28 August 2020

Amigo Holdings PLC

First Quarter Financial Results for the year ended 31 March 2021

Amigo Holdings PLC, (Amigo), the leading provider of guarantor loans in the UK, announces results for the three month period ended 30 June 2020.

Figures in £m, unless otherwise stated		First Quarter to 30 June 2020	First Quarter to 30 June 2019	Change %
Number of customers[1]	'000	199.0	210.0	(5.2)
Net loan book[2]		553.1	728.4	(24.1)
Revenue		48.8	71.5	(31.7)
Impairment:revenue		37.9%	30.5%	24.3
Operating cost:income excluding complaints[3]		23.0%	20.6%	12.7
Complaints provision (balance sheet)		116.4	1.8	
Complaints cost (income statement)		6.8	2.0	
Profit after tax[4]		3.0	18.1	(83.4)
Adjusted profit after tax		3.9	20.4	(80.9)
Basic EPS	pence	0.6	3.8	(84.2)
Adjusted basic EPS	pence	0.8	4.3	(81.4)
Net borrowings /adjusted tangible equity[5]	ratio	1.8x	1.8x	-

Headlines

- Covid-19 related payment holidays granted to approximately 47,000 customers
- Revenue reduction of 31.7% to £48.8m (Q1 FY 2020: £71.5m) primarily due to the impact of Covid-19-related payment holidays and the temporary pause in all new lending except to key workers
- Net loan book reduction of 24.1% to £553.1m (Q1 FY 2020: £728.4m)
- Impairment:revenue ratio at 37.9% (Q1 FY 2020: 30.5%), driven by the downward revision of economic assumptions and the impact of Covid-19 related payment holidays
- Operating cost:income ratio excluding complaints of 23.0% (Q1 FY 2020: 20.6%); including complaints the ratio was 36.9% (Q1 FY 2020: 23.4%)
- Complaints provision broadly unchanged at £116.4m (Q1 FY 2020: £1.8m); incremental cost of £6.8m
- Reported statutory profit after tax for the period of £3.0m (Q1 FY 2020: £18.1m)
- Net borrowings/adjusted tangible equity: 1.8x (Q1 FY 2020: 1.8x)
- £145.2m of cash and cash equivalents as at 30 June 2020 (Q1 FY 2020: £27.5m); unrestricted cash balance at a similar level as at 31 July 2020, of over £145m after the half year payment of interest on Amigo's senior secured notes
- Voluntary agreement (VReq) reached with FCA to resolve complaints backlog by 30 October 2020 and on track to meet this deadline. FCA investigation into Amigo's creditworthiness assessments initiated
- Post period end appointments to rebuild Board and position Amigo as a sustainable business for the long term

**Detailed definitions and calculations of these alternative performance measures (APMs) can be found in the APM section of these condensed financial statements*

Commenting on the Q1 results, Nayan V.Kisnadwala, CFO of Amigo, said:

"The whole team at Amigo is focused on addressing our legacy issues and building a sustainable business for the long term. Operationally we have turned a corner in our handling of complaints. We are on track to meet the agreement reached with the FCA to resolve our complaints backlog and continue to work with the FCA on its ongoing investigation. We have adequate liquidity and funding to support our ongoing business activity.

"We are updating our lending processes and policies to enable Amigo to restart lending in a prudent manner by the end of 2020."

Analyst, investor and bondholder conference call and webcast

Amigo will be hosting a live webcast for investors and bondholders today at 09:30 (London time) which will be available at: https://www.amigoplc.com/investors/results-centre. A conference call is also available for those unable to join the webcast (Dial in: + 44 20 3936 2999; Access code: 227124). A replay will be available on Amigo's website after the event. The presentation pack for the webcast shows the reconciliation between the PLC results and Amigo Loans Group Limited (the 'Bond Group').

Notes to summary financial table:

[1]Number of customers represents the number of accounts with a balance greater than zero, exclusive of charged off accounts.

[2]Net loan book represents total outstanding loans less provision for impairment excluding deferred broker costs.

[3] Operating cost:income ratio is defined as operating expenses divided by revenue, excluding complaints.

[4] Profit after tax otherwise known as profit and total comprehensive income to equity shareholders of the Group as per the financial statements.

[5]Net borrowings defined as borrowings, less cash at bank and in hand. Adjusted tangible equity is defined as shareholder equity less intangible assets.

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About Amigo Loans

Amigo is a public limited company registered in England and Wales with registered number 10024479. The Amigo Shares are listed on the Official List of the London Stock Exchange. Amigo is a leading provider of guarantor loans in the UK and offers access to mid-cost credit to those who are unable to borrow from traditional lenders due to their credit histories. The guarantor loan concept introduces a second individual to the lending relationship, typically a family member or friend with a stronger credit profile than the borrower. This individual acts as guarantor, undertaking to make loan payments if the borrower does not. Amigo was founded in 2005 and has grown to become the UK's largest provider of guarantor loans. In the process, Amigo's guarantor loan product has allowed borrowers to rebuild their credit scores and improve their ability to access credit from mainstream financial service providers in the future. Amigo is a mid-cost provider with a simple and transparent product - a guarantor loan at a representative APR of 49.9 per cent., with no fees, early redemption penalties or any other charges. Amigo Loans Ltd and Amigo Management Services Ltd are authorised and regulated in the UK by the Financial Conduct Authority

Forward looking statements

This report contains certain forward-looking statements. These include statements regarding Amigo Holdings PLC's intentions, beliefs or current expectations and those of our officers, Directors and employees concerning, amongst other things, our financial condition, results of operations, liquidity, prospects, growth, strategies, and the business we operate. These statements and forecasts involve risk, uncertainty and assumptions because they relate to events and depend upon circumstances that will or may occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements are made only as at the date of this announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by law, Amigo Holdings PLC has no obligation to update the forward-looking statements or to correct any inaccuracies therein.

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Financial review

In the first three months to 30 June 2020, revenue fell by 31.7%, primarily reflecting the impact of Covid-19 payment holidays. In addition, Amigo's continued pause in lending to all but key workers following the onset of Covid-19 has led to a decline in customer numbers of 5.2% and a reduction in the net loan book of 24.1% compared to the prior year. Statutory profit after tax for the three month period was £3.0m, (Q1 FY2020 £18.1m). Adjusting for exceptional items, profit after tax was £3.9m, (Q1 FY2020 £20.4m).

Covid-19 payment holidays

During the first quarter of our financial year, Amigo granted Covid-19 related payment holidays to approximately 47,000 customers. Payment holidays granted to borrowers during this period provided both a payment and interest holiday of up to three months with no increase in monthly instalments when the payments resume. The term of the loan is effectively extended by the duration of the payment holiday. No interest or principal is waived and it is instead deferred to future periods.

By deferring contractual repayments without charging interest or increasing the value of future monthly instalments, the present value of the future cash flows for customers with Covid-19 payment holidays is reduced. In accordance with the asset modification and effective interest rate requirements of IFRS 9, a modification loss has been recognised based on the estimated change in the present value of contractual cash flows that arises from the Covid-19 payment plans granted up to 30 June 2020. This resulted in a modification loss of £16.0m being recognised in the quarter, £12.9m of which is recognised in revenue, with the remainder recognised in impairment.

Post our first quarter end, extensions to Covid-19 payment holidays for a further period of up to three months have been offered to customers, which is in line with revised regulatory requirements. For the first three months of the payment holiday no interest accruals were applied to customer balances; from three to six months interest begins to accrue. The timing impact of these changes will be reflected in our results for the second quarter.

Impairment

Excluding the impact of Covid-19, the impairment charge as a percentage of revenue was 15.0% for the first quarter reflecting the significantly reduced originations in the period. The reported ratio was 37.9% (Q1 FY2020: 30.5%) driven by the downward revision of economic assumptions in the model to reflect the heightened probability of higher unemployment and the impact of Covid-19 related payment holidays.

Collections remain robust at 86% of pre-Covid-19 expectations as at 31 July 2020. This includes the early settlement of some customer loans. Amigo has adequate liquidity to continue to fund operations and support its customers, with over £145m unrestricted cash held as at 31 July 2020, despite payment of the half yearly interest on our senior secured notes. The Board, with management across the business, is putting measures in place, including updated scorecards and revised credit policies, to enable a return to prudent lending to customers outside of key worker positions by the end of 2020. Amigo plays an important role in providing financial inclusion to our customers, who may be excluded by mainstream lenders.

Complaints

The complaints provision is broadly unchanged from the amount we reported in July 2020. The substantial rise in complaints reported with our full year results reflected the complaints activity largely seen over the first quarter of the current financial year. This increase in volumes was factored into the provision we reported in July. The level of provision on the balance sheet has been maintained at a similar level to the full year given the uncertainty regarding future complaints volumes.

The complaints provision includes a combination of estimated redress for known cases and an allowance for future claims. £8.5m of the provision was utilised in the quarter, representing redress, of which around half was settled with cash and the remaining half in balance adjustments. An incremental cost of £6.8m has been recognised in the income statement. The remaining provision on the balance sheet as at 30 June 2020 is £116.4m.

On 27 May 2020, we agreed a VReq with the FCA to work through a backlog of complaints, principally arising in 2020, by the end of June 2020. An amended VReq was later agreed on 3 July 2020, covering a higher volume of complaints, to reach a position by 30 October 2020 where all complaints are dealt with appropriately within an eight week timeframe. We are on track to meet the VReq deadline.

These complaints do not represent a clearly identifiable cohort of lending; rather, each is assessed and, where complaints are upheld it is due to the particular circumstances of the case. We continue to investigate the root cause of complaints in line with regulatory expectations. We have built capacity to cope with the increase in volumes and continue to report breaches of regulation by claims management companies to the FCA. We are exploring all avenues to address the complaints issue, including working with the FOS to understand the standards they are applying and challenging these outcomes where necessary. Amigo retains the option of judicially reviewing decisions that we believe are wrong.

Excluding complaints, the ratio of operating expense to revenue at 23.0% (Q1 FY2020: 20.6%), is higher due to the lower reported revenue and reflects the continued efficiency in the Amigo model.

