaints. I remain confident that we can work through this in a constructive way, as it is vital that our customer demographic continues to be served by a provider which understands the market and operates in a socially conscious way."

"We are the only HCC lender of scale in the UK. With our commitment to the sector and our core expertise in serving customers in this market, we are determined to deliver to our customers despite the ongoing challenges we face without the Scheme of Arrangement."

"Constrained lending has impacted profitability for the period and will continue to do so into H2 FY23. The underlying operational performance of our credit business remained stable and consistent throughout the period. Due to cash constraints, lending has been restricted in the digital lending division, Shelby Finance, where the ongoing quality of the lending has remained a key focus. Overall, the adjusted loss before tax for the division has reduced by 55%."

Presentation of Interim Financial Statements

The presentation of the Interim Financial Statements will be available on Morses Club's investor website at 9am today. https://www.morsesclubplc.com/investors/

Forward looking statements

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". By their nature, forward-looking statements involve known and unknown risks and uncertainties since they relate to future events and circumstances. Actual results may, and often do, differ materially from any forward-looking statements.

Any forward-looking statements in this announcement reflect Morses Club's view with respect to future events as at the date of this announcement. Save as required by law or by the AIM Rules for Companies, Morses Club undertakes no obligation to publicly revise any forward-looking statements in this announcement following any change in its expectations or to reflect events or circumstances after the date of this announcement.

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Notes to Editors

About Morses Club

Morses Club is an established provider of non-standard financial services in the UK. The Group consists of Morses Club, the UK's largest home collected credit ("HCC") provider[1], and Shelby Finance Limited, Morses Club's Digital division, which operates under the online brand Dot Dot Loans, an online lending provider. The Group's growing Digital capabilities and scalable, highly invested IT platform has enabled Morses Club to deliver a broad range of lending products and services to the non-standard credit market.

UK HCC is considered to be a specialised segment of the broader UK non-standard credit market. UK HCC loans are typically small, unsecured cash loans delivered directly to customers' homes.

Morses Club's HCC division is the largest UK Home Collected Credit (HCC) lender[1] with 116,000 customers throughout the UK. The HCC division enjoys consistently high customer satisfaction scores of 95%[2]. In 2019 the Company introduced an online customer portal for its HCC customers, which now has over 95,000 registered customers which is 82% of HCC customers.

The Group's Digital division, Shelby Finance, operates under the online brand Dot Dot Loans providing online instalment loans of up to 48 months to c. 25,000 active customers.

Morses Club listed on AIM in May 2016.

About the UK non-standard credit market

The UK non-standard credit market, of which UK HCC is a subset, consists of both secured and unsecured lending and is estimated to comprise around 10 million consumers[3] and total loan receivables of £9.6bn[4].

Non-standard credit is the provision of secured and unsecured credit to consumers other than through mainstream lenders. Lenders providing non-standard credit principally lend on an unsecured basis and the market is characterised by high frequency borrowing. Approximately 2 million people move annually between standard and non-standard markets[4].

Since February 2014, unsecured personal lending has grown from £161 billion to £225 billion in February 2020. It has since contracted to £197 billion in August 2021[5].

1 Based on Net Loan Book of £30.2m as at 27 August 2022
2 Independent Customer Satisfaction Survey conducted by Mustard
3 FCA High Cost Credit Review Technical Annex 1: CRA data analysis of UK personal debt - July 2017
4 Apex Insight - Non-Prime Consumer Credit: UK Market Insight Report – December 2020
5 Table A5.2, Bank of England Money and Credit Bank stats August 2021

Company Update

Complaints liability
In February 2022, the Group announced that its profitability in FY22 would be impacted by the level of unaffordable lending claims received. This followed significant claims management company activity, from which a discernible trend has emerged on the cases being upheld by the Financial Ombudsman Service which could be applied retrospectively.

On 21 June 2022, the Group announced a further increase in complaints submitted by claims management companies with the associated costs of complaint volumes likely to adversely impact on the trading performance of the first half of FY23. On 20 July 2022, the Directors confirmed that, due to the emerging position relating to complaints, a significant complaints liability was expected to be recognised in the FY22 accounts, with £42.6m being recognised as an exceptional item. Subsequently, the Company has been working with a skilled person to update its methodology concerning the complaints liability and, as this work has not concluded to date, this represents management's considered view. Following the Company announcement on 20 July regarding the potential Scheme of Arrangement, the Group experienced a higher level of unaffordable lending claims in the HCC division, which led the Group to seek a pause on the processing of claims, which was announced as effective from 11 August 2022. Without this pause, it is the Directors' belief that the Group could suffer serious liquidity issues and cease to be a going concern.

The Directors accept there is a liability in relation to customer redress claims for unaffordable lending against the Company (Redress Claims) at the balance sheet date, however there is significant uncertainty of the total liability which will be paid. This is due to the fact that the methodology for assessing the population of claims is yet to be agreed, and the level of subsequent customers who may claim against that methodology not yet being known.

The rise in complaints volumes prompted a review of the root cause of complaints received which led to a review of historic lending using the date of transfer of consumer credit regulation to the Financial Conduct Authority ("FCA") as a guide timeline. This review, which has incorporated third party advice, identified a potential gross redress owed to customers of £112m, though this is yet to be agreed with the FCA and further review of this amount will be required. There is therefore significant uncertainty regarding the exact quantum of the gross redress.

Of this gross redress it is not known what percentage of customers will claim. The Directors have taken third party advice and reviewed payments made by other lenders against complaints claim liabilities and have estimated a 40% take-up rate. However, there is significant uncertainty in respect of this estimate.

The Directors have applied the take-up rate to the gross redress amount, the impacts of which are recognised in the FY22 Income Statement of an exceptional item totalling £42.6m. Of this, £3.5m related to amounts which are expected to be set off against existing customer balances, and, is therefore included as write-off against the loan book. The remaining £39.1m related to the net present value (NPV) of the Redress Claims liability estimated to be paid to customers. A further £0.9m has been recognised in the Interim accounts in relation to the revised NPV of the estimated future cash outflows as at H1 FY23 in respect of the redress liability, bringing the current NPV value up to £40.0m (FY22: £39.1m). The cost of administering payments to customers has been excluded from this liability and will be incurred in FY23 and beyond.

Funding
The Group's current facility is in place until 31 March 2023, supported by a funding consortium of two existing providers. Discussions are on-going with the current lenders and other potential lenders regarding future facility options. We draw attention to note 1 in the financial statements, which indicates that the Group's current facility of £25m expires on 31 March 2023. Discussions also continue with the current lenders regarding the covenants within the facility, which has resulted in a reduction of the facility from £35m to £25m in September 2022 and the deferral of the term-out clause to the end of January 2023. This clause would place restrictions on the ability of the Group to issue new loans and the facility's possible extension. This term-out clause is pre-existing and essentially provides assurance to the funders of the repayment of the facility within the last 6 months of the agreed term. In practice, this has the effect of converting the rolling credit facility to a term loan. This would mean that any subsequent collections made on the loan book, would be ringfenced to pay down the facility, less any operational costs the business has. Therefore, it would place restrictions on the business with regard to the issue of new loans.

The funders have agreed to the temporary deferral of the testing of two covenants which are linked to profitability and, if tested, are likely to fall outside of covenant range. There has been no breach, nor waiver of covenants to date.

The Board recognises that as the current funding facility is in place for less than 6 months following the date of signing the Financial Statements, there is material uncertainty in relation to going concern regarding secured funding. The Company has engaged Ernst & Young to help secure alternative medium-term funding.

Potential implementation of a Scheme
As previously announced, the increase in the level of claims has resulted in the Board deciding to pursue the potential use of a Scheme of Arrangement under Part 26 of the Companies Act 2006 (the Scheme) for dealing with Redress Claims. A key objective of a potential Scheme would be to treat all customers equitably and settle eligible Redress Claims over a period to be defined. The Directors believe that a successful Scheme would provide more certainty in respect of the total liability for Redress Claims and help to secure the long-term viability of the Group. The Directors believe that should, for any reason, the approval for the Scheme of Arrangement not be concluded, the Company could no longer continue as a going concern and would have to seek the necessary protection from insolvency, which would lead to a materially worse outcome for customers.

