13 May 2021

Morses Club PLC
Preliminary results for the 52 weeks ended 27 February 2021

Digital Transformation

Morses Club PLC ("the Company" or "the Group"), an established provider of non-standard financial services, is pleased to announce its preliminary results for the 52 weeks ended 27 February 2021.

Operational Highlights:

- Rapidly reconfigured operating model and existing technology, allowing us to maintain lending and collection activity throughout the pandemic
- Further re-engineering of our online businesses to build our product offering and take advantage of the opportunity in the wider non-standard credit market
- Delivered technology enhancements in our HCC business to provide a digital service to customers enabling a virtually paperless documentation process
- Strong customer satisfaction with further increase to 98%
- 107,000 customers registered for the digital HCC portal (FY20: 78,000)
- 67% of all HCC lending cashless with 80% of cash collections made remotely
- Transformed the Group's estate footprint with 90 properties operationally exited
- Total Group customer numbers: 180,000 (FY20: 255,000)
- Digital business moved e-money current account services and lending products onto two new operating platforms
- Continued progress in Group's strategy to become a more complete financial services provider

Financial Highlights:

- Group:
    - Revenue decreased by 25.1% to £100.2m (FY20: £133.7m) due to Covid-19 impact on demand and inability to lend to new HCC customers during first 5 months of H1
    - Total credit issued to all customers of £129.0m (FY20: £190.3m)
    - Net loan book of £53.5m, reduced by 26.5% (FY20: £72.8m)
    - Adjusted profit before tax[1] of £6.1m (FY20: £13.8m)
    - Statutory profit before tax of £0.5m (FY20: £11.5m)
    - Impairment as a percentage of revenue[1] for the period of 20.8% (FY20: 27.2%) evidencing improved quality of loan book
    - Adjusted return on assets[1] of 8.9% (FY20: 14.8%)
    - Statutory return on assets of 0.3% (FY20: 12.8%)
    - Adjusted EPS[1] of 3.9p (FY20: 8.4p)
    - Statutory EPS of 0.2p (FY20: 7.3p)
    - Final dividend of 2.0p pence per share (FY20: 3.6p) reflecting Group's confidence in its outlook
- HCC
    - Total credit issued to HCC customers 37.0% lower at £109.7m (FY20: £174.2m)
    - Adjusted HCC profit before tax[1] of £15.0m, a decrease of 34.2% (FY20: £22.8m)
    - Statutory HCC profit before tax of £11.8m, a decrease of 44.3% (FY20: £21.2m)
- Digital
    - Total credit issued to Digital customers up 19.9% to £19.3m (FY20: £16.1m)
    - Adjusted loss before tax[1] in Digital division of (£8.9m) (FY20: (£9.0m))

- Statutory loss before tax in Digital (£11.3m) (FY20: (£9.7m)) reflecting continued investment in the division

Alternative Performance Measures & Key Performance Indicators

Key performance indicators	**52-week period ended 27 February 2021**	**53-week period ended 29 February 2020**	% +/-
Revenue	£100.2m	£133.7m	(25.1%)
Net Loan Book	£53.5m	£72.8m	(26.5%)
Adjusted Profit Before Tax[1]	£6.1m	£13.8m	(55.8%)
Statutory Profit Before Tax	£0.5m	£11.5m	(95.7%)
Adjusted Earnings per share[1]	3.9p	8.4p	(53.5%)
Statutory Earnings per Share	0.2p	7.3p	(97.3%)
Cost / Income ratio	70.9%	60.0%	18.2%
Return on Assets	0.3%	12.8%	(97.7%)
Adjusted Return on Assets[1]	8.9%	14.8%	(39.9%)
Return on Equity	0.4%	17.2%	(97.7%)
Adjusted Return on Equity[1]	10.3%	19.9%	(48.2%)
Tangible Equity / average receivables[1]	86.3%	74.4%	16.0%
No of customers (000's)	180	255	(29.4%)
Number of agents	1,385	1,695	(18.3%)
Credit Issued	£129.0m	£190.3m	(32.2%)
Impairment as % of Revenue[1]	20.8%	27.2%	(23.5%)

1. Definitions are set out in the Glossary of Alternative Performance Measures on page 35

Paul Smith, Chief Executive Officer of Morses Club, commented:

"The last twelve months have been truly transformative for Morses Club. The Covid-19 pandemic forced us to innovate and accelerate our digital strategy, reconfiguring our operating model to allow us to maintain customer contact and collection activity whilst generating new lending opportunities and transitioning towards being a more complete financial services provider.

