Amigo Loans Group Limited

Financial Statements for the year ended

31 March 2018

Company registration number:
10624393

Strategic Report

The Company is a holding company whose main trading entity is Amigo Loans Ltd.

Amigo Loans Ltd is the clear market leader in guarantor backed term loans. Group revenue increased by 64% to £210.8m in the year to 31 March 2018 and customer numbers rose from 127.3k to 182.0k. The business model continues to focus on providing a single guarantor product at 49.9% APR over a period of 1 to 5 years. The loans are designed to be transparent (no fees or prepayment penalties) aimed at providing finance for the estimated 10m people in the UK who cannot access mainstream finance due to either impaired credit histories or thin credit files. The Group was also successful in winning the Industry Credit Builder Award for the fifth year running – recognition that the Amigo product allows customers to improve their credit history and move towards accessing mainstream finance.

In January 2017, via its subsidiary Amigo Luxembourg SA, the Group raised £275m of finance by issuing secured notes. The Group subsequently placed a further £125m in the financial year by two further issuances. The funding of the business was supplemented by bringing two further banks into the super senior facility increasing their total commitment to Amigo to £159.5m.

Part of these funds were used to repay Group borrowings. The majority of the proceeds raised were used to fund the expansion of the business allowing the Group to increase the number of customers to whom it could lend, grow the loan book whilst controlling the level of arrears within the targets imposed by the business.

The impairment charge increased as expected as the business expanded its pilot lending programme. This program allowed the Group to extend the pool of customers to whom it can lend whilst gaining more knowledge of credit characteristics. The best pilot lending programmes have been transferred into core lending and the less profitable lending reduced to manage the impairment provisions within internal targets.

The Group has carefully controlled its costs with a structure that is highly automated allowing both economies of scale and a business that is highly scaleable which together with the growth described above has allowed the business to continue its growth in profitability.

Principal risks and uncertainties

The Group manages its key risks with reference to a risk management framework which is continually being developed and revised in light of developments within the business and also against changes in the broader environment in which the Group operates. The Risk Committee of the Board meets on a regular basis and considers the nature and management of key risks faced by the business.

The major risk objectives in the framework are as follows.

- Competitive Risk

The business operates in one segment of the non standard finance market in one geographic jurisdiction - the United Kingdom. The ability of the Group to execute its long term objectives is therefore dependent on the competitive environment in the United Kingdom both within the guarantor loans sub sector and adjacent markets in the non standard finance market. In addition the Group originates a significant amount of new loans through a network of broker relationships and the results of the Group are therefore susceptible to changes in the business models of these brokers.

In order to mitigate this risk, the management team continually monitor publically available information on the non standard finance sector in order to determine business development trends with a view to assessing the impact on the Group. The Group manages its relationships with its broker partners in a proactive manner and regularly discusses business trends and development opportunities with these partners.

- Credit Risk

The Group operates in the guarantor loans' segment of the non standard finance market. The financial performance of the business is impacted by the ability of the Group to ascertain and forecast long term credit losses across the range of loans it originates. Because of its guarantor business model the Group's long term credit losses are a function of the long term ability of both the applicant and, if necessary, the guarantor to repay the loan. As the Group develops strategies relating to the underlying attributes of the applicants and guarantors to which it originates loans, historic data on underlying credit risk may become less reliable therefore reducing the accuracy of any credit loss forecasts. During the last Financial Year the business has materially increased its lending to customers who would not have previously passed its underwriting criteria. The risk of inaccurately forecasting future losses has thereby increased.

As the business changes its operational processes, historic data on underlying credit risk may be less applicable to determine long term credit losses

To mitigate credit risk the Group actively monitors the performance of the loan book based on underlying credit risk segments and compares current arrears levels against historic levels to determine expected credit losses. In addition the Group actively monitors the 'roll rates' on the arrears status of the aggregate book and the different risk segments to monitor current versus historic performance and assess any trends. Any changes to underlying origination characteristics are closely controlled via 'pilot lending trials' and the quantum of these trials relative to the overall exposure in the Statement of Financial Position is closely monitored and assessed.

On a quarterly basis a formal reassessment of the credit loss forecast by credit risk segment is presented to the Risk Committee and any material changes to the loss forecast are discussed. If necessary changes are made to the underlying credit scorecards, operational processes or balance limits in order to blend monthly originations in order to achieve the desired portfolio credit metrics.

A quantitative assessment of the impact of changes in assumptions on credit losses and the impact on the balance sheet and statement of income is given in note 2 to this report.

- Regulatory Risk

The business is directly regulated by the Financial Conduct Authority (FCA) as well as being subject to other generic business legislation such as the Data Protection Act. The working environment in the United Kingdom for non standard finance companies is complex and operational requirements can change based on FCA reviews across the non-standard finance market which could have a negative effect on the execution of the long term business plan.

To mitigate conduct risk, the Group undertakes regular compliance reviews of customer facing functions to ensure compliance with both external regulatory and internal business rules. A summary of these audits is presented to senior management and required remedial action is taken promptly. The Group continues a proactive dialogue with the FCA, keeping them up to date with developments in the business. It also monitors FCA guidance, consultation processes, thematic reviews and other information across the financial services market to predict, and assess the impact of, any possible changes that many affect the business in the future.

- Funding Risk

The ability of the business to execute its long term business plan is dependent on obtaining the necessary funding in terms of quantum, term and price. The Group is therefore exposed to the generic business cycle of the debt markets. Any material deterioration in the underlying performance of the business could affect either the covenants associated with the current funding structure or the ability to raise future financing as necessary.

To mitigate the funding risk the Group is now principally financed via long term senior secured notes and a committed long term super senior credit facility. The covenants associated with the Group's funding is monitored on a monthly basis and the Group's future liquidity position is also assessed on a monthly basis.

- Future Risk

The reputation and/or the ability of the business to execute its long term plan could be effected if the business fails to interpret and implement change required due to the impact from new ideas, technologies, regulations or economic scenarios.

To monitor these risks the senior management of the Group are continually monitoring technological advances, changes in customer behaviours, the use of social media, mobile technology and "apps" to ensure that the Group is positioned so that it continues to communicate with its customers in the most effective and efficient ways. As discussed in the Regulatory Risk section the Group actively reviews possible future regulatory changes that could affect its future operations from a regulatory perspective. Whilst the Group has a certain amount of data concerning performance over a downturn period of recession in the general economy, it does not currently try to actively build an assessment of the impact of future economic scenarios in its lending criteria as the Group believes that the dual aspect nature of the applicant plus the guarantor leads to a significantly reduced economic risk relative to other non standard lending without a guarantor.

- Operational Risk

The failure of business processes, IT and data infrastructure, physical infrastructure or the adequate deployment of trained staff could materially affect the ability of the Group to execute its business plan or diminish its brand reputation. As the business is continually revising and developing the way in which it interacts with its customers, the Group is exposed to the risks associated with changing information technology systems and also the key knowledge sets of certain individuals.

In order to mitigate these risks the Group operates a very flat management structure and there is clear ownership and responsibility with specific individuals for all aspects of the business as well as lateral knowledge such that several key individuals could easily switch between roles. Because of the simplicity of the structure and the location of the business in one place in a single floor open plan office environment, any concerns are easily and quickly escalated to senior management. Information technology changes are controlled via the Change Management Steering Group and any proposed changes made to the core business system are double-checked. Keyman risk is mitigated both by offering an excellent working environment and also a material share ownership which provides a significant “lock-in” for a wide group of senior management.