The Company has provided the FCA with its proposals and is continuing to engage with them regarding a potential Scheme and its future business model. The Company has appointed an independent Chairperson, Jamie Drummond-Smith, who has set up a Customer Committee to represent eligible customers and assist the Company in developing any potential Scheme. Details of any potential Scheme would be announced in due course. The Scheme would be subject to the approval of the requisite majority of affected customers (i.e. those customers who received loans during the period to be covered by any Scheme) and, thereafter, the Court.

Following the Company announcements on 20 July 2022 and 11 August 2022 regarding the Board's decision to pursue the potential use of a Scheme of Arrangement to deal with customer redress claims for unaffordable lending against the Company and the steps taken to pause the processing of all new redress claims for unaffordable lending from 11 August, the Company has entered into a Voluntary Application for the Imposition of Requirements ("VREQ"), with the Financial Conduct Authority which is available to view on the FCA Register.

The potential Scheme of Arrangement would detail further how we would make payment against the estimated £43.5m (FY22: £42.6m) complaints liability and would include guidance regarding future profits treatment and dividend policy (as appropriate).

Chief Executive Officer's Statement

Introduction

Over the period we have focused on our core strengths as a provider of credit products for the under-served segment of the market, whilst developing new sources of business for both divisions and shaping the business to meet the future demands of our customers and the regulator.

We are deeply committed to providing credit to the segment of the market that needs it most. We are the last remaining 'big player' in the sector with a social responsibility to our customers to continue to provide credit in a regulated manner.

We thank our customers for their continued loyalty and are proud of the service we continue to provide, which is reflected in our consistently high levels of customer satisfaction.

We are in ongoing discussions with key stakeholders to pursue a potential Scheme of Arrangement to deal with the ongoing liability of customer redress claims. The processing of all new unaffordable lending claims was paused, effective from 11 August 2022.

Performance

The underlying quality of our credit businesses across both divisions has been consistent during the period, with continued customer demand. New customer acquisition in the HCC division came from both brokers and direct marketing, further reflecting the increased digital routes to market for the sector. More than 82% (FY22: 75%) of HCC customers use our portal, through which they are able to complete applications and interact with our field teams online.

Digital

Quality of lending in the division remained high, however lending has been reduced due to cash constraints. Overall, the trading performance for Shelby Finance has improved, due primarily to the reducing loan book, and the adjusted loss before tax has reduced by 55.3% to £2.1m (H1 FY22: £4.7m).

Customer numbers stood at just over 24,500 at the end of the period, a decrease of 43% since the end of the prior year (FY22: 43,000). Total credit issued for the period was £10.2m (H1 FY22: £24.8m), a decrease of 58.9%. The gross loan book was £13.8m, a decrease of 59.6% (H1 FY22: £34.2m).

Customer demand was strong, with a focus on short-term lending during the period. Customer satisfaction for the division was 94% (FY22: 92%). The overall impact of this resulted in impairment as a percentage of revenue decreased to 44.2% (H1 FY22: 72.5%), below the guidance range of 45% - 55%. This is as a result of a shrinking loan book under IFRS9.

HCC

The Home Collected Credit division traded robustly, despite the previously reported impact of complaints submitted by claims management companies. We continue to monitor our credit policy to keep it aligned to market conditions, and some tightening of criteria ensured the quality of our lending was maintained. Customer numbers of 116,000 (FY22: 143,000) at the end of the period continue to evidence consistent demand. Total credit issued during H1 FY23 was £34.9m, and 34.3% lower than the previous year (H1 FY22: £53.1m). The gross loan book was £68.7m (H1 FY22: £95.8m). Cash collection performance for the HCC division remained strong and was less than 1% below the Company's internal forecast.

The Group continues to adapt to an evolving HCC sector influenced by changing customer and regulatory needs; 69% of all lending is now cashless (H1 FY22: 65%), while 89% of collections are

cashless (H1 FY22: 86%.) This is consistent with FY22, despite the easing of Covid-19 measures. 82% of customers were signed up to the customer portal, an increase of 7% compared to H1 FY22 (75%). Impairment for the financial year is 15.3% (H1 FY22: 16.8%), which below the Company's guidance range, as a result of a reducing loan book.

Customer satisfaction for the HCC division remained consistently high at 95% (FY22: 97%), reflecting continued customer support for the evolving digital HCC model.

Strategy

Our focus has been on reshaping the HCC business to draw a line under redress complaints, creating a product blueprint to serve our customers and address a market which will continue to grow in the current economic climate. As a result, we have redesigned our business model and tightened our credit policy and lending criteria.

We are developing products in line with our service model tailored to our customer's needs and behaviours, taking account of our customer's credit demand and risk profile with a strategic aim to improve their overall financial wellbeing.

We have put a strong focus on enabling technology to streamline processes and put the customer in charge of their journey – how they get access to credit, how they pay it back and how they engage with us.

External market

As has been widely reported, the sector has been significantly impacted by claims management companies. We remain in close contact with the FCA and are in discussions with them regarding the development of the business with a strong willingness to adapt so that we continue to serve our customers and comply with our regulatory obligations which are central to our business model.

In the current climate, with ever-increasing challenges on domestic expenditure and the cost of living, we expect significantly more people to come into the market. This significant consumer demand will need to be met, and this is against a backdrop of reduced supply. Our reshaped business is well positioned to support customers through these challenging economic times.

There has been a sharp regulatory focus on the sector, with a key outcome being the imminent consumer duty requirements, due to begin implementation in July 2023, and there are ongoing discussions about relending approaches.

People and culture

Although the impact of the pandemic has led to changes in our working model, we have worked hard to ensure that the customer-centric culture and focus on delivery has been maintained during the period. We have continued to stay in touch with our teams across the UK through regular communication and updates, to help people stay connected with the business, despite the changes that have been undertaken.

Auditors

The company is pleased to announce that MHA MacIntyre Hudson have been appointed as external auditors with effect from the FY23 year end.

Outlook

It is the view of the Directors that the Group's trading performance demonstrates a basis for the future viability of the Group and the business continues to be a going concern. However there remains a material uncertainty that may cast significant doubt about the future going concern and viability of the Group.

We fully recognise the current challenges that the business faces, particularly with regard to the increase in complaints liabilities due to the focus on the sector from claims management companies.

We are deeply committed to the sector and the customers who need our services. We are also committed to ensuring our products are sustainable and clear to our addressable market, and as a result have concluded that a reduced product range is right for the sustainability of the business.

We have made significant strides to reshape the business and there will be more to do as we continue our discussions with the FCA. I am confident that we can work through this in a constructive way, as it is important that our customer demographic continues to be served by people who understand the market and can operate in a socially conscious way.

Gary Marshall
Chief Executive Officer
24 November 2022

Financial Review

	26-week period ended 27 August 2022	26-week period ended 28 August 2021
Customer numbers ('000's)	**141**	**196**
Period end receivables	£37.7m	£60.3m
Average receivables	£41.0m	£64.4m

Revenue	**£43.2m**	**£52.4m**
Impairment	(£9.1m)	(£16.5m)
Agent Commission	(£6.9m)	(£7.7m)
Gross Profit	**£27.2m**	**£28.2m**
Administration expenses	(£47.3m)	(£23.6m)
Depreciation	(£1.7m)	(£1.9m)
Operating (loss)/profit before amortisation of acquisition intangibles	**(£21.8m)**	**£2.7m**
Amortisation of acquisition intangibles	-	(£0.1m)
Exceptional costs	£2.0m	-
Operating (loss)/profit	**(£19.8m)**	**£2.6m**
Funding costs	(£1.0m)	(£0.8m)
Statutory (loss)/profit Before Tax	**(£20.8m)**	**£1.8m**
Tax	**£4.2m**	**(£0.3m)**
(Loss)/profit after tax	**(£16.6m)**	**£1.5m**
Basic EPS	**(12.4p)**	**1.1p**

Reconciliation of Statutory (Loss)/Profit Before Tax to Adjusted (loss)/profit before tax and explanation of Adjusted EPS