"The Group performed resiliently and profitably, despite not being able to lend to new HCC customers for five months of the year. In HCC, we re-commenced lending to existing customers just three weeks after lockdown was announced in March 2020. 67% of lending in our HCC division is now cashless and 80% of cash is collected remotely. Despite the impact of the pandemic, we saw a significant increase in the quality of our lending, with impairment levels well below the guidance range. The fact that customer satisfaction has increased to 98% reflects our customers' positive experience of the new remote lending model. I am very proud and grateful to all of my colleagues for adapting so well and for maintaining our customer service levels, despite the significant changes in the marketplace.

"The Digital division transitioned to two new operating platforms during the year and, despite tightening our lending criteria, the division issued more loans and introduced longer-term lending

during the period, which is an encouraging indicator for the future growth of the Digital business and for the achievement of break-even on a run rate basis by the end of FY22. We are experiencing a growing demand from customers for a wider range of digital products and services and we have created a robust digital current account proposition and loans management platform positioned to capture this growth.

"We are seeing robust demand for non-standard finance products as the market reopens, with positive sales trends since the year-end in both divisions and further uptake expected as Government restrictions relax further. A number of our competitors have stepped back from the HCC and digital sectors and, as a result, we expect to benefit from reduced competition within the market. The accelerated shift to digital is permanent and the investment the Group has made in technological infrastructure over a number of years stands us in good stead to continue supporting our customers and meeting their ever-changing financial needs with our broadening suite of financial products."

Sell-side Analyst Presentation

The Company will be holding a virtual sell-side analyst presentation at 10.30 am on Thursday 13th May. Please contact morses@camarco.co.uk if you would like to attend.

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 second largest home collected credit ("HCC") provider, and Shelby Finance Limited, Morses Club's Digital division, which operates under two online brands, Dot Dot Loans, an online lending provider, and U Account, which offers online e-money current accounts. The Group's growing Digital capabilities and scalable, highly invested IT platform has enabled Morses Club to deliver an increasingly broad range of financial 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 electronically, or physically to customers' homes. Repayments are collected either remotely or in person, during weekly follow-up visits to customers' homes.

Morses Club's HCC division is the second largest UK Home Collected Credit (HCC) lender with 151,000 customers throughout the UK. The majority of the Company's customers are repeat borrowers and the HCC division enjoys consistently high customer satisfaction scores of 98%[2]. In 2016, the Morses Club Card, a cashless lending product, was introduced and in 2019 the Company introduced an online customer portal for its HCC customers, which now has over 107,000 registered customers.

The Group's growing Digital division, Shelby Finance Limited, operates under two online brands. Dot Dot Loans provides online instalment loans of up to 60 months to c. 23,000 active customers. U Account is a leading digital current account provider offering an alternative to traditional banking by providing a fully functional agency banking service. U Account currently has c. 6,000 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 £10.7bn[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 March 2021[5].

1 High Cost Credit Review ANNEX 1 - July 2017

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 - September 2019

5 Table A5.2, Bank of England Money and Credit Bank stats March 2021

Review ANNEX 1 - July 2017

Chief Executive Officer's Review

A transformative year for the business.

"Though FY21 was undoubtedly a year of many challenges, it is one we can look back on with an incredible amount of pride." - Paul Smith, Chief Executive Officer

We have delivered a resilient performance for our stakeholders and made significant progress towards becoming a more complete financial services provider.

The time and resources invested in developing our technology platforms in recent years have been instrumental to our successful response to the Covid-19 crisis. The swift transition to homeworking, including a fully operational virtual call centre system, and the speed with which we were able to restart lending to customers, were testament to our prior investment in digital. As a result, we find ourselves in a very promising position as the country begins to reopen.

In addition to the very high levels of customer satisfaction that we maintained, I feel immense pride in how adaptable and resilient our people have proven to be this year. The sheer doggedness of the whole team to react to our business having to change practically overnight and undertake the work required to produce such a strong performance has been nothing short of outstanding, and my thanks go out to everyone at Morses Club.

Performance

Despite the many positives from the year, Covid-19 has clearly impacted our performance, with customer numbers, credit issued and cash collected all down across the Group. This came as no surprise to us, with periods of lockdown meaning many consumers had little to no requirement for credit services.

Although we've lost customers, the collection percentage of our smaller base remained reasonably steady despite disruption towards the beginning of the pandemic, which is a real achievement and testament to the hard work of our people and systems. We also remain optimistic because we fully expect many customers to come back to us when the economy reopens.

