2 May 2019

Morses Club PLC

Preliminary results for the 52 weeks ended 23 February 2019

Morses Club PLC ("the Company", "Morses Club" or "the Group"), the UK's second largest home collected credit ("HCC") lender, is pleased to announce its preliminary results for the 52 weeks ended 23 February 2019.

The Group's results are being reported under IFRS 9 'Financial Instruments' for the first time following the mandatory adoption of the standard for accounting periods commencing after 1 January 2018. As permitted by IFRS 9, comparative information for FY18 has not been restated.

In order to enable comparisons on a like-for-like basis, pro forma comparatives have been calculated on an IFRS 9 basis, where appropriate, for KPIs and Alternative Performance Measures – full details of these can be found in the glossary.

Financial Highlights

- Revenue increased by 0.3% to £117.0m (FY18: £116.6m[1]). On a like-for-like, pro forma basis, revenue was up 6.0% (FY18 pro forma: £110.4m[2])
- Total credit issued increased by 2.4% to £178.5m (FY18: £174.4m)
- Net loan book growth over 12 months of 0.3% to £73.0m (FY18: £72.8m[1]). On a like-for-like, pro forma basis, net loan book growth was 6.0% (FY18 pro forma: £68.9m[2])
- Adjusted profit before tax increased by 14.6% to £22.0m (FY18: £19.2m[1], FY18 pro forma: £18.6m[2]); Statutory profit before tax up 25.5% to £20.2m (FY18: £16.1m[1]; FY18 pro forma: £15.5m[2])
- Impairment as a percentage of revenue[3] for the period was 22.4% (FY18: 26.1%[1], FY18 pro forma: 22.5%[2]), within our revised target range of 21% - 26% (previously 22% - 27%)
- A 2.6% increase in customer numbers to 235,000 (FY18: 229,000)
- Secured additional funding in November 2018 to increase overall revolving facility from £40m to £55m to allow for sufficient capacity to execute on acquisition pipeline
- Adjusted[3] EPS increased by 16.2% to 13.6p (FY18: 11.7p[1], FY18 pro forma: 11.3p[2]); Reported EPS of 12.5p (FY18: 10.1p[1], FY18 pro forma: 9.6p[2])
- Proposed final dividend of 5.2 pence per share, an increase of 8.3% (FY18: 4.8p)

[1] FY18 reported numbers are under IAS 39
[2] FY18 pro forma numbers have been adjusted to incorporate an estimate of IFRS 9 for comparability
[3] Definitions are set out in the Glossary of Alternative Performance Measures

Operational Highlights

- The purchase of the loan books of two well-established HCC regional businesses in line with our strategy
- 30,000 Morses Club Card customers, an increase of 42.8%, with £15.5m in loan balances (FY18: £10.6m)
- Technology continues to enhance Morses Club's offering, with a new Customer Portal launched during the year, which complements the agent relationship by providing a digitally enabled, end-to-end customer journey
- Introduction of Good Customer Outcomes surveys, with an overall result of 97%, as well as continued high levels of customer, agent and employee satisfaction
- Post period-end, completed the acquisition of the business and certain assets of CURO Transatlantic Limited, a provider of online loans in the non-standard credit market

Alternative Performance Measures & Key performance indicators

Key performance indicators	52-week period ended 23 February 2019 IFRS 9	52-week period ended 24 February 2018 IAS 39	% +/-	Pro forma 52-week period ended 24 February 2018 IFRS 9	% +/-
Revenue	£117.0m	£116.6m	0.3%	£110.4m	6.0%
Net Loan Book	£73.0m	£72.8m	0.3%	£68.9m	6.0%
Adjusted Profit Before Tax[1]	£22.0m	£19.2m	14.6%	£18.6m	18.3%
Statutory Profit Before Tax	£20.2m	£16.1m	25.5%	£15.5m	30.3%
Adjusted Earnings per Share	13.6p	11.7p	16.2%	11.3p	20.4%
Basic Earnings per Share	12.5p	10.1p	23.8%	9.6p	30.2%
Proposed Dividend per Share	7.8p	7.0p	11.4%	7.0p	11.4%
Cost / Income ratio	57.4%	56.2%	-2.1%	59.4%	3.4%
Return on Assets	23.4%	19.7%	18.8%	n/a[2]	n/a[2]
Adjusted Return on Assets[1]	25.4%	22.9%	10.9%	n/a[2]	n/a[2]
Return on Equity	27.2%	22.9%	18.8%	n/a[2]	n/a[2]
Adjusted Return on Equity[1]	29.6%	26.5%	11.7%	n/a[2]	n/a[2]
Tangible Equity / average receivables[1]	85.9%	92.6%	7.2%	n/a[2]	n/a[2]
No of customers (000's)	235	229	2.6%	229	2.6%
Number of agents	2,050	2,030	1.0%	2,030	1.0%
Credit Issued	£178.5m	£174.4m	2.4%	£174.4m	2.4%
Impairment as % of Revenue[1]	22.%	26.1%	14.2%	22.5%	0.4%

1 Definitions are set out in the Glossary of Alternative Performance Measures
2 KPI not quoted as it includes data points which precede the date of IFRS 9 transition

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

"FY19 has been a strong year for Morses Club as we have continued to develop our core offering which is increasingly enabled through our complementary technology platform, grown cashless lending through the Morses Club Card, and made a number of acquisitions. These have all contributed to the sustainable growth of the loan book, customer numbers, increased levels of revenue and profit, as well as the maintenance of a base of high quality lending. We are delighted by the robust performance of the Group across all our key financial metrics as we continue to

deliver consistent returns for our shareholders, whilst keeping customers and their needs at the heart of the business.

"Technology remains an important enabler for our strategy. The introduction of a customer portal, with full rollout in 2019/20, means that the end-to-end customer journey is digital at the points that the customer wants and not a replacement of the agent service they have come to know and trust. We believe that it is precisely this kind of ability that will assist us in keeping the home collected credit numbers in scope whilst others in the market may struggle with growth following the FCA's changes to the way in which home collected credit sales can be enacted. Indeed, trading conditions in the home collected credit market for the current year are challenging and whilst Morses Club is equipped to steer a steady course in such conditions, it remains to be seen whether or not smaller players will have the ability or appetite to do so.

"On behalf of the Board, I would like to thank our dedicated team of employees, as well as the network of agents, who have worked hard to deliver another year of strong performance. Our proven ability to develop new products and services for our customers, as well as the continued opportunities for growth both organically and through acquisition, give us confidence in the outlook for the full year."

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.