Financial key performance indicators

The management track a range of financial and non-financial measures. The KPI’s below show the main measures that the business has used to gauge progress.

Business performance		**Year to 31-Mar-18**	**Year to 31-Mar-17**	**Change %**
Profit after tax	£m	72.1	54.5	32
Impairment / Revenue	%	21.3	6.8	213
Net loan book	£m	646.9	402.2	61
Debt / loan book	%	66.3	68.0	(3)
Net debt / tangible equity		2.4	2.4	-
Customer numbers	‘000	182.0	127.3	43

Profit after tax has continued to increase reflecting the growth in activity and the advantages of scale. The impairment charge has increased in line with expectations as the business offers finance to a wider pool of customers, enhancing financial inclusion whilst operating within the impairment targets set by the business. Loan book growth has been strong, increasing by 61% and at the same time the LTV % has reduced from 68.0% to 66.3%. The cash generative nature of the business means that even in a period of strong growth and record originations, the leverage of the business has remained largely unchanged. The business is now in a position where it collects more each month than it originates and originates at a level which continues to grow the loan book substantially.

On average the number of borrowers has increased by 4,500 per month, as Amigo continues to invest in its leading brand and is able to help more customers obtain the financing they need. Management's strategy is to maintain our market leading position through continuing to offer transparent and affordable guarantor loans to make borrowing possible for millions of ordinary people who are being excluded by banks. Management will continue to be disciplined in underwriting while at the same time growing our loan book based on our unrivalled data from 13 years of lending.

Strategic Report

Outlook

The business will continue to test enhancements to scorecards to leverage the extensive data available on borrowers and guarantors. There will be a continued focus on conversion through key stages of the application process while maintaining our rigorous, disciplined application and underwriting process.

The business looks forward to continuing its growth in the UK with its trademark product. A licence to operate has been applied for in Ireland. The Group will look to assess the feasibility of establishing a footprint in a different geography but with the same product, leveraging off existing resources.

During the year the Group appointed advisers to assist with the possible premium listing of the Group on the London Stock Exchange. This initiative designed to give Amigo the benefits of being a listed entity is ongoing and the non contingent costs incurred to 31 March 2018 have been recognised in the financial statements.

Dividends

No dividends were paid or received in the year (2017: £140m paid).

This report was approved by the Board and signed on its behalf by:

G P Crawford
Director
18 May 2018

Directors' Report

The directors present their report and the financial statements for the year ended 31 March 2018.

Results and dividends

Profit for the period, after taxation, amounted to £72.1m (2017: £54.5m).

Directors

The directors who served during the year, and up to the date of approval of these financial statements were:

G P Crawford
R E Kienlen (resigned with effect from 20 September 2017)
S G Dighton (appointed 02 October 2017)
N S Beal

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Report

Going Concern

The Directors have made an assessment in preparing these financial statements as to whether the Group is a going concern and have concluded that there are no material uncertainties that may cast doubt on the Group's ability to continue as a going concern. The Directors are comfortable the Group will continue to meet its funding covenants.

Matters covered in the strategic report

Key performance indicators and a business review for the year ended 31 March 2018 are disclosed in the Strategic Report as required by s414C (11) of Companies Act 2006.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Group's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

The auditor, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

S G Dighton
Director

Independent Auditor's Report to the members of Amigo Loans Group Limited

Opinion

We have audited the financial statements of Amigo Loans Group Limited ("the company") for the year ended 31st March 2018 which comprise the Group Statement of Comprehensive Income, Group and Company Statement of Financial Position, Group and Company Statement of Changes in Equity, Group Cashflow and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31st March 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Independent Auditor's Report to the members of Amigo Loans Group Limited

Directors' responsibilities
As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Walker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
1 Snow Hill
Queensway
Birmingham
B4 6GH
18 May 2018

Consolidated Statement of Comprehensive Income

	Notes	Year to 31-Mar-18 £m	Year to 31-Mar-17 £m
Revenue	3	**210.8**	128.6
Interest payable and funding facility fees	4	**(30.8)**	(12.6)
Impairment of amounts receivable from customers		**(44.8)**	(8.8)
Other operating expenses	5	**(46.0)**	(38.0)
Profit before tax		**89.2**	69.2
Tax on profit	8	**(17.1)**	(14.7)
Profit after tax & total comprehensive income attributable to equity shareholders of the Company		**72.1**	54.5

The profit is derived from continuing activities.

The notes on pages 14 to 43 form part of these financial statements.

Consolidated Statement of Financial Position

	Notes	31-Mar-18 £m	31-Mar-17 £m
Non-current assets			
Property, plant and equipment	9	**0.6**	0.7
Intangible assets	10	**0.1**	0.1
Deferred tax asset	11	**-**	0.2
		0.7	1.0
Current assets			
Amounts receivable from customers	12	**666.3**	414.5
Other receivables	13	**1.6**	1.5
Cash at bank and in hand		**12.1**	4.1
		680.0	420.1
Total Assets		**680.7**	421.1
Current liabilities			
Trade and other payables	14	**(18.9)**	(11.0)
Current tax liabilities		**(14.2)**	(6.4)
		(33.1)	(17.4)
Non-current liabilities			
Borrowings	15	**(455.0)**	(283.4)
Deferred tax liability	11	**(0.2)**	-
		(455.2)	(283.4)
Total liabilities		**(488.3)**	(300.8)
Net assets		**192.4**	120.3
Equity			
Share capital	16	**-**	-
Share premium		**302.0**	302.0
Merger reserve		**(300.0)**	(300.0)
Retained earnings		**190.4**	118.3
Shareholder equity		**192.4**	120.3

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:

S G Dighton, Director
18 May 2018
Company no. 10624393
The notes on pages 14 to 43 form part of these financial statements.

Consolidated Statement of Changes in Equity

	Share capital £m	Share premium £m	Merger Reserve[1] £m	Retained earnings £m	**Total equity £m**
At 1 April 2016	-	-	-	203.8	203.8
Shares issued	-	302.0	(300.0)	-	2.0
Total comprehensive income	-	-	-	54.5	54.5
Dividend declared and paid	-	-	-	(140.0)	(140.0)
At 31 March 2017	-	302.0	(300.0)	118.3	120.3
Total comprehensive income	-	-	-	72.1	72.1
At 31 March 2018	**-**	**302.0**	**(300.0)**	**190.4**	**192.4**

[1] - The merger reserve was created as a result of an inter and intra-group reorganisation to create an appropriate holding company structure.

The notes on pages 14 to 43 form part of these financial statements.

Consolidated Statement of Cash Flows

	Year to 31-Mar-18 £m	Year to 31-Mar-17 £m
Profit for the period	**72.1**	54.5
Adjustments for:		
Impairment expense	**44.8**	8.8
Income tax expense	**17.1**	14.7
Interest expense	**30.8**	12.6
Interest accrued on loan book	**(222.1)**	(133.6)
Depreciation of property, plant and equipment	**0.2**	0.3
Operating cash flows before movements in working capital	**(57.1)**	(42.7)
Increase in receivables	**(8.9)**	(7.0)
Decrease in net payables	**5.9**	-
Tax paid	**(9.0)**	(7.8)
Interest paid	**(28.6)**	(12.6)
Proceeds from intercompany funding	**(5.2)**	(44.6)
Repayment of intercompany funding	**5.1**	46.1
Proceeds from external funding	**276.6**	387.6
Repayment of external funding	**(105.0)**	(175.5)
Dividends paid	**-**	(140.0)
Net cash used in operating activities before loans issued and collections on loans	**73.8**	3.5
Loans issued	**(470.1)**	(276.8)
Collections	**404.4**	265.5
Net cash used in operating activities	**8.1**	(7.8)
Investing activities		
Purchases of property, plant, equipment	**(0.1)**	(0.2)
Net cash used in investing activities	**(0.1)**	(0.2)
Net increase / (decrease) in cash and cash equivalents	**8.0**	(8.0)
Cash and cash equivalents at beginning of period	**4.1**	12.1
Cash and cash equivalents at end of period	**12.1**	4.1

The notes on pages 14 to 43 form part of these financial statements

Notes to the Consolidated Financial Statements

1. Accounting policies

1.1. Basis of preparation of financial statements

Amigo Loans Group Limited (the “Company”) is a private company limited by shares and incorporated and domiciled in the UK.