Our successful response to Covid-19 has ensured the Group remains profitable, despite having to reconfigure our operating model and change the way we run our business. The value of new credit issued across the Group fell during the year as a consequence of reduced customer demand for our products during lockdown measures. Despite the economy shutting down for long periods of the year, our HCC division continued to perform strongly and issued new credit of £109.7m (FY20: £174.2m), closing the year with total loan receivables of £48.0m (FY20: £67.9m). During the period our digital division grew its loan book and issued new credit of £19.3m (FY20: £16.1m), closing the year with loan receivables of £5.6m (FY20: £4.9m). As a consequence of lower demand during the year in periods when the economy was closed, Group receivables fell from £72.8m in FY20 to £53.5m in FY21, our total number of customers also reduced to 180,000 (FY20: 255,000). Despite the challenges faced by the business, we continued to deliver excellent support and service to our customers, resulting in a 98% customer satisfaction score (FY20: 97%).

HCC

In response to the evolving Covid-19 situation, the HCC division tightened its lending criteria as we deliberately limited our appetite for lending. We sought to identify only the highest quality customer groups, and this resulted in us solely lending to existing customers for a time, before we cautiously expanded our offering to new customers again. We ended the year with customer numbers and lower lending at levels similar to what we forecasted, but the effectiveness of our cautious approach was demonstrated in the final quarter of FY21 as we were able to achieve a cash collections performance matching the same period of FY20, an outstanding result given the market circumstances.

It has also been clear from customer satisfaction surveys that our HCC customers are very happy with our new blend of digital and face-to-face customer service. Though many still value the personal contact of our agents, a significant number have embraced the ease and flexibility provided by the customer portal, and we expect this trend to continue.

Digital

We also tightened our lending criteria within our digital business, however, we still received and approved more applicants, grew our customer base, issued more loans and even managed to improve our collection performance. We believe this excellent performance demonstrates that better decision making is happening as a direct result of the new systems, practices and procedures we have embedded with our new loan management platform, which is hugely encouraging.

Though we expected the digital business to perform well with its established customers, as 27% of our lending has been from existing customers, our ability to achieve growth despite the circumstances has been a real positive of FY21.

In addition, we also rebased our e-money current account services products onto a new platform which offers true banking-grade digital services to our customers and is now truly scalable. This has seen us develop our longer-term, lower cost and revolving credit products, which we plan to offer to our banking customers in Q1 FY22.

External market

Our markets have been radically changed by the pandemic. We see robust demand in the non-standard finance market as Covid-19 recedes and beyond, with a pent-up demand expected to emerge once lockdowns are completely lifted.

We are likely to benefit from reduced competition within the HCC industry. The community of approximately 400 locally-focused and family-owned businesses has sadly been greatly reduced this year to 262, and we would be surprised to see all of those businesses re-emerge in the near future. We also believe that, post pandemic, our starting position is stronger than our national, quoted competitors, due to our successful changes to the way in which products are delivered and our risk appetite with regard to lending.

We are also strongly positioned to benefit from high demand in digital as a number of online lenders have exited the market and left us with far fewer competitors in that space.

Within the digital banking sector, there has been great interest as a growing number of customers migrate away from mainstream lenders to emerging digital banks. We see exciting opportunities for Morses Club to pick up customers as they move away from the mainstream, because the prevalent online disruptors are not focused on either the non-prime sector or on the provision of credit as an integral part of the banking relationship.

During the year, the Group has observed a noticeable increase in the level of complaints received from both Claims Management Companies (CMCs) and Customers. Whilst the increase in complaints is in line with sector-wide volumes, the number of complaints received by the Group is proportionately lower than other lenders in the sector. Many of the complaints received have been submitted by CMCs on behalf of customers, however, the Group is fully committed to reviewing every complaint and has provided sufficient resource to ensure each case is assessed individually and all customers are treated fairly.

Strategy

Our strategic response to the crisis has been focused on exploiting the re-engineering and digitalisation of the business that had been taking place for many years. Our steady evolution had to become a sudden shift, but our existing technology and expertise has enabled us to make good progress. Our new operating model is already lowering operating costs and increasing efficiencies, whilst still providing excellent levels of customer satisfaction, and good customer outcomes.

As we move beyond the pandemic, we are responding to an emerging desire from consumers for a wider range of products and services within the financial services sector. Our strategic pillars are focused on cross-selling our products and supporting all customers with a blend of our traditional, face-to-face DNA and what we believe to be our cutting edge technology solutions. We believe we are well positioned to drive strong volume growth across both divisions going forwards.

People, culture and stakeholders

Throughout the pandemic, our priorities have remained the same: protecting all of our key stakeholders whilst ensuring we could continue to support our customers and maintain high levels of satisfaction. Our deep-rooted culture and values, a key strength of the business, have been central to our response, with customer centricity, honesty, clarity and flexibility all underpinning our approach to helping stakeholders.

The transition to home working has been almost seamless, and I’m proud to say that our people have responded extraordinarily well to the year’s many challenges. Our early investments in hardware and equipment have made long-term home working easier and more comfortable for our teams, and this has been reflected in no demonstrable decline in productivity.