Funding

On 27 May 2020, Amigo voluntarily cancelled the undrawn revolving credit facility of £109.5m. Also, during the quarter, due to the potential impact of Covid-19 on asset performance in the securitisation facility, Amigo negotiated a waiver period on asset performance triggers. Post period end, on 17 August 2020, we announced a further extension of the waiver period to 18 December 2020 allowing both Amigo and its lenders the opportunity to fully understand the impact of Covid-19 on the business whilst maintaining the facility. In addition, the size of the facility has been reduced from £300m to £250m, reflecting Amigo's current lower funding requirements while lending is paused. All cash generation arising from customer loans held within the securitisation facility will continue to be used during the waiver period extension to further reduce the outstanding balance. As at 14 August 2020, the date of renewal, the facility was drawn at £199m.

The Group's average cost of funds has reduced significantly to 4.2% compared to 5.2% at the same time last year. To reduce this further, Amigo may from time to time make opportunistic open market repurchases of its outstanding high yield senior secured notes. The notes became callable at the beginning of January 2020.

Net borrowings / adjusted tangible equity is in line with the prior year at 1.8x and has improved from 2.4x at the full year.

Regulatory Update

The FCA has several sector-wide reviews ongoing for the whole non-standard finance sector. This includes reviews of affordability, repeat lending and the treatment of vulnerable customers. Specific to guarantor lending, the FCA's reviews have focused on affordability, guarantor payments, guarantor understanding and forbearance.

In July 2020, we received feedback from the FCA's review into affordability and forbearance. We had already tested changes to our affordability verification processes and a number of the recommendations from the FCA had been, or were in the process of being, implemented prior to our pause in lending. The remaining recommendations by the FCA regarding affordability will be implemented before we return to meaningful levels of new lending.

As announced on 1 June 2020, the FCA has initiated an investigation into Amigo's creditworthiness assessment process, and the governance and oversight of this process. The investigation will cover the period from 1 November 2018 to date. We are early in the process but are working with the investigations team to ensure we fully comply with the evolving regulatory requirements and to promote a thorough understanding of our product and our goal of financial inclusion.

On 6 August 2020, the FCA published its review into relending within the non-standard finance sector with the expectation that firms will review their relending operations in the light of their findings and make necessary changes to improve customer outcomes. Amigo made significant changes to its eligibility criteria around 'top up' loans in August 2019 and has made additional changes with the onset of Covid-19, reducing overall levels of relending as a proportion of originations. We continue to review credit policies to ensure the best outcomes for our customers.

The FCA has also published its delayed consultation on guidance regarding vulnerability. The consultation period will now close at the end of September with FCA guidance expected to be finalised in early 2021. The FCA report, based on research undertaken pre-Covid-19, shows that just under half of UK adults display some form of vulnerability. Post Covid-19 the FCA expects that this proportion will increase. Amigo has specialist teams assisting customers deemed more vulnerable. We continue to help our customers with specific Covid-19-related relief and in their transition back to making full payments, where appropriate. Our teams are trained to recognise when a customer might be considered vulnerable, either through the conversations they have with them or as a result of an assessment of the information we have on them. Our dedicated Specialist Support team provides targeted support to help each customer receive fair and appropriate treatment.

Board

Post the period end, on 1 August 2020, Jonathan Roe joined the Board as Non-Executive Director. On the same day, former Chief Executive, Glen Crawford, re-joined Amigo. On receipt of FCA authorisation, Jonathan will take up the position of Chair of the Board and Glen will assume the role of Chief Executive. On 17 August, Gary Jennison joined the Board as Non-Executive Director.

These three appointees bring a wealth of experience to Amigo, as well as the Board, and demonstrate Amigo's intent to return the Board to an appropriate composition in accordance with the UK Corporate Governance Code and to build a sustainable business for the long term.

Outlook

We are preparing to restart lending on a prudent basis by the end of 2020. However, until we do so, and until we have more clarity on the financial impact of Covid-19, the Board considers it too early to issue guidance for this financial year. We have a strong cash position. Despite the special Covid-19 relief programme, cash collection has remained robust and we are well positioned to manage the challenges of the Covid-19 pandemic.

As reported at the full year, the economic impact of Covid-19, a potential increase in the level of complaints received and the possible outcome of the FCA investigation have led to a material uncertainty surrounding going concern. Despite this, the Board considers there to be adequate liquidity to support our business. As at the quarter end, we had equity of £170.5m and provisions for complaints and impairment of £116.4m and £98.1m respectively, and as at 31 July 2020, we have unrestricted cash of over £145m after payment of the half yearly interest on our senior secured notes.

Despite the difficulties we face, it is important to remember that Amigo serves a purpose in providing financial inclusion to those who are unable to access finance through mainstream lenders. This will be even more important as the country recovers from the economic impact of Covid-19.

We have moved swiftly to rebuild the Board and we will continue to engage proactively and positively with our regulators to enable us to return to providing our much-needed product by the end of this calendar year. The long-term drivers of our business are unchanged, we have strong teams in place and a clear focus on the challenges we face.

Condensed Consolidated Statement of Comprehensive Income

	Notes	**3 months ended 30-Jun-20 Unaudited £m**	3 months ended 30-Jun-19 Unaudited £m	Year to 31-Mar-20 Audited £m
Revenue	3	**48.8**	71.5	294.2
Interest payable and funding facility fees	4	**(7.4)**	(10.4)	(30.7)
Impairment of amounts receivable from customers[1]		**(18.5)**	(21.8)	(113.2)
Administrative and other operating expenses		**(11.2)**	(14.7)	(59.4)
Complaints expense	13	**(6.8)**	(2.0)	(126.8)
Total operating expenses		**(18.0)**	(16.7)	(186.2)
Strategic review, formal sale process and related financing costs	6	**(3.5)**	-	(2.0)
Profit/(loss) before tax		**1.4**	22.6	(37.9)
Tax credit/(charge) on profit/(loss)	7	**1.6**	(4.5)	10.7
Profit/(loss) and total comprehensive income attributable to equity shareholders of the Group[2]		**3.0**	18.1	(27.2)

The profit/(loss) is derived from continuing activities.

Earnings/(loss) per share		**3 months ended 30-Jun-20**	3 months ended 30-Jun-19	Year to 31-Mar-20
Basic earnings/(loss) per share (pence)	8	0.6	3.8	(5.7)
Diluted earnings/(loss) per share (pence)	8	0.6	3.8	(5.7)
Dividend per share (pence)		-	-	10.55

The accompanying notes form part of these financial statements.

1 This line item includes reversals of impairment losses or impairment gains, determined in accordance with IFRS 9. In the period, this totalled £nil (Q1 2019: £2.1m).

2 There was less than £0.1m of other comprehensive income during any period, and hence no consolidated statement of other comprehensive income is presented.

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Condensed Consolidated Statement of Financial Position as at 30 June 2020

	Notes	**30-Jun-20 Unaudited £m**	30-Jun-19 Unaudited £m	31-Mar-20 Audited £m
Non-current assets				
Customer loans and receivables	9	**254.4**	319.0	296.5
Property, plant and equipment		**1.3**	1.0	1.5
Right-of-use lease asset		**1.1**	0.4	1.1
Intangible assets		**0.1**	0.1	0.1
Deferred tax asset		**6.4**	6.5	6.6
		263.3	327.0	305.8
Current assets				
Customer loans and receivables	9	**315.8**	430.9	367.1
Other receivables	10	**5.7**	3.7	1.4
Current tax assets		**27.2**	-	21.7
Derivative asset		**0.1**	0.1	0.1
Cash and cash equivalents		**145.2**	27.5	64.3
		494.0	462.2	454.6
Total assets		**757.3**	789.2	760.4
Current liabilities				
Trade and other payables	11	**(18.7)**	(19.5)	(13.5)
Lease liability		**(0.3)**	(0.2)	(0.3)
Provisions	13	**(106.4)**	(1.8)	(105.7)
Current tax liabilities		**-**	(9.7)	-
		(125.4)	(31.2)	(119.5)
Non-current liabilities				
Borrowings	12	**(450.3)**	(495.2)	(460.6)
Lease liability		**(1.1)**	(0.6)	(1.1)
Provisions	13	**(10.0)**	-	(11.8)
		(461.4)	(495.8)	(473.5)
Total liabilities		**(586.8)**	(527.0)	(593.0)
Net assets		**170.5**	262.2	167.4
Equity				
Share capital		**1.2**	1.2	1.2
Share premium		**207.9**	207.9	207.9
Merger reserve		**(295.2)**	(295.2)	(295.2)
Retained earnings		**256.6**	348.3	253.5
Shareholder equity		**170.5**	262.2	167.4

The accompanying notes form part of these financial statements.
This interim report of Amigo Holdings PLC was approved by the Board of Directors and authorised for issue.

Nayan Kisnadwala
Director
Company no. 10024479

Date: 28 August 2020

Condensed Consolidated Statement of Changes in Equity

	Share capital £m	Share premium £m	Merger Reserve[1] £m	Retained earnings £m	**Total equity £m**
At 31 March 2019 (Audited)	1.2	207.9	(295.2)	330.6	**244.5**
Total comprehensive income	-	-	-	18.1	**18.1**
IFRS 16 opening balance sheet adjustment[2]	-	-	-	(0.4)	**(0.4)**
At 30 June 2019 (Unaudited)	1.2	207.9	(295.2)	348.3	**262.2**
Total comprehensive income	-	-	-	(45.2)	**(45.2)**
Share-based payments	-	-	-	0.5	**0.5**
Dividends paid	-	-	-	(50.1)	**(50.1)**
At 31 March 2020 (Audited)	1.2	207.9	(295.2)	253.5	**167.4**
Total comprehensive income	-	-	-	3.0	**3.0**
Share-based payments	-	-	-	0.1	**0.1**
At 30 June 2020 (Unaudited)	**1.2**	**207.9**	**(295.2)**	**256.6**	**170.5**

The accompanying notes form part of these financial statements.

[1] - The merger reserve was created as a result of a Group reorganisation in 2017 to create an appropriate holding company structure. The restructure was within a wholly owned group, constituting a common control transaction.

[2] - On 1 April 2019, the Group adopted IFRS 16. A right-of-use asset of £0.6m and a lease liability of £0.9m were recognised as a result on 1 April 2019, with the balancing amount being taken to retained earnings.