For further information please contact:

Morses Club PLC Paul Smith, Chief Executive Officer Andy Thomson, Chief Financial Officer	**Tel: +44 (0) 330 045 0719**
Panmure Gordon (UK) Limited (Nomad and Joint Broker) Richard Gray / Fabien Holler / Atholl Tweedie (Corporate Finance) Charles Leigh-Pemberton (Corporate Broking)	**Tel: +44 (0) 20 7886 2500**
finnCap Jonny Franklin-Adams / Anthony Adams (Corporate Finance) Tim Redfern / Richard Chambers (Corporate Broking)	**Tel: +44 (0) 20 7220 0500**
Camarco Ed Gascoigne-Pees Jennifer Renwick Kimberley Taylor	**Tel: +44 (0) 20 3757 4984**

Note:

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

Analyst presentation

There will be an analyst presentation to discuss the results at 9.30 a.m. today at Panmure Gordon, 1 New Change, London, EC4M 9AF.

Those analysts wishing to attend are asked to contact Jake Thomas at Camarco on +44 (0) 20 3781 8337 or jake.thomas@camarco.co.uk.

Notes to Editors

About Morses Club

Morses Club is the second largest UK Home Collected Credit (HCC) lender with 235,000 customers and 2,050 agents across 95 locations throughout the UK.

The Company offers a range of loan products to its customers through its extensive self-employed agent network. The majority of the Company's borrowers are repeat customers and the Company enjoys consistently high customer satisfaction with scores of 97% or above[1].

The Company is using technology to broaden its offering and provide new products to ensure customers can access credit with the flexibility they require. In April 2016, its cashless lending product, the Morses Club Card, was introduced, enabling its customers to buy online as well as on the high street. Dot Dot Loans, the Company's first online instalment product, was launched in March 2017.

Morses Club successfully 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[2].

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.

Since February 2014, unsecured personal lending has grown from £161 billion to £216 billion in February 2019[3].

1 Independent Customer Satisfaction Survey conducted by Mustard

2 FCA High Cost Credit Review Technical Annex 1: CRA data analysis of UK personal debt – July 2017

3 Source: Table A5.2, Bank of England Money and Credit Bank stats February 2019

About UK Home Collected Credit

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. Repayments are collected in person during weekly follow-up visits to customers' homes.
UK HCC is considered to be stable and well-established, with approximately 1.6 million[2] people using the services of UK HCC lenders.

2 High Cost Credit Review ANNEX 1 – July 2017

Chief Executive's Statement

A year of solid results, with attractive opportunities for further growth

Performance

I am delighted to report another year of robust performance. Total credit issued was £178.5m, a 2.4% increase relative to the previous year (FY18: £174.4m). Our gross loan book grew by more than 6% compared with 24 February 2018, with 5% driven by an increase in the core book and 1% from the acquisitions of the business and assets of Eccles Savings & Loans Limited ("Eccles") and Hays Credit LLP ("Hays").

After the exceptional activity in FY18, territory builds reverted to a more usual level of 73 in FY19 (FY18: 463 net territory builds). Customer numbers at the year-end were 235,000, an increase of 2.6% from the equivalent FY18 figure of 229,000.

We continued to see positive momentum with the Morses Club Card. Adoption of our cashless lending cards grew by 43% to reach 30,000 customers with £15.5m of loan balances (FY18: 21,000 customers and £10.6m of loan balances).

Our continued investment in technology has helped make it easier for customers to apply for loans and interact with our self-employed agents. Customers want swift and simple interaction and excellent customer service, which has been demonstrated by our continued excellent customer satisfaction scores of 97% and *Recommend a friend* statistics; both sound indicators that we are delivering positive customer experiences and outcomes.

Post period-end, on 26 February 2019 we announced the acquisition of the business and certain assets of online lending provider CURO Transatlantic Ltd ("CURO TA"). This is a major milestone in our product diversification strategy, as we develop digital products to meet evolving customer needs and broaden our customer base.

External market

There has been continued industry consolidation as smaller HCC firms struggle to comply with ever more stringent regulatory requirements and owners seek to exit the sector. The market remains fragmented and we continue to have a pipeline of high quality acquisition candidates to expand our regional presence in HCC. Our acquisition activity has been carefully considered, and although changes in the market bring opportunities, we are focused on ensuring that we acquire businesses which enhance our quality and approach to forbearance. There are also attractive prospects in adjacent areas of the non-standard credit market, to support the development of our capabilities as we diversify our proposition.

In the regulatory sphere, we are pleased that the Financial Conduct Authority's in-depth review of the high cost credit market has concluded and that the outcomes for HCC and high cost, short-term credit are, in the Board's view, measured, responsible, and look after customer interests without creating turbulence in the sector. The review concluded that the markets are well run and offer the best solution to customers in that part of the market. Our preparedness in anticipation of the review meant that no significant changes were required to our processes, although we have refined our training in relation to conduct rules in customer homes, and are making modifications to our technology which will be in place later in 2019.

As for the wider economic backdrop, the demographic we serve is largely shielded from macroeconomic volatility, since government support in the form of benefits flexes as wages change, such that household incomes in this part of the market tend to remain stable.

From a consumer perspective, the growing adoption of digital channels supports our strategy to enhance our offer in this regard, with increased penetration of mobile and web-based interactions across our customer demographic.

Strategy

Our vision is to become a leading provider of non-standard finance in the UK. This does not mean we are seeking to be the largest operator in the sector; rather, our focus is to nurture our excellent reputation founded on outstanding levels of customer satisfaction. Home collected credit is very much our current core business, and we are looking to build upon our solid foundations by diversifying our offering into adjacent areas of the non-standard finance market. There are an estimated 10 million non-standard finance customers in the UK, demographically diverse and with various levels of creditworthiness, but all with some form of complex credit history (or indeed no credit history) that precludes them from accessing mainstream lending.

We made sound progress against our strategy last year. Organic growth was at anticipated low single digit levels given the stable market, with growth delivered through our strong interpersonal relationships and the resulting customer referrals. Larger growth opportunities stem from acquisitions, as well as our product diversification strategy. Our ongoing customer surveys are not only used to evaluate our performance, but are also an important means of understanding customer needs and behaviour in related areas of finance. Using these insights, we have been building an online proposition to allow our target customers to access credit with the flexibility they desire: from loans and revolving credit products through to an e-money proposition. The assets and capabilities associated with our recent acquisition of the business and certain assets of CURO Transatlantic Limited will accelerate our initiatives in this area.

We have also been investing in technology to maintain our outstanding level of customer service, whilst leveraging the same investment to ensure we never lend to customers who cannot afford the repayments. Customers are able to transact with us face-to-face in a swift but robust manner, and are offered choices in how their loans are distributed and repaid. They are able to interact with us around the clock, in a way that complements their personal relationships with agents.

