

Directors' Report

The Directors present their report and audited consolidated financial statements for the year ended 25 February 2017.

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The Corporate Governance Statement set out on pages 32 to 36 forms part of this report.
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Dividend

The Directors have declared their intention to pursue a progressive dividend policy. Subject to Shareholder approval at the Annual General Meeting on 20 June 2017, the Board proposes to pay a final dividend of 4.3p per ordinary share payable on 21 July 2017 to Shareholders on the register at close of business on 23 June 2017. This would represent a total dividend of 6.4p per ordinary share for 2017.

Directors

The Directors of the Company who served during the year ended 25 February 2017, and up to the date of this report (unless otherwise stated), are:

Stephen Karle

Independent Non-Executive Chairman;

Paul Smith

Chief Executive Officer;

Andy Thomson

Chief Financial Officer;

Peter Ward

Non-Executive Director;

Sir Nigel Knowles

(appointed 14 April 2016)
 Senior Independent Director;

Joanne Lake

(appointed 14 April 2016)
 Independent Non-Executive Director; and

Patrick Storey

(appointed 14 April 2016)
 Independent Non-Executive Director.

The following were Directors until they resigned on 13 April 2016 in preparation for the Company's admission on to AIM:

Myron Burlak (Finance Director);

Ian Cooper (Risk and Compliance Director);

Leslie Easson (Operations Director);

Barrie Grimshaw (Business Change & IT Director); and

Tracey Mulligan (HR & Communications Director).

All of these Executives remain employed by the Group as at the date of this report, and together with the Chief Executive Officer and the Chief Financial Officer, they form the Company's Executive Management Committee.

Details of the remuneration, service agreements and interests in the share capital of the company of the Directors who have served since the Group's shares were admitted to AIM on 5 May 2016 are given in the Remuneration Report on pages 37 to 39.

Biographical details of the current Directors who are standing for re-appointment at the forthcoming Annual General Meeting are given on pages 30 and 31.

Share Capital

As at 25 February 2017, the Company had 129,500,000 ordinary shares of one pence each in issue (2016: 129,500,000).

The Company's issued ordinary share capital comprises a single class of ordinary share. The rights attached to the ordinary shares are set out in the Articles. Each share carries the right to one vote at general meetings of the Company.

Information Contained in Other Sections

The Group's principal risks and uncertainties and future developments, which are required to be included within the Directors' Report, can be found within the Strategic Report on pages 26 to 27.

Anti-bribery and Corruption

The corporate policies reflect the requirements of the Bribery Act 2010 and a corporate hospitality register is maintained using a risk-based approach. Although the risks for the Group arising from the Bribery Act 2010 continue to be assessed as low, the Directors are, nevertheless, required

to undergo appropriate training and instruction to ensure that they have effective anti-bribery and corruption policies and procedures in place.

Compliance is regularly monitored by the Executive Risk & Compliance Committee and is subject to periodic review by the group internal audit function.

Directors' and Officers' Insurance

The Group maintains Directors and Officers' liability insurance to cover appropriately for any legal action brought against the Directors.

Important Events Since the End of the Financial Year (25 February 2017)

There have been no important events since the end of the financial year.

Employees

It is our policy to make adequate provision for the well-being, health and safety of our employees. We are committed to offer equal opportunities for all employees, irrespective of age, gender, ethnicity, race, religion, belief, sexual orientation, disability, marital status and civil partnership. All employees are treated fairly and equally.

We encourage our employees to engage with the development of our organisation. To promote this, the Chief Executive Officer and the executive management team publish regular updates on important or topical issues and highlight these via roadshow presentations, management meetings, informal briefings and our intranet. We regard employee involvement as essential to the healthy development of the business.

Morses Club treats applications for employment from disabled persons in the same way as those from non-disabled applicants and selects on the basis of individual ability, experience and role requirements.

Substantial Interests in Shares

As at 24 April 2017 (the latest practicable date before the publication of this report), the Company has been notified of the following substantial interests of 3% or more in its ordinary shares:

	Number of shares	% issued capital
Perpignon Limited	66,045,000	51.00%
Schroder Investment Management	11,391,823	8.80%
Woodford Investment Management	10,175,704	7.86%
Miton Investment Management	9,672,489	7.47%
JO Hambro Capital Management	6,630,250	5.12%
Andy Thomson	5,676,939	4.38%
BlackRock Investment Management	4,614,976	3.56%

Relationship with Our Majority Shareholder

As a result of the IPO on 5 May 2016, the shareholding of the majority shareholder in the Company, Perpignon Limited, reduced from 100% to 51%.

Perpignon Limited has entered into a relationship agreement which contains provisions to ensure that, *inter alia*, there is no interference with the independent operation of the Board and that the Company's transactions with Perpignon Limited are effected at arm's length and on a normal commercial basis. Perpignon Limited can, subject to applicable laws and regulation, appoint one Director to the Board for as long as it holds more than 20% of the rights to vote at a general meeting of the Company. The first such Director appointed under this right is Mr Peter Ward. The Board confirms that, since the admission of the Company's shares on to AIM, the Company has complied with the independence provisions included in the relationship agreement and that, so far as the Company is aware, Perpignon Limited and its associates have also complied with such provisions.

Political Donations

The Group made no political donations during the year ended 25 February 2017.

Going Concern

The Directors have considered the appropriateness of the going concern basis in preparation of these financial statements. They are satisfied that the Group has sufficient resources to continue its operations for the foreseeable future. They therefore continue to adopt a 'going concern' approach in preparing the condensed financial statements. A separate viability statement (see page 25) is contained in the Strategic Report.

Disclosure of Information to the Auditor

The Directors confirm that:

- so far as each Director is aware, the auditor is aware of all relevant audit information; and
- the Directors have taken all necessary steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information, and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of the Companies Act 2006.

Our Auditor

A resolution will be proposed at the Annual General Meeting to reappoint Deloitte LLP as the Group's auditor and to give the Directors the authority to determine the auditor's remuneration.

AGM Notice

The notice convening the Annual General Meeting to be held on 20th June 2017, together with an explanation of the resolutions to be proposed at the meeting, is contained in a separate circular to shareholders and on the Company's website at www.morsesclubplc.com.

By order of the Board,

Dave Belmont

Company Secretary

27 April 2017