Condensed Consolidated Statement of Cash Flows

	3 months ended 30-Jun-20 Unaudited £m	3 months ended 30-Jun-19 Unaudited £m	Year to 31-Mar-20 Audited £m
Profit/(loss) for the period	**3.0**	18.1	(27.2)
Adjustments for:			
Impairment expense	**18.5**	21.8	113.2
Complaints expense	**6.8**	2.0	126.8
Tax (credit)/charge	**(1.6)**	4.5	(10.7)
Interest expense	**7.4**	10.4	30.7
Interest charged on loan book	**(52.5)**	(76.0)	(304.9)
Profit on senior secured note buyback	-	0.3	0.7
Share-based payment	**0.2**	-	0.5
Depreciation of property, plant and equipment	**0.3**	0.1	0.5
Operating cash flows before movements in working capital[1]	**(17.9)**	(18.8)	(70.4)
Increase in receivables	**(0.6)**	(2.9)	(0.2)
Increase in payables	**1.0**	0.2	0.8
Complaints redress	**(8.5)**	(0.2)	(9.3)
Tax paid	**(3.7)**	(10.5)	(26.8)
Interest paid	**(1.3)**	(2.3)	(28.8)
Proceeds from parent undertakings	-	0.2	0.9
Repayment of parent undertakings	-	-	(0.9)
Net cash used in operating activities before loans issued and collections on loans	**(31.0)**	(34.3)	(134.7)
Loans issued	**(0.4)**	(115.1)	(347.4)
Collections	**121.3**	146.4	594.0
Post charge-off recoveries and other loan book movements	**0.1**	1.5	9.8
Decrease in deferred brokers costs	**3.4**	-	0.3
Complaints interest refunds	**2.8**	-	-
Net cash from/(used in) operating activities	**96.2**	(1.5)	122.0
Investing activities			
Purchases of property, plant and equipment	**(0.1)**	(0.2)	(1.3)
Net cash used in investing activities	**(0.1)**	(0.2)	(1.3)
Financing activities			
Purchases of senior secured notes	-	(29.1)	(85.9)
Dividends paid	-	-	(50.1)
Lease principal payments	**(0.1)**	-	(0.1)
Cash held for repayment of borrowings	**(3.6)**	-	-
Proceeds from external funding	-	72.6	174.4
Repayment of external funding	**(11.5)**	(29.5)	(109.9)
Net cash (used in)/from financing activities	**(15.2)**	14.0	(71.6)
Net increase in cash and cash equivalents	**80.9**	12.3	49.1
Cash and cash equivalents at beginning of period	**64.3**	15.2	15.2
Cash and cash equivalents at end of period	**145.2**	27.5	64.3

Notes to the condensed consolidated financial statements

1. Accounting Policies

1.1 Basis of preparation of financial statements

Amigo Holdings PLC is a public company limited by shares (following IPO on 4 July 2018), listed on the London Stock Exchange (LSE: AMGO). The Company is incorporated and domiciled in England and Wales and its registered office is Nova Building, 118-128 Commercial Road, Bournemouth, United Kingdom BH2 5LT.

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 from £1,000 to £10,000 over one to five years.

The consolidated financial statements have been prepared on a going concern basis and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (EU-IFRS) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention, except for financial instruments measured at amortised cost or fair value.

The presentational currency of the Group is GBP, the functional currency of the Company is GBP and these financial statements are presented in GBP. All values are stated in £ million (£m) except where otherwise stated.

In preparing the financial statements, the Directors are required to use certain critical accounting estimates and are required to exercise judgement in the application of the Group's accounting policies. See note 2 for further details.

These interim financial statements have not been prepared fully in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of Amigo Holdings PLC (the 'Group') as at and for the year ended 31 March 2020.

The interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated annual report for the year ended 31 March 2020. Changes to significant accounting policies are described in notes 1.2 and 2.

The consolidated financial statements of the Group as at and for the year ended 31 March 2020 are available upon request from the Company's registered office at Nova Building, 118-128 Commercial Road, Bournemouth, United Kingdom, BH2 5LT.

The comparative figures for the financial year ended 31 March 2020 are not the Group's statutory accounts for that financial year, but are an extract from those statutory accounts for interim reporting. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor:

i) drew attention to the material uncertainty related to going concern referenced in the financial statements;
ii) did not include a reference to any other matters to which the auditor drew attention by way of emphasis without qualifying their report; and
iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

These interim financial statements were approved by the board of directors on 28 August 2020.

Going concern

The Directors have made an assessment in preparing these condensed financial statements as to whether the Group is a going concern. The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Group meets its funding requirements through:

- cash generated from operations and the existing loan book is expected to continue to generate cash inflows in the normal course of business. In response to the Covid-19 pandemic, all new lending, except to key workers, was paused in March 2020;
- a £250m securitisation facility (reduced from £300m on 17 August 2020) which expires in June 2022, after which the drawn balance will amortise in line with the repayment of the underlying securitised agreements. On 17 August 2020, Amigo announced it had agreed with its bank a further extension of the waiver period end date from 24 July 2020 to 18 December 2020 to permit time for both parties the opportunity to fully understand and assess the impact of Covid-19 on the business, whilst maintaining the facility. The terms of the waiver period amendment remove the obligation of the lender to make any further advances to the Amigo Group, provide Amigo with a waiver from an early amortisation event should an asset performance trigger threshold be breached during the period and requires that all collections of securitised assets are used to repay any outstanding note balance. The terms of the amendment also require that the facility must be restructured by 18 December 2020 to the satisfaction of the lender or the facility will be placed into early amortisation, after which, the performance covenants no longer apply.
- senior secured notes of £234.1m which expire in January 2024. The notes have no financial maintenance covenants.

The Group has a cash balance of £145.2m as at 30 June 2020. The Directors have prepared a base case cash flow forecast which covers a period of twelve months from the date of approval of these condensed financial statements. This base case assumes:

- no new lending, except to key workers, for the duration of the forecast period;
- the securitisation facility enters early amortisation on the assumption that Group is unable to restructure the facility to the satisfaction of the lender at the end of the waiver period, being 18 December 2020;
- complaints redress is settled in line with the expectations of the 31 March 2020 balance sheet provision (refer to note 18 to the year-end Amigo Holdings PLC financial statements);
- credit losses, and therefore customer collections, remain consistent with the expectations of the year-end impairment provision (refer to note 13 to the year-end Amigo Holdings PLC financial statements);
- a lower cost base than the financial year ended 31 March 2020, which would be achieved through a combination of lower variable costs and targeted cost saving initiatives to re-align the cost base to the re-based business; and
- no dividend payments during the forecast period.

This base case indicates that the Group will have sufficient funds to enable it to operate within its available facilities and settle its liabilities as they fall due for at least the next twelve months.

Going concern *continued*

The Directors have prepared a severe but plausible downside scenario covering the same forecast period, being at least the next twelve months from date of approval of these financial statements, which includes sensitivities that consider the potential impact of:

- increased credit losses as a result of a deterioration in the macroeconomic outlook due to Covid-19 and the inability of an increased number of Amigo's customers to continue to make payments. This sensitivity is broadly aligned to Amigo's worst case IFRS 9 macroeconomic scenario (see note 2.1.3 to the year-end Amigo Holdings PLC financial statements); and
- a sustained high volume of customer complaints throughout the forecast period coupled with an increase in the uphold rate.

This downside scenario also assumes that new lending remains materially paused throughout the forecast period. The downside scenario indicates that the Group should have sufficient funds to enable it to operate within its available facilities and settle its liabilities as they fall due in the next twelve months, excluding any negative impact from the FCA investigation discussed below.

However, the assumed high level of customer complaints redress throughout the forecast period would significantly reduce available liquidity headroom. If complaints redress were to continue at the same high levels assumed in the downside scenario beyond the next twelve months, the Group would need to source additional financing to maintain adequate liquidity and continue to operate.

In June 2020, the Financial Conduct Authority ("FCA") launched an investigation into the Group's creditworthiness assessment process, and the governance and oversight of this process. This investigation will cover the period from 1 November 2018 to date. Such investigations can take up to two years to finalise but could be concluded on within the next twelve months. There are a number of potential outcomes which may result from this FCA investigation, including the imposition of a significant fine and/or the requirement to perform a mandatory back-book remediation exercise. The Directors consider a mandatory back-book remediation exercise to be a possible outcome, but not the most likely outcome. The Directors consider should they be required to perform a back-book remediation exercise it could reasonably be expected to exhaust the Group's available liquid resources.

Based on these indications the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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Notes to the condensed consolidated financial statements

1. Accounting policies continued

1.2 Amounts receivable from customers

i) Classification

IFRS 9 requires a classification and measurement approach for financial assets which reflects 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 through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). Note, the Group does not hold any financial assets that are equity investments; hence the below considerations of classification and measurement only apply to financial assets that are debt instruments. 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.

Business model assessment

In the assessment of the objective of a business model, the information considered includes:

- the stated policies and objectives for the loan book and the operation of those policies in practice, in particular whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the loan book is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of debt sales in prior periods, the reasons for such sales and the Group's expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Group's business comprises primarily loans to customers that are held for collecting contractual cash flows. Debt sales of charged off assets are not indicative of the overall business model of the Group. The business model's main objective is to hold assets to collect contractual cash flows.

Assessment of whether contractual cash flows are solely payments of principle and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time, as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI), the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group has deemed that the contractual cash flows are SPPI and hence, loans to customers are measured at amortised cost under IFRS 9.

Notes to the condensed consolidated financial statements

1. Accounting policies continued

ii) Impairment

IFRS 9 includes a forward-looking "expected credit loss" (ECL) model in regards to impairment. IFRS 9 requires an impairment provision to be recognised on origination of a financial asset. Under IFRS 9, a provision is made against all stage 1 (defined below) financial assets to reflect the expected credit losses from default events within the next twelve months. The application of lifetime expected credit losses to assets which have experienced a significant increase in credit risk results in an uplift to the impairment provision.

iii) 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; and

Stage 3 – Financial assets which are in default or otherwise credit impaired.

Loss allowances for stage 1 financial assets are based on twelve month ECLs, that is the portion of ECLs that result from default events that are estimated within twelve months of the reporting date and are recognised from the date of asset origination. Loss allowances for stage 2 and 3 financial assets are based on lifetime ECLs, which are the ECLs that result from all default events over the expected life of a financial instrument.