People and culture

We are people-focused, which is reflected in our consistently high levels of customer, agent and employee satisfaction. We are committed to our successful model built around self-employed agents and their strong, face-to-face relationship with customers that drives excellent levels of service and customer loyalty, and is also the best route to understanding customer circumstances for forbearance.

Having made a number of acquisitions in recent years, we have well established processes for due diligence, acquisition and integration. Our track record of retaining high quality agents with correspondingly high quality customers is testament to our friendly, collegiate culture and intuitive, compliant procedures, with incoming agents enthusiastic adopters of our technology as a core means of improving their productivity and making their lives easier.

Following an acquisition, the training of agents in our conduct rules and credit processes begins on the day the transaction completes, and is largely completed within a month. Agent feedback confirms that we are seen as having a genuine ethos of treating customers fairly. They appreciate that they are not under pressure to sell, and enjoy Morses Club's digitally enabled systems, which frees up time previously spent on reconciling figures in a highly manual process.

CSR

Our corporate responsibility activity is executed at grass roots level by the agents and the managers in the communities in which we work. We invite requests for small community-run programmes relevant to our people.

Dividend

The Board is proposing to increase the final dividend to 5.2 pence per share from 4.8 pence last year, an increase of 8.3%. Together with the interim dividend of 2.6 pence per share (H1 FY18: 2.2 pence), this gives a total dividend for the year of 7.8 pence per share, an increase of 11.4% on the 7.0 pence per share paid last year.

The final dividend of 5.2 pence per share will be paid on 26 July 2019 to ordinary shareholders on the register at the close of business on 28 June 2019.

Financing

In November 2018 we announced a further increase in our revolving credit facility ("RCF") to £50m plus a mezzanine facility of £5m with an option, subject to conditions and lender approval at the time, to increase the mezzanine facility up to £15m. The Board considers this appropriate to meet our likely growth and acquisition strategies without burdening the company with excessive charges for unused facility.

In terms of our capital allocation policy, the Board is confident that we have the right balance between internal investment, acquisitions and dividends.

Outlook

Although year-to-date credit issued is slightly down compared to last year, reflecting overall demand in our core HCC market, we continue to look ahead with confidence. We are optimistic about the pipeline of opportunities for organic and acquisitive growth in a market we feel continues to offer attractive prospects. We are excited about our planned launches that will make Morses Club even easier to deal with for both agents and customers, and are confident in our team's ability to deliver.

Paul Smith
Chief Executive Officer
Date: 2 May 2019

Financial Review

Overview

The results for the Group for the 52 weeks ended 23 February 2019 reflected the growth in earnings from the expansion in home collected credit territories during the last year. Whilst credit issued increased by a modest 2.4%, reflecting our continued focus on quality in a stable marketplace, adjusted profit before tax increased by 14.6% as the cost of the new territory build subsidies declined from £4.5m to £1.7m. Statutory reported profit before tax increased by 25.5%.

Over the two years covering the period of above average territory build growth (FY17 to FY19), credit issued grew by 24% (FY19: £178.5m v FY17: £144.1m) and adjusted profit before tax also by 24% (FY19: £22.0m v FY17: £17.7m).

Impairments remained broadly stable at 22.4% of revenue from 22.5% in FY18 on a pro forma IFRS 9 basis. Write-offs during the year fell to 21.2% of revenue from 22.4% last year. Impairment provisions at the close of the period increased proportionally to gross receivables, which was a result of the quantum of top tier* customers falling from 69.6% to 68.4% as the new territories trended towards the long term mix of good customers. This still compares very favourably to the 66.2% top tier customers we had in February 2017, prior to the significant territories expansion, and is an endorsement of our continued focus on quality lending.

Shareholder funds increased by 6.8% to £71.0m compared to the prior year; however, after taking into account the £3.2m reduction to opening shareholder funds due to the implementation of IFRS 9 which was effective for the Group from 25 February 2018, on a like for like basis the increase was 12.2%. The net loan book increased by 0.3% to £73.0m; however, after taking into account the IFRS 9 adjustment above, the like for like increase was 6.0%.

* A top tier customer is a customer who has made 9 or more payments by value in the last 13 weeks.

£'m (unless otherwise stated)	**IFRS 9 52-week period ended 23 February 2019**	**IAS 39 52-week period ended 24 February 2018**	**Pro forma IFRS 9 52-week period ended 24 February 2018**
Customer numbers ('000's)	235	229	229
Period end receivables	73.0	72.8	68.8
Average receivables	69.3	66.4	n/a[1]
Revenue	**117.0**	**116.6**	**110.4**
Impairment	(26.2)	(30.4)	(24.8)
Agent Commission	(28.3)	(28.0)	(28.0)
Gross Profit	**62.5**	**58.2**	**57.6**
Administration expenses (pre-exceptional)	(37.1)	(36.1)	(36.1)
Depreciation	(1.7)	(1.5)	(1.5)
Operating Profit before exceptional costs and amortisation of acquisition intangibles	**23.7**	**20.6**	**20.0**
Amortisation of acquisition intangibles	(1.0)	(2.1)	(2.1)
Acquisition, restructuring and non-recurring costs	(0.8)	(1.0)	(1.0)
Exceptional costs	-	0.1	0.1
Operating profit	**21.9**	**17.6**	**17.0**
Funding costs	(1.7)	(1.5)	(1.5)
Statutory Profit Before Tax	**20.2**	**16.1**	**15.5**

Tax	(4.0)	(3.0)	(3.0)
Profit After Tax	**16.2**	**13.1**	**12.5**
Basic EPS	**12.5p**	**10.1p**	**9.6p**

1 Metric not quoted as it includes data points which precede the date of IFRS 9 transition

Reconciliation of Statutory profit before tax to Adjusted profit before tax and explanation of Adjusted EPS

£'m (unless otherwise stated)	IFRS 9 52-week period ended 23 February 2019	IAS 39 52-week period ended 24 February 2018	Increase
Statutory Profit Before Tax	**20.2**	**16.1**	**25.5%**
Acquisition, Restructuring and non recurring costs	0.8	1.0	
Exceptional costs including restructuring costs[2]	-	(0.1)	
Amortisation of acquired intangibles[3]	1.0	2.1	
Adjusted Profit Before Tax[1]	**22.0**	**19.2**	**14.6%**
Tax on Adjusted Profit Before Tax	(4.4)	(4.0)	
Adjusted Profit After Tax	**17.6**	**15.2**	
Adjusted EPS[1]	**13.6p**	**11.7p**	
Adjusted Return on Assets[1]	25.4%	22.9%	
Adjusted Return on Equity[1]	29.6%	26.5%	

1 Definitions are set out in the Glossary of Alternative Performance Measures
2 Costs incurred in relation to the company's IPO and AIM listing
3 Amortisation of acquired customer lists and agent networks

Group Results

Credit issued to customers increased by 2.4% to £178.5m (FY18: £174.4m) and demonstrated that the majority of the benefits anticipated from the expansion in territories during last year had been achieved. The second half year growth was 0.5% to £92.5m (Second half FY18: £92.0m) compared to the first half growth of 4.6% to £86.1m (First half FY18: £82.3m). We expect that further growth in HCC sales will primarily come from acquisitions, however the two small acquisitions made in February 2019 had negligible impact on earnings in the year.