Looking forward, we see many benefits of a permanent flexible working model for certain parts of the business. This has allowed us to massively reduce our property estate, including a move of our registered office and the closure of all field-based offices, which will result in cost savings and environmental benefits.

Just as we have prioritised delivering for our customers during a difficult time, our customers have delivered for us. Covid-19 had an initial impact on repayment rates, but these have improved and are now back to pre-Covid-19 levels. Customers have been responsible and cooperative, with our work to build long-term relationships being rewarded. Maintaining these relationships and building new ones going forwards will likely require a new blend of face-to-face and digital service and engagement, but we will always be driven by satisfaction rates and what our customers tell us they want.

In terms of wider stakeholders, during the year we have increasingly moved away from our reliance on external technology suppliers. Bringing many of these facilities in-house will have many financial benefits going forwards, and we’re grateful to our partners for their help in this transition.

Outlook

As the economy gradually reopens throughout the first half of 2021, our priorities remain the health, safety and wellbeing of our key stakeholders. Though we appreciate many people are keen to return to the office as soon as possible, we will remain cautious in our own unlocking. With large parts of the economy set to remain closed until at least June, we are also cautious about our results for the first half of FY22.

However, the UK economy is widely predicted to rapidly recover over the coming year, and driven by pent-up demand across both of our divisions and a greatly reduced competitive landscape, we are optimistic about achieving year-on-year growth in the second half of the year. Should the UK suffer a longer-term economic downturn as a result of either the pandemic or Brexit or both, our sector has proven resilient in the past and we would remain confident in steady customer demand.

Overall, there are many reasons to be excited about our future growth prospects. Our HCC customer base should recover and expand as a result of welcoming customers back and welcoming new customers from competitors that no longer exist. Increased cross-selling will introduce existing HCC customers to a broader range of digital products, which will drive performance and satisfaction improvements for both divisions. In our digital division, volume growth and profitability will be delivered through attracting a wide range of new customers.

Taking full advantage of these opportunities will provide the bedrock for delivering attractive growth in the coming years once the pandemic has fully receded.

Paul Smith

Chief Executive Officer

13 May 2021

Chief Financial Officer's Operational and Financial Review

"The Group delivered an encouraging financial performance in FY21, overcoming the many challenges presented by Covid-19 to remain profitable whilst transforming our operating model." - Graeme Campbell, Chief Financial Officer

Overview

The results for the Group for the 52 weeks ended 27 February 2021 reflect an encouraging financial performance, overcoming the many challenges presented by Covid-19 to remain profitable while transforming our operating model.

Though the closed economy has lowered demand for our services and caused our customer base and the loan book to shrink, our underlying debt and collection performance has been very strong and we have trimmed costs to mitigate the impact as much as possible. We also decided not to take any government support or furlough any staff.

On a personal level, I'm delighted to have joined the Group and have been very impressed by the progress achieved during the year. We are well placed to grow both sides of the business as the economy reopens and customer demand returns.

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
Gains arising on acquisition	–	–	–	–	–	–
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.

2 Release of contingent consideration in relation to the U Holdings Limited acquisition

3 Amortisation of acquired customer lists and agent networks

In FY21 we achieved an adjusted profit before tax[1] of £6.1m (FY20: £13.8m). Statutory profit before tax was £0.5m (FY20: £11.5m).

As expected, Covid-19 impacted demand within HCC with closing customers down by a third to 151,000 (FY20: 221,000) and period end receivables decreasing by 29.3% to £48.0m (FY20: £67.9m). This resulted in adjusted profit before tax of £15.0m (FY20: £22.8m).

As with HCC, the Digital division was impacted by reduced demand due to lockdown measures and a tightening of lending criteria. Closing customers reduced by (14.7%) to 29,000 (FY20: 34,000) and revenue declined (4.2%) to £13.8m (FY20: £14.4m). This resulted in an adjusted loss before tax of (£8.9m), compared to FY20 (£9.0m).

Total equity for the Group remained unchanged from £70.7m in FY20 to £70.7m.