In substance the borrower and the guarantor of each financial asset have equivalent responsibilities. Hence for each loan there are two obligors to which the entity has equal recourse. This dual borrower nature of the product is a key consideration in determining the staging and the recoverability of an asset.

The Group performs separate credit and affordability assessments on both the borrower and guarantor. After having passed an initial credit assessment, most borrowers and all guarantors are contacted by phone and each is assessed for their creditworthiness and ability to afford the loan. In addition, the guarantor's roles and responsibilities are clearly explained and recorded. This is to ensure that while the borrower is primarily responsible for making the repayments, both the borrower and the guarantor are clear about their obligations and are also capable of repaying the loan.

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 switched to the guarantor and if arrears are cleared the loan is considered performing.

The Covid-19 pandemic presents significant economic uncertainty. The Group assessed that its key sensitivity was in relation to expected credit losses on customer loans and receivables. Given the significant uncertainty around the duration and severity of the impact of the pandemic on the macroeconomy and in particular unemployment, a matrix of nine scenarios consisting of three durations (three, six and twelve months) and three severities (moderate, high and extremely high) has been modelled. Refer to note 2.1.1 for further detail on the judgements and estimates used in the measurement of the ECL.

1. Accounting policies continued

iv) Assessment of significant increase in credit risk (SICR)

In determining whether the credit risk (i.e. risk of default) of 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 used in this assessment is payment status flags, which occur in specific circumstances such as a short-term payment plan, breathing space or other indicators of a change in a customer's circumstances. See note 2.1.2 for details of how payment status flags are linked to staging, and judgements on what signifies a significant increase in credit risk.

The Group has offered payment holidays to customers in response to Covid-19. These measures were introduced on 31 March 2020. The granting of a payment holiday does not automatically trigger a significant increase in credit risk. Customers granted payment holidays are assessed for other indicators of SICR and are classified as stage 2 if other indicators of a SICR are present. This is in line with guidance issued by the International Accounting Standards Board (IASB) and Prudential Regulation Authority (PRA) which noted that the extension of government-endorsed payment holidays to all borrowers in particular classes of financial instruments should not automatically result in all those instruments being considered to have suffered a significant increase in credit risk. See note 2.1.2 for further detail on SICR considerations for Covid-19 payment holidays and note 2.4 for judgements and estimates applied by the Group on the calculation of a modification loss resulting from the granting of these payment holidays.

v) Derecognition

The Group offers, to certain borrowers, the option to top up existing loans subject to internal eligibility criteria and customer affordability. The Group pays out the difference between the customer's remaining outstanding balance and the new loan amount at the date of top-up. The Group considers a top-up to be a derecognition event for the purposes of IFRS 9 on the basis that a new contractual agreement is entered into by the customer replacing the legacy agreement. The borrower and guarantor are both fully underwritten at the point of top-up and the borrower may use a different guarantor from the original agreement when topping up.

vi) Modification

Aside from top-ups and Covid-19 payment holidays, no formal modifications are offered to customers. In some instances, forbearance measures are offered to customers. These are not permanent measures; there are no changes to the customer's contract and the measures do not meet derecognition or modification requirements.

Where modified payment terms are offered to customers, the Group evaluates whether the cash flows of the modified financial assets are substantially different. If the cash flows are deemed substantially different, then the contractual rights to cash flows from the original loan are deemed to have expired and the asset is derecognised (see 1.2.v) and a new asset is recognised at fair value plus eligible transaction costs.

For non-substantial modifications the Group recalculates the gross carrying amount of a financial asset based on the revised cash flows and recognises a modification profit or loss in the Consolidated Statement of Comprehensive Income. The modified gross carrying amount is calculated by discounting the modified cash flows at the original effective interest rate. Where the modification event is deemed to be a trigger for a significant increase in credit risk, the modification loss is presented together with impairment losses. In other cases, it is presented within revenue.

vii) Definition of default

The Group considers an account to be in default if it is more than three contractual payments past due, i.e. greater than 61 days, which is a more prudent approach than the rebuttable presumption in IFRS 9 of 90 days and has been adopted to align with internal operational procedures. 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.

1. Accounting policies continued

viii) Forbearance

Where the borrower indicates to the Group that they are unable to bring the account up to date, informal, temporary forbearance measures may be offered. There are no changes to the customer's contract at any stage. Therefore, with the exception of Covid-19 payment holidays, these changes are neither modification nor derecognition events.

Depending on the forbearance measure offered, an operational flag will be added to the customer's account, which may indicate significant increase in credit risk and trigger movement of this balance from stage 1 to stage 2 in impairment calculation. See note 2.1.2 for further details.

2. Critical accounting assumptions 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:

Judgements

The preparation of the consolidated Group financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period. The most significant uses of judgements and estimates are explained in more detail in the following sections:

- IFRS 9 – measurement of ECLs
  - Assessing whether the credit risk of an instrument has increased significantly since initial recognition (note 2.1.2).
  - Definition of default is considered by the Group to be when an account is three contractual payments past due (note 1.2.vii).
  - Multiple economic scenarios – the probability weighting of nine scenarios to the ECL calculation (note 2.1.3).
- IFRS 9 – modification of financial assets
  - Assessment of Covid-19 payment holidays as a non-substantial modification (note 2.4.1).
  - Assessment of a modification loss as a significant increase in credit risk (note 2.4.2).
- Provisions (note 2.3)
  - Judgement is involved in determining whether a present constructive obligation exists and in estimating the probability, timing and amount of any outflows.
- Going concern
  - Judgement is applied in determining if there is a reasonable expectation that the Group adopts the going concern basis in preparing these financial statements (note 1.1).

Estimates

Areas which include a degree of estimation uncertainty are:

- IFRS 9 – measurement of ECLs
  - Adopting a collective basis for measurement in calculation of ECLs in IFRS 9 calculations (note 2.1.1).
  - Probability of default (PD), exposure at default (EAD) and loss given default (LGD) (note 2.1.1).
  - Forward-looking information incorporated into the measurement of ECLs (note 2.1.3).
  - Incorporating a probability weighted estimate of external macroeconomic factors into the measurement of ECLs (note 2.1.3).

2. Critical accounting assumptions and key sources of estimation uncertainty continued

- IFRS 9 – modification of financial assets
  - Estimating the change in net present value of the projected future cashflows arising from Covid-19 payment holidays on a cohort basis (note 2.4.2).
- Provisions (note 2.3)
  - Calculation of provisions involves management's best estimate of expected future outflows, the calculation of which evaluates current and historical data, and assumptions and expectations of future outcomes.
- Effective interest rate (note 2.2)
  - Calculation of the effective interest rate includes estimation of the average behavioural life of the loans and the profile of the loan payments over this period (note 2.2).

2.1 Credit Impairment

2.1.1 Measurement of ECLs

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 including whether the loan is new business, repeat lending or part of a lending pilot as well as considering if the customer is a homeowner or not. These portfolios of assets are further divided by contractual term and monthly origination vintages.

The allowance for ECLs is calculated using three components: a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD). The ECL is calculated by multiplying the PD (twelve month or lifetime depending on the staging of the loan), LGD and EAD.

The twelve month and lifetime PDs represent the probability of a default occurring over the next twelve months or the lifetime of the financial instruments, respectively, based on historical data and assumptions and expectations of future economic conditions.

EAD represents the expected balance at default, considering the repayment of principal and interest from the balance sheet date to the default date. LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group expects to receive.

The Group assesses the impact of forward-looking information on 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. Given the significant uncertainty around the duration and severity of the Covid-19 pandemic on the macroeconomy and in particular unemployment a matrix of nine scenarios consisting of three durations (three, six and twelve months) and three severities (moderate, high and extremely high) has been modelled and probability weighted to determine the ECL provision (see note 2.1.3).

2.1.2 Assessment of significant increase in credit risk (SICR)

To determine whether there has been a significant increase in credit risk the following two 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 presence of certain payment status flags on the account, which is the Group's primary qualitative criteria considered in the assessment of whether there has been a significant increase in credit risk. If a relevant operational flag is deemed a trigger indicating the remaining lifetime probability of default has increased significantly, the Group considers the credit risk of an asset to have increased significantly since initial recognition. Examples of this include operational flags for specific circumstances such as a short-term payment plans and breathing space granted to customers.

2. Critical accounting assumptions and key sources of estimation uncertainty continued

2.1 Credit Impairment continued

2.1.2 Assessment of significant increase in credit risk continued

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 (equivalent to 30 days), which is aligned to the rebuttable presumption of more than 30 days past due. This is the primary quantitative information considered by the Group in significant increase in credit risk assessments.

The Group reassesses the flag status of all loans at each month end 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 immediately when a payment flag is removed from the account. Each quarter a flag governance meeting is held, to review operational changes which may impact the use of operational flags in the assessment of a significant increase in credit risk.

The Group has offered payment holidays to customers in response to Covid-19. In normal circumstances, a customer request for a payment holiday (i.e. breathing space) would trigger a SICR in line with the Group's payment status flag approach to staging.

The granting of exceptional payment holidays in response to Covid-19 does not automatically trigger a significant increase in credit risk. As such, these customers are not being automatically moved to stage 2 and lifetime ECLs. Customers granted Covid-19 payment holidays are assessed for other potential indicators of SICR, which are incremental to the Group's existing staging flags. This assessment includes a historical review of the customer's payment performance and behaviours. Following this review, those customers that have been granted a Covid-19 payment holiday and are judged to have otherwise experienced a SICR are transitioned to stage 2.

2.1.3 Forward-looking information

The Group assesses the impact of forward-looking information on 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.

The Group has modelled a range of economic shock scenarios to estimate the impact of a spike in unemployment as a result of the Covid-19 pandemic. In doing so, consideration has also been given to the potential impact of deep fiscal and monetary support measures that have been implemented by the government to support the economy during this time. Given the lack of reliable external information the range of scenarios will include a variety of both severities and durations which can then be probability weighted.

In response to the significant uncertainty around the duration and severity of Covid-19 on the macroeconomy a matrix of nine scenarios has been modelled. The probability weightings allocated to the nine scenarios are included in the table below. These scenarios are weighted according to management's judgement of each scenario's likelihood.