As a result of the implementation of IFRS 9 in FY19, revenue and gross profit comparisons are more meaningful against the pro forma IFRS 9 numbers for last year. The table below provides the comparative numbers against both the pro forma IFRS 9 numbers and the actual numbers reported for last year under IAS 39.

	FY19		FY18 (reported)		FY18 (Pro Forma IFRS 9)	
	£'m	% of rev	£'m	% of rev	£'m	% of rev
Revenue	117.0		116.6		110.4	
Agent commission	(26.6)	22.7%	(23.5)	20.2%	(23.5)	21.3%
Impairment	(26.2)	22.4%	(30.4)	26.1%	(24.8)	22.5%
Territory build subsidy	(1.7)	1.5%	(4.5)	3.9%	(4.5)	4.1%
Reported gross profit	62.5	53.4%	58.2	49.9%	57.6	52.2%

Note: The reduction of revenue under IFRS 9 is due to revenue being capped at the contractual amount whereas under IAS 39 we were required to recognise revenue as if interest charges continued beyond the contract term. We then had to impair the excess revenue recognised over and above what we were contractually entitled to. Since we do not make any charges for late payments on any of our products the IFRS9 treatment of revenue is more appropriate.

On a comparable IFRS 9 basis, revenue increased by 6.0% to £117.0m (FY18: £110.4m), with reported gross profit increasing by 8.5% to £62.5m (FY18: £57.6m). Compared to the reported numbers for FY18, revenue increased by 0.3% and reported gross profit increased by 7.4%.

Agent commission increased to 22.7% of revenue from 21.3% in the prior year. This was due to a minor revision of our agent commission schemes which although not fully approved by the FCA, were made with their full knowledge. In implementing this change, we standardised our scheme and were very careful to ensure no individual agents were materially adversely affected, which slightly increased total costs.

The impairment charge as a percentage of revenue was 22.4% for FY19, compared to 26.1% reported for in FY18. The figure for the 2018 financial year was reported under IAS 39, whilst FY19 is reported under IFRS 9, and we had previously provided guidance that we expected this number to decrease as a percentage of revenue because of this change in the accounting regulations. FY18's pro forma income statement consistent with IFRS 9 gives an impairment rate of 22.5%.

The ratio of impairment to revenue for FY19's outcome is in line with FY18. The actual debt write-off was (3.5%) lower than the prior year, compared to a revenue increase of 0.4%, the adverse movement in overall impairment relating to provision movements for future expected losses. This reflects a decline in top tier customers to 68.4% of gross balances from 69.6% in FY18 as the new territory build customer base trended closer to a long-term normal level of quality. A top tier of 68.4% of gross balances still compares very favourably with the 66.2% level in February 2017, prior to the territory build expansion.

Having reviewed all of the relevant factors that make up the calculation of the impairment provision (including the change in the accounting regulations), and in particular recognising that the impact of the improvements in debt quality over recent years has gone as far as is achievable, we are now issuing new guidance that we see impairment being in the range of 21% to 26% of revenue (previously 22% to 27%).

The gross margin benefitted significantly from the reduction in the cost of territory build subsidies, which fell to £1.7m from £4.5m in FY18, as the territory builds that largely commenced by the late Summer 2017 reached their target customer levels by late Summer 2018. Further, the split of this cost in FY19 was £1.3m in the first half and just £0.4m in the second half year, demonstrating the drop-off in the cost of subsidies.

Administration expenses increased from £37.6m in FY18 to £38.7m in FY19, reflecting greater customer acquisition costs that in part offset the reduction in territory build subsidy costs, as well as the continued increase in costs of compliance. However, the administration expenses as a percentage of revenue fell from 34.0% in FY18 (pro forma IFRS 9) to 33.2% in FY19, an overall efficiency gain of 2.4%, driven by ongoing productivity improvements achieved through the operational IT improvements and lower management bonuses.

Adjusted profit before tax increased to £22.0m from £19.2m in the prior year, an improvement of 14.6%. The reported profit before tax increased from £16.1m to £20.2m, an improvement of 25.5%. The improvement in the reported profit before tax was boosted by reduced charges for the amortisation of acquisition intangibles, since only two small acquisitions were made at the end of FY19 and a reduction in acquisition, restructuring and other non-recurring costs from £0.9m last year to £0.8m.

A table of adjustments between reported profit before tax and adjusted profit before tax is shown below.

For illustrative purposes, the table below also shows the movement in the adjusted profit before tax when compared with the prior year on a like for like basis under IFRS 9, which indicates a performance improvement of 18.3%.

£'m	FY19	FY18	Increase
Reported PBT	**20.2**	**16.1**	**25.5%**
Amortisation of acquisition intangibles	1.0	2.1	
Restructuring and other non-recurring costs	0.8	0.9	
Adjusted PBT	**22.0**	**19.2**	**14.6%**
Application of IFRS 9 to FY18	n/a	(0.6)	
Adjusted PBT	**22.0**	**18.6**	**18.3%**

The amortisation of intangible assets reflects the unwinding of intangible assets in connection with acquisitions. This reduction reflects both the lack of material acquisitions in FY19 and reduced levels of amortisation in connection with prior year acquisitions. Intangible assets are amortised over the asset's useful economic life, which is based on the expected life of the acquired customer relationships. Due to the behavioural profile of our customers, this will naturally result in a greater amortisation charge in the early years with a corresponding reduction in later years. No intangible asset is recognised for acquired agents or new customers that these agents may identify subsequently, which management considers to be a conservative approach.

Other non-operating costs in FY19 largely related to legal and professional fees associated with acquisition activities. These were marginally lower than the other non-operating costs in FY18 which were largely as a result of restructuring costs in operations.

Earnings Per Share

The adjusted earnings per share for FY19 was 13.6p, an increase of 16.2% relative to the 11.7p for FY18. This represents an increase of 20.4% relative to the equivalent number of 11.3p for FY18.

