Notes to the Consolidated Financial Statements
For the 52 week period ended 25 February 2017

1 Accounting Policies
General Information

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is Kingston House, Centre 27 Business Park, Woodhead Road, Birstall, Batley, West Yorkshire, WF17 9TD.

Accounting Convention

The financial statements have been prepared under International Financial Reporting Standards (IFRS) adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. The Company financial statements have also been prepared in accordance with IFRS endorsed by the European Union. These financial statements have been prepared under the historical cost convention. The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the period ended 25 February 2017.

The Group has adopted the amendments to IAS 1 Disclosure Initiative for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

The adoption of these amendments has not resulted in any impact on the financial performance or financial position of the Group.

New and Amended Standards Adopted by the Group and Company

IAS 1	Disclosure Initiative
IFRS 11	Acquisition of an Interest in a Joint Operation
IAS 16 & 38	Clarification of Acceptable Methods of Depreciation and Amortisation
IFRS 10, IFRS 12 and IAS 28	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture
IAS 27	Separate Financial Statements
Annual Improvements to IFRS:	2012-2014 Cycle

At the date of authorisation of these financial statements the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 2	Share-based Payment amendments
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements amendments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IAS 7	Statement of Cash Flows amendments
IAS 12	Income Taxes amendments
IAS 28	Investments in Associates and Joint Ventures amendments

The adoption of IFRS 15 and IFRS 16 may have a material impact on the financial assets reported by the Group. It is not practical to provide a reasonable estimate of the effect of these standards until a more detailed review is undertaken.

Implementation of IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board (IASB) issued the final IFRS 9 Financial Instruments, which will become mandatory for the Group as of 1 March 2018. The standard reflects the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace the International Accounting Standard IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 requires all financial assets, except equity instruments, to be classified at amortised cost, fair value through other comprehensive income (OCI) or fair value through profit or loss, on the basis of the entity's business model for managing financial assets and its contractual cash flow characteristics. If a financial asset meets the criteria to be measured at amortised cost or at fair value through OCI, it can be designated at fair value through profit or loss under the fair value option if doing so would significantly reduce or eliminate an accounting mismatch. Equity instruments that are not held for trading may be accounted for at fair value through OCI, with no subsequent reclassification of realised gains or losses to the income statement, while all other equity instruments will be accounted for at fair value through profit or loss.

IFRS 9 classification and measurement requirements for liabilities are unchanged except that any gain or loss arising on a financial liability designated at fair value through profit or loss that is attributable to changes in the issuer's own credit risk (own credit) is presented in OCI and not recognised in the income statement.

IFRS 9 further introduces a revised impairment model which will require entities to recognise expected credit losses based on unbiased forward-looking information. This replaces the existing IAS 39 incurred loss model which only recognises impairment if there is objective evidence that a loss is already incurred and would measure the loss at the most probable outcome. The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through OCI, loan commitments and financial guarantee contracts. In addition, IAS 39 requires the impairment to be based on the fair value loss for available for sale debt rather than estimated future cash flows.

The measurement of expected loss will involve increased complexity and judgement including estimation of probabilities of defaults, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk.

The adoption of IFRS 9 may have a material impact on the financial assets reported by the Group as a result of the expected credit loss approach for impairment assessment. It is not practical to provide a reasonable estimate of the effect of this standard until a more detailed review is undertaken. A project team will be formed over the coming months with a view to determine the financial impact on the business for disclosure in the 2018 financial statements.

The implementation of all other standards is not expected to have a material impact on the Group's financial statements.

Basis of Consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 25 February 2017.

Revenue Recognition

Interest income is recognised in the income statement for all loans and receivables measured at amortised cost using the effective interest rate method (EIR). The EIR is the rate that exactly discounts estimated future cash flows of the loan back to the present value of the advance. Under IAS 39, credit charges on loan products continue to accrue at the EIR on all impaired capital balances throughout the life of the agreement irrespective of the terms of the loan and whether the customer is actually being charged arrears interest. This is referred to as the gross-up adjustment to revenue and is offset by a corresponding gross up adjustment to the loan loss provisioning charge to reflect the fact that this additional revenue is not collectable. See Critical Accounting Judgements and Key Sources of Estimation Uncertainty on pages 57 to 58 for more information.