£'m (unless otherwise stated)	**26-week period ended 27 August 2022**	26-week period ended 28 August 2021	% +/(-)
Statutory (loss)/profit before tax	**(20.8)**	**1.8**	**(1255.6%)**
Amortisation of acquired intangibles[2]	-	0.1	100.0%
Impairment of goodwill	9.4	-	100.0%
Restructuring and other non-recurring costs[3]	0.3	0.7	57.1%
Exceptional costs[4]	2.0	-	100.0%
Adjusted (loss)/profit before tax[1]	**(9.1)**	**2.6**	**(450.0%)**
Tax on adjusted (loss)/profit before tax	1.9	(0.5)	(480.0%)
Adjusted (loss)/profit after tax[1]	**(7.2)**	**2.1**	**(442.9%)**
Adjusted EPS[1]	**(5.4)**	**1.6**	**(437.5%)**
Adjusted Return on Assets[1]	**(15.8%)**	**9.3%**	**(269.9%)**
Adjusted Return on Equity[1]	**(36.8%)**	**10.6%**	**(447.2%)**

1 Definitions are set out in the Glossary of Alternative Performance Measures on page 39
2 Amortisation of acquired customer lists and agent networks
3 Includes restructuring and redundancy expenses
4 Costs relating to the complaints liability, corporate restructure and closure of U Account

Group Highlights

Credit issued to customers decreased by 42.0% to £45.1m (H1 FY22: £77.8m) as a result of tighter lending criteria. HCC credit issued of £34.9m was a 34.3% reduction on the prior year (H1 FY22: £53.1m), reflecting the continued stricter lending criteria to protect the quality of the loan book. Credit issued in the Digital business was also subject to tighter lending criteria and decreased by 58.9% to £10.2m (H1 FY22: £24.8m).

Revenue decreased by 17.6% to £43.2m (H1 FY22: £52.4m) due to the decreased credit issued across both businesses. HCC revenue decreased by 10.4% to £34.6m (H1 FY22: £38.6m). Digital revenue decreased by 37.7% to £8.6m (H1 FY22: £13.8m).

Gross profit decreased by 3.5% to £27.2m (H1 FY22: £28.2m). The gross profit percentage increased to 63.0% from 53.8% in H1 FY22. The HCC impairment charge as a percentage of revenue decreased to 15.3% (H1 FY22: 16.8%) and remains below our guidance range of 21% to 26%. This is due to a favourable impact from a shrinking loan book under IFRS 9 and tighter lending criteria. The Digital impairment charge as a percentage of revenue of 44.2% (H1 FY22: 72.5%) has dropped below our guidance range of 45% to 55% of revenue. Again, this is due to a favourable impact from a shrinking loan book under IFRS 9.

HCC self-employed agent commission costs decreased by 10.7% to £6.7m (H1 FY22: £7.5m), and as a percentage of revenue they remain unchanged at 19.4% (H1 FY22 19.4%) as a result of the loan book being reduced during Covid-19 and a reduction in commission rates. Administration expenses and depreciation increased by £12.0m to £28.8m (H1 FY22: £16.8m), while as a percentage of revenue they increased to 83.2% (H1 FY22: 43.5%). This is due to customer redress costs of £13.1m being reported in administration costs (H1 FY22: £0.5m reported in administration costs and £3.2m in cost of sales) and broker costs of £0.6m being reported in revenue (H1 FY22: £nil). A provision of £2.3m (FY22: £2.8m) for customer redress and Financial Ombudsman ("FOS") fees has been recognised in recognition of outstanding complaints at the end of the period. In estimating the H1 FY23 provision, management have incorporated historical Company information for the average percentage of complaints which are upheld, the average value of compensation claims paid out and the number of outstanding complaints that remained unresolved at the balance sheet date. The Company also holds a £40.0m provision on the balance sheet in relation to the redress liability.

Group Adjusted loss before tax for the period was £9.1m compared to an adjusted profit before tax for H1 FY22 £2.6m. Adjusted return on assets decreased from 9.3% in H1 FY22 to Adjusted loss on assets of 15.8% in H1 FY23. Exceptional and other non-recurring costs of £2.3m (H1 FY22; £0.7m) relate to the potential scheme and redundancy.

Funding costs of £1.0m were £0.2m higher than H1 FY22: £0.8m reflecting the higher level of borrowings throughout H1 FY23.

The statutory loss before tax for H1 FY23 was £20.8m compared to a statutory profit before tax of £1.8m in H1 FY22.

Earnings per share
The adjusted loss per share for H1 FY23 was 5.4p, a decrease of 437.5% relative to the adjusted earnings per share of 1.6p for H1 FY22. The reported loss per share for H1 FY23 was 12.4p, relative to the reported earnings per share of 1.1p for H1 FY22.

Dividend
The Company will not be paying an interim dividend for FY23.

Funding
In May 2021 we reached agreement with a new two-lender consortium, providing a more cost-efficient funding facility of £35m facility (FY21: £40m), which was subsequently extended to 31 March 2023. In September 2022 the facility was reduced to £25m in line with the revised funding requirements of the Company and the funding consortium agreed to extend the term-out clause from September 2022 to January 2023, with the facility remaining in place until 31st March 2023.

The funding consortium continue to grant a deferral of the testing of two covenants linked to profitability, and there has been no breach of the covenants to date.

At the end of H1 FY23 borrowing was £13.8m, this peaked at £19.4m in H2 FY22 (H1 FY22: £18.0m of the £35m limit).

Management are in discussions with the existing funders with regard to an extension to the existing funding arrangement and have engaged with Ernst & Young to help secure medium term funders to provide sufficient cash flow to meet the future growth targets of the business.

However, the Directors note that these funding arrangements have yet to be agreed and this, together with the extension or deferral of the term-out and with the impact of levels of redress relating to unaffordable lending claims to the HCC business, creates a material uncertainty that may cast significant doubt about the Group's and Company's ability to continue as a going concern such that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

We draw attention to the funding facility, which indicates that the Group's current facility of £25m expires on 31 March 2023. Discussions continue with lenders regarding the covenants within the facility, the extension or temporary deferral of the term-out clause which would be enacted by the end of January 2023 and would place restrictions on the ability of the Group to issue new loans and the facility's possible extension. This term-out clause is pre-existing and essentially provides assurance to the funders of the repayment of the facility within the last 6 months of the agreed term. In practice, this has the effect of converting the rolling credit facility to a term loan. This would mean that any subsequent collections made on the loan book, would be ringfenced to pay down the facility, less any operational costs the business has. Therefore, it would place restrictions on the business with regard to the issue of new loans. Discussions with the lenders have already led to a continuing deferral of the testing of two covenants.

These two covenants are linked to profitability and, if tested, are likely to fall outside of covenant range. There has been no breach, nor waiver of covenants to date. The Board recognises that as the current funding facility is in place for less than 6 months following the date of signing the Financial Statements there is also material uncertainty regarding secured funding.

Home Collect Credit

Key performance indicators[1]	Aug-22	Aug-21	% +/(-)
£'m unless otherwise stated			
Customer numbers ('000's)	116	144	(19.4%)
Period end receivables	30.2	45.3	(33.3%)
Average receivables	42.5	48.0	(11.5%)
Revenue	34.6	38.6	(10.4%)
Impairment	(5.3)	(6.5)	(18.5%)
Agent commission & other cost of sales	(6.7)	(7.5)	10.7%
Gross profit	22.6	24.6	(8.1%)
Admin expenses	(27.6)	(15.4)	(79.2%)
Depreciation	(1.2)	(1.4)	14.3%
Operating (loss)/profit	(6.2)	7.8	(179.5%)
Financing costs	(0.8)	(0.5)	(60.0%)
Adjusted PBT[1]	**(7.0)**	**7.3**	(195.9%)
Restructuring and non-recurring costs	(0.3)	(0.7)	57.1%
Exceptional costs	(2.0)	-	(100.0%)
Amortisation of acquisition intangibles	-	(0.1)	100.0%
Statutory PBT	**(9.3)**	**6.5**	(243.1%)
Impairment/revenue %	15.3%	16.8%	(8.9%)
Agent commission/revenue %	19.4%	19.4%	0.0%
Admin exp (inc depreciation)/revenue %	83.2%	43.5%	91.3%

1. Definitions are set out in the Glossary of Alternative Performance Measures on page 39

Credit issued for the 26 weeks to 27 August 2022 was £34.9m compared to £53.1m in the 26-week equivalent period in H1 FY22, a decrease of 34.3%. This is the due to increased tightening of the lending policy.