The principal activity of the company is to act as a holding company for the Amigo Loans Group of companies. The principal activity of the Amigo Loans Group is to provide individuals with guarantor loans of up to £10,000 over 1 to 5 years.

The financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and the Companies Act 2006.

The presentation currency of the Group is GBP, the functional currency of the Company is GBP and these financial statements are presented in GBP. The following principal accounting policies have been applied:

1.2. Change in accounting policy as a result of transition to adopted IFRSs

The Company’s financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has applied IFRS for the first time in these financial statements and accordingly disclosed whether there has been an impact on transition in note 24 to these financial statements.
The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The financial statements are prepared on the historical cost basis.

1.3. Change to IFRS not yet adopted

A number of new and amended IFRSs were issued during the year which do not become effective until after 31 March 2018.

1.3.1. IFRS 15

IFRS 15 Revenue from Contracts with Customers – effective for the Group’s year ending 31 March 2019 – provides a single principles based model to be applied to all sales contracts. IFRS 15 is not expected to impact on the results of the Group as revenue is derived from interest.

Accounting policies (continued)

1.3.2. IFRS 16

IFRS 16 *Leases* – effective for the Group's year ending 31 March 2020 – requires lessees to recognise a lease liability and a right of use asset for all leases unless the lease term is 12 months or less or the underlying asset has a low value. As the Group currently only has one significant operating lease (see Note 26), IFRS 16 is not expected to have a significant impact on the results of the Group. Under IFRS 16 this lease will be taken onto the balance sheet at the NPV of the minimum lease payments in April 2019, with a corresponding right of use asset. The change in accounting for this lease would have an immaterial impact on the Income Statement charge. The Group will continue to assess the impact of the standard, should any new leases arise.

1.3.3. IFRS 9

IFRS 9 'Financial Instruments' is the replacement of IAS 39 'Financial instruments, recognition and measurement' and will be applied for the first time in the Group's financial statements for the year ended 31 March 2019. The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarised below.

The assessment below is dependent on management's judgements and estimates particularly with regard to forward looking assumptions. The full impact of adopting IFRS 9 on the consolidated Financial Statements will depend on the financial instruments that the Group holds during 2018, the macroeconomic environment and judgements made during the year.

1.3.3.1. Classification

IFRS 9 adopts a classification and measurement approach for financial assets which reflect how the assets are managed and their cash flow characteristics.

IFRS 9 includes three classification categories for financial assets: measured at amortised cost, Fair Value Though Other Comprehensive Income ('FVOCI') and Fair Value Through Profit and Loss ('FVTPL'). A financial asset is measured at amortised cost if it meets both of the following conditions (and is not designated as at FVTPL):

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

The Group does not believe that the new classification requirements will have a significant impact upon the measurement bases for its financial assets. Amounts receivable from customers that are classified as loans and receivables and measured at amortised cost under IAS 39 will also be measured at amortised cost under IFRS 9.

Accounting policies (continued)

1.3.3.2. Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'Expected Credit Loss' (ECL) model. IFRS 9 requires an impairment provision to be recognised on origination of loan, based on its anticipated credit loss. Under IAS 39, a provision is made where there has been objective evidence of impairment, such as a borrower falling into arrears. Additionally, the IAS 39 methodology included a provision against up to date loans for losses where the loss has been incurred but not yet reported and is likely to be reported during a short emergence period. Under IFRS 9, a provision will be made against all up to date loans to reflect the probability that they will default within the next 12 months, which is longer than the emergence period used under IAS 39, thus accelerating the recognition of impairment charges. The application of expected lifetime credit losses to assets which have experienced a significant increase in credit risk also results in an uplift in impairment versus IAS 39. IFRS 9 only changes the timing of profit recognition with earlier recognition of impairment provisions on a growing loan book; the Group's cash flows are unaffected by the change in accounting standard and the lifetime profitability is the same under both IAS 39 and IFRS 9.

1.3.3.2.1. Measurement of ECLs

Under IFRS 9 financial assets fall into one of three categories:
Stage 1 – Financial assets which have not experienced a 'significant' increase in credit risk since initial recognition.
Stage 2 – Financial assets that are considered to have experienced a 'significant' increase in credit risk since initial recognition.
Stage 3 – Financial assets which are in default or otherwise credit impaired.

Loss allowances for Stage 1 financial assets are based on 12-month ECLs, that is the portion of ECLs that result from default events that are possible within 12 months after the reporting date and are recognised from the date of initial recognition. Loss allowances for stage 2 and 3 financial assets are based on lifetime ECLs, which are the ECLs that result from all possible default events over the expected life of a financial instrument.

The Group has adopted a collective basis of measurement for calculating ECLs. The loan book is divided into portfolios of assets with shared risk characteristics and further divided by quarterly origination vintages. The Group's ECL methodology considers the collective estimated cash shortfalls for each credit risk portfolio based on forecast loss curves. Forecast loss curves are prepared on a risk segment basis for annual vintages and combine long term historical trends, current credit loss behaviour and management judgements.

The impairment requirements of IFRS 9 are complex and require management judgements, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into the measurement of ECLs.

The Group performs joint credit and affordability assessments on both the borrower and guarantor. When a borrower misses a payment, both parties are kept informed regarding the remediation of the arrears. If a missed payment is not remediated within a certain timeframe, collection efforts are automatically switched to the guarantor and if arrears are cleared the loan is considering as performing. In substance the Group treats the borrower and the guarantor as having equivalent contractual responsibilities.

Accounting policies (continued)

1.3.3.2.2. Significant increase in credit risk

In determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis.

The qualitative customer data available on an ongoing basis and available without undue cost or effort is payment status flags, which occur in specific circumstances such as a short-term payment plan, bankruptcy deceased or other indicators of significant change.

To determine whether there has been a significant increase in credit risk the following 2 step approach has been taken:

1) The primary indicator of whether a significant increase in credit risk has occurred for an asset is determined by considering the performance of each payment status flag. The Group considers the credit risk of an asset to have increased significantly since initial recognition if, based on the Group's analysis, the remaining lifetime probability of default is determined to have increased since initial recognition for assets with a payment flag.

2) As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is two contractual payments past due.

The Group reassesses the flag status of all loans at each month end on a collective basis and remeasures the proportion of the book which has demonstrated a significant increase in credit risk based on the latest payment flag data. An account transitions from stage 2 to stage 1 when a payment flag is removed from the account.

1.3.3.2.3. Definition of default

The Group considers an account in default if it is more than three contractual payments past due.

The Group reassesses the status of loans at each month end on a collective basis. When the arrears status of an asset improves so that it no longer meets the default criteria for that portfolio it is cured and transitions back from stage 3 to stage 2.