The reported earnings per share for FY19 was 12.5p compared to 10.1p for FY18, an increase of 23.8%. This is 30.2% up on the equivalent pro forma IFRS 9 number of 9.6p for FY18.

Dividend

Subject to shareholder approval at the Annual General Meeting on 25 June 2019, the Board proposes to pay a final dividend of 5.2p per ordinary share (FY18: 4.8p) payable on 26 July 2019 to shareholders on the register at the close of business on 28 June 2019.

This payment is in addition to the interim dividend already paid of 2.6p per ordinary share, making a total dividend for the year of 7.8p (FY18: 7.0p). The continued high level of the dividend payments reflects the Board's confidence in the business prospects and our commitment to provide a strong income yield to our shareholders.

Net Margin

The adjusted net margin, which excludes amortisation of intangibles on acquisitions and other non-operating costs, increased to 18.6% from 16.8% in the prior year on a pro forma IFRS basis (FY18 reported: 16.5%), due largely to the reduction in the cost of territory builds. This reduced cost of territory builds improved margins by 2.4% in FY19.

The reported net margin for the period increased to 17.3% from 13.8% in the previous year, driven by several factors: the reduced territory build costs mentioned above, the reduction in the amortisation of intangibles on acquisitions charge (which reduced to £1.0m from £2.1m in the prior year for the reasons described above and below)

Acquisitions and Goodwill

The Group made two small HCC acquisitions towards the end of FY19 which had a negligible impact on the amortisation of acquisition intangibles in the period. The goodwill on acquisitions may be found in note 10 in the financial statements.

Following the year end, the Group acquired the business and certain assets of online lender CURO TA for £8.5m. This acquisition was in line with our stated strategy to diversify the products and markets that we serve in the non-prime lending space. This acquisition gives us scale and expertise to take our own Dot Dot online product to a level where management are confident that it will be financially successful. We are currently going through a complex integration process of re-branding and re-platforming the incumbent technology, which means that there will be initial losses, particularly in the first half of FY20, as we build it back up to a profitable scale. However, management are confident that the acquisition will make healthy returns on the investment and anticipate profits to be made from FY21.

In FY19, Dot Dot loans made a start-up loss of £0.5m (FY18: £0.8m).

Funding

Following our increase in debt funding from £25m to £40m in August 2017, we were pleased to announce in November 2018 a further increase in our revolving credit facility to £50m plus a mezzanine facility of £5m with an option, subject to conditions and lender approval at the time, to increase the mezzanine facility up to £15m. The expiry date of the RCF facility remains August 2020, with the mezzanine facility expiring in February 2021.

The current facility is sufficient to meet our immediate strategic objectives, with the peak drawdown in FY19 being only £21.5m in December 2018 (FY18: December 2017 £28.0m). We remain focused on seeking to increase our gearing in order to maximise equity returns, but not to a degree that we would feel we were putting the Group at a significantly higher level of financial risk.

Balance Sheet

The total equity for the Group increased by 6.8% from £66.5m reported in FY18 to £71.0m, reflecting the proportion of profits that we retain for future expansion. This was a 12.2% increase relative to the pro forma IFRS 9 total equity figure of £63.3m.

The main asset of the Group is our loan book, which on a net basis increased by 0.3% from £72.8m in FY18 to £73.0m in FY19. However, the opening loan book was reduced down by £3.9m to £68.9m as a result of adopting IFRS 9, so the real increase on a comparable IFRS 9 basis was 6.0%.

Summarised balance sheet

	FY19 Reported	FY18 Reported	FY18 IFRS 9 pro forma
Loan book	73.0	72.8	68.9
Bank loans	(14.5)	(16.0)	(16.0)
Other net assets	12.5	9.7	10.4
Total equity	71.0	66.5	63.3

Cash Flow

The simplified cash flow statement below illustrates the cash generated by the business. Cash from operations excluding investment in the loan book increased by 6.1% to £24.3m (FY18: £22.9m).

Summary cash flow

£'m (unless otherwise stated)	52-week period ended 23 February 2019	52-week period ended 24 February 2018
Cash from operations excluding investment in loan book	24.3	22.9
Cash from funding	(1.0)	6.0
Total cash sources	23.3	28.9
Increase in net loan book	(0.8)	(11.6)
Acquisitions	(2.2)	-
Capital expenditure	(2.4)	(2.0)
Corporation tax	(3.6)	(4.6)
Interest paid	(1.7)	(1.4)
Dividends paid	(9.6)	(8.4)
Total cash uses	(20.3)	(28.0)
Cash movement	3.0	0.9

IFRS 9

The International Accounting Standard Board's introduced of a new accounting standard covering financial instruments which became effective for accounting periods beginning on or after 1 January 2018.

This standard replaces IAS 39: Financial Instruments: Recognition and Measurement.
The new standard requires that lenders (i) provide for the Expected Credit Loss ('ECL') from performing assets over the following year and (ii) provide for the ECL over the life of the asset where that asset has seen a significant increase in credit risk. As a result, whilst the underlying cash flows from the asset are unchanged, IFRS 9 has the effect of bringing forward provisions into earlier accounting periods. This resulted in a one-off adjustment to receivables, deferred tax and reserves on adoption.

To assist analysts and investors, the FY18 full year results included a separate disclosure detailing an estimate of the expected impact of IFRS 9 on the closing balance sheet for FY18 (and therefore the opening balance sheet for FY19). A reconciliation between the two is shown in the next table.

IFRS 9 adjustments

	FY 18 Reported	IFRS 9 Estimated Adjustment	Opening Balance Sheet IFRS 9
Net Loan Book	72.8	(3.9)	68.9
Deferred Tax	(0.1)	0.7	0.6
Net Assets	66.5	(3.2)	63.3

The adoption of IFRS 9 saw a reduction in the net loan book of £3.9m, which net of deferred tax resulted in a reduction in net assets of £3.2m.

The fundamental cash flows of the business remain unchanged with the introduction of IFRS 9 only changing the timing of the profits taken on the Group's products.

The introduction of IFRS 9 has not resulted in any changes to the Group's lending policy.