Trading summary

	52-week period ended 27 February 2021			53-week period ended 29 February 2020		
£'m (unless otherwise stated)	**HCC**	**Digital**	**Total**	HCC	Digital	Total
Customer numbers ('000s)	**151**	**29**	**180**	221	34	255
Credit issued	**109.7**	**19.3**	**129.0**	174.2	16.1	190.3

Period end receivables	**48.0**	**5.6**	**53.5**	67.9	4.9	72.8
Average receivables	**52.3**	**5.2**	**57.5**	69.3	5.0	74.3
Revenue	**86.4**	**13.8**	**100.2**	119.3	14.4	133.7
Impairment	**(13.2)**	**(7.6)**	**(20.8)**	(27.6)	(7.1)	(34.7)
Agent Commission & Other cost of sales	**(20.0)**	**(0.6)**	**(20.7)**	(27.0)	(0.6)	(27.6)
Gross Profit	**53.2**	**5.6**	**58.8**	64.7	6.6	71.3
Administration expenses (pre-exceptional)	**(33.8)**	**(12.2)**	**(46.0)**	(34.4)	(13.8)	(48.2)
Depreciation	**(3.6)**	**(0.7)**	**(4.3)**	(3.6)	(0.7)	(4.3)
Operating Profit before exceptional items and amortisation of acquisition intangibles	**15.8**	**(7.3)**	**8.5**	26.7	(7.9)	18.8
Amortisation of acquisition intangibles	**(0.3)**	**–**	**(0.3)**	(0.8)	(0.4)	(1.2)
Acquisition, restructuring and non-recurring costs	**(2.9)**	**(2.4)**	**(5.3)**	(0.9)	(2.6)	(3.5)
Covid-19 adjustment to impairment	**–**	**–**	**–**	(1.7)	–	(1.7)
Exceptional gain	**–**	**–**	**–**	–	2.3	2.3
Operating profit	**12.5**	**(9.7)**	**2.8**	23.2	(8.5)	14.7
Funding costs	**(0.7)**	**(1.6)**	**(2.4)**	(2.1)	(1.1)	(3.3)
Statutory Profit Before Tax	**11.8**	**(11.3)**	**0.5**	21.2	(9.7)	11.5
Tax	**(0.3)**	**0.1**	**(0.2)**	(2.0)	0.1	(2.0)
Statutory Profit After Tax	**11.5**	**(11.2)**	**0.2**	19.2	(9.7)	9.5
Basic EPS			**0.2p**			7.3p

Group results

Credit issued to customers decreased by (32.2%) to £129.0m (FY20: £190.3m) mainly because of the Covid-19 impact on HCC business. HCC credit issued of £109.7m was a (37.0%) reduction on FY20 (FY20: £174.2m), reflecting both the reduced demand due to multiple national and regional Covid-19 lockdowns during the year and stricter lending criteria to protect the quality of the loan book. Credit issued in Digital was impacted by Covid-19 lockdowns and tighter lending criteria, but despite this, credit issued increased by 19.9% to £19.3m (FY20: £16.1m).

Revenue decreased by (25.1%) to £100.2m (FY20: £133.7m) due to the Covid-19 impact on demand and the temporary inability in HCC during H1 to lend to new customers. HCC revenue decreased by (27.6%) to £86.4m (FY20: £119.3m). Digital revenue decreased by (4.2%) to £13.8m (FY20: £14.4m) as a result of the collection of the acquired CURO Transatlantic Limited loan book inflating the numbers in FY20.

Gross profit decreased by (17.5%) to £58.8m (FY20: £71.3m). The gross profit percentage increased to 58.7% from FY20 53.3%. The HCC impairment charge as a percentage of revenue of 15.3% is below our guidance range of 21% to 26% of revenue. This is due to the favourable impact from a shrinking loan book under IFRS9, tighter lending criteria and the high proportion of lending to existing customers. The Digital impairment charge as a percentage of revenue of 55.1% is at the upper end of our guidance range of 45-55% of revenue.

HCC agent commission costs decreased by (25.9%) to £20.0m (FY20: £27m), while as a percentage of revenue they increased to 23.1% from 22.6% in FY20 as a result of the loan book reducing during Covid-19. Administration expenses and depreciation decreased by £2.2m to £50.3m (FY20: £52.5m), although as a percentage of revenue they increased to 50.2% (FY20: 39.3%). A provision of £2m (FY20: £nil) for customer redress and Financial Ombudsman (FOS) fees has been recognised in recognition of outstanding complaints at the end of the period. Due to significantly lower complaint volumes in FY20 a prior year provision was immaterial and therefore not recognised. In estimating the FY21 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.

Adjusted profit before tax decreased to £6.1m from £13.8m in FY20. HCC adjusted return on assets decreased from 29.3% in FY20 to 27.2% in FY21.

Acquisition, restructuring and non-recurring costs increased to £5.3m from £3.5m in FY20. These costs consist of a restructure within the HCC field team to align them to the new operating model, IT system transition costs and the settlement of the historic Ffrees court case which was disclosed in the FY20 accounts.

Funding costs of £2.4m were (£0.9m) lower than FY20 reflecting the lower level of borrowings throughout FY21.

The statutory profit before tax fell to £0.5m from £11.5m in FY20.