1.3.3.2.4. Forward looking information

The Group incorporates forward-looking information into its measurement of ECLs. The Group has analysed the effect of a range of economic factors and identified the most significant macroeconomic factor that is likely to impact credit losses as the rate of unemployment. Forecast unemployment rates have been factored into the credit loss models utilising four scenarios based on independent forecasts of future economic conditions and applying a probability-weighted approach. These scenarios include a base, an upside and two downside scenarios.

Accounting policies (continued)

1.3.3.3. Transition

The Group intends to take advantage of the exemption and not restate comparative information for periods up to 31 March 2018. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 will be recognised in retained earnings and reserves as at 1 April 2018.

The estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Group's equity at 1 April 2018 is expected to be approximately 20%. This represents:

- £nil related to the classification requirements;
- An expected reduction of approximately 7% of the carrying value of the loan book related to increased IFRS 9 impairment charge;
- An increase of approximately 17% of the additional IFRS 9 impairment provision in the carrying value of the deferred tax asset; and
- An expected reduction of approximately £38m of net assets related to increased IFRS 9 impairment charge after recognising the deferred tax benefit of the IFRS 9 Impairment charge.

The above are estimates and will not be finalised until all transition work has been completed. The impact is the Group's best estimate pending finalisation of the transition work. The Group continues to refine, monitor and validate certain elements of the impairment models and related controls ahead of full reporting of IFRS 9 impacts later in 2018.

1.3.3.4. Disclosure

IFRS 9 requires additional disclosures, in particular with regards to credit risk and ECLs. The Group's implementation project included assessing the disclosure requirements, identifying data gaps and implementing the necessary system and controls changes to enable the required disclosure.

1.4. Consolidation

The accounts have been consolidated using the merger accounting method on the basis that the Company acquired its interest in its subsidiaries from Richmond Group Limited, the Company's ultimate parent, which owned 82% of the share capital of the Company at 31 March 2017. The ultimate beneficial owner of the Company, who has control as defined by IFRS 10, and its subsidiaries, did not change as a result of the reorganisation of the group structure.

As a consequence this transaction has not been treated as a business combination and assets have been acquired at book value using common control accounting. The financial statements consolidate the Company and all of its subsidiary undertakings. Intra-group sales and profits are eliminated fully on consolidation. The consolidated financial statements for this company and all of its subsidiary undertakings are presented as if they had been in existence throughout the current and prior year. The Company accounts include only the period post incorporation.

No individual Statement of Comprehensive Income or Statement of Cash Flows is prepared for the Company as provided by Section 408 of the Companies Act 2006.

Notes to the Consolidated Financial Statements

Accounting policies (continued)

1.5. Going concern

The directors have made an assessment in preparing these financial statements as to whether the Group is a going concern.

The Group meets its funding requirements through cash generated from operations, a revolving credit facility which expires in January 2022, Senior secure notes which expire in January 2024 and shareholder loan notes. The Group’s forecasts and projections, which cover a period of more than 12 months from the date of approval of these financial statements, taking into account reasonably possible changes in normal trading performance, show that the Group should be able to operate within its currently available facilities. The Group has sufficient financial resources together with assets that are expected to generate cash flow in the normal course of business. The forecasts and projection contain no material uncertainties that would impact on the going concern basis for the Group.

After reviewing the Group's forecasts and projections the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore adopts the going concern basis in preparing these financial statements.

1.6. Revenue

Revenue comprises interest income on amounts receivable from customers. Loans are initially measured at fair value (which is equal to cost at inception) and are subsequently measured at amortised cost using the effective interest rate method. Revenue is presented net of amortised broker fees which are spread over the expected behavioural lifetime of the loan as part of the effective interest rate.

1.7. Other operating expenses

Other operating expenses include all direct and indirect costs. Where loan origination and acquisition costs can be referenced directly back to individual transactions (e.g. broker commission), they are included in the effective interest rate in revenue and amortised over the behavioural life of the loan rather than recognised in full at the time of acquisition.

1.8. Interest payable and funding facility fees

Interest payable and funding facility fees are charged to the Income Statement over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument, and recognised over the behavioural life of the liability. Amortised facility fees are charged to the Income Statement over the term of the facility on a straight line basis. Non-utilisation fees are charged to the Income Statement as incurred.

Accounting policies (continued)

1.9. Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

1.10. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

1.10.1. Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

1.10.2. Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.11. Property, plant and equipment (PPE)

PPE are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where parts of an item of PPE have different useful lives, they are accounted for as separate items of property, plant and equipment. Repairs and maintenance are charged to the Income Statement during the period in which they are incurred.

Accounting policies (continued)

1.11. Property, plant and equipment (PPE) (continued)

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- Leasehold Improvements 10% straight line
- Fixtures & fittings 25% straight line
- Computer equipment 50% straight line

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.12. Intangible assets

Intangible assets are recognised at historical cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised from the date they are available for use. Amortisation is charged to the Income Statement.

Acquired software costs incurred are capitalised and amortised on a straight-line basis over the anticipated useful life, which is normally 4 years.

Amortisation methods, useful lives and residual values are reviewed at each balance sheet date.

1.13. Operating leases: Lessee

Rentals paid under operating leases are charged to the Income Statement on a straight line basis over the period of the lease. Commitments under operating leases are disclosed within Note 21.

1.14. Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities, the most significant being amounts receivable from customers, high yield bonds, loans from banks and other third parties, and loans to related parties.

1.14.1. Financial Assets

1.14.1.1. Other receivables

Other receivables are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value and are measured subsequently at amortised cost using the effective interest method, less any impairment. Loans and amounts owed by parent and subsidiary undertakings are unsecured, have no fixed repayment date, are repayable on demand and interest on such balances is accrued on an arm’s length basis.

1.14.1.2. Impairment

Evidence of impairment is triggered by default or delinquency in interest or principal payments. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Income. Loans that are six or more payments in arrears are charged off the Statement of Financial Position and are no longer included in the loan book.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an ‘incurred loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

1.14.1.3. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.14.1.4. Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement and either:
- the Group has transferred substantially all the risks and rewards of the asset; or
- the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Accounting policies (continued)

1.14 Financial instruments (continued)

1.14.2. Financial liabilities

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method.

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs.

Short term payables are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the income statement.

1.15. Share based payments

Share based payment transactions in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity settled share based payments. At the grant date, the fair value of the share based payment is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employee becomes unconditionally entitled to the awards. The fair value of the awards granted is measured based on company specific observable market data, taking into account the terms and conditions upon which the awards were granted.

2. Judgments in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made are:

Significant judgements

Credit impairment

Amounts receivable from customers included in the Statement of Financial Position refers to total outstanding customer loans less a provision for impairment. The provision for impairment represents an accounting estimate of the portion of loan accounts that are not in arrears or are up to five payments in arrears for which we will not ultimately be able to collect payment. Loans that are six or more payments in arrears are charged off the Statement of Financial Position and are no longer included in the loan book. Value that is recovered on charged off loans reduces the impairment charge in the Income Statement.

This approach ensures:

- timely recognition of incurred losses; and
- distinguishes between assets that have significantly deteriorated in credit quality and those that have not; and
- provides more accurate estimates of incurred credit losses.

The guiding principle of the model is to reflect the trend of deterioration or improvement in the credit quality of loans.

The key judgements applied to the impairment model are:

- roll rates are averaged over the last 6 months to remove seasonal and calendar fluctuations whilst reflecting any underlying changes to the performance of the loan book; and
- loss given default on provided accounts is assumed at 90%; and
- loss given default on charged off accounts is assumed to be 100%.