Customer loan repayments for the 26 weeks to 27 August 2022 were £75.7m, compared to £89.9m in the 26-week equivalent period the previous year, a reduction of 15.8% as a result of the gross loan book decreasing 28.3% year on year.

Customer numbers therefore reduced to 116,000 at the end of August 2022 compared to 144,000 at August 2021 and 143,000 at February 2022. Though the decline in customer number has slowed towards the end of the interim period, the reduction to customer numbers does have an impact on income.

The reduction in average receivables of 11.5% is reflected in income which fell by 10.4% to £34.6m (H1 FY22: £38.6m). Agent commission represented 8.9% of customer loan repayments, up from 8.4% for the same period last year owing to there being less settlement cash this year, on which no commission is paid. Administration expenses and depreciation increased by £12.0m in total to £28.8m (H1 FY22: £16.8m) due to the increased complaint costs compared to the same period last year.

Impairment of £5.3m was 15.3% of revenue, a reduction of 8.9% from H1 FY22, and below our guidance range of 21% to 26%. This is the result of accounting for impairment with a shrinking loan book. Due to the IFRS 9 requirement to take forward-looking provisions at the outset of the loan period as the loan book builds back up moving into FY24, we expect this temporary performance uplift to reverse. Our long-term guidance therefore remains unchanged.

The statutory loss before tax of £9.3m was 243.1% lower (H1 FY22: statutory profit before tax £6.5m) whilst the adjusted loss before tax of £7.0m was 195.9% lower (H1 FY22: adjusted profit before tax £7.3m). The comparative period does not include the upswing in complaints redress experienced in H2 FY22 that has continued in H1 FY23.

As at August 2022, the net loan balances of customers had reduced by 33.3% compared to August 2021.

Digital Lending

Key performance indicators[1]	**Aug-22**	Aug-21	% +/(-)
£'m unless otherwise stated			
Customer numbers ('000's)	25	52	(51.9%)
Period end receivables	7.5	15.0	(50.0%)
Average receivables	10.9	8.2	32.9%
Revenue	8.6	13.8	(37.7%)
Impairment	(3.8)	(10.0)	62.0%
Agent commission & other cost of sales	(0.2)	(0.2)	0.0%
Gross profit	4.6	3.6	37.8%
Admin expenses	(6.0)	(7.5)	20.0%
Depreciation	(0.5)	(0.5)	0.0%
Operating loss	(1.9)	(4.4)	56.8%
Financing costs	(0.2)	(0.3)	33.3%
Adjusted PBT[1]	**(2.1)**	**(4.7)**	55.3%
Restructuring and non-recurring costs	-	-	-
Exceptional costs	-	-	-
Amortisation of acquisition intangibles	(9.4)	-	(100.0%)
Statutory PBT	**(11.5)**	**(4.7)**	(144.7%)
Impairment/revenue	44.2%	72.5%	(39.0%)
Admin exp (inc depreciation)/revenue %	75.6%	58.0%	30.3%

1 Definitions are set out in the Glossary of Alternative Performance Measures on page 39

Credit issued for the 26 weeks to 27 August 2022 was £10.2m compared to £24.8m in the 26-week period in H1 FY22, a decrease of 58.9%.

Revenue decreased by 37.7% to £8.6m (H1 FY22: £13.8m) as a result of a reduction in credit issued in the last 12 months.

Impairment is 44.2% of revenue (H1 FY22: 72.5%). This is due to a reduction in the size of the loan book along with a change in the mix of loans issued to the shorter-term products. As impairment is provided when credit is issued, whilst revenue is spread over the term of the product, this change in product mix away from longer term products has reduced the impairment provision proportionate to credit issued and to revenue.

Administration expenses and depreciation decreased by 18.8% to £6.5m (H1 FY22: £8.0m) but, as a percentage of revenue, rose to 75.6% from 58.0% in H1 FY22, this percentage increase is a result of the lower revenue in the period.

As at August 2022, the net loan balances of customers had decreased by 50.0% to £7.5m (August 2021: £15.0m).

As part of the Group's bi-annual assessment of intangible assets the £9.4m goodwill in Digital relating to U Holdings Ltd was impaired in full.

The adjusted loss before tax of £2.1m is a 55.3% improvement on the comparative £4.7m from H1 FY22. This is partially due to a decrease in impairment on a reducing loan book.

Principal Risks and Uncertainties

Material uncertainties/Going concern

The level of previous claims for unaffordable lending in our HCC division has continued to impact the overall trading performance of the business, which means we are materially loss-making as a result, and this has the additional impact of constraining the cash available to generate future revenue. Although the business continues to be a going concern, the material uncertainty of the trading position of the Group means that it is increasingly imperative that we make substantive progress regarding a potential Scheme of Arrangement. We continue to pause the processing of customer claims received from 11 August 2022 pursuant to DISP 1.6.2R(2). The Company continues to work with all its key stakeholders to make formal progress on a potential Scheme of Arrangement, to avoid the Company having to seek protection from insolvency, which would lead to a materially worse outcome for its customers.

It is the view of the Directors that the Group's trading performance demonstrates a basis for the future viability of the Group and the business continues to be a going concern. However, there remains a material uncertainty regarding both the viability of the Group and its basis as a going concern, relating to the redress claims for unaffordable lending and the remaining length of its current funding facility.

Conduct Risk

Treating Customers Fairly is a fundamental part of the Group's culture. Comprehensive and verifiable training and oversight of staff is undertaken in both the HCC and Digital divisions. First and second-line quality assurance operates alongside an automated, mobile technology-based sales & collections process.

The Group has put in place a risk mitigation framework to ensure that the Group's conduct throughout the year minimises the risk of poor outcomes for customers.

Regulatory Risk

A gap analysis is undertaken when any rules or regulatory guidance changes. Governance, risk, and compliance are independently and externally reviewed by our lawyers. We maintain continuous communication with key external stakeholders and professional contacts to keep our information updated. The business continues to review its lending approach in light of the FCA relending study and the Woolard Review that looked at change and innovation in the unsecured market.

Credit Risk

Group policy prescribes business oversight and control. Weekly management information allows the Group to monitor the effects of lending decisions. Regular reviews of policies and outcomes are undertaken by the Credit Risk Committee of the HCC and Digital Divisions. Higher inflation is taken into account when reviewing a customer's affordability due to the change in Inflation and price indices in the current economic situation.

Assessment of credit risk was also reviewed to ensure that risk appetite for credit risk and TCF were maintained. The Company is in discussions with the FCA regarding the development of its future business model.

Reputational Risk

Effective corporate governance provides business oversight and control. We undertake independent monitoring, for example independent market surveys. In 2022, we continued surveys of all types of customers, including those who benefited from our policy of forbearance.

Strategic and Business Risk

A full Committee-based corporate governance structure operates with Board oversight. The Board and Executive Team holds an annual strategy planning meeting. Detailed strategic planning and oversight are implemented alongside horizon scanning. We are involved in lobbying through our trade associations. The Group continues to minimise the risks to the health and safety of our customers and employees. All staff continue to operate from home effectively and the HCC business is able to lend and collect both remotely and through doorstep activities.

Wider Industry Risk

During the last 18 months, the Group has seen further increases in the level of complaints received from CMCs, principally impacting on the HCC division. Levels of claims are closely monitored, and the Company has made changes to its credit policy and lending approaches in line with customer and market demand. This includes the introduction of breaks in lending, further assessments of affordability before loan issuance, monitoring payment performance requirements as well as continuing to assess the terms and value of each loan for each individual customer's circumstances.

The Company has continued to experience increases in claims submitted from claims management companies. As a result, the Company announced on 20 July 2022 that it was engaging with the FCA regarding a potential Scheme of Arrangement to ensure the best outcome for customers. A potential Scheme would be prepared in consultation with a customer committee and would require (a) the approval of the requisite majority of the affected customers, and (b) the approval of the Court. The FCA will be consulted extensively throughout the process.

It is anticipated that if a Scheme is proposed and approved, a separate Group company would be responsible for managing the Scheme and paying the claims. If the Company does decide to pursue a Scheme, the affected customers would be notified by way of a letter called a 'Practice Statement

Letter'. Subsequently, if it proceeds, full details of the Scheme, including the claims methodology and a timetable for claims, adjudications and settlements would be made available to affected customers.