Earnings per share

The adjusted earnings per share for FY21 was 3.9p, a decrease of 53.6% relative to the adjusted earnings per share of 8.4p for FY20. The reported earnings per share for FY21 was 0.2p, a decrease of 97.3% relative to the reported earnings per share of 7.3p for FY20.

Dividend

Subject to shareholder approval at the Annual General Meeting on 22 June 2021, the Board proposes to pay a final dividend of 2.0p per Ordinary Share (FY20: 1.0p) payable on 30 July 2021 to shareholders on the register at the close of business on 2 July 2021.

The payment is in addition to the interim payment dividend already paid of 1.0p per Ordinary Share on 9 April 2021, making a total dividend for the year of 3.0p per Ordinary Share (FY20: 3.6p). This dividend payment reflects the Board's confidence in the Group's prospects.

Funding

During the period we extended our loan facility with the incumbent three lender consortium to December 2021, reducing the facility limit to £40m. 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 of the £55m limit).

Balance sheet

The total equity for the Group is unchanged from £70.7m in FY20 to £70.7m. The Group's main asset is our loan book, which due to the Covid-19 impact on lending volumes decreased on a net basis by (26.5%) to £53.5m.

Summarised balance sheet £'m	**FY21**	FY20
Loan book	**53.5**	72.8
Goodwill	**12.9**	13.0
Bank borrowings	**(8.3)**	(33.8)
Cash at bank	**8.3**	11.9
Other net assets	**4.4**	6.8
Total equity	**70.7**	70.7

Cash flow

The simplified cash flow statement below illustrates the cash generated by the business. Cash from operating activities increased by 54.7% to £33.1m (FY20: £21.4m), with net borrowing decreasing by (£25.5m), as a result of the shrinking loan book.

Summarised cash flow £'m	**FY21**	FY20
Cash inflow from operating activities	**33.1**	21.4
Net borrowing (decrease)/increase	**(25.5)**	19.5
Net cash outflow from investing activities	**(6.4)**	(22.4)
Dividends paid	**(1.3)**	(10.2)

Other net cash flow movements	**3.5**	4.3
(Decrease)/Increase in cash and cash equivalents	**(3.6)**	4.0

Outlook

Due to much of the economy being closed for the majority of this financial year, we're yet to see the financial benefits of our HCC operating model transformation. There are economic uncertainties ahead, with the UK currently in the process of emerging from lockdown. We remain cautious about the first half of FY22, however, strong foundations have been laid and we're excited for what can be achieved in the future and confident in the growth opportunities that will be created by our new operating model.

The Digital division implemented two new IT platforms in the year to strengthen the existing loans management system and to create a robust banking proposition. The Digital division is now primed for growth and we are now focusing on scaling the business and achieving run-rate profitability by the end of FY22.

Graeme Campbell
Chief Financial Officer
13 May 2021

CONSOLIDATED INCOME STATEMENT

FOR THE 52 WEEK PERIOD ENDED 27 FEBRUARY 2021

	Notes	52 weeks ended 27.2.21 £'000	53 weeks ended 29.2.20 £'000
Revenue		100,234	133,651
Impairment on financial assets		(20,794)	(36,358)
Cost of sales		(20,657)	(27,669)
GROSS PROFIT		58,783	69,624
Administration expenses		(55,967)	(54,918)
Operating profit before amortisation of intangibles and exceptional items		3,161	13,593
Amortisation of acquisition intangibles		(345)	(1,222)
Exceptional items		-	2,335
Operating Profit		2,816	14,706
Finance costs		(2,360)	(3,255)
Profit before taxation	2	456	11,451
Tax on profit on ordinary activities	3	(239)	(1,974)
Profit after taxation		217	9,477

Earnings per share		**27.2.21 Pence**	**29.2.20 Pence**
Basic	5	0.17	7.26
Diluted	5	0.17	7.21

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

BALANCE SHEET

AS AT 27 FEBRUARY 2021

		Group	
Assets	**Notes**	**27.2.21**	**29.2.20**
Non-current assets		**£'000**	**£'000**
Goodwill	6	12,854	12,981
Other intangible assets	7	8,863	7,362
Investment in Subsidiaries		-	-
Property, plant & equipment		734	818
Right-of-Use Assets		1,696	2,783
Deferred Tax	9	581	659
Amounts receivable from customers	8	82	657
		24,810	25,260
Current Assets			
Amounts receivable from customers	8	53,408	72,171
Taxation receivable		1,387	501
Other receivables		4,927	4,256
Cash at bank		8,258	11,868
		67,980	88,796
Total assets		92,790	114,056
Liabilities			
Current Liabilities			
Trade and other payables		(10,039)	(6,723)
Complaints provision	11	(2,012)	-
Lease liabilities		(790)	(1,286)
		(12,841)	(8,009)
Non-current liabilities			
Bank and other borrowings	10	(8,302)	(33,838)
Lease Liabilities		(994)	(1,553)
		(9,296)	(35,391)
Total liabilities		(22,137)	(43,400)
NET ASSETS		70,653	70,656
Equity			
Called up share capital		1,325	1,312
Group reconstruction reserve		-	-
Retained Earnings		69,328	69,344
TOTAL EQUITY		70,653	70,656