2. Judgments in applying accounting policies and key sources of estimation uncertainty (continued)

Impairment sensitivity

Method Two key parameters in the model were tested as indicated below to estimate the impact on the provision as at 31 March 2018 and impact on profit before tax for the 12 months to 31 March 2018.

Test 1 The current model assumes a discounted recovery rate of 10% (i.e. Loss Given Default of 90%) on all receivables in arrears but not charged-off. To sensitise the data an average recovery rate of 0% has been assumed.

Impact:

The bad debt provision increased from £21.2m to £23.5m: +£2.3m

Test 2 The impairment model assumes 6 month average roll rates. The sensitivity of roll rates deteriorating by 10% has been tested, e.g. 4PD likelihood to charge-off from 76% to 84% (both adjusted by the LGD).

Impact:

The bad debt provision moved from £21.2m to £30.0m: +£8.8m

Test 3 The impairment model assumes 6 month average roll rates. The impact of using a 3 or 9 month average roll rates has been tested.

Impact:

i) When using a 3 month average the bad debt provision reduced from £21.2m to £20.3m: -£0.9m

ii) When using a 9 month average the bad debt provision increased from £21.2m to £21.8m: +£0.6m

Summary	**Per accounts**	**Test 1**	**Test 2**	**Test 3i)**	**Test 3ii)**
	£m	**£m**	**£m**	**£m**	**£m**
Profit before tax	72.1	69.8	63.3	73.0	71.5
Net assets	192.4	190.5	185.3	193.1	191.9

Effective interest rates

The effective interest rate includes broker commission which can be referenced directly back to individual transactions. The key judgement applied in the effective interest rate calculation is the life of the loan and, to a lesser extent, the profile of loan payments over this period.

For the purposes of amortising the acquisition cost, the average life of a loan is assumed at 31 months based on historical data. The payment profile, calculated using actual historic payment patterns, takes into account early settlement and therefore is not linear over the life of the loan. A movement of - 6 month change in the assumed average life of a loan originated in the year would impact the Income Statement by - £0.8m.

Notes to the Consolidated Financial Statements

2. Judgments in applying accounting policies and key sources of estimation uncertainty (continued)

Share based payments

A share based payments award exists in the form of ordinary shares which were acquired at market value in the 2017 year by three directors and a number of members of senior management. It is treated as a contingent equity share settled scheme on the basis that the Board has made the judgement that an exit, in the form of an IPO or sale of the Group within a period of five years after award of the shares, is the expected outcome. As such the charge in the consolidated statement of comprehensive income is £nil (2017: £nil).

If an exit within this period becomes unexpected the award becomes a cash-settled scheme, and the fair value of the award would be remeasured at each reporting date.

3. Revenue

Revenue is all derived from a single segment in a single geographic area. This is consistent with the reporting to the Chief Operating Decision maker, which we consider is the Board. No segmental analysis is therefore provided. Revenue includes interest from impaired loans of £4.0m (2017: £1.4m) and is net of amortised broker costs.

4. Interest payable and funding facility

	Year to 31-Mar-18 £m	Year to 31-Mar-17 £m
Bank interest payable	**3.3**	5.4
Interest payable on loans from related undertakings	**-**	0.2
Senior secured notes interest payable	**25.0**	4.1
Funding facility fees	**2.5**	2.9
	30.8	12.6

Funding facility fees include non-utilisation fees associated with the undrawn portion of the Group's revolving credit facility and amortisation of the initial costs of the Group's revolving credit facility and senior secured notes.

Notes to the Consolidated Financial Statements

5. Other operating expenses

	Year to 31-Mar-18 £m	Year to 31-Mar-17 £m
Advertising and marketing	**21.1**	18.0
Employee costs (Note 6)	**9.8**	10.6
Print, post and stationery	**4.1**	2.6
Credit scoring costs	**2.9**	1.8
Communication costs	**2.3**	1.4
Other	**5.8**	3.6
	46.0	38.0

Other operating expenses include:	31-Mar-18 £m	31-Mar-17 £m
Fees payable to the Company's auditor and its associates for:		
- audit of financial statements of the Company and subsidiaries of the Company	**0.2**	0.1
- corporate finance transactions	**0.1**	-
Depreciation of PPE	**0.2**	0.2
Operating lease expense – property	**0.2**	0.3
Defined contribution pension cost	**0.2**	0.1

6. Employees

	Year to 31-Mar-18 £m	Year to 31-Mar-17 £m
Employee costs		
Wages and salaries	**8.7**	9.6
Social security costs	**0.9**	0.9
Cost of defined pension contribution scheme	**0.2**	0.1
	9.8	10.6

6. Employees (continued)

The average monthly number of employees, including the directors, during the year was as follows:

	Year to 31-Mar-18	Year to 31-Mar-17
Employee numbers		
Sales	**156**	203
Administration	**108**	79
	264	282

7. Directors' remuneration

	Year to 31-Mar-18 £m	Year to 31-Mar-17 £m
Directors' emoluments	**0.9**	0.8
Group contributions to defined contribution pension schemes	**-**	-
	0.9	0.8

During the year retirement benefits were accruing to 2 directors (2017: 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £500,817 (2017: £472,516).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £31,669 (2017: £372).

No directors were in receipt of a share based payment award in the year (2017: 3) – see Note 2.

Notes to the Consolidated Financial Statements

8. Taxation

	Year to 31-Mar-18 £m	Year to 31-Mar-17 £m
Corporation Tax		
Current tax on profits for the year	**17.1**	13.9
Adjustments in respect of previous periods	**(0.3)**	0.8
Total current tax	**16.8**	14.7
Deferred tax		
Origination and reversal of timing differences	**(0.1)**	-
Adjustments in respect of prior periods	**0.4**	-
Taxation on profit	**17.1**	14.7

A reconciliation of the actual tax charge, shown above, and the profit before tax multiplied by the standard rate of tax, is as follows:

	Year to 31-Mar-18 £m	Year to 31-Mar-17 £m
Profit before tax	**89.2**	69.2
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2017 20%)	**16.9**	13.8
Effects of:		
Expenses not deductible for tax purposes	-	0.1
Adjustments to tax charge in respect of prior periods	**0.2**	0.8
Total tax charge for the year	**17.1**	**14.7**

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly.

9. Property, plant and equipment

	Long leasehold property	Fixtures & fittings	Office equipment	Computer equipment	Total
	£m	£m	£m	£m	£m
Cost or valuation					
At 01 April 2017	0.8	0.5	0.1	0.7	2.1
Additions	-	-	-	0.1	0.1
Disposals	-	-	(0.1)	(0.2)	(0.3)
At 31 March 2018	**0.8**	**0.5**	**-**	**0.6**	**1.9**
Depreciation					
At 01 April 2017	0.3	0.4	0.1	0.6	1.4
Charge for the period	-	0.1	-	0.1	0.2
Disposals	-	-	(0.1)	(0.2)	(0.3)
At 31 March 2018	**0.3**	**0.5**	**-**	**0.5**	**1.3**
Net book value					
At 31 March 2018	**0.5**	**-**	**-**	**0.1**	**0.6**
At 31 March 2017	0.5	0.1	-	0.1	0.7

10. Intangible assets

	Acquired Computer software	Total
	£m	£m
Cost or valuation		
At 01 April 2017	0.2	0.2
Additions	-	-
At 31 March 2018	**0.2**	**0.2**
Amortisation		
At 01 April 2017	0.1	0.1
Charge for the period	-	-
At 31 March 2018	**0.1**	**0.1**
Net book value		
At 31 March 2018	**0.1**	**0.1**
At 31 March 2017	0.1	0.1