Net Loan Book

All customer receivables are initially recognised at the amount loaned to the customer. After initial recognition, the amounts receivable from customers are subsequently measured at amortised cost.

The Directors assess on an ongoing basis whether there is objective evidence that a loan asset or group of loan assets is impaired and requires a deduction for impairment. A loan asset or a group of loan assets is deemed to be impaired only if there has been a trigger event. A trigger event is defined as when the cumulative amount of two or more contractual weekly payments have been missed in the previous 13 weeks. Impairment is calculated using models which use historical payment performance to calculate the estimated amount and timing of future cash flows from each arrears stage. Impairment is then calculated by estimating the future cash flows for such impaired loans, discounting the cash-flows to a present value using the original EIR and comparing this figure with the balance sheet carrying value. All such impairments are charged to the income statement. For all accounts which are not impaired, a further incurred but not reported (IBNR) provision is calculated and charged to the income statement based on management's estimates of the propensity of these accounts to default from conditions which existed at the balance sheet date.

Key assumptions in ascertaining whether a loan asset or group of loan assets is impaired include information regarding the probability of any account going into default and information regarding the likely eventual loss including recoveries. These, and assumptions for estimating future cash flows are based upon observed historical data and updated as management considers appropriate to reflect current and future conditions. All assumptions are reviewed regularly to take account of differences between previously estimated cash flows on impaired debt and the eventual losses.

Business Combinations

Acquisitions are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 Income Taxes.

Notes to the Consolidated Financial Statements

For the 52 week period ended 25 February 2017 continued

1 Accounting Policies continued

Goodwill

Goodwill arising on the acquisition of business combinations, representing any excess of fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and reviewed for impairment at least annually.

Gains on acquisition arising on the purchase of a business are recognised directly in the income statement.

Other Intangible Assets

Other intangible assets include acquisition intangibles in respect of customer relationships and agent networks as well as software, servers and licences.

The fair value of customer relationships on acquisition has been estimated by discounting the expected future cash flows from the relationships over their estimated useful economic lives of 10 years, such estimate being based on previous experience of similar acquisitions. The assets will be amortised over their estimated useful lives in line with the realisation of their expected benefits. Due to the behavioural profile of our customers, this will naturally result in a greater amortisation charge in the early years with a corresponding reduction in later years.

The fair value of agent networks on acquisition is calculated based on the estimated cost of developing a similar network organically. The assets are amortised over their estimated useful economic lives of 10 years, such estimate being based on previous experience of similar acquisitions, in line with the realisation of the expected benefits arising from the customer relationships associated with the agent network.

Software, servers and licences are stated at cost, net of amortisation and any provision for impairment. Amortisation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Software – 20% on cost

Servers and licences – 20% on cost

Amortisation is included within administration expenses.

Property, Plant and Equipment

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Computers and PDAs – 20%-33% on cost

Fixtures & fittings – 20% on cost

Investment in Subsidiaries

Subsidiaries are entities over which the Company has power to govern the financial and operating policies so as to obtain benefits from such entities' activities. Subsidiaries are consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date on which control ceases.

Investments in subsidiaries are stated at cost less any provision for impairment.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand. Bank overdrafts are presented in current liabilities to the extent that there is no right of offset with cash balances.

Pension Costs and Other Post-retirement Benefits

The Group operates a defined contribution pension scheme. Contributions payable to the Group's pension scheme are charged to the income statement in the period to which they relate.

Going Concern

The Directors have considered the appropriateness of adopting the going concern basis in preparing these financial statements.

The Group has prepared a three-year business plan which is a continuation of its strategy of generating growth through organic and acquisitive means.

In addition to standard internal governance, the Group is also monitored against key financial covenants tied in with the current funding facilities. These are produced and submitted on a monthly basis, with key schedules included in the monthly Board Papers.

The Group is subject to a number of risks and uncertainties which arise as a result of the current economic environment. In determining that the Group is a going concern these risks, which are described in the principal risks and uncertainties section, have been considered by the Directors. The Directors have considered these risks in the Group's forecasts and projections which highlight continued profitability for the foreseeable future.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Taxation
Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. It is recognised at the prevailing rate at which it is expected to unwind.

Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Leases
Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Borrowing Costs

Borrowing costs are recognised in the income statement in the period in which they are incurred.

Leasehold
Costs incurred in refurbishing or fitting out leasehold properties are capitalised and depreciated over the length of the relevant lease. At period end, these assets had a £nil carrying value having been fully depreciated during the period.

Share-based Payments
The Company operates an equity-settled share-based compensation scheme.

The fair value of the share options granted is recognised over the vesting period to reflect the achievement of performance conditions over time. The charge relating to grants to employees of the Company is recognised as an expense in the profit and loss account.

The fair value of the share options granted, excluding the impact of any non-market vesting conditions, is calculated using established option pricing models, principally Monte Carlo simulation. The probability of meeting non-market vesting conditions, which include profitability targets, is used to estimate the number of share options which are likely to vest.

Exceptional Items
Exceptional items are items that are unusual because of their size, nature of incidence and which the Directors consider should be disclosed separately to enable a full understanding of the Group's results.

Segment Reporting
IFRS 8 Operating Segments requires segments to be identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker ('CODM'). The Chief Operating Decision Maker is the Executive Committee ("ExCo").

All results are viewed as one segment by the CODM for the purposes of management decisions. This is because all operations are conducted within the UK and all material operations are of the same nature and share the same economic characteristics including a similar customer base and nature of products and services (ie consumer credit). As a result, the Group only has one reportable segment, being consumer credit.

Due to the size of Shelby Finance Limited relative to the Group, it has not been considered to be a separate cash generating unit (CGU) in the current period. Shelby Finance Limited is an instalment loan business and so is not integrated within the operation of the Company.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty
The following areas are the critical judgements and key sources of estimation uncertainty that the Directors have made in applying the Group's accounting policies:

Critical Accounting Judgements:
Business Combinations
During the period, the Company has made a series of acquisitions. Management has made judgements as to whether each of the acquisitions constitutes a business and therefore is required to be accounted for as a business combination in accordance with IFRS 3.

Notes to the Consolidated Financial Statements

For the 52 week period ended 25 February 2017
continued

1 Accounting Policies continued

Goodwill

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement most notably the fair value assigned to the acquired loan book and the acquired intangible assets.

Allocation of the purchase price affects the results of the Group as intangible assets with finite lives are amortised, whereas intangible assets with indefinite lives, including goodwill, are not amortised and could result in differing amortisation charges based on the allocation to intangible assets with finite lives and those with indefinite lives.

Revenue Recognition

Under IAS 39 interest income should be recognised on the shorter of the expected life or the contractual life of the loan. Under IAS 39 management has judged that interest income should be recognised over the contractual life of the loan based on historical loan book performance.

Key Sources of Estimation Uncertainty

Impairment

The Group reviews its portfolio of loans and receivables for impairment at each balance sheet date. For the purpose of assessing the impairment of customer loans and receivables, customers are categorised into arrears stages as this is considered to be the most reliable indication of payment performance. The Group makes judgements to determine whether there is objective evidence which indicates that there has been an adverse effect on expected future cash flows.

Once a loan is deemed to be impaired, the Group is required to estimate the quantum and timing of cash flows that will be recovered, which are discounted to present value based on the EIR of the loan. Receivables are impaired when the cumulative amount of two or more contractual weekly payments have been missed in the previous 13 weeks, since only at this point do the expected future cash flows from loans deteriorate significantly. Impairment is calculated using models which use historical payment performance to generate the estimated amount and timing of future cash flows from each arrears stage. Management use a combination of historical cash performance curves to estimate future cash flows. These estimations are revised annually and approved by management. In addition to this provision a further provision is made for receivables that have not yet missed two or more payments in the previous 13, but may have the propensity to become impaired in the near future.

The impairment provision is a key estimation that is calculated based on collection curves derived from a three-year average of actual performance.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Upon acquisition, the activities of the acquired entities are closely aligned to those of the Company and are deemed to have been integrated rather than remain as separate CGUs. Determining whether goodwill is impaired requires an estimation of the discounted future cash flows of the Company using a discount rate of 10% and a terminal value based on a minimum future growth rate of 2%.