Operational Risk

The Group has a comprehensive suite of policies and procedures covering its operational activities that is subject to regular review and revision. All staff participate annually in a personal safety review and follow our home/remote working policy. A comprehensive business continuity policy and procedure is in place. Disaster recovery tests are performed periodically on critical systems.

In the event of future Covid-related, or other pandemic, restrictions, the Group can continue to operate with a model that enables remote lending and collections activity.

The Group continues to offer remote lending products, which are available to all Morses Club HCC customers and are compliant with all regulatory requirements. All necessary checks and agreements are transacted via our online Customer Portal. Customers are able to have funds deposited directly into their bank account or in cash at their home if required. Employees in both divisions continue to be principally based at home.

Liquidity Risk

The Company's current borrowing facility remains in place until 31 March 2023. The current funding consortium has agreed an extension of the term-out clause to January 2023. The term-out clause would place restrictions on the ability of the Group to issue new loans. This term-out clause is pre-existing and essentially provides assurance to the funders of the repayment of the facility within the final months of the agreed term. The funding consortium has also agreed to a continuing deferral of the testing of two covenants linked to profitability. In September 2022, the facility was reduced to £25m from £35m in line with the revised funding requirements of the Company.

IT and Cyber Risk

The Group has an ongoing programme to conduct regular vulnerability assessments against our core infrastructure services and recognises the increased relevance of this risk as the move to digitise the business continues. There are plans to increase the frequency and scope of its testing in this risk area.

The Group has dedicated information security resources and undertakes penetration testing of our external and internal networks which helps to identify new or emerging security concerns. During the year, the Group has successfully completed its annual disaster recovery test. This included simulating a total loss of its data centre and successfully achieving failover for all production systems to the disaster recovery site for both HCC and Digital divisions.

All of the Group's data is now encrypted at rest for protection against data breach. In order to educate staff to fight against phishing and to raise awareness, phishing training exercises were undertaken and rolled out through the organisation.

Agents' self-employed status

The HCC division has recently completed a programme to end the self-employed status of agents and to replace the work with the new role of employed Customer Support Associates. Once the transition period is fully complete, this will no longer be seen as a risk to the business.

Covid-19 pandemic

The Group has adopted a hybrid position of remote working supported by office facilities in Nottingham. The robust IT platforms, flexible operating processes and strong BCP (Business Continuity

Plan) procedures have successfully enabled smooth operations throughout the Covid-19 period. The developments have enhanced the Group's ability to combat and anticipate any future unforeseen restrictions that may be created by new variants of Covid-19 or any other similar pandemic.

Increased cost of living

The Group has tightened its affordability policies to take into account the increased cost of living for new loans.

The current indications are that existing loans are not being materially affected by the increased cost of living.

People risk

The Group continues to monitor its onboarding process and the results of its salary benchmarking. Outsourcing is undertaken where appropriate. The Group's remote working strategy also allows for flexibility in recruitment and staff retention.

Emerging risks:

Climate change and Fair trade

Climate change is not currently seen as a principal risk to the business, but the subject is kept under review and aligned with the main strategic initiatives to reduce the Group's impact on the environment. The Group's environmental policy is reviewed annually.

New technologies have been introduced to the organisation which allows for more meetings to be conducted remotely and the new customer portal enables customers to request loans and make payments remotely. Both initiatives have significantly reduced the need to travel unnecessarily and help to reduce our carbon footprint.

As part of our procurement procedures, we undertake a due diligence review of major suppliers, which includes standard aspects around modern slavery, any environmental policies, as part of ensuring that any outsourcing arrangements are based on working with suppliers which adhere to our operating standards.

Graeme Campbell
Chief Financial Officer
24 November 2022

MORSES CLUB PLC **Registered Number: 06793980**

CONSOLIDATED INCOME STATEMENT
FOR THE 26 WEEK PERIOD ENDED 28 AUGUST 2021

	Notes	26 weeks ended 27.8.22 £,000 (Unaudited)	26 weeks ended 28.8.21 £,000 (Unaudited)	52 weeks ended 26.2.22 £,000 (Audited)
Revenue		43,169	52,384	111,396
Impairment of financial assets		(9,144)	(16,455)	(35,960)
Cost of sales		(6,799)	(7,709)	(15,406)
Gross Profit		**27,226**	**28,220**	**60,030**
Administration expenses		(47,065)	(25,577)	(100,901)
Operating (loss)/profit before amortisation of intangibles and exceptional costs		(8,432)	2,738	(6,095)
Amortisation of acquisition intangibles	9	(49)	(95)	(187)
Impairment of goodwill	8	(9,369)	-	-
Exceptional costs				
Complaints liability		(864)	-	(42,640)
Corporate restructuring costs		-	-	(1,759)
U Accounts closure costs		(15)	-	(2,380)
Scheme of arrangement		(1,110)	-	-
Exceptional costs total	4	(1,989)	-	(46,779)
Operating (loss)/profit		(19,839)	2,643	(40,871)
Finance costs		(977)	(836)	(1,985)
(Loss)/profit before taxation		(20,816)	1,807	(42,856)
Tax on loss on ordinary activities	5	4,163	(296)	9,489
(Loss)/profit after taxation		(16,653)	1,511	(33,367)

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

(Loss)/earnings per share		26 weeks ended 27.8.22 Pence	26 weeks ended 28.8.21 Pence	52 weeks ended 26.2.22 Pence
Basic	7	(12.39)	1.14	(25.03)
Diluted	7	(12.39)	1.13	(25.03)

MORSES CLUB PLC **Registered Number: 06793980**

CONSOLIDATED BALANCE SHEET

FOR THE 26 WEEK PERIOD ENDED 26 AUGUST 2022

Assets	Notes	26 weeks ended 27.8.22 (Unaudited) £'000	26 weeks ended 28.8.21 (Unaudited) £'000	52 weeks ended 26.2.22 (Audited) £'000
Non-current assets				
Goodwill	8	3,485	12,854	12,854
Other intangible assets	9	8,538	9,571	8,514
Property, plant and equipment		555	717	689
Right-of-use assets	10	1,292	1,095	1,739
Deferred Tax		9,118	592	9,112
Amounts receivable from customers	11	1,553	3,321	2,633
		24,541	28,150	35,541
Current Assets				
Amounts receivable from customers	11	36,185	57,002	53,214
Taxation receivable		6,947	1,080	2,790
Other receivables	11	3,229	4,085	3,903
Cash and cash equivalents	12	7,943	6,903	6,179
		54,304	69,070	66,086
Total assets		78,845	97,220	101,627
Liabilities				
Current Liabilities				
Trade and other payables		(5,660)	(7,397)	(6,401)
Complaints provision and liability	15	(21,099)	(2,415)	(20,237)
Lease liabilities		(551)	(421)	(778)
		(27,310)	(10,233)	(27,416)
Non-current liabilities				
Bank and other borrowings	12	(13,710)	(17,698)	(19,226)
Complaints provision and liability	15	(21,224)	-	(21,692)
Lease liabilities		(858)	(822)	(1,063)
		(35,792)	(18,520)	(41,981)
Total liabilities		(63,102)	(28,753)	(69,397)
Net assets		15,743	68,467	32,230
Equity				
Called up share capital	13	1,344	1,336	1,344
Retained earnings		14,399	67,131	30,886
Total equity		15,743	68,467	32,230

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 26 WEEK PERIOD ENDED 26 AUGUST 2022

	Called up share capital £'000	Retained Earnings £'000	Total Equity £'000
As at 27 February 2021 (Audited)	**1,325**	**69,328**	**70,653**
Total comprehensive income for the period	-	1,511	1,511
Share issue	11	-	11
Share based payment charge	-	265	265
Dividends paid	-	(3,973)	(3,973)
As at 28 August 2021 (Unaudited)	**1,336**	**67,131**	**68,467**
Total comprehensive loss for the period	-	(34,878)	(34,878)
Share issue	8	-	8
Share based payment charge adjustment	-	(23)	(23)
Dividends paid	-	(1,344)	(1,344)
As at 26 February 2022 (Audited)	**1,344**	**30,886**	**32,230**
Total comprehensive loss for the period	-	(16,653)	(16,653)
Share issue	-	-	-
Share based payment charge	-	166	166
Dividends paid	-	-	-
As at 27 August 2022 (Unaudited)	**1,344**	**14,399**	**15,743**