11. Deferred tax

	31-Mar 18 £'000	31-Mar 17 £'000
At 01 Apr 2017 / 01 April 2016	**0.1**	0.2
Charge to the profit and loss	**(0.3)**	-
At 31 Mar 2018 / 31 Mar 2017	**(0.2)**	0.2

The deferred tax (liability) / asset is made up as follows:

	31-Mar 18 £'000	31-Mar 17 £'000
Accelerated capital allowances	**-**	0.2
Unpaid remuneration	**0.1**	-
Other temporary differences in respect of prior periods	**(0.3)**	-
	(0.2)	0.2

12. Amounts receivable from customers

	31-Mar-18	31-Mar-17
Amounts receivable from customers	**£m**	£m
Due within one year	**373.6**	162.4
Due in more than one year	**273.3**	239.8
	646.9	402.2
Deferred broker costs		
Due within one year	**12.7**	7.8
Due in more than one year	**6.7**	4.5
	666.3	414.5

The fair value of amounts receivable from customers is approximately £685.9m (2017: £440.3m) (see Note 19). The fair value of amounts receivable from customers has been estimated using a net present value calculation using discount rates derived from contractual interest rates less acquisition and financing costs. As these loans are not traded on an active market and the fair value is therefore determined through future cash flows, they are classed as Level 3 under IFRS 13 *Fair Value Measurement*.

12. Amounts receivable from customers (continued)

	31-Mar-18	31-Mar-17
	£m	£m
Neither past due nor impaired		
Up-to-date	**605.6**	382.2
In arrears but not impaired		
1 payment in arrears	**40.3**	19.9
2 payments in arrears	**7.7**	3.3
In arrears and impaired		
3-5 payments in arrears	**14.5**	5.0
	668.1	410.4
Impairment provision on amounts receivable from customers	**(21.2)**	(8.2)
	646.9	402.2
Deferred broker costs	**19.4**	12.3
	666.3	414.5

The loan book is representative of a single product in the UK.
The carrying amount of the loans represents the Group's maximum exposure to credit.

	Impairment provision
	£m
At 01 April 2017	(8.2)
Charge-offs during the period	31.8
Recoveries during the period	0.5
Charge to the income statement during the period	(45.3)
At 31 March 2018	**(21.2)**

13. Other receivables

	31-Mar-18	31-Mar-17
	£m	£m
Current		
Prepayments and accrued income	**1.6**	1.5
	1.6	1.5

14. Trade and other payables

	31-Mar-18	31-Mar-17
	£m	£m
Current		
Accrued senior secured note interest	**6.3**	4.1
Trade payables	**0.8**	1.8
Amounts owed to group undertakings	**2.2**	2.3
Taxation and social security	**0.2**	0.7
Accruals and deferred income	**9.4**	2.1
	18.9	11.0

15. Bank and other borrowings

	31-Mar-18	31-Mar-17
	£m	£m
Non-current liabilities		
Amounts falling due 3-4 years		
Bank loan	**62.2**	-
Amounts falling due 4-5 years		
Bank loan	**-**	14.3
Amounts falling due > 5 years		
Senior secured notes	**392.8**	269.1
	455.0	283.4

The bank facility, and the senior secured notes are secured by a charge over the Group's assets and a cross guarantee given by other group companies.

Reconciliation of movements of liabilities to cash flows arising

	Senior secured notes	Bank Loan	Intercompany funding	Total liabilities relating to cash flow
	£m	£m	£m	£m
Cost or valuation				
At 01 April 2017	269.1	14.3	2.3	285.7
Net proceeds from additional loans	123.7	47.9	-	171.6
Repayment of loans	-	-	(0.1)	(0.1)
At 31 March 2018	392.8	62.2	2.2	457.2

16. Share capital

Allotted and called up shares at par value	**31-Mar-18**	31-Mar-17
	£'000	£'000
1,000 Ordinary shares of £1 each	1	1

During the current and prior year the Company issued no shares.

17. Capital Commitments

The Group had no capital commitments as at 31 March 2018 (31 March 2017: none).

18. Related party transactions

During the year the Group traded with the ultimate parent company, Richmond Group Limited, and its subsidiaries.
The Group receives charges from and makes charges to these related parties in relation to catering services, shared costs, staff costs and other costs incurred on their behalf. Balances related to corporation tax and VAT in relation to group wide registrations and payment arrangements are also passed through these related party balances. The charges and the outstanding balances at the year end are as below:

	Charged to	Charged from	Balance outstanding
	£m	£m	£m
Year to 31 March 2017			
Richmond Group Limited	0.8	(0.7)	(2.4)
Amigo Holdings Ltd	0.1	-	0.1
Year to 31 March 2018			
Richmond Group Limited	0.5	(0.3)	(0.4)
Amigo Holdings Ltd	0.1	-	(1.8)

Intra-Group transactions between the Company and the fully consolidated subsidiaries or between fully consolidated subsidiaries are eliminated on consolidation.

Key management compensation

	31-Mar-18	31-Mar-17
	£m	£m
Salaries and short term employee benefits	1.1	1.0

Key management comprises members of the Board (including fees of Non-executive Directors) and Executive Directors.

19. Financial instruments

The below tables show the carrying amounts and fair values of financial assets and financial liabilities, including the levels in the fair value hierarchy. All financial assets fall within the IAS 39 category of loans and receivables. Further details of the assets and liabilities can be found within notes 12-15.

The tables below analyse financial instruments, into a fair value hierarchy based on the valuation technique used to determine fair value:

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

	31-Mar-18 Carrying amount	31-Mar-18 Fair value
	£m	£m
Financial assets not measured at fair value[1]		
Amounts receivable from customers (Level 3)[2]	666.3	685.9
Other receivables	1.6	1.6
Cash and cash equivalents	12.1	12.1
	680.0	699.6
Financial liabilities not measured at fair value[1]		
Amounts owed to parent group entities	(2.2)	(2.2)
Other liabilities	(16.7)	(16.7)
Bond liability (Level 1)	(392.8)	(410.5)
Bank loans	(62.2)	(62.2)
	(473.9)	(491.6)

Maturity analysis of financial liabilities	
Analysed as	
- due within one year	
Amounts owed to parent group entities	(2.2)
Other liabilities	(16.7)
- due in three to four years	
Bank Loans	(62.2)
- due in five or more years	
Bond liability	(392.8)
	(473.9)

19. Financial instruments (continued)

	31-Mar-17 Carrying amount	31-Mar-17 Fair value
	£m	£m
Financial assets not measured at fair value[1]		
Amounts receivable from customers (Level 3)[2]	414.5	440.3
Other receivables	1.5	1.5
Cash and cash equivalents	4.1	4.1
	420.1	445.9
Financial liabilities not measured at fair value[1]		
Amounts owed to parent group entities	(2.3)	(2.3)
Other liabilities	(8.7)	(8.7)
Bond liability (Level 1)	(269.1)	(282.6)
Bank loans	(14.3)	(14.3)
	(294.4)	(307.9)
Maturity analysis of financial liabilities		
Analysed as		
- due within one year		
Amounts owed to parent group entities	(2.3)	
Other liabilities	(8.7)	
- due in four to five years		
Bank Loans	(14.3)	
- due in five or more years		
Bond liability	(269.1)	
	(294.4)	

All financial instruments are held at amortised cost.