Other Intangible Assets – Customer Lists

Customer lists have been allocated a fair value on acquisition as the relationships are an important influence on the revenue generating capacity of the business.

The customer lists have been valued based on the present value of expected future cash flows.

The calculation of the customer list intangible asset reflects a number of key judgements and estimates, which have a material effect on the carrying value of the asset. These include:

- cash flow forecasts have been produced following acquisitions, which involves a number of judgements and estimates, particularly in respect of future business volumes from acquired customers, collections performance and an appropriate discount rate; and
- the customer list intangible assets are amortised in line with the realisation of their expected benefits.

The nature and inherent uncertainty relating to the above judgements and estimates means that the forecast cash flows may be materially different from actual cash flows. A material future reduction in forecast surplus cash flows from customer lists would necessitate a full impairment review and the possibility of a material impairment charge in future periods.

2 Staff costs

	52 weeks ended 25 February 2017 £'000	52 weeks ended 27 February 2016 £'000
Wages and salaries	**15,218**	14,231
Social security costs	**1,892**	1,989
Other pension costs (note 21)	**391**	377
	17,501	16,597

The average monthly number of employees during the period was as follows:

	52 weeks ended 25 February 2017	52 weeks ended 27 February 2016
Management	**138**	131
Clerical & field staff	**490**	452
	628	583

Redundancy costs, included in administration expenses, total £283,188 (2016 – £782,920). These are a combination of post-acquisition integration costs and business as usual restructuring costs (see note 3). The table above excludes the network of self-employed agents.

3 Exceptional and non-operating costs

	52 weeks ended 25 February 2017	52 weeks ended 27 February 2016
Exceptional Costs		
Flotation costs	**2,179**	382
Non-Operating costs (included within Administration Costs)		
Restructuring costs	**283**	783
Non-recurring costs	**282**	744
Total exceptional and non-operating costs	**2,744**	1,909

4 Profit before taxation

Profit before tax is stated after charging:

	52 weeks ended 25 February 2017 £'000	52 weeks ended 27 February 2016 £'000
Depreciation – owned assets	**544**	736
Amortisation of intangibles	**4,412**	5,683
Impairment of goodwill	**–**	42
Operating lease rentals – motor vehicles	**1,967**	1,715
Operating lease rentals – property	**1,110**	1,259
Restructuring costs (note 3)	**283**	783
Directors' remuneration (including key management personnel)	**858**	967
Directors' pension contributions to money purchase schemes	**8**	16
The number of directors (former and current) to whom retirement benefits were accruing was as follows:		
Money purchase schemes	**6**	6

Notes to the Consolidated Financial Statements

For the 52 week period ended 25 February 2017 continued

4 Profit before taxation continued

Information regarding the highest paid Director is as follows:

	52 weeks ended 25 February 2017 £'000	52 weeks ended 27 February 2016 £'000
Emoluments	**330**	209
Pension contributions to money purchase schemes	**4**	3

The analysis of auditor's remuneration is as follows:

	52 weeks ended 25 February 2017 £'000	52 weeks Ended 27 February 2016 £'000
Fees payable to the Company's auditor for the audit of the Group's:		
– Financial statements	**156**	123
Fees payable to the Company's auditor and their associates for other services to the Group:		
– Subsidiary audit fee	**–**	2
Total audit fees	**156**	125
Audit related assurance services	**–**	1
Taxation compliance services	**42**	19
Other taxation advisory services	**–**	11
Other assurance services	**25**	10
Corporate finance services	**517**	382
Other services	**4**	32
Total non-audit fees	**588**	455

5 Finance Costs

	52 weeks ended 25 February 2017 £'000	52 weeks ended 27 February 2016 £'000
Other interest payable	**927**	647
Total interest payable	**927**	647

6 Taxation

Analysis of the tax charge

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

	52 weeks ended 25 February 2017 £'000	52 weeks ended 27 February 2016 £'000
Current tax:		
UK corporation tax	**3,499**	3,367
Deferred tax:		
Origination and reversal of timing differences	**(1,562)**	(1,050)
Adjustment in respect of prior periods	**654**	147
Effect of change of tax rates	**29**	(6)
Total deferred tax	**(879)**	(909)
Tax on profit on ordinary activities	**2,620**	2,458