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 52 WEEK PERIOD ENDED 27 FEBRUARY 2021

Group	Called up share capital £'000	Retained Earnings £'000	Total Equity £'000
As at 23 February 2019	**1,298**	**69,835**	**71,133**
Profit for year	-	9,477	9,477
Total comprehensive income for the period	-	9,477	9,477
Deferred Tax on Acquisitions	-	39	39
Share issue	14	-	14
Share based payments charge	-	155	155
Dividends paid	-	(10,162)	(10,162)
As at 29 February 2020	**1,312**	**69,344**	**70,656**
Profit for year	-	217	217
Total comprehensive income for the period	-	217	217
Share issue	13	-	13
Share based payments charge	-	1,079	1,079
Dividends paid	-	(1,312)	(1,312)
As at 27 February 2021	**1,325**	**69,328**	**70,653**

CASH FLOW STATEMENTS

FOR THE 52 WEEK PERIOD ENDED 27 FEBRUARY 2021

		Group	
	Notes	27.2.21 £'000	29.2.20 £'000
Net cash inflow from operating activities		33,054	21,418
Cash flows used in financing activities			
Dividends Paid	4	(1,312)	(10,162)
Proceeds from additional long-term debt		11,500	36,000
Repayment of long-term debt		(37,000)	(16,500)
Principal paid under lease liabilities		(1,499)	(1,385)
Interest received		-	13
Interest paid		(1,622)	(2,533)
Interest paid (lease liabilities)		(353)	(472)
Net cash inflow/(outflow) from financing activities		(30,286)	(4,961)
Cash flows used in investing activities			
Purchase of intangibles		(5,282)	(4,277)
Purchase of property, plant and equipment including RoU Assets		(1,096)	(2,180)
Additional investment in subsidiary		-	-
Acquisitions		-	(15,947)
Net cash (outflow) from investing activities		(6,378)	(22,404)
(Decrease)/Increase in cash and cash equivalents		(3,610)	3,975

Reconciliation of increase in cash and cash equivalents		
Movement in cash and cash equivalents in the period	(3,610)	3,975
Cash and cash equivalents, beginning of year	11,868	7,893
Cash and cash equivalents, end of year	**8,258**	**11,868**

NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	27.2.21	**29.2.20**
	£'000	**£'000**
Profit before tax and exceptional items	456	9.116
Exceptional gains	-	2.335
Profit before taxation	456	11,451
Interest received included in financing activities	-	(13)
Interest paid included in financing activities	2,006	3,006
Share issue	13	14
Depreciation charges	1,915	2,436
Share based payments charge	1,079	155
Impairment of goodwill	126	16
Amortisation of intangibles	2,811	3,136
Write off of Right-of-Use Assets	261	142
Loss on disposal of Tangible Assets	92	-
Loss on disposal of Intangible Assets	969	-
Decrease/(increase) in debtors	18,667	6,702
Increase/(decrease) in creditors	5,849	(1,466)
	33,788	14,217
Taxation paid	(1,190)	(4,160)
Net cash inflow from operating activities	33,054	21,418

Notes to consolidated financial statements

1. ACCOUNTING POLICIES

Basis of preparation

Basis of preparation

The preliminary announcement has been prepared in accordance with the Listing Rules of the FCA and is based on the consolidated financial statements for the period ended 27 February 2021 which 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.

Shopacheck Financial Services Limited qualifies for an exemption to audit under the requirements of Section 480 of the Companies Act 2006. Shelby Finance Limited and U Holdings Limited both qualify 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. As such, no audit has been conducted for these companies in the period ending 27 February 2021.

The preliminary announcement has been prepared on a going concern basis consistent with the basis of preparation of the statutory financial statements for the period ended 27 February 2021.

The preliminary announcement does not constitute the statutory financial statements of the Group within the meaning of Section 434 of the Companies Act 2006.

The preliminary announcement has been agreed with the Company's auditor for release.

2. PROFIT BEFORE TAX

The operating profit is stated after charging:

	52 weeks ended 29.2.21 £'000	**53 weeks ended 29.2.20 £'000**
Depreciation - owned assets	329	740
Amortisation of intangibles	2,811	3,135
Depreciation of right-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

3. 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

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
Effects of:		
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 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%).

4. DIVIDEND PER SHARE

	52 weeks Ended 27.2.21	53 weeks ended 29.2.20
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 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.