MORSES CLUB PLC **Registered Number: 06793980**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 26 WEEK PERIOD ENDED 26 AUGUST 2022

	Notes	26 weeks ended 27.8.22 (Unaudited) £'000	26 weeks ended 28.8.21 (Unaudited) £'000	52 weeks ended 26.2.22 (Audited) £'000
Net cash (outflow)/inflow from operating activities	1	**9,719**	**(3,357)**	**(819)**
Dividends paid	6	-	(3,973)	(5,317)
Proceeds from additional long-term debt		-	13,000	25,100
Arrangement costs associated with additional funding		(20)	(290)	-
Repayment of long-term debt		(5,600)	(3,500)	(14,200)
Principal paid under lease liabilities		(432)	(448)	(943)
Interest paid		(639)	(503)	(1,398)
Interest paid (lease liabilities)		(109)	(123)	(222)
Net cash inflow/(outflow) from financing activities		**(6,800)**	**4,163**	**3,020**
Purchase of intangibles		(1,154)	(2,042)	(4,074)
Purchase of property, plant and equipment		(1)	(119)	(206)
Net cash outflow from investing activities		**(1,155)**	**(2,161)**	**(4,280)**
Increase/(decrease) in cash and cash equivalents		**1,764**	**(1,355)**	**(2,079)**

Reconciliation of increase in cash and cash equivalents to movement in cash equivalents

Movement in cash and cash equivalents in the period	1,764	(1,355)	(2,079)
Cash and cash equivalents, beginning of year	6,179	8,258	8,258
Cash and cash equivalents, end of year	**7,943**	**6,903**	**6,179**

1 RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Group		
	27.8.22	**28.8.21**	**26.2.22**
	£'000	**£'000**	**£'000**
(Loss)/profit before tax and exceptional costs	(18,828)	1,807	3,923
Exceptional costs	(1,988)	-	(46,779)
(Loss)/profit before taxation	(20,816)	1,807	(42,856)
Interest paid included in financing activities	748	626	1,577
Share issue	-	11	19
Depreciation charges	582	643	1,211
Share based payments charge	166	265	242
Impairment of goodwill	9,369	-	-
Impairment of intangibles	-	2	-
Amortisation of intangibles	1,130	1.333	2,565
Write off of right-of-use asset	-	94	108
Loss on disposal of intangible assets	-	-	1,857
Decrease/(increase) in debtors	18,886	(5,992)	(1,333)
(Decrease)/increase in creditors	(346)	(2,146)	35,791
	30,535	(5,164)	42,037
Taxation paid	-	-	-
Net cash inflow/(outflow) from operating activities	9,719	(3,357)	(819)

2 RECONCILIATION OF LIABILITIES ARISING FROM FINANCIAL ACTIVITIES

Group	**Long term borrowings £'000**	**Lease liabilities £'000**	**Total £'000**
At 27 February 2021	8,302	1,784	10,087
Non-cash changes			
- Amortised fees	24	-	24
- Lease additions & disposals	-	1,000	1,000
- Interest	1,398	222	1,620
Cash flows:			
- Repayments	(14,200)	(943)	(15,143)
- Drawdown	25,100	-	25,100
- Interest	(1,398)	(222)	(1,620)
At 26 February 2022	**19,226**	**1,841**	**21,068**
Non-cash changes			
- Amortised fees	104	-	104
- Interest	639	109	748
Cash flows:			
- Repayments	(5,600)	(432)	(6,032)
- Drawdown	-	-	-
- Lease additions & disposals	-	-	-
- Interest	(639)	(109)	(748)
- Arrangement costs associated with additional funding	(20)	-	(20)
At 27 August 2022	**13,710**	**1,409**	**15,120**

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.

The information for the year ended 26 February 2022 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The report of the auditor on those financial statements at year end indicated material uncertainty due to quantum and timing of unaffordable lending redress potentially payable to customers, and in respect of the extension or deferral of the term-out clause and availability of funding past the current formal facility end date of 31 March 2023.

The unaudited condensed interim financial statements for the 26 weeks ended 27 August 2022 have not been reviewed, or audited, and were approved by the Board of Directors on 24 November 2022.

Going concern

The Directors have prepared these financial statements in consideration of the appropriateness of the going concern basis, taking account of the material uncertainty due to the quantum and timing of unaffordable lending redress potentially payable to customers, and in respect of the extension or deferral of the term-out clause and availability of funding past the current formal facility end date of 31 March 2023.

The Group's current funding facility of £25m is in place until 31 March 2023, supported by a funding consortium of two existing providers. Discussions continue with lenders regarding the covenants within the facility, the extension or deferral of the term-out clause which is currently deferred until January 2023 and would place restrictions on the ability of the Group to issue new loans and the facility's possible extension. This term out clause is pre-existing and essentially provides assurance to the funders of the repayment of the facility within the last 6 months of the agreed term. In practice, this has the effect of converting the rolling credit facility to a term loan. This would mean that any subsequent collections made on the loan book, would be ringfenced to pay down the facility, less any operational costs the business has. Therefore, it would place restrictions on the business with regard to the issuance of new loans. Discussions with the lenders have already led to a continuing deferral of the testing of two covenants. These two covenants are linked to profitability and, if tested, are likely to fall outside of covenant range. There has been no breach, nor waiver of covenants to date. Whilst discussions are at an advanced stage, if a formal agreement is not reached by the end of January 2023, then a term-out clause would be enacted, which would place restrictions on the ability of the Group to issue new loans. However, management is in discussion with the lenders regarding a potential extension to the term-out. The Board recognises that the current funding facility is in place for less than 6 months following the date of signing the financial statements.

Going concern - continued

The Group observed a noticeable increase in the level of complaints received in particular from CMCs during the previous financial year and this has continued into the first half of current financial year. The Directors accept there is a liability in relation to customer redress claims for unaffordable lending against the Company at the balance sheet date, however there is significant uncertainty of the total liability which will be paid. This is due to the methodology for assessing the population of claims being yet to be agreed, and the level of subsequent customers who may claim against that methodology not yet being known.

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 and credit risk
- Collections and loan book quality
- Complaints volumes
- Cash availability
- Collect-out scenario (in accordance with regulatory guidance)

In assessing the Group's going concern status the Directors produced a number of forecast scenarios, with the potential Scheme of Arrangement being the basis for the forecast. The forecast scenarios all include a requirement for funding in line with the current agreement with lenders, such that the term-out clause is not triggered, and any future covenant testing can be met.

Having considered these scenarios and assumptions, the Directors consider that the underlying profitability of the Group means that the business is viable.

Based on this the financial statements for the Group and the Company have been prepared on a going concern basis.

However, the quantum of the redress claims liability and timing and settlement, as well as the extension or deferral of the term-out clause and the availability of funding beyond 31 March 2023 create a material uncertainty that may cast significant doubt about the Group's and Company's ability to continue as a going concern such that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Accounting convention

The statutory annual financial statements of Morses Club PLC are prepared under International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’, in conformity with the requirements of the Companies Act 2006.

Accounting policies

There are no other new IFRSs or International Financial Reporting Interpretations (IFRIC) that are effective for the first time for the 26 weeks ended 27 August 2022 which have a material impact on the Group. As such the accounting policies applied in preparing the unaudited condensed interim

financial statements are consistent with those used in preparing the statutory financial statements for the year ended 26 February 2022.

Key sources of estimation uncertainty

Impairment Home Collected Credit

Impairment and EIR have previously been calculated using a flat five-year average of historical payment performance. The cash curves and expected lives are based on a view of the loan book at the end of December each year, with an average of the previous five years used in the calculation. Management have considered the best way to deal with the Covid-19 impact on the impairment provision and income recognition. In lieu of a management overlay we decided to use a weighting to give more prominence to the most recent data cohort, an approach taken since August 2020. Continuing to use a flat five-year average calculation would materially understate the provision.

The Impairment and EIR weighting options considered were:

	Dec 16	**Dec 17**	**Dec 18**	**Dec 19**	**Dec 20**
Option 1	20%	20%	20%	20%	20%
Option 2	15%	15%	15%	15%	40%
Option 3	10%	10%	10%	10%	60%
Option 4	0%	0%	0%	0%	100%

Management believe continuing to adopt the weighting in option 3 is the most appropriate approach to revenue recognition 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 has not applied this weighting to the Digital division. The impairment numbers below are for Home Collected Credit only.