Factors Affecting the Tax Charge

The tax assessed for the period is higher (2016 – lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	52 weeks ended 25 February 2017 £'000	52 weeks ended 27 February 2016 £'000
Profit on ordinary activities before tax	**11,219**	10,374
Profit on ordinary activities before exceptional items multiplied by the standard rate of corporation tax in the UK of 20% (2016 – 20.25%)	**2,244**	2,101
Effects of:		
Ordinary expenses not deductible for tax purposes	**70**	239
IPO exceptional expenses not deductible for tax purposes	**436**	–
Gain on acquisition	**–**	(7)
Effect of changes in tax rate	**30**	(6)
Movement in amounts not provided in deferred tax	**8**	–
Adjustment in respect of prior periods	**(167)**	197
Tax losses surrendered by Perpignon Group	**–**	(66)
Tax on profit on ordinary activities	**2,620**	2,458

The standard rate of corporation tax applicable for the period ended 25 February 2017 is 20% (2016: 20.25%).

Finance (No.2) Bill 2015 provides that the tax rate will reduce to 19% with effect from 1 April 2017 and Finance Bill 2016 provides that the tax rate will further reduce to 17% with effect from 1 April 2020. The effect of these proposed tax rate reductions will be reflected in future periods.

7 Dividend per share

Dividend per share	52 weeks ended 25 February 2017	52 weeks Ended 27 February 2016
Dividends paid (£'000)	**2,720**	48,629
Weighted average number of shares (000's)	**129,500**	129,500
Dividend per share (pence)	**2.10**	38.00

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 all shareholders on the register at the close of business on 23 June 2017.

Notes to the Consolidated Financial Statements

For the 52 week period ended 25 February 2017
continued

8 Earnings per share

	52 weeks ended 25 February 2017	52 weeks ended 27 February 2016
Earnings (£'000)	**8,598**	7,916
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share ('000s)	**129,500**	129,500
Effect of dilutive potential ordinary shares through share options ('000s)	**598**	–
Weighted average number of shares for the purposes of diluted earnings per share ('000s)	**130,098**	129,500
Basic per share amount (pence)	**6.64**	6.11
Diluted per share amount (pence)	**6.61**	6.11

Diluted earnings per share calculates the effect on earnings per share assuming conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares are calculated for awards outstanding under performance related share incentive schemes such as the Deferred Share Plan. The number of dilutive potential ordinary shares is calculated based on the number of shares which would be issuable if the performance targets have been met.

On 25 February 2016, the Company cancelled 72,705,000 shares and divided the remaining into 129,500,000 1p shares. This transaction changed the number of ordinary shares outstanding without a corresponding change in total equity. For the 2016 financial period, the Earnings per Share calculation has been adjusted retrospectively in accordance with IAS 33 (26), increasing the weighted average number of shares by 55,500,000.

9 Profit of parent company

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's profit for the financial period was £10,612,965 (2016: £16,621,360).

10 Goodwill

	Group £'000	Company £'000
Cost		
At 28 February 2015	585	585
Additions	1,074	1,074
At 27 February 2016	1,659	1,659
Additions	1,508	1,316
At 25 February 2017	**3,167**	**2,975**
Impairment		
At 28 February 2015	(291)	(291)
Impairment charge for the period	(42)	(42)
At 27 February 2016	(333)	(333)
Impairment charge for the period	–	–
At 25 February 2017	**(333)**	**(333)**
Net book value		
At 25 February 2017	**2,834**	**2,642**
At 27 February 2016	1,326	1,326
At 28 February 2015	294	294

Allocation of goodwill to cash generating units

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Upon acquisition, the activities of the acquired entities are closely aligned to those of the Company and are deemed to have been integrated rather than remain as separate CGUs. Determining whether goodwill is impaired requires an estimation of the discounted future cash flows of the Company using a discount rate of 10% and a terminal value based on a minimum future growth rate of 2%. The Group has conducted a sensitivity analysis on the goodwill impairment assessment. The Group believes that there are no reasonably possible changes to the key assumptions in the next year which