The severity of the economic shock has been estimated with reference to underlying expectations for customer payment behaviour for accounts which are up to date or one contractual payment past due. The moderate, high and extremely high severities represent increases of 25%, 50% and 100% respectively, in the propensity for these accounts to miss payments and fall into arrears for the full duration of the economic shock.

2. Critical accounting assumptions and key sources of estimation uncertainty continued

2.1 Credit Impairment continued

2.1.3 Forward-looking information continued

	Moderate (33%)	High (33%)	Extremely high (33%)
Three month duration (33%)	Moderately severe impact of an initial three month spike in the rate of unemployment	High severity of an initial three month spike in the rate of unemployment	Extremely high severity of an initial three month spike in the rate of unemployment
Six month duration (33%)	Moderately severe impact of the increase in unemployment but with an extended duration of six months	High severity of the increase in unemployment but with an extended duration of six months	Extremely high severity of the increase in unemployment but with an extended duration of six months
Twelve month duration (33%)	Moderately severe impact of the increase in unemployment and assuming that the deterioration in unemployment continues to increase for a full year	High severity of the increase in unemployment and assuming that the deterioration in unemployment continues to increase for a full year	Extremely high severity of the increase in unemployment and assuming that the deterioration in unemployment continues to increase for a full year

The following table details the absolute impact on the current ECL provision of £98.1m if each of the nine scenarios are given a probability weighting of 100%.

	Moderate	High	Extremely high
Three month duration	-15.5m	-11.8m	-4.3m
Six month duration	-11.6m	-3.9m	+11.5m
Twelve month duration	-5.5m	+7.5m	+33.6m

The table above demonstrates that in the first scenario with a moderate severity and an impact of an initial three month spike in the unemployment rate, the ECL provision would decrease by £15.5m. In the worst case scenario with the greatest severity of the increase in unemployment and assuming this deterioration continues for a duration of twelve months the ECL provision would increase by £33.6m. The scenarios above demonstrate a range of ECL provisions from £82.6m to £131.7m.

In the financial statements for the year-ended 31 March 2020 severity weightings were 75%, 20% and 5% respectively for moderate, high and extremely high scenarios. At the year-end, scenario weightings were aligned to the forecast of the Office of Budget Responsibility (OBR) which forecast a three month lockdown scenario where economic activity would gradually return to normal over the subsequent three months. Following Amigo's year-end scenario weighting assessment, OBR published a Fiscal Sustainability Report consistent with the three-scenario approach already adopted by Amigo, but concluded there was no strong basis for forming a basis for each scenario's relative likelihood. Since Amigo's year-end results announcement, macroeconomic uncertainty has increased. For the period to 30 June 2020 these weightings have been revised to 33% for each severity increasing impairment by £8.1m gross of tax impact.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

2.2 Effective interest rates

Revenue comprises interest income on amounts receivable from customers. Loans are initially measured at fair value (which is equal to cost at inception) plus directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method. Revenue is presented net of amortised broker fees which are capitalised and recognised over the expected behavioural life of the loan as part of the effective interest rate method. The key judgement applied in the effective interest rate calculation is the behavioural life of the loan.

The historical settlement profile of loans, which were initially acquired through third-party brokers, is used to estimate the average behavioural life of each monthly cohort of loans. Settlements include both early settlements and top-ups as they are considered derecognition events (see note 1.2v). The average behavioural life is then used to estimate the effective interest on broker originations and thus the amortisation profile of the deferred costs.

Broker costs are predominantly calculated as a percentage of amounts paid out and not as a fixed fee per loan. Therefore, in determining the settlement profile of historical cohorts, settlement rates are pay-out weighted to accurately match the value of deferred costs with the settlement of loans.

2.3 Provisions

Provisions included in the statement of financial position refers to a provision recognised for customer complaints. The provision represents an accounting estimate of the expected future outflows arising from certain customer-initiated complaints, using information available as at the date of signing these financial statements (see note 13 for further detail).

Identifying whether a present obligation exists and estimating the probability, timing, nature and quantum of the redress payments that may arise from past events requires judgements to be made on the specific facts and circumstances relating to the individual complaints. Management evaluates on an ongoing basis whether complaints provisions should be recognised, revising previous judgements and estimates as appropriate; however, there is a wide range of possible outcomes.

The key assumptions in these calculations which involve significant, complex management judgement and estimation relate primarily to the projected costs of potential future complaints where it is considered likely that customer redress will be appropriate. These key assumptions are:

- Future estimated volumes – estimates of future volumes of customer-initiated and claims management company (CMC) raised complaints.
- Uphold rate (%) – the expected average uphold rate applied to future estimated volumes where it is considered more likely than not that customer redress will be appropriate.
- Average redress (£) – the estimated compensation, inclusive of balance adjustments and cash payments, for future upheld complaints included in the provision.

These assumptions remain subjective due to the uncertainty associated with future complaint volumes and the magnitude of redress which may be required. Complaint volumes may include complaints under review by the Financial Ombudsman Service, cases received from CMCs or cases directly from customers.

The provision is very sensitive to these assumptions, which means that the potential range of estimates is large. The selection of these assumptions is a significant estimate. Sensitivity analysis has therefore been performed on the complaints provision considering incremental changes in the key assumptions, should current estimates prove too high or too low. Sensitivities are modelled individually and not in combination.

2. Critical accounting assumptions and key sources of estimation uncertainty continued

2.3 Provisions continued

Assumption	Sensitivity £m
Complaint volumes[1]	+/- 14.2
Average uphold rate per complaint[2]	+/- 17.8
Average redress per valid complaint[3]	+/- 6.4

1 Future estimated volumes. Sensitivity analysis shows the impact of a 20% change in the number of complaints on the provision.

2 Uphold rate. Sensitivity analysis shows the impact of a 10 percentage point change in the applied uphold rate on the provision.

3 Average redress. Sensitivity analysis shows the impact of a £500 change in average redress on the provision.

It is possible that the eventual outcome may differ materially from the current estimate (and the sensitivities provided above) and this could materially impact the financial statements as a whole, given the Group's only activity is guarantor-backed consumer credit. This is due to the risks and inherent uncertainties surrounding the assumptions used in the provision calculation.

In particular, in the current estimate there is significant uncertainty around the impact of regulatory intervention, Financial Ombudsman actions and potential changes to remediation arising from continuous improvement of the Group's operational practices, which may have a material impact on the eventual volume and outcome of complaints. Therefore, although the directors believe the sensitivities presented above, both positive and negative, represent reasonably possible changes; there is a greater risk of a less favourable outcome to the Group.

The Group has disclosed a contingent liability with respect to the FCA investigation announced on the 29 May 2020. The investigation is with regards to Amigo's creditworthiness assessment process, and the governance and oversight of this, was compliant with regulatory requirements. The FCA investigation will cover lending for the period from 1 November 2018 to date. There is significant uncertainty around the impact of this on the business, the assumptions underlying the complaints provision and any future regulatory intervention. See note 13 for further details.

2.4 Modification of financial assets

2.4.1 Assessment of Covid-19 payment holidays as a non-substantial modification

From 31 March 2020, Covid-19 relief measures were formally introduced; for customers that request it, depending on their individual circumstances, initial payment holidays with durations of one, two or three months were offered. At the end of the payment holiday the customer's monthly instalments revert to the contractual instalment with the term of the loan effectively extended by the duration of the payment holiday (see note 17 for further details). No capital or interest is forgiven as part of the forbearance despite no interest accruing for plans up to three months in length; the customer is still expected to repay the loan in full. In substance the entire loan is paused for the duration of the payment holiday.

The Group has assessed the payment holidays from both a qualitative and quantitative perspective and has concluded that the modifications are non-substantial; Amigo is not originating new assets with substantially different terms, the original asset's contractual cashflows are deferred. Hence, Covid-19 payment holidays are accounted for as non-substantial modification of financial assets under IFRS 9. The impact of Covid-19 payment holiday modifications is discussed in note 5.

2.4.2 Measurement of modification losses

The Group has estimated modification losses arising from Covid-19 payment holidays on a cohort basis. Future contractual cash flows are forecast collectively in cohorts based on the remaining contractual term. The cash flow forecasts are then further segmented by month of modification and payment holiday duration. The forecast cash flows are lagged by the relevant payment holiday duration and discounted using the original effective interest rate to calculate net present value of each cohort. The difference between the net present value of the revised cash flows and the carrying value of the assets is recognised in the income statement as a modification loss.

Customers granted Covid-19 payment holidays are assessed for other potential indicators of SICR. This assessment includes a historical review of the customer's payment performance and behaviours. Following this review, those customers that have been granted a Covid-19 payment holiday and are judged to have otherwise experienced a SICR are transitioned to stage 2. Where the modification loss relates to customers that have been transitioned from stage 1 to stage 2 as a result of this assessment, the modification loss has been recognised as an impairment in the Consolidated Statement of Comprehensive Income. The remainder of the modification loss has been recognised in revenue (see note 5 for further details).

3. Revenue and segment reporting

Revenue consists of interest revenue and is derived primarily from a single segment in the UK, with an immaterial amount from Amigo Loans Ireland Ltd. This is consistent with the reporting to the chief operating decision maker, which the Group considers is the Board. The table below presents the Group's performance on a segmental basis for 3 months to 30 June 2020 in line with reporting to the chief operating decision maker:

	Period to 30-Jun-20 £m UK	Period to 30-Jun-20 £m Ireland	**Period to 30-Jun-20 £m Total**
Revenue	48.2	0.6	**48.8**
Interest payable and funding facility fees	(7.4)	-	**(7.4)**
Impairment of amounts receivable from customer	(18.2)	(0.3)	**(18.5)**
Administrative and other operating expenses	(10.9)	(0.3)	**(11.2)**
Complaints expense	(6.8)	-	**(6.8)**
Total operating expenses	(17.7)	(0.3)	**(18.0)**
Strategic review, formal sales process and related financing costs	(3.5)	-	**(3.5)**
Profit before tax	1.4	-	**1.4**
Tax credit	1.6	-	**1.6**
Total comprehensive income attributable to equity shareholders of the Group	3.0	-	**3.0**

	30-Jun-20 £m UK	30-Jun-20 £m Ireland	**30-Jun-20 £m Total**
Gross loan book	644.9	6.3	**651.2**
Less impairment provision	(96.7)	(1.4)	**(98.1)**
Net loan book	548.2	4.9	**553.1**

4. Interest payable and funding facility fees

	Period to 30-Jun-20 Unaudited £m	Period to 30-Jun-19 Unaudited £m	Year to 31-Mar-20 Audited £m
Bank interest payable	**1.3**	3.0	5.1
Senior secured notes interest payable	**4.2**	5.9	18.2
Securitisation interest payable	**1.0**	1.7	6.1
Funding facility fees	**0.9**	(0.2)	1.3
Total interest payable	**7.4**	10.4	30.7

Interest payable represents the total amount of interest expense calculated using the effective interest method for financial liabilities that are not treated as fair value through the profit or loss. Non-utilisation fees within this figure are immaterial. No interest was capitalised by the Group during the period.