5. 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 (000's)	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.

6. GOODWILL

	Group Goodwill £'000
COST	
At 23 February 2019	3,834
Additions 2019/20	9,496
At 29 February 2020	13,330
Additions 2020/21	-
At 27 February 2021	**13,330**
Impairment	
At 23 February 2019	(333)
Impairment loss for the period	(16)
At 29 February 2020	(349)
Impairment loss for the period	(127)
At 27 February 2021	**(476)**
Net Book Value	
At 27 February 2021	**12,854**
At 29 February 2020	12,981
At 23 February 2019	3,501

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 its 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 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**

7. OTHER INTANGIBLE ASSETS

Group	**Software & Licences £'000**	**Customer Lists £'000**	**Agent Networks £'000**	**Totals £'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 23 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 23 February 2019	4,638	1,517	66	6,221

Impairment losses relate to the Hays Customer List amounting to £38,133.
Research and development expenditure expensed during the year was £nil (2020: nil).

8. TRADE AND OTHER RECEIVABLES

Amounts receivable from customers	**Group**	
	27.2.21	**29.2.20**
	£'000	**£'000**
Amounts falling due within one year:		
Net receivable from advances to customers	53,408	72,171
Amounts falling due after one year:		
Net receivable from advances to customers	82	657
Net loan book	53,490	72,828
Other debtors	2,880	1,718
Intercompany funding	-	-
Prepayments	3,434	3,039
	59,804	77,585

Amounts receivable from customers

	Group	
	27.2.21	**29.2.20**
	£'000	**£'000**
Amounts receivable from customers	53,490	72,828
Analysis by future date due		
- due within one year	53,408	72,171
- due in more than one year	82	657
Amounts receivable from customers	53,490	72,828
Analysis by security		
Other loans not secured	53,490	72,828
Amounts receivable from customers	53,490	72,828

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	**29.2.20**

	£'000	£'000
Gross Carrying Amount	90,063	120,946
Impairment Provision	(36,573)	(48,118)
Net Amounts Receivable	**53,490**	**72,828**

Amounts receivable from Group customers can be reconciled as follows:

Group	**Ref***	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**2020/21 IFRS 9 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
Prior Year Covid-19 Overlay Reversal	*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	72,827

**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
(5) Revenue per Stage
(6) Other Movements, including acquisitions

(3) Net write-offs per Stage

(4) Collections per Stage

(7) Impairment provision associated with new loans issued in the year

(8) Covid-19 overlay

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**	**Total £'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**

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.

9. DEFERRED TAX

	Group	
	27.2.21 £'000	**29.2.20 £'000**
Fixed asset temporary differences	(142)	(165)
Other temporary differences	723	824
Deferred tax asset	**581**	**659**

	Group £'000
Balance as at 29 February 2020	659
Accelerated Capital Allowances	
Deferred Tax charge in profit and loss account for period - CY	(9)
Deferred Tax charge in profit and loss account for period - PY	99
Deferred Tax rate change	14
Short Term Timing Differences	
Deferred Tax charge in profit and loss account for period - CY	(51)
Deferred Tax rate change	49
Intangibles	
Deferred Tax charge in profit and loss account for period – CY	29
Deferred Tax charge in profit and loss account for period - PY	(136)
Deferred Tax rate change	(31)
Share based payments	
Deferred Tax charge in profit and loss account for period – CY	97
Deferred Tax rate change	6
Deferred Tax charged in the statement of total recognised gains and losses	(145)
Balance as at 27 February 2021	**581**

	£'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
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
Total value of assets on which deferred tax has not been recognised	**554**

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.

10. BANK AND OTHER BORROWINGS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Group	
	27.2.21	**29.2.20**
	£'000	**£'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 comitted 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.

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.

11. 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

Analysed as:	**27.2.21**	**29.2.20**
Current liabilities	2,012	-
Non-current liabilities	-	-
	2,012	**-**

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. 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.

12. 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 with regard to irresponsible lending and referrals to FOS has risen significantly across the sector. Although proportionately lower than other lenders in the home collect 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.

13. 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 Revolving Credit Facility (RCF), compared to the £40m funding commitment previously in place until December 2021.

14. ALTERNATIVE PERFORMANCE MEASURES

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	Gross Profit	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 Normalised and Adjusted profit before tax and explanation of Normalised and 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%**

	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	1,153
Tax effect of the above	(799)	(863)
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**

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

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 interim 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 interim 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 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-month average receivables. This calculation has been adjusted to an IFRS 9 basis.

Adjusted Return on Assets and Adjusted Return on Equity	**52 weeks ended 27.2.21**	**53 weeks ended 29.2.20**
£'m	**FY21**	**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%

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.