By order of the board:

Andy Thomson
Chief Financial Officer

Date: 2 May 2019

MORSES CLUB PLC
CONSOLIDATED INCOME STATEMENT
FOR THE 52 WEEK PERIOD ENDED 23 FEBRUARY 2019

	Note	52 weeks Ended 23.2.19 £'000	52 weeks Ended 24.2.18 £'000
Revenue			
Existing operations		116,803	116,576
Acquisitions during the period		203	-
		117,006	116,576
Cost of sales		(54,465)	(58,350)
Gross profit		62,541	58,226
Administration expenses		(40,579)	(40,637)
Operating profit before amortisation of intangibles and exceptional items		22,987	19,569
Amortisation of acquisition intangibles		(1,025)	(2,051)
Exceptional income		-	71
Operating profit			
Existing operations		21,875	17,589
Acquisitions during the period		87	-
		21,962	17,589
Finance costs		(1,745)	(1,456)
Profit before taxation	2	20,217	16,133
Taxation	3	(4,042)	(3,041)
Profit after taxation		16,175	13,092
		23.2.19	**24.2.18**
Earnings per share		**Pence**	**Pence**
Basic	5	12.48	10.11
Diluted	5	12.30	10.02

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.

MORSES CLUB PLC
BALANCE SHEET
AS AT 23 FEBRUARY 2019

Assets	Note	**23.2.19**	**24.2.18**
Non-current assets		£'000	£'000
Goodwill	6	3,501	2,834
Other intangible assets	7	6,221	5,520
Investment in subsidiary		-	-
Property, plant & equipment		378	822
Deferred tax	9	958	-
Amounts receivable from customers	8	206	265
		11,264	9,441
Current assets			
Amounts receivable from customers	8	72,840	72,563
Other receivables	8	2,369	2,039
Cash and cash equivalents		7,893	4,868
		83,102	79,470
Total assets		94,366	88,911
Liabilities			
Current liabilities			
Taxation payable		(1,830)	(1,110)
Trade and other payables		(7,482)	(5,585)
		(9,312)	(6,695)
Non-current liabilities			
Bank and other borrowings		(14,075)	(15,552)
Deferred tax	9	-	(144)
		(14,075)	(15,696)
Total liabilities		(23,387)	(22,391)
Net assets		70,979	66,520
Equity			
Called up share capital		1,298	1,295
Retained earnings		69,681	65,225
Total equity		70,979	66,520

MORSES CLUB PLC
STATEMENTS OF CHANGES IN EQUITY
FOR THE 52 WEEK PERIOD ENDED 23 FEBRUARY 2019

	Notes	Called up share capital £'000	Retained earnings £'000	Total equity £'000
As at 25 February 2017		**1,295**	**60,083**	**61,378**
Profit for period		-	13,092	13,092
Total comprehensive income for the period		-	13,092	13,092
Deferred tax adjustment		-	11	11
Research and development credit adjustment		-	26	26
Share-based payments charge		-	431	431
Dividends paid		-	(8,418)	(8,418)
As at 24 February 2018		**1,295**	**65,225**	**66,520**
Impact of adoption of IFRS 9		-	(3,931)	(3,931)
Deferred tax impact of IFRS 9			699	699
As at 25 February 2018		**1,295**	**61,993**	**63,288**
Profit for period		-	16,175	16,175
Total comprehensive income for the period		-	16,175	16,175
Share Issue		3	-	3
Share-based payments charge		-	1,104	1,104
Dividends paid		-	(9,591)	(9,591)
As at 23 February 2019		**1,298**	**69,681**	**70,979**

MORSES CLUB PLC
CASH FLOW STATEMENTS
FOR THE 52 WEEK PERIOD ENDED 23 FEBRUARY 2019

	Notes	23.2.19 £'000	24.2.18 £'000
Net cash inflow from operating activities	1	20,467	7,239
Cash flows used in financing activities			
Dividends paid	4	(9,591)	(8,418)
Proceeds from additional long term debt		(1,052)	6,000
Arrangement costs associated with additional funding		(425)	(448)
Interest paid		(1,745)	(1,456)
Net cash outflow from financing activities		(12,813)	(4,322)
Cash flows used in investing activities			
Purchase of intangibles		(2,411)	(1,412)
Purchase of property, plant and equipment		(31)	(622)
Additional investment in subsidiary		-	-
Acquisitions		(2,187)	-
Net cash (outflow) from investing activities		(4,629)	(2,034)
Increase in cash and cash equivalents		3,025	883

Reconciliation of increase in cash and cash equivalents		
Movement in cash and cash equivalents in the period	3,025	883
Cash and cash equivalents, beginning of period	4,868	3,985
Cash and cash equivalents, end of period	7,893	4,868

MORSES CLUB PLC
NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE 52 WEEK PERIOD ENDED 23 FEBRUARY 2019

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

	23.2.19	24.2.18
	£'000	£'000
Profit before exceptional costs	20,217	16,062
Exceptional costs	-	71
Profit before taxation	20,217	16,133
Depreciation charges	475	563
Share Issue	3	-
Share-based payments expense	1,104	431
Amortisation of intangibles	2,209	2,950
(Increase) in receivables	(3,901)	(11,604)
Increase in payables	2,170	1,846
	2,060	(5,814)
Interest paid	1,745	1,456
Taxation paid	(3,555)	(4,536)
Net cash inflow from operating activities	20,467	**7,239**

1. BASIS OF PREPARATION

General information

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 23 February 2019 which have been prepared under IFRS as adopted by the European and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Shopacheck Financial Services Limited and Shelby Finance 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 period ending 23 February 2019.

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 23 February 2019.

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 TAXATION

Profit before tax is stated after charging:

	52 weeks Ended 23.2.19 £'000	52 weeks Ended 24.2.18 £'000
Depreciation - Owned assets	475	563
Amortisation of intangibles	2,209	2,950
Operating lease rentals - Motor vehicles	1,368	1,581
Operating lease rentals - Property	1,127	1,093
Restructuring costs	-	1,019

2. PROFIT BEFORE TAX – continued

	52 weeks Ended 23.2.19 £'000	52 weeks Ended 24.2.18 £'000
Directors' remuneration (including key management personnel)	1,290	1,014
Directors' pension contributions to money purchase schemes	24	18
The number of Directors to whom retirement benefits were accruing was as follows:		
Money purchase schemes	2	2

3. TAXATION

Analysis of the tax charge

The tax charge/(credit) on profit before tax for the period was as follows:

	52 weeks Ended 23.2.19 £'000	52 weeks ended 24.2.18 £'000
Current tax:		
UK corporation tax	4,166	3,526
Adjustment in respect of prior periods	114	(23)
Deferred tax on acquisitions	(95)	-
Origination and reversal of timing differences	(39)	(440)
Adjustment in respect of prior periods	(104)	(22)
Effect of change of tax rates	-	-
Total deferred tax	(143)	(462)
Tax on profit on ordinary activities	4,042	3,041

Factors affecting the tax charge

The tax assessed for the period is higher (2018: lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	52 weeks Ended 23.2.19 £'000	52 weeks Ended 24.2.18 £'000
Profit on ordinary activities before tax	20,217	16,133
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	3,841	3,065
Effects of:		
Ordinary expenses not deductible for tax purposes	123	(12)
Deferred tax on acquisitions	(95)	-
Effect of changes in tax rate	111	25
Movement in amounts not provided in deferred tax	53	8
Adjustment in respect of prior periods	9	(45)
Tax on profit on ordinary activities	4,042	3,041

The standard rate of corporation tax applicable for the period ended 23 February 2019 is 19% (2018: 19%).