Included within bank interest payable for the period is £0.7m of written-off fees. These were previously capitalised and were being spread over the expected life of the Group's revolving credit facility. The facility was cancelled in May 2020. Also included are the amortisation of the capitalised costs of the Group's securitisation facility and respective non-utilisation fees.

Funding facility fees include non-utilisation fees and amortisation of initial costs of the Group's senior secured notes.

5. Modification of financial assets

Covid-19 payment holidays have been assessed as a non-substantial financial asset modification under IFRS 9 (see note 2.4 for further details).

The amortised cost of loan balances pre-modification for all payment holidays granted in the first quarter of the financial year was £193.5m, with a modification loss of £16.0m recognised in the quarter. The modification loss represents the change in the gross carrying amounts (i.e. before impairment allowance) of the financial assets from immediately before, to immediately after modification. The impact of modification on the ECL allowances associated with these assets was a charge of £2.4m being a modification loss of £3.1m net with a £0.7m reduction in impairment caused by reduced post-modification carrying amounts.

Of the £193.5m, the gross carrying amount for which 12 month ECLs were applied and calculated was £156.0m whilst the carrying amount where lifetime ECLs were applied was £37.5m. Where the modification loss relates to customers that have been transitioned from stage 1 to stage 2 as a result of the Covid-19 payment holiday, the modification loss has been recognised as an impairment in the Consolidated Statement of Comprehensive Income. The remainder of the modification loss has been recognised in revenue. The total modification loss relating to Q1 Covid-19 payment holidays is £16.0m.

	30-June-20 Unaudited
Modification (loss) recognised in revenue	**(12.9)**
Modification (loss) recognised in impairment	**(3.1)**
Total modification (loss)	**(16.0)**

6. Strategic review, formal sale process and related financing costs

Strategic review, formal sale process and related financing costs are disclosed separately in the financial statements because the Directors consider it necessary to do so to provide further understanding of the financial performance of the Group. They are material items of expense that have been shown separately due to the significance of their nature and amount.

	Period to 30-Jun-20 Unaudited £m	Period to 30-Jun-19 Unaudited £m	Year to 31-Mar-20 Audited £m
Strategic review and formal sale process costs	**3.5**	-	2.0
	3.5	-	2.0

Strategic review and formal sale process costs relate to advisor and legal fees in respect of the strategic review and formal sale process announced on 27 January 2020.

7. Taxation

The applicable corporation tax rate for the period to 30 June 2020 was 19% and the effective tax rate is -114.3%. The Group's effective tax rate for the period to 30 June 2019 was 19.9%. The current period effective tax rate is reflective of the release of a tax provision no longer required.

8. Earnings/(loss) per share

Basic loss/earnings per share is calculated by dividing the profit/loss for the period attributable to equity shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted profit/loss per share calculates the effect on profit/loss per share assuming conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares are calculated as follows:

i) For share awards outstanding under performance-related share incentive plans such as the Share Incentive Plan (SIP) and the Long Term Incentive Plans (LTIPs), the number of dilutive potential ordinary shares is calculated based on the number of shares which would be issuable if: (i) the end of the reporting period is assumed to be the end of the schemes' performance period; and (ii) the performance targets have been met as at that date.

ii) For share options outstanding under non-performance-related schemes such as the Save As You Earn scheme (SAYE), a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of share options outstanding, with the difference being the dilutive potential ordinary shares.

Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share.

8. Earnings/(loss) per share continued

	30-Jun-20 Unaudited Pence	30-Jun-19 Unaudited Pence	31-Mar-20 Audited Pence
Basic and Diluted EPS	**0.6**	3.8	(5.7)
Adjusted Basic EPS[1]	**0.8**	4.3	(5.7)

[1] Adjusted basic earnings/(loss) per share and earnings for adjusted basic earnings/(loss) per share are non-GAAP measures.

The Directors are of the opinion that the publication of the adjusted (loss)/earnings per share is useful as it gives a better indication of ongoing business performance.

Reconciliations of the loss/earnings used in the calculations are set out below. Note figures are presented net of tax:

	30-Jun-20 Unaudited £m	30-Jun-19 Unaudited £m	31-Mar-20 Audited £m
Earnings/(loss) for basic EPS	**3.0**	18.1	(27.2)
Senior secured note buyback	**-**	0.5	(0.3)
Strategic review, formal sale process and related financing costs	**3.5**	-	2.0
Write-off of revolving credit facility (RCF) fees	**0.7**	2.2	2.2
Tax provision release	**(2.5)**	-	(2.9)
Less tax impact	**(0.8)**	(0.4)	(0.7)
Earnings/(loss) for adjusted basic EPS[1]	**3.9**	20.4	(26.9)
Basic weighted average number of shares (m)	**475.3**	474.7	475.3
Dilutive potential ordinary shares (m)	**3.8**	-	2.2
Diluted weighted average number of shares (m)	**479.1**	474.7	477.5

[1] Adjusted basic earnings/(loss) per share and earnings for adjusted basic earnings/(loss) per share are non-GAAP measures.

9. Customer loans and receivables

The table shows the gross loan book and deferred broker costs by stage, within the scope of the IFRS 9 ECL framework.

	30-Jun-20 Unaudited £m	30-Jun-19 Unaudited £m	31-Mar-20 Audited £m
Stage 1	**524.4**	693.7	601.1
Stage 2	**92.2**	82.8	106.8
Stage 3	**34.6**	33.0	42.0
Gross Loan Book	**651.2**	809.5	749.9
Deferred broker costs[1]- Stage 1	**13.8**	18.4	16.5
Deferred broker costs[1]- Stage 2	**2.4**	2.2	2.9
Deferred broker costs[1]- Stage 3	**0.9**	0.9	1.1
Loan book inclusive of deferred broker costs	**668.3**	831.0	770.4
Provision	**(98.1)**	(81.1)	(106.8)
Customer loans and receivables	**570.2**	749.9	663.6

[1] Deferred broker costs are recognised within customer loans and receivables and are amortised over the expected life of those assets using the effective interest rate (EIR) method.

As at 30 June 2020, £297.2m of loans to customers had their beneficial interest assigned to the Group's special purpose vehicle (SPV) entity, namely AMGO Funding (No. 1) Ltd, as collateral for securitisation transactions (2019: £261.0m).

Ageing of gross loan book (excluding deferred brokers fees and provision) by days overdue:

	30-June-20 Unaudited £m	30-Jun-19 Unaudited £m	31-Mar-20 Audited £m
Current	**523.1**	698.6	606.8
1 - 30 days	**80.1**	63.5	83.5
31 - 60 days	**13.5**	14.4	17.6
>61 days	**34.5**	33.0	42.0
Gross Loan Book	**651.2**	809.5	749.9

The following table further explains changes in the gross carrying amount of loans receivable from customers to explain their significance to the changes in the loss allowance for the same portfolios.

Customer loans and receivables	**30-June-20 Unaudited £m**	30-Jun-19 Unaudited £m	31-Mar-20 Audited £m
Due within one year	**304.3**	419.8	353.8
Due in more than one year	**248.8**	308.6	289.3
Net Loan book	**553.1**	728.4	643.1
Deferred broker costs[1]			
Due within one year	**11.5**	11.1	13.3
Due in more than one year	**5.6**	10.4	7.2
Customer loans and receivables	**570.2**	749.9	663.6

[1]Deferred broker costs are recognised within customer loans and receivables and are amortised over the expected life of those assets using the effective interest rate (EIR) method.

10. Other receivables

	30-Jun-20 Unaudited £m	30-Jun-19 Unaudited £m	31-Mar-20 Audited £m
Current			
Other receivables	**-**	0.1	0.1
Debt sale income	**-**	2.1	-
Prepayments and accrued income	**2.1**	1.5	1.3
Other financial asset	**3.6**	-	-
	5.7	3.7	1.4

Other financial asset relates to restricted cash held within the Group’s securitisation facility as at 30 June 2020.

11. Trade and other payables

	30-Jun-20 Unaudited £m	30-Jun-19 Unaudited £m	31-Mar-20 Audited £m
Current			
Accrued senior secured note interest	**8.1**	10.3	3.7
Trade payables	**1.1**	1.6	0.8
Taxation and social security	**0.5**	0.8	0.7
Other creditors	**1.3**	-	0.8
Accruals and deferred income	**7.7**	6.8	7.5
	18.7	19.5	13.5

12. Bank and other borrowings

	30-Jun-20 Unaudited £m	30-Jun-19 Unaudited £m	31-Mar-20 Audited £m
Non-current liabilities			
Amounts falling due 2–3 years			
Securitisation facility	**218.7**	-	230.0
Amounts falling due 3-4 years			
Securitisation facility	**-**	207.7	-
Senior secured notes	**231.6**	-	231.3
Amounts falling due 4-5 years			
Senior secured notes	**-**	288.2	-
Bank loan	**-**	(0.7)	(0.7)
	450.3	495.2	460.6

Borrowings include senior secured notes with a principal value of £234.1m, £231.6m net of unamortised fees (Q1 2019: £288.2m). The senior secured notes are secured by a charge over the Group’s assets and a cross-guarantee given by other subsidiaries. The Group also has a £300m revolving securitisation facility, of which £220.1m was drawn down, £218.7m net of unamortised fees at 30 June 2020 (2019: £207.7m). On 14 August 2020 the facility size was reduced to £250m (see note 17 for further details). The bank loan relates to the Group’s prior revolving credit facility, which was cancelled on 27 May 2020; this resulted in £0.7m of capitalised fees being charged to the income statement (see note 4).

13. Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, which can be reliably estimated.