[1] - The Group has not disclosed the fair values of financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair value.

[2] – The unobservable inputs in the fair value calculation of amounts receivable from customers are expected credit losses, forecast cash flows and discount rates.

Financial instruments not measured at fair value

The fair value of Amounts receivable from customers has been estimated using a net present value calculculation using discount rates derived from contractual interest rates less acquisition and financing costs. As these loans are not traded on an active market and the fair value is therefore determined through future cash flows, they are classed as Level 3 under IFRS 13 *Fair Value Measurement*.

The fair value of Bond liabilities has been taken at the Bloomberg Valuation Service (BVAL) market price for the bonds.

19. Financial instruments (continued)

Maturity analysis of contractual cash flows of financial liabilities

As at 31 March 2018

	0-1 year	2-5 years	Greater than 5 years	Total
	£m	£m	£m	£m
Amounts owed to parent group entities	2.2	-	-	2.2
Other liabilities	16.7	-	-	16.7
Bank loans	-	65.0	-	65.0
Bond liability	30.5	91.5	461.0	583.0
	49.4	156.5	461.0	666.9

Maturity analysis of contractual cash flows of financial liabilities

As at 31 March 2017

	0-1 year	2-5 years	Greater than 5 years	Total
	£m	£m	£m	£m
Amounts owed to parent group entities	2.3	-	-	2.3
Other liabilities	8.7	-	-	8.7
Bank loans	-	16.0	-	16.0
Bond liability	21.0	62.9	337.9	421.8
	32.0	78.9	337.9	448.8

19. Financial instruments (continued)

Credit risk

There is limited concentration of risk with the average balance in the loan book amounting to £3,992 (2017: £3,447) and a maximum of £15,218 at 31 March 2018 (2017 £11,423). The carrying amount of the loans represents the Group's maximum exposure to credit risk with the table above summarising the credit quality of loan repayments.

The Group carries out an affordability assessment on both borrower and guarantor before a loan (or top up) can be paid out. As a separate exercise using the knowledge and data from its 13 year presence in the guarantor loan market each potential loan undergoes a creditworthiness assessment based on the applicants' and guarantors' credit history. No formal collateral or guarantees are held against loans on the basis that the borrower and guarantor are technically and in substance joint borrowers.

The Group manages credit risk by actively managing the blend of risk in its portfolio to achieve the desired impairment rates in the long term. The Group aims to achieve the desired risk in the portfolio by managing its scorecards and the maximum amount borrowers are able to borrow depending on their circumstance and credit history. Factors we consider in monitoring the overall impairment rates include the total value of the loan, the home owner status of the guarantor, whether loans are new or repeat loans and whether these are lending pilot loans. Using the data and expected loss curves for the different scorecards the business can vary its origination levels to target an expected loss rate, impairment level and manage balance sheet risk.

Lending pilots are designed to test new criteria and relationships that allow the Group to lend to applicants that would have been rejected under the core scorecards. By their nature the loss history on lending pilots is not established. The Group monitors performance to determine which loans perform at an acceptable risk level over time with a view to being established within a core scorecard, or alternatively rejected where performance of lending pilots are below the level required for the Group to meet its internal targets.

The business monitors the proportion of the balance sheet within the homeowner guarantor, non homeowner guarantor and lending pilot categories. At 31 March 2018 and 31 March 2017 the mix of business within the categories was as follows:

Balance sheet	**31-Mar-18 £m**	**31-Mar-17 £m**
Gross book value arising from originations with homeowner guarantor	332.2	272.9
Gross book value arising from originations with non-homeowner guarantor	224.5	106.0
Gross book value arising from originations from Lending pilots	111.4	31.5
	668.1	410.4

In assessing the level of impairment the business makes provision for a percentage of loans that are currently up to date. As part of its procedures the Group expects that at any time there will be an element of loans that are currently up to date but where the customer may have an unreported difficulty in repaying the loan and therefore the Group makes provision for the estimated effect.

In addition should a customer enter into a repayment plan the Group does not reschedule the terms for its internal reporting. Instead the business calculates the arrears level with reference to the original terms. At 31 March 2018 2% of the gross book value of loans was under payment plans (2017: 2%).

19. Financial instruments (continued)

Originations relating to the circumstances monitored are as follows:

Lending originations	31-Mar-18 £m	31-Mar-17 £m
New origination with homeowner guarantor	109.0	85.8
New origination with non-homeowner guarantor	117.4	62.9
Repeat origination with homeowner guarantor	80.3	68.5
Repeat origination with non-homeowner guarantor	64.4	29.1
Lending pilots	99.0	30.5
	470.1	276.8

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk – interest rate risk, currency risk and other prices risk. The Group's exposure is primarily to the risk of changes in Interest rates:

Interest rate risk
The bank facility interest rate is set at a margin of 3.5% for utilised funds plus LIBOR and a total charge of 1.4% for non-utilised funds. The bond liability is set at a fixed interest rate of 7.625%. A 1% movement in LIBOR based on the funds utilised at the year end (£65m) equates to an annual charge of £650,000.

As the majority of the Group's borrowings are at a fixed interest rate, the Group considers there is no significant risk to the Group at 31 March 2018.

Amounts receivable from customers are charged at 49.9% APR over a period of 1 to 5 years.

Foreign exchange risk
There is no significant foreign exchange risk to the Group. The Group does incur some operating costs in USD and Euro, which it does not hedge as there would be minimal impact on reported profits and equity. Amigo Luxembourg SA is a GBP functional currency entity and gives no foreign exchange exposure upon consolidation.

Liquidity risk
Liquidity risk is the risk that the Group will have insufficient liquid resources to fulfil its operational plans and /or meet its financial obligations as they fall due. Liquidity risk is managed by the Group's central finance department through daily monitoring of expected cash flows, ensuring sufficient funds are drawn against the Group's finance facilities to meet obligations as they fall due.

19. Financial instruments (continued)

Capital management

The Board seeks to maintain a strong capital base in order to maintain investor, customer, and creditor confidence and to sustain future development of the business whilst satisfying the Group's bond and banking covenants. The Group has no minimum capital requirements imposed on it by regulation.

The Group finances its operations through equity funding, which represents the Group's definition of capital for this purpose. At 31 March 2018 shareholder equity was £192.4m (2017: £120.3m).

20. Pension commitments

The Group operates defined contribution pension schemes for the benefit of its employees. The assets of the scheme are administered by trustees in funds independent from those of the Group.

The total contributions charged during the year amounted to £174k (2017: £132k). At the year end there were contributions outstanding of £42k (2017: £19k).

21. Commitments under operating leases

At 31 March 2018 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	31-Mar-18	31-Mar-17
	£m	£m
Not later than 1 year	**0.2**	0.2
Later than 1 year and not later than 5 years	**0.3**	0.5
Total	**0.5**	0.7

Operating lease commitments relate to the Amigo Office in Bournemouth.

22. Immediate and Ultimate parent undertaking

The immediate parent undertaking is Amigo Holdings Limited. The ultimate parent company and controlling party is Richmond Group Ltd, a company incorporated in the UK.

The Company and Group are included in the consolidated financial statements of Richmond Group Limited. The consolidated financial statements of Richmond Group Limited are available to the public and may be obtained from the registered office: Walton House, 56-58 Richmond Hill, Bournemouth, BH2 6EX.

23. Subsidiary undertakings

The following are subsidiary undertakings of the Company at 31 March 2018 and includes undertakings registered or incorporated up to the date of the directors' report as indicated. Unless otherwise indicated all Group owned shares are ordinary.