As a growing number of customers now pay fortnightly or monthly instead of weekly, an adjustment was made to the impairment provision, as using legacy methods, customers were showing as having missed a weekly payment(s), when in reality they were not due to make a payment as the customer had opted to pay fortnightly or monthly. In order to ensure the impairment provision was not overstated, customers who had opted to pay fortnightly or monthly had their payment performance restated where they were previously inaccurately attracting a higher rate of impairment. This adjustment resulted in a reduction to the impairment provision of £514k (FY22: £973k).

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 CGU Discounted Cash Flow model for Shelby Finance Limited provided a negative headroom of £8.2m. The future sales in the cash flow model were supressed due to the current funding structure of the group which resulted in the Discounted Cash Flow (DCF) value of the five years and a terminal value (perpetuity) of £10.7m. £10.7m was below the carrying value of the CGU of £19.0m and indicated that an impairment of goodwill was required.

Furthermore, the sensitivity analysis of the Shelby Finance Discounted Cash Flow, demonstrated that a reduction of the growth rate in perpetuity (2%) of 1 percentage point or an increase in the discount rate (13.36%) of 1.5 percentage points would result in impairment equal to the full carrying value of goodwill in Shelby Finance. As a result of this the goodwill of £9.4m in Shelby Finance Limited was impaired in full. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate and future growth rates.

2. SEGMENTAL REPORTING

	Revenue			Profit/(loss) before taxation		
	26 weeks ended 27.8.22	26 weeks ended 28.8.21	52 weeks ended 26.2.22	26 weeks ended 27.8.22	26 weeks ended 28.8.21	52 weeks Ended 26.2.22
	£'000	£'000	£'000	£'000	£'000	£'000
Group						
Home Collect Credit	34,645	38,551	81,789	(7,332)	7,118	9,561
Digital	8,524	13,833	29,607	(11,468)	(4,307)	(5,606)
Total Group before amortisation of acquisition intangibles and exceptional items	43,169	52,384	111,396	(18,800)	2,811	3,955
Intra-group elimination	-	-	-	21	329	155
Amortisation of intangibles	-	-	-	(49)	(1,333)	(187)
Exceptional items	-	-	-	(1,988)	-	(46,779)
Total Group	43,169	52,384	111,396	(20,816)	1,807	(42,856)

	Segment assets			Segment liabilities		
	27.8.22	28.8.21	26.2.22	27.8.22	28.8.21	26.2.22
Group	£'000	£'000	£'000	£'000	£'000	£'000
Home Collect Credit	112,378	119,836	130,460	(57,681)	(26,650)	(68,467)
Digital	19,877	32,954	28,453	(29,022)	(31,916)	(28,393)
Total before intra-group elimination	132,255	152,790	158,913	(86,703)	(58,566)	(96,860)
Eliminations*	(26,315)	(28,061)	(33,405)	(3,494)	2,304	3,582
Intra-group elimination	(27,095)	(27,509)	(23,881)	27,095	27,509	23,881
Total Group	78,845	97,220	101,627	(63,102)	(28,753)	(69,397)

	Net assets/(liabilities)		
	27.8.22	28.8.21	26.2.22
Group	£'000	£'000	£'000
Home Collect Credit	54,697	93,186	61,993
Digital	(9,145)	1,038	60
Total before intra-group elimination	45,552	94,224	62,053
Eliminations*	(29,809)	(25,757)	(29,823)
Total Group	15,743	68,467	32,230

*Group assets includes investment of £31,011,416 (FY22: £28,511,416), a tax asset of £30,000 (FY22: £Nil) which are offset by an inter-company provision £962,508 (FY22: £1,115,000) which are not attributable to a specific segment.

3. SEASONALITY

The Group's peak period of lending to customers is in the run-up to Christmas in the second half of the financial year. Typically, approximately 52% of the loans issued are made in the second half of the financial year and the peak lending and collections period leads the Group to operate with a materially higher draw down on debt facilities in December. In addition, the Group's accounting policies relating to revenue and impairment are an important influence on the recognition of the Group's profit between the first and second halves of the financial year.

4. EXCEPTIONAL COSTS

	26 weeks Ended 27.8.22 £'000	**26 weeks Ended 28.8.21 £'000**	**52 weeks ended 26.2.22 £'000**
Complaints liability	864	-	42,640
Corporate restructuring costs	-	-	1,759
U Account closure costs	15	-	2,380
Scheme of arrangement	1,110	-	-
Total exceptional costs	1,988	-	46,779

5. TAXATION

The tax credit for the period has been calculated by applying the Directors' best estimate of the effective tax rate for the financial year of 20% (H1 FY22 – 20%) (H1 FY21 – 20%), to the loss before tax for the period.

6. DIVIDENDS

	26 weeks Ended 27.8.22 £'000	**26 weeks Ended 28.8.21 £'000**	**52 weeks ended 26.2.22 £'000**
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the 52 weeks ended 26 February 2022	-	3,973	5,317
	-	3,973	5,317

The Directors have not declared an interim dividend in respect of the 26 weeks ended 27 August 2022 (H1 FY22: 1.0p) to ordinary shareholders.

7. EARNINGS PER SHARE

	26 weeks Ended 27.8.22	26 weeks Ended 28.8.21	52 weeks ended 26.2.22
(Loss)/earnings (£'000)	(16,653)	1,511	(33,367)
Number of shares			
Weighted average number of shares for the purposes of basic earnings per share ('000s)	134,432	133,111	133,300
Effect of dilutive potential ordinary shares through share options ('000s)	-	126	-
Weighted average number of shares for the purposes of diluted earnings per share ('000s)	134,432	133,236	133,300
Basic per share amount (pence)	(12.39)	1.14	(25.03)
Diluted per share amount (pence)	(12.39)	1.13	(25.03)

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

8. GOODWILL

	£'000
Cost	
At 27 February 2021	13,330
At 28 August 2021	13,330
At 26 February 2022	13,330
At 27 August 2022	**13,330**
Impairment	
At 27 February 2021	(476)
At 28 August 2021	(476)
At 26 February 2022	(476)
Impairment loss for the period	(9,369)
At 27 August 2022	**(9,845)**
Net book value	
At 27 August 2022	**3,485**
At 26 February 2022	12,854
At 28 August 2021	12,854
At 27 February 2021	12,854

9. OTHER INTANGIBLE ASSETS

	Software, Servers & Licences £'000	Acquired Customer Lists £'000	Acquired Agent Networks £'000	Totals £'000
Cost				
At 27 February 2021	14,958	21,620	874	37,452
Additions	2,043	-	-	2,043
At 28 August 2021	17,001	21,620	874	39,495
Additions	2,031	-	-	2,031
Disposals	(2,614)	-	-	(2,614)
At 26 February 2022	16,418	21,620	874	38,912
Additions	1,154	-	-	1,154
At 27 August 2022	17,572	21,620	874	40,066
Accumulated amortisation				
At 27 February 2021	6,453	21,282	855	28,590
Charge for period	1,240	89	4	1,333
Impairment losses	-	-	2	2
At 28 August 2021	7,693	21,371	861	29,925
Charge for the period	1,138	89	3	1,230
Eliminated on disposals	(757)	-	-	(757)
At 26 February 2022	8,074	21,460	864	30,398
Charge for period	1,080	48	1	1,130
Impairment losses	-	-	-	-
At 27 August 2022	9,154	21,508	865	31,528
Net book value				
At 27 August 2022	8,418	112	9	8,539
At 26 February 2022	8,344	160	10	8,514
At 28 August 2021	9,308	249	13	9,570

10. RIGHT-OF-USE ASSETS

	Building £'000	Equipment £'000	Vehicles £'000	Tablets £'000	Totals £'000
Cost					
At 27 February 2021	1,374	1372	1,458	-	4,204
Additions	15	-	-	-	15
Disposals	(582)	-	(364)	-	(946)
At 28 August 2021	807	1372	1,094	-	3,273
Additions	2	376	-	717	1,095
Disposals	(23)	-	(252)	-	(275)
At 26 February 2022	786	1,748	842	717	4,093
Additions	1	-	-	-	1
Disposals	-	-	(180)	-	(180)
At 27 August 2022	787	1,748	662	717	3,914
Depreciation					
At 27 February 2021	596	763	1,149	-	2,508
Charged to the income statement	138	236	148	-	522
Disposals	(507)	-	(344)	-	(851)
At 28 August 2021	227	999	953	-	2,179
Charged to the income statement	42	249	67	80	438
Disposals	(22)	-	(241)	-	(263)
At 26 February 2022	247	1,248	779	80	2,354
Charged to the income statement	40	263	25	119	448
Disposals	-	-	(180)	-	(180)
At 27 August 2022	287	1,511	624	199	2,621
Net Book Value					
At 27 August 2022	500	237	38	518	1,292