Finance Bill 2016 provides that the tax rate will reduce to 17% with effect from 1 April 2020. The effect of this proposed tax rate reduction will be reflected in future periods.

4. DIVIDEND PER SHARE

	52 weeks Ended 23.2.19	**52 weeks Ended 24.2.18**
Dividends paid (£'000)	9,591	8,418
Weighted average number of shares (000's)	129,570	129,500
Dividend per share (pence)	7.40	6.50

Subject to shareholder approval at the Annual General Meeting on 25 June 2019, the Board proposes to pay a final dividend of 5.2p per ordinary share payable on 26 July 2019 to all shareholders on the register at the close of business on 28 June 2019.

5. EARNINGS PER SHARE

	52 weeks ended 23.2.19	**52 weeks ended 24.2.18**
Earnings (£'000)	16,175	13,092
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share ('000s)	129,570	129,500
Effect of dilutive potential ordinary shares through share options ('000s)	1,977	1,133
Weighted average number of shares for the purposes of diluted earnings per share ('000s)	131,547	130,633
Basic earnings per share amount (pence)	12.48	10.11
Diluted earnings per share amount (pence)	12.30	10.02

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	Company Goodwill £'000
Cost		
At 25 February 2017 and 24 February 2018	3,167	2,975
Additions	667	667
At 23 February 2019	**3,834**	**3,642**
Impairment		
At 25 February 2017 and 24 February 2018	(333)	(333)
Impairment charge for the period	-	-
At 23 February 2019	**(333)**	**(333)**
Net Book Value		
At 23 February 2019	**3,501**	**3,309**
At 24 February 2018	2,834	2,642
At 25 February 2017	2,834	2,642

Allocation of goodwill to cash generating units

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Upon acquisition the activities of the acquired entities are closely aligned to those of the Company and are deemed to have been integrated rather than remain as separate CGUs.

Key assumptions used in goodwill impairment review

Determining whether goodwill is impaired requires an estimation of the discounted future cash flows of the Company using a discount rate of 11% and a terminal value based on a minimum future growth rate of 2%. 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 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. 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.

7. OTHER INTANGIBLE ASSETS

	Software & Licences £'000	Customer Lists £'000	Agent Networks £'000	Totals £'000
Cost				
At 25 February 2017	5,041	20,766	850	26,657
Additions	1,412	-	-	1,412
At 24 February 2018	6,453	20,766	850	28,069
Additions	2,411	475	24	2,910
At 23 February 2019	**8,864**	**21,241**	**874**	**30,979**
Accumulated Amortisation				
At 25 February 2017	2,143	16,767	689	19,599
Charge for period	898	1,973	79	2,950
At 24 February 2018	3,041	18,740	768	22,549
Charge for period	1,185	984	40	2,209
At 23 February 2019	**4,226**	**19,724**	**808**	**24,758**
Net Book Value				
At 23 February 2019	**4,638**	**1,517**	**66**	**6,221**
At 24 February 2018	3,412	2,026	82	5,520
At 25 February 2017	2,898	3,999	161	7,058

Research and development expenditure expensed during the year was £197,252.

8. TRADE AND OTHER RECEIVABLES

Amounts receivable from customers

	23.2.19 £'000	24.2.18 £'000
Amounts falling due within one year:		
Net receivable from advances to customers	72,840	72,563
Amounts falling due after one year:		
Net receivable from advances to customers	206	265
Net loan book	73,046	72,828
Other debtors	625	429
Prepayments	1,744	1,610
	75,415	74,867

	23.2.19 £'000	24.2.18 £'000
Amounts receivable from customers	73,046	72,828
Analysis by future date due		
- due within one year	72,840	72,563
- due in more than one year	206	265
Amounts receivable from customers	73,046	72,828
Analysis by security		
Other loans not secured	73,046	72,828
Amounts receivable from customers	73,046	72,828

IFRS 9: 'Financial Instruments' was adopted from 25 February 2019. Under IFRS 9, all receivables are recognised within Stage 1 on inception of the loan. A customer will then move to Stage 2 when there has been a significant increase in credit risk through a deterioration in their Payment Performance, 2 missed payments in 13 weeks. Stage 3 represents a customer in default indicated by 10 or more missed payments over 13 weeks. Revenue recognition is recognised on the Gross Receivable in Stages 1 and 2 and on the Net Receivable in Stage 3. A customer can only move to Stage 3 for revenue recognition purposes at the Group's interim or year end.

Impairment provisions are recognised on inception of a loan based on the expected 12 month losses or the lifetime losses of the loan.

Stage 1 – Accounts at initial recognition. The Impairment Provision is based on 12 month expected losses, based on historic performance. Revenue is recognised on the Gross Receivable before Impairment Provision.

Stage 2 – Accounts which have suffered a significant deterioration in credit risk but have not defaulted. The Impairment Provision is based on lifetime losses, based on historic performance. Revenue is recognised on the Gross Receivable before Impairment Provision.

Stage 3 – Accounts which have defaulted. The Impairment Provision is based on lifetime losses, based on historic performance. Revenue is recognised on the Net Receivable after Impairment Provision.

Impairment provisions under IFRS 9 are calculated based on historic loan book performance and considers the outlook for macro-economic conditions.

8. TRADE AND OTHER RECEIVABLES - continued

At 23 February 2019 the amounts receivable from customers are as follows:

	£'000
Gross Carrying Amount	115,536
Impairment Provision	(42,490)
Net Amounts Receivable	**73,046**

Home Collected Credit	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	2018/19 IFRS 9 Total £'000
Gross carrying amount				
At 25 February 2018	**57,187**	**32,089**	**19,980**	**109,256**
New financial assets originated	178,468	33	11	178,512
Net transfers and changes in credit risk	(72,471)	43,349	29,122	-
Write-offs	(1,265)	(1,938)	(21,991)	(25,194)
Collections	(212,105)	(48,351)	(5,124)	(265,580)
Revenue	106,955	10,008	43	117,006
Other movements	1,536	-	-	1,536
At 23 February 2019	**58,305**	**35,190**	**22,041**	**115,536**
Loan loss provision account				
At 25 February 2018	**8,712**	**14,829**	**16,818**	**40,359**
Movements through income statement:				
New financial assets originated	27,035	15	9	27,059
Net transfers and changes in credit risk	(26,303)	3,034	23,526	266
Total movements through income statement	**732**	**3,058**	**23,535**	**27,325**
Other movements:				
Write-offs	(1,265)	(1,938)	(21,991)	(25,194)
Loan loss provision account at 23 February 2019	**8,179**	**15,949**	**18,362**	**42,490**
Reported amounts receivable from customers at 23 February 2019	**50,126**	**19,241**	**3,679**	**73,046**
Reported amounts receivable from customers at 25 February 2018	48,475	17,260	3,162	68,897