	30-Jun-20 Unaudited £m	30-Jun-19 Unaudited £m	31-Mar-20 Audited £m
Balance as at 31-Mar-20	**117.5**	-	-
Provisions made during the period	**6.8**	2.0	126.8
Discount unwind	**0.6**	-	-
Utilised during the period	**(8.5)**	(0.2)	(9.3)
Balance at 30-Jun-20	**116.4**	1.8	117.5
2020			
Non-current (over twelve months from period end)	**10.0**	**-**	11.8
Current (within twelve months of period end)	**106.4**	**1.8**	105.7
	116.4	**1.8**	117.5

Customer complaints redress

As at 30 June 2020, the Group has recognised a complaints provision totalling £116.4m, recognised against customer complaints redress and associated costs. Utilisation in the period totalled £8.5m. Our lending practices have been subject to significant shareholder, regulatory and customer attention and this combined with FOS' evolving interpretation of appropriate lending decisions during the period, has resulted in an increase in the number of complaints received. A charge of £6.8m was recognised in the 3 months to 30 June 2020; continued uncertainty has led to the Group maintaining provision in line with the year-end.

The current provision reflects the estimate of cost of redress relating to customer-initiated complaints and complaints raised by claims management companies (CMCs) for which it has been concluded that a present constructive obligation exists, based on the latest information available. The provision has two components, firstly a provision for complaints received but not yet processed, and secondly a provision for the projected costs of potential future complaints where it is considered likely that customer redress will be appropriate, based on the available data on the type and volume of complaints received to date. The provision is not intended to cover the eventual cost of all future complaints; such cost remains unquantifiable and unpredictable. There is significant uncertainty around: the emergence period for complaints; the activities of claims management companies; and the developing view of the FOS on individual affordability complaints, all of which could significantly affect complaint volumes, uphold rates and redress costs.

It is possible that the eventual outcome may differ materially from the current estimates and this could materially impact the financial statements as a whole, given the Group's only activity is guarantor-backed consumer credit. This is due to the risks and inherent uncertainties surrounding the assumptions used in the provision calculation. In particular there is significant uncertainty around impact of Financial Ombudsman actions and potential changes to remediation arising from continuous improvement of the Group's operational practices, which may have a material impact on the eventual volume and outcome of complaints.

The Group continues to monitor its policies and processes to ensure that it responds appropriately to customer complaints. The Group will continue to assess both the underlying assumptions in the calculation and the adequacy of this provision periodically using actual experience and other relevant evidence to adjust the provisions where appropriate.

13. Provisions continued

See note 2.3 for details of the key assumptions that involve significant management judgement and estimation in the provision calculation, and also for sensitivity analysis.

Contingent liability

On 29 May 2020 the FCA commenced an investigation into whether or not Amigo's creditworthiness assessment process, and the governance and oversight of this, was compliant with regulatory requirements. The FCA investigation will cover lending for the period from 1 November 2018 to date. There is significant uncertainty around the impact of this on the business, the assumptions underlying the complaints provision and any future regulatory intervention.

Such investigations take an average of two years to conclude but the investigation could be concluded within the next twelve months. There are a number of different outcomes which may result from this FCA investigation, including the imposition of a significant fine and/or the requirement to perform a back-book remediation exercise. Should the FCA mandate this review it is possible that the cost of such an exercise will exceed the Group's available liquid resources. The potential impact of the investigation on the business is unpredictable and unquantifiable.

14. Immediate and ultimate parent undertakings

The immediate and ultimate parent undertaking is Amigo Holdings PLC, a company incorporated in England and Wales.

The consolidated financial statements of the Group as at and for the year ended 31 March 2020 are available upon request from the Company's registered office at Nova Building, 118-128 Commercial Road, Bournemouth, United Kingdom, BH2 5LT.

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. The Group recognised an expense of £0.1m in the three months to 30 June 2020.

16. Related party transactions

The Group had no related party transactions during the three month period to 30 June 2020 that would materially affect the performance of the Group. Details of the transactions for the year ended 31 March 2020 can be found in note 23 of the Amigo Holdings PLC financial statements.

17. Post balance sheet events

Appointment of Chairman

On 20 July 2020 the Company announced Jonathan Roe will join the Board as Non-Executive Director and Chairman designate. Jonathan's appointment as a Non-Executive Director became effective from 1 August 2020.

Appointment of Non-Executive Director

On 10 August 2020 the Company announced Gary Jennison will join the Board as a non-executive director. Gary's appointment as a Non-Executive Director became effective from 17 August 2020.

17. Post balance sheet events continued

Securitisation funding update

On 17 August 2020 Amigo announced the further extension of the securitisation facility performance trigger waiver period to 18 December 2020. The facility size has been reduced from £300m to £250m reflecting Amigo's current lower funding requirement while lending is paused. All collections arising from customer loans held within the facility will be used to further reduce the outstanding note.

Covid-19 payment holidays

Following the quarter end following the FCA's announcement of the extension to customer payment holidays for personal loans for up to six months, Amigo's payment holiday policy was revised after the quarter end. Details of the revised policy have been noted below as deemed useful in context of understanding the financial statements as a whole. Customer payment holidays were transitioned to automatically renew on a monthly basis once they reach the end of their initial payment holidays, up to a maximum of six months. The customer has the option to opt out and end the payment holiday at any time. For the first three months of the payment holiday no interest accruals were applied to customer balances; from three to six months interest begins to accrue again on the loan. As a result of Amigo's interest cap, the reintroduction of interest accrual between months three and six of a payment holiday will not increase the total interest payable by the customer over the life of the loan. Rolling monthly extensions have been predominantly granted from 1 July 2020 onwards. Extensions granted after the period end will be accounted for as modifications in future periods. As at 28 August 2020, the potential impact of this has not been quantified.

Appendix: alternative performance measures (unaudited)

This financial report 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, how they are calculated and why we use them.

Key performance indicators
Other financial data

Figures in £m, unless otherwise stated	**3 months to 30 June 2020**	3 months to 30 June 2019	Year to 31 March 2020
Net loan book	**553.1**	728.4	643.1
Gross loan book	**651.2**	809.5	749.9
Net borrowings	**(305.1)**	467.7	396.3
Net borrowings/gross loan book	**46.9%**	57.8%	52.8%
Borrowings/loan book	**69.1%**	61.2%	61.4%
Adjusted tangible equity	**170.4**	262.1	167.3
Net borrowings/adjusted tangible equity	**1.8x**	1.8x	2.4x
Risk adjusted revenue	**30.3**	49.7	181.0
Risk adjusted margin	**17.3%**	25.0%	23.6%
Average gross loan book	**700.6**	796.3	766.5
Net interest margin	**20.6%**	29.9%	32.7%
Cost:income ratio	**36.9%**	23.4%	63.3%
Operating cost:income ratio (ex. complaints)	**23.0%**	20.6%	20.2%
Impairment:revenue ratio	**37.9%**	30.5%	38.5%
Impairment charge as a percentage of loan book	**11.4%**	10.8%	15.1%
Cost of funds percentage	**4.2%**	5.2%	4.0%
Adjusted return on average adjusted tangible equity	**7.2%**	32.2%	(13.1)%
Adjusted free cash flow excluding loan originations	**117.0**	135.4	554.5
Profit/(loss) after tax excluding complaints costs	**8.5**	19.7	75.5
Adjusted profit/(loss) after tax excluding complaints costs	**9.4**	22.0	75.8
Adjusted profit/(loss) after tax	**3.9**	20.4	(26.9)
Adjusted return on average assets	**2.2%**	10.7%	(3.6)%
Revenue yield	**27.9%**	35.9%	38.4%
Percentage of book <31 days past due	**92.6%**	94.1%	92.1%
Originations	**0.4**	113.4	347.4

1. "Net loan book" is a subset of customer loans and receivables and represents the interest yielding loan book when the IFRS 9 impairment provision is accounted for, comprised of:

	30-Jun-20 £m	30-Jun-19 £m	31-Mar-20 £m
Gross loan book[1]	**651.2**	809.5	749.9
Provision[2]	**(98.1)**	(81.1)	(106.8)
Net loan book[3]	**553.1**	728.4	643.1

1 Gross loan book represents total outstanding loans and excludes deferred broker costs.
2 Provision for impairment represents the Group's estimate of the portion of loan accounts that are not in arrears or are up to five payments in arrears for which the Group will not ultimately be able to collect payment. Provision for impairment excludes loans that are six or more payments in arrears, which are charged off of the statement of financial position and are therefore no longer included in the loan book.
3 Net loan book represents gross loan book less provision for impairment.

Appendix: alternative performance measures (unaudited)

Key performance indicators continued

Other financial data continued

2. "Net borrowings" is comprised of:

	30-Jun-20	30-Jun-19	31-Mar-20
	£m	£m	£m
Borrowings	**(450.3)**	(495.2)	(460.6)
Cash at bank and in hand	**145.2**	27.5	64.3
Net borrowings	**(305.1)**	(467.7)	(396.3)

This is deemed useful to show total borrowings if cash available at year end was used to repay borrowings.

3. i) The Group defines **loan to value (LTV)** as net borrowings divided by gross loan book. This measure shows if the borrowings' year-on-year movement is in line with loan book growth.

	30-Jun-20	30-Jun-19	31-Mar-20
	£m	£m	£m
Net borrowings (£m)	**(305.1)**	(467.7)	(396.3)
Gross loan book (£m)	**651.2**	809.5	749.9
Net borrowings/gross loan book	**46.9%**	57.8%	52.8%

ii) The Group defines **"borrowings/loan book"** as borrowings (excluding cash) divided by gross loan book.

	30-Jun-20	30-Jun-19	31-Mar-20
	£m	£m	£m
Borrowings (£m)	**(450.3)**	(495.2)	(460.6)
Gross loan book (£m)	**651.2**	809.5	749.9
Borrowings/gross loan book	**69.1%**	61.2%	61.4%

This is shown as a statutory alternative to net borrowings/gross loan book above.