11. TRADE AND OTHER RECEIVABLES

Amounts receivable from customers			
	27.8.22	**28.8.21**	**26.2.22**
	£'000	**£'000**	**£'000**
Amounts falling due within one year:			
Net receivable from advances to customers	36,185	57,002	53,214
Amounts falling due after one year:			
Net receivable from advances to customers	1,553	3,321	2,633
Net loan book	**37,738**	**60,323**	**55,847**
Other debtors	728	912	3,594
Prepayments	2,502	3,161	3,099
Trade and other receivables	**40,968**	**64,396**	**62,540**

The fair value of the loan book not presented at fair value in the balance sheet is £56,436k (H1 FY22 – £81,049k) (YE FY22 – £69,019k).

An analysis of receivables by IFRS 9 stages is set out below:

	27 August 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Gross carrying value	34,331	14,243	16,948	65,523
Loan Loss Provision	(4,216)	(7,173)	(16,397)	(27,785)
Net receivables	30,116	7,071	551	37,738

	26 February 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Gross carrying value	49,034	20,861	23,181	93,076
Loan Loss Provision	(6,356)	(9,587)	(21,286)	(37,229)
Net receivables	42,678	11,274	1,895	55,847

	28 August 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Gross carrying value	56,711	21,115	19,429	97,255
Loan Loss Provision	(9,524)	(11,521)	(15,887)	(36,932)
Net receivables	47,187	9,594	3,542	60,323

12. BANK AND OTHER BORROWINGS

	Group		
	27.8.22	**28.8.21**	**26.2.22**
	£'000	**£'000**	**£'000**
Bank loans	13,800	18,000	19,400
Unamortised arrangement fees	(90)	(302)	(174)
	13,710	17,698	19,226

The Group's current loan facility is in place until 31 March 2023. Discussions are on-going with the current lenders and other potential lenders regarding future facility options. Please refer to Funding note section on page 13 for detailed information on the Group's current loan facility and loan covenants.

13. RESERVES

Details of the movements in reserves are set out in the statement of changes in equity. Share capital as at 27 August 2022 amounted to £1,344,000 (28 August 2021: £1,336,000).

14. RELATED PARTY TRANSACTIONS

Hay Wain Group Limited holds a 35.3% interest in the Company. The Directors consider there to be no ultimate Parent Company. Shelby Finance Limited and Shopacheck Financial Services Limited are subsidiaries of Morses Club PLC. U Holdings Limited is a subsidiary of Shelby Finance Limited.

The Company undertook the following transactions with Hay Wain Group Limited and Shelby Finance Limited during the period:

	Dividends Received/ (Paid) £'000	**Interest Recharged £'000**	**Professional Fees Recharged £'000**
26 Weeks ended 27 August 2022			
Hay Wain Holdings Limited	-	-	-
Hay Wain Group Limited	-	-	-
Shopacheck Financial Services Limited	-	-	-
Shelby Finance Limited	-	193	-
	-	193	-
52 Weeks ended 26 February 2022			
Hay Wain Holdings Limited	-	-	-
Hay Wain Group Limited	(1,880)	-	-
Shopacheck Financial Services Limited	-	-	-
Shelby Finance Limited	-	1,544	-
	(1,880)	1,544	-

At the period-end the following balances were outstanding

	27.8.22 £'000	**28.8.21 £'000**	**26.2.22 £'000**
Hay Wain Holdings Limited	-	-	-
Hay Wain Group Limited	-	-	-
Shopacheck Financial Services Limited	(1,321)	(1,321)	(1,321)
Shelby Finance Limited	26,736	29,945	26,144
Amounts owed from/(to) related parties	25,415	28,623	24,823

15. PROVISIONS

At the period-end the following balances were outstanding

	Customer Complaints £'000	Other £'000	Total £'000
At 27 February 2021	2,012	-	2,012
Provisions utilised in the year	(2,012)	-	(2,012)
Additional provisions in the year	1,786	-	1,786
True-up	1,008	-	1,008
Additional complaints liability provision	39,135	-	39,135
At 26 February 2022	**41,929**	**-**	**41,929**
Provisions utilised in the year	(2,794)	-	(2,794)
Additional provisions in the year	2,324	-	2,324
Additional complaints liability provision	864	-	864
At 27 August 2022	**42,323**	**-**	**42,323**

Complaints provision

The complaints provision represents management's best estimate of the group's liability with regard to outstanding customer complaints that remained unresolved as at the balance sheet date. The Company are working with a skilled person to review the methodology, and this has not concluded to 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.

Alternative performance measures

This Interim 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 and is used by management as a measure of comparative sales performance.
Adjusted Profit Before Tax (£m)	Profit Before Tax	Profit Before Tax per the income statement adjusted for exceptional items, nonrecurring 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, nonrecurring costs and amortisation of goodwill and acquisition intangibles, Territory Build subsidies and losses of Digital CGU.
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

£'m (unless otherwise stated)	**26-week period ended 27 August 2022**	26-week period ended 28 August 2021	% +/(-)
Statutory (loss)/profit before tax	**(20.8)**	**1.8**	**(1255.6%)**
Amortisation of acquired intangibles[2]	-	0.1	100.0%
Impairment of goodwill	9.4	-	100.0%
Restructuring and other non-recurring costs[3]	0.3	0.7	57.1%
Exceptional costs[4]	2.0	-	100.0%
Adjusted (loss)/profit before tax[1]	**(9.1)**	**2.6**	**(450.0%)**
Tax on Adjusted Profit Before Tax	1.9	(0.5)	(480.0%)
Adjusted (loss)/profit after tax[1]	**(7.2)**	**2.1**	**(442.9%)**
Adjusted EPS[1]	**(5.4)**	**1.6**	**(437.5%)**
Adjusted Return on Assets[1]	(15.8%)	9.3%	(269.9%)
Adjusted Return on Equity[1]	(36.8%)	10.6%	(447.2%)

1 Definitions are set out in the Glossary of Alternative Performance Measures on page 39
2 Amortisation of acquired customer lists and agent networks
3 Includes restructuring and redundancy expenses
4 Costs relating to the complaints liability, corporate restructure and closure of U Account

	26 weeks ended 27.8.22	**26 weeks ended 28.8.21**	**52 weeks ended 26.2.22**
	£'000	**£'000**	**£'000**
Adjusted basic earnings per share			
Basic (loss)/earnings	(16,653)	1,511	(33,367)
Amortisation of acquisition intangibles	49	95	187
Impairment of goodwill	9,369	-	-
Restructuring and other non-recurring costs	349	673	506
Exceptional costs	1,989	-	46,779
Tax effect of the above	(2,351)	(160)	(8,186)
Adjusted earnings after tax	**(7,248)**	**2,119**	**5,919**
Weighted average number of shares for the purposes of basic earnings per share ('000s)	134,432	133,111	133,300
Adjusted earnings per share amount (pence)	**(5.4p)**	**1.6p**	**4.4p**

APM	Closest Statutory Measure	Definition and Purpose
Balance sheet and returns measures		
Tangible Equity (£m)	Equity	Net Assets less intangible assets less acquisition intangibles.
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 interim 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 interim 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 months average receivables. This calculation has been adjusted to an IFRS 9 basis.

Adjusted Return on Assets and Adjusted Return on Equity £m	**to Aug 22**	**to Aug 21**
Adjusted (Loss)/Profit After Tax (Rolling 12 months)	(8.4)	5.2
12-month average Net Loan Book	53.0	56.3
Adjusted Return on Assets	(15.8%)	9.3%
12-month average Equity	22.82	49.40
Adjusted Return on Equity	(36.8%)	10.6%

Other measures	Closest Statutory Measure	Definition and Purpose
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 (see reconciliation below).
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.