9. DEFERRED TAX

	23.2.19 £'000	24.2.18 £'000
Fixed asset temporary differences	(128)	(161)
Other temporary differences	(830)	305
Deferred tax liability/(asset)	(958)	144

	£'000
Balance as at 25 February 2017	617
Credit for the period	(451)
Adjustment in respect of prior periods	(22)
Balance as at 24 February 2018	144
IFRS 9 adjustment	(699)
ACAs	
Deferred Tax change in profit and loss account for period - CY	18
Deferred Tax change in profit and loss account for period - PY	-
Deferred Tax rate change	15
STTDs	
Deferred Tax change in profit and loss account for period - CY	(46)
Deferred Tax change in profit and loss account for period - PY	(104)
Deferred Tax rate change	72
Intangibles	
Deferred Tax change in profit and loss account for period - CY	4
Deferred Tax change in profit and loss account for period - PY	-
Deferred Tax rate change	25
Share based payments	
Deferred Tax change in profit and loss account for period - CY	(142)
Deferred Tax change in profit and loss account for period - PY	-
Deferred Tax rate change	15
Deferred Tax on share based payments	(260)
Balance as at 23 February 2019	**(958)**

	£'000
Asset values for which deferred tax has not been recognised in relation to the TWDV of intangible fixed assets which is not available to deduct against profits until the intangibles are realised	(344)
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.	(48)
Total value of assets on which deferred tax has not been recognised	**(392)**

10. ACQUISITIONS

During the period the Company made a number of acquisitions. For each of the acquisitions detailed below the Company has undertaken an analysis of the fair value of the receivables acquired compared with the gross contractual amounts of the receivables book and the contractual cash flows not expected to be collected.

As the financials for each of the acquisitions detailed below were not available for the period prior to acquisition it is not possible to disclose the impact on profit before tax and amortisation of acquisition intangibles had the acquisitions been completed on the first day of the financial period. None of the goodwill recognised in relation to acquisitions made during this reporting period are expected to be deductible for tax purposes.

Eccles Limited

On 30 January 2019 the Company acquired the loan book and certain assets of Eccles Limited via a cash purchase. The Company acquired the assets of Eccles Limited for the purpose of increasing its customer base. The costs incurred in relation to this acquisition of £21,637 were expensed to the Income Statement.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Non-current assets			
Intangible assets	-	270	270
Tangible fixed assets	53	-	53
Current assets			
Amounts receivable from customers	655	-	655
Total assets	708	270	978
Deferred tax	(51)	-	(51)
Total liabilities	(51)	-	(51)
Net assets	657	270	927

Goodwill arising on acquisition	**£'000**
Consideration	1,297
Net assets acquired	(927)
Goodwill	370

Hays Limited

On 11 February 2019 the Company acquired the loan book and certain assets of Hays Limited via a cash purchase. The Company acquired the assets of Hays Limited for the purpose of increasing its customer base. The costs incurred in relation to this acquisition of £18,043 were expensed to the Income Statement.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Non-current assets			
Intangible assets	-	229	229
Current assets			
Amounts receivable from customers	864	-	864
Total assets	864	229	1,093
Deferred tax	(43)	-	(43)
Total liabilities	(43)	-	(43)
Net assets	821	229	1,050

Goodwill arising on acquisition	**£'000**
Consideration	1,346
Net assets acquired	(1,050)
Goodwill	296

11. Post Balance Sheet Event

CURO Transatlantic Limited

On 25 February 2019 the Company acquired the loan book and certain assets of CURO Transatlantic Limited via a cash purchase. The Company acquired the assets of Curo Transatlantic Limited for the purpose of increasing its customer base.

Management are still in the process of assessing the fair value of the assets and liabilities acquired due to the timing of the transaction and will therefore provide full fair value disclosures in accordance with IFRS 3 in the 31 August 2019 interim financial statements.

Alternative performance measures

This preliminary announcement 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
Adjusted Profit Before Tax (£m)	Profit Before Tax	Profit Before Tax per the Income statement adjusted for exceptional costs, non-recurring costs and amortisation of goodwill and acquisition intangibles. This is used to measure ongoing business performance.
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

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.

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 (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.

Reconciliation of statutory PBT to adjusted PBT

£'m	FY19	FY18	Increase / (Decrease)
Statutory PBT	**20.2**	**16.1**	**4.1**
Amortisation of acquisition intangibles	1.0	2.0	(1.0)
Cost of flotation on AIM	-	(0.1)	(0.1)
Restructuring and other non-recurring costs	0.8	1.0	(0.2)
Adjusted PBT	**22.0**	**19.2**	**2.8**

Reconciliation of IAS39 to IFRS9 for metrics stated above £m	**IAS 39** **to Feb 18**	**IFRS 9** **Effective Credit Loss Adjustment**	**IFRS 9** **Pro forma to Feb 18**
Revenue	116.5	(6.2)	110.3
Impairment	(30.4)	5.6	(24.8)
Sub-total		0.6	
Statutory Profit Before Tax	16.1	(0.6)	15.5
Adjusted Profit Before Tax	19.2	(0.6)	18.6
Net Loan Book	72.8	(2.9) [1]	68.9

[1]Net Loan Book ECL adjustment includes the transitional adjustment

Adjusted Return on Assets and Adjusted Return on Equity £m	**IFRS 9** **FY19**	**IFRS 9 Pro Forma** **FY18**
Adjusted Profit After Tax (Rolling 12 months)	17.6	14.7
12 month average Net Loan Book	69.3	62.6
Adjusted Return on Assets	25.4%	23.5%
12 month average Equity	59.5	50.4
Adjusted Return on Equity	29.6%	29.2%

Reconciliation of Cash from operations to Cash from operations (excluding investment in loan book)

	23.2.19 £'000	24.2.18 £'000
Net cash inflow from operating activities	**20,467**	**7,239**
Add back:		
Movement in net loan book	722	11,604
Tax paid	3,555	4,536
Prepaid loan facility arrangement fee	(425)	(448)
Cash from operations (excluding investment in loan book)	**24,319**	**22,931**