4. The Group defines **"adjusted tangible equity"** as shareholder equity less intangible assets.

	30-Jun-20	30-Jun-19	31-Mar-20
	£m	£m	£m
Shareholder equity	**170.5**	262.2	167.4
Intangible assets	**(0.1)**	(0.1)	(0.1)
Shareholder loan notes	**-**	-	-
Adjusted tangible equity	**170.4**	262.1	167.3
Net borrowings/adjusted tangible equity	**1.8x**	1.8x	2.4x

Adjusted tangible equity is not a measurement of performance under IFRS, and you should not consider adjusted tangible equity as an alternative to shareholder equity as a measure of the Group's equity or any other measures of performance under IFRS.

Appendix: alternative performance measures (unaudited)

Key performance indicators continued

Other financial data continued

5. The Group defines **"risk adjusted revenue"** as revenue less impairment charge.

	30-Jun-20	30-Jun-19	31-Mar-20
	£m	£m	£m
Revenue	**48.8**	71.5	294.2
Impairment charge	**(18.5)**	(21.8)	(113.2)
Risk adjusted revenue	**30.3**	49.7	181.0

Risk adjusted revenue is not a measurement of performance under IFRS, and you should not consider risk adjusted revenue as an alternative to loss/profit before tax as a measure of the Group's operating performance, as a measure of the Group's ability to meet its cash needs or as any other measure of performance under IFRS.

6. The Group defines **"risk adjusted margin"** as annualised risk adjusted revenue divided by the average of gross loan book.

	30-Jun-20	30-Jun-19	31-Mar-20
	£m	£m	£m
Risk adjusted revenue	**30.3**	49.7	181.0
Average gross loan book	**700.6**	796.3	766.5
Risk adjusted margin (annualised)	**17.3%**	25.0%	23.6%

Average gross loan book

	30-Jun-20	30-Jun-19	31-Mar-20
	£m	£m	£m
Opening gross loan book	**749.9**	783.0	783.0
Closing gross loan book	**651.2**	809.5	749.9
Average gross loan book	**700.6**	796.3	766.5

This measure is used internally to review an adjusted return on the Group's primary key assets.

7. The Group defines **"net interest margin"** as annualised net interest income divided by average interest-bearing assets (being both gross loan book and cash) at the beginning of the period and end of the period.

	30-Jun-20	30-Jun-19	31-Mar-20
	£m	£m	£m
Revenue	**48.8**	71.5	294.2
Interest payable and funding facility fees	**(7.4)**	(10.4)	(30.7)
Net interest income	**41.4**	61.1	263.5
Average interest-bearing assets (customer loans and receivables plus cash)	**805.3**	817.6	806.2
Net interest margin (annualised)	**20.6%**	29.9%	32.7%
IFRS 9 stage 3 revenue adjustment	**3.9**	6.2	17.0
Adjusted net interest margin (annualised)	**22.5%**	32.9%	34.8%

Appendix: alternative performance measures (unaudited)

Key performance indicators continued

Other financial data continued

8. The Group defines **"cost:income ratio"** as operating expenses excluding strategic review, formal sale process and related financing costs divided by revenue.

	30-Jun-20	30-Jun-19	31-Mar-20
	£m	£m	£m
Revenue	**48.8**	71.5	294.2
Operating expenses	**18.0**	16.7	186.2
Cost:income ratio	**36.9%**	23.4%	63.3%

This measure allows review of cost management.

Operating cost:income ratio, defined as the cost:income ratio excluding the complaints provision, is:

	30-Jun-20	30-Jun-19	31-Mar-20
	£m	£m	£m
Revenue	**48.8**	71.5	294.2
Operating expenses	**11.2**	14.7	59.4
Operating cost:income ratio	**23.0%**	20.6%	20.2%

9. Impairment charge as a percentage of revenue **"impairment:revenue ratio**" represents the Group's impairment charge for the period divided by revenue for the period.

	30-Jun-20	30-Jun-19	31-Mar-20
	£m	£m	£m
Revenue	**48.8**	71.5	294.2
Impairment of amounts receivable from customers	**18.5**	21.8	113.2
Impairment charge as a percentage of revenue	**37.9%**	30.5%	38.5%

This is a key measure for the Group in monitoring risk within the business.

10. Impairment charge as a percentage of loan book represents the Group's annualised impairment charge for the period divided by closing gross loan book.

	30-Jun-20	30-Jun-19	31-Mar-20
	£m	£m	£m
Impairment charge	**18.5**	21.8	113.2
Closing gross loan book	**651.2**	809.5	749.9
Impairment charge as a percentage of loan book (annualised)	**11.4%**	10.8%	15.1%

This allows review of impairment level movements over the period.

Appendix: alternative performance measures (unaudited)

Key performance indicators continued

Other financial data continued

11. The Group defines **"cost of funds"** as annualised interest payable divided by the average of gross loan book at the beginning and end of the period.

	30-Jun-20	30-Jun-19	31-Mar-20
	£m	£m	£m
Cost of funds	**7.4**	10.4	30.7
Average gross loan book (see APM number 6)	**700.6**	796.3	766.5
Cost of funds percentage (annualised)	**4.2%**	5.2%	4.0%

This measure is used by the Group to monitor the cost of funds and impact of diversification of funding.

12. "Adjusted return on equity" is calculated as annualised adjusted loss/profit after tax divided by the average of adjusted tangible equity at the beginning of the period and the end of the period.

	30-Jun-20	30-Jun-19	31-Mar-20
	£m	£m	£m
Adjusted (loss)/profit after tax	**3.9**	20.4	(26.9)
Adjusted tangible equity	**170.4**	262.1	167.3
Average adjusted tangible equity	**216.3**	253.3	205.9
Adjusted return on average adjusted tangible equity (annualised)	**7.2%**	32.2%	(13.1)%

Deemed to give a useful representation of statutory return on equity by using average tangible equity.

13. The Group defines **"free cash flow"** as cash collections less non-direct costs (operating expenses excluding advertising, credit score costs and complaint expenses). The following table sets forth the calculation of adjusted free cash flow excluding loan originations for the 3 months to 30 June 2020, 2019 and year to 31 March 2020.

	30-Jun-20	30-Jun-19	31-Mar-20
	£m	£m	£m
Collections	**121.3**	146.3	594.0
Non-direct costs	**(4.3)**	(10.9)	(39.5)
Adjusted free cash flow excluding loan originations	**117.0**	135.4	554.5

This is used internally to review cash generation.

14. Profit/(loss) after tax excluding complaints costs

	30-Jun-20	30-Jun-19	31-Mar-20
	£m	£m	£m
Profit/(loss) after tax	**3.0**	18.1	(27.2)
Complaints expense	**6.8**	2.0	126.8
Less tax impact	**(1.3)**	(0.4)	(24.1)
Profit/(loss) after tax excluding complaints costs	**8.5**	19.7	75.5

Appendix: alternative performance measures (unaudited)

Key performance indicators continued

Other financial data continued

15. Adjusted profit/(loss) after tax excluding complaints costs

	30-Jun-20	30-Jun-19	31-Mar-20
	£m	£m	£m
Adjusted profit/(loss) after tax	**3.9**	20.4	(26.9)
Complaints expense	**6.8**	2.0	126.8
Less tax impact	**(1.3)**	(0.4)	(24.1)
Adjusted profit/(loss) after tax excluding complaints costs	**9.4**	22.0	75.8

16. The following table sets forth a reconciliation of profit/loss after tax to "**adjusted profit/loss after tax**" for the 3 months to 30 June 2020, 2019 and year to 31 March 2020.

	30-Jun-20	30-Jun-19	31-Mar-20
	£m	£m	£m
Reported profit/(loss) after tax	**3.0**	18.1	(27.2)
Senior secured note buyback	**-**	0.5	(0.3)
RCF fees	**0.7**	2.2	2.2
Strategic review and formal sale process costs	**3.5**	-	2.0
Tax provision release	**(2.5)**	-	(2.9)
Less tax impact	**(0.8)**	(0.4)	(0.7)
Adjusted profit/(loss) after tax	**3.9**	20.4	(26.9)

The above items were all excluded due to their exceptional nature. The Directors' believe that adjusting for these items is useful in making year on year comparisons. Senior secured note buybacks are not underlying business-as-usual transactions. RCF fees relate to fees written-off following the modification and extension of the revolving credit facility in FY20, and in FY21 relates to fees written-off following cancellation of the facility. The tax provision release refers to the release of a tax provisions no longer required. Strategic review and formal sale process costs relate to the strategic review and formal sale processes both announced in January 2020. None are business-as-usual transactions. Hence, removing these items is deemed to give a view of underlying profit/(loss) adjusting for non-business-as-usual items within the financial year.

Appendix: alternative performance measures (unaudited)

Key performance indicators continued

Other financial data continued

17. Adjusted return on assets (ROA) refers to annualised adjusted loss/profit over tax as a percentage of average assets.

	30-Jun-20	30-Jun-19	31-Mar-20
	£m	£m	£m
Adjusted (loss)/profit after tax	**3.9**	20.4	(26.9)
Customer loans	**553.1**	728.4	643.1
Other receivables and deferred broker costs	**17.1**	25.2	21.9
Cash	**145.2**	27.5	64.3
Total	**715.4**	781.1	729.3
Average assets	**722.4**	763.3	737.1
Adjusted return on assets (annualised)	**2.2%**	10.7%	(3.6)%

18. The Group defines **"revenue yield"** as annualised revenue over the average of the opening and closing gross loan book for the period.

	30-Jun-20	30-Jun-19	31-Mar-20
	£m	£m	£m
Revenue	**48.8**	71.5	294.2
Opening loan book	**749.9**	783.0	783.0
Closing loan book	**651.2**	809.5	749.9
Average loan book	**700.6**	796.3	766.5
Revenue yield (annualised)	**27.9%**	35.9%	38.4%
IFRS 9 stage 3 revenue adjustment	**3.9**	6.2	17.0
Adjusted revenue yield (annualised)	**30.1%**	39.0%	40.6%

Deemed useful in assessing the gross return on the Group's loan book.

19. The percentage of balances fully up to date or within 31 days overdue is presented as this is useful in reviewing the quality of the loan book.

	30-Jun-20	30-Jun-19	31-Mar-20
	£m	£m	£m
Current	**523.1**	698.6	606.8
1–30 days	**80.1**	63.5	83.5
31–60 days	**13.5**	14.4	17.6
>61 days	**34.5**	33.0	42.0
Gross loan book	**651.2**	809.5	749.9
Percentage of book <31 days past due	**92.6%**	94.1%	92.1%