Name	Country of incorporation	Interest	Principal activity
Direct holding			
Amigo Loans Holdings Ltd[1]	United Kingdom	100%	Holding company
Indirect holdings			
Amigo Loans Ltd[1]	United Kingdom	100%	Trading company
Amigo Management Services Ltd[1]	United Kingdom	100%	Trading company
RG Catering Services Ltd[1]	United Kingdom	100%	Trading company
Amigo Luxembourg SA[2]	Luxembourg	100%	Financing company
Amigo Car Loans Limited[1*]	United Kingdom	100%	Dormant company
Amigo Motor Finance Limited[1*]	United Kingdom	100%	Dormant company
Amigo Car Finance Limited[1*]	United Kingdom	100%	Dormant company
Amigo Store Limited[1]	United Kingdom	100%	Dormant company
Amigo Group Limited[1]	United Kingdom	100%	Dormant company
Amigo Finance Limited[1]	United Kingdom	100%	Dormant company
Amigo Loans International Limited[3**]	Ireland	100%	Holding company
Amigo Loans Ireland Limited[3***]	Ireland	100%	Trading company

[1] registered at 118-128 Commercial Road, Bournemouth, BH2 5LT.
[2] registered at 19, Rue de Bitbourg, L-1273 Luxembourg.
[3] registered at Suite 3, One Earlsfort Centre, Lower Hatch Street, Dublin 2.
* incorporated 7 June 2017.
** registered 22 September 2017.
*** registered 2 August 2017 – this business has applied for a lending license and has not commenced lending operations.

24. First-time adoption of IFRS

As stated in note 1, these financial statements, for the year ended 31 March 2018, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 March 2017, the Group prepared its financial statements in accordance with the accounting standards generally accepted in the United Kingdom ("UK GAAP"). Accordingly, the Group has prepared financial statements which comply with IFRSs applicable for periods ending on or after 31 March 2017, together with the comparative period data as at and for the year ended 31 March 20I7, as described in the accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1 April 2016, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its UK GAAP statement of financial position and its previously published UK GAAP Statement of Financial Performance from transition.

There was no impact on the Income Statement or Statement of Changes in Equity for the year end 31 March 2017 or 31 March 2016 arising from the transition, and hence no Income Statement or Statement of Changes in Equity is shown within this note.

For year ended 31 March 2017 and 31 March 2016 there is a reclassification of software assets from Property, plant and equipment to Intangible assets (2017: £140,000 NBV, 2016: £122,309 NBV) and deferred taxation assets (2017: £249,000, 2016: £74,997) from other receivables to non current assets. These being the only transitional adjustments, no balance sheet has been shown within this note.

24. First-time adoption of IFRS (continued)

	UK GAAP 31-Mar-17 £m	Effects of transition to adopted IFRS and reclassification of previous GAAP 31-Mar-17 £m	31-Mar-17 £m
Non-current assets			
Property, plant and equipment	0.8	(0.1)	0.7
Intangible assets	-	0.1	0.1
Deferred tax asset	-	0.2	0.2
	0.8	0.2	1.0
Current assets			
Amounts receivable from customers	414.5	-	414.5
Other receivables	1.7	(0.2)	1.5
Cash at bank and in hand	4.1	-	4.1
	420.3	(0.2)	420.1
Total Assets	421.1	-	421.1
Current liabilities			
Trade and other payables	(11.0)	-	(11.0)
Current tax liabilities	(6.4)	-	(6.4)
	(17.4)	-	(17.4)
Non-current liabilities			
Borrowings	(283.4)	-	(283.4)
Deferred tax liability	-	-	-
	(283.4)	-	(283.4)
Total liabilities	(300.8)	-	(300.8)
Net assets	120.3	-	120.3
Equity			
Share capital	-	-	-
Share premium	302.0	-	302.0
Merger reserve	(300.0)	-	(300.0)
Retained earnings	118.3	-	118.3
Shareholder equity	120.3	-	120.3

24. First-time adoption of IFRS (continued)

Group reconciliation of equity as at 31 March 2016	UK GAAP 31-Mar-16 (audited) £m	Effect of transition to adopted IFRS and reclassification of previous GAAP 31-Mar-16 (audited) £m	Adopted IFRS at 31-Mar-16 (audited) £m
Non-current assets			
Property, plant and equipment	1.0	(0.1)	0.9
Intangible assets	-	0.1	0.1
Deferred tax asset	-	0.1	0.1
	1.0	0.1	1.1
Current assets			
Amounts receivable from customers	266.3	-	266.3
Trade and other receivables	7.3	(0.1)	7.2
Cash at bank and in hand	12.1	-	12.1
	285.7	(0.1)	285.6
Total Assets	286.7	-	286.7
Current liabilities			
Trade and other payables	(7.6)	-	(7.6)
Current tax liabilities	(4.5)	-	(4.5)
Non-current liabilities			
Borrowings	(70.8)	-	(70.8)
Shareholder loan notes	-	-	-
Total liabilities	(82.9)	-	(82.9)
Net assets	203.8	-	203.8
Equity			
Share capital	-	-	-
Share premium	-	-	-
Merger reserve	-	-	-
Retained earnings	203.8	-	203.8
Shareholder equity	203.8	-	203.8

Company Statement of Financial Position

	Notes	31-Mar-18 £m	31-Mar-17 £m
Non-current assets			
Investments	1a	**302.0**	302.0
		302.0	302.0
Total assets		**302.0**	302.0
Net assets		**302.0**	302.0
Equity			
Share capital	2a	**-**	-
Share premium		**302.0**	302.0
Retained earnings		**-**	-
Shareholder equity		**302.0**	302.0

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:

S G Dighton
Director
18 May 2018
Company no. 10624393
The notes on page 46 form part of these financial statements.

Company Statement of Changes in Equity

	Share capital £m	Share premium £m	Retained earnings £m	**Total equity £m**
Share capital issued	-	302.0	-	302.0
Result for the period	-	-	-	-
At 31 Mar 2017	-	302.0	-	302.0
Result for the period	-	-	-	-
At 31 Mar 2018	**-**	**302.0**	**-**	**302.0**

The notes on page 46 form part of these financial statements.

Notes to the financial statements - Company

1a Investments

	£m
At cost or valuation	
At 31 March 2017 and 31 March 2018	**302.0**

For details of investments in Group companies, refer to the list of subsidiary companies within Note 23 to the consolidated financial statements.

2a Share capital

For details of share capital, see Note 16 to the consolidated financial statements.

3a Capital Commitments

The Company had no capital commitments as at 31 March 2018 (31 March 2017: none).

4a Related party transactions

The Company had no transactions with or amounts due to or from subsidiary undertakings that are not 100 per cent owned either by the Company or by its subsidiaries. For details of transactions with Richmond Group Limited and its subsidiaries, see Note 18 to the consolidated financial statements.

For details of key management compensation see Note 18 to the consolidated financial statements.

5a First-time adoption of IFRS

These financial statements, for the year ended 31 March 2018, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 31 March 2017, the prepared its financial statements in accordance with the accounting standards generally accepted in the United Kingdom ("UK GAAP"). Accordingly, the Company has prepared financial statements which comply with IFRSs applicable for periods ending on or after 31 March 2017, together with the comparative period data as at and for the year ended 31 March 20I7, as described in the accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1 April 2016, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its UK GAAP statement of financial position and its previously published UK GAAP Statement of Financial Performance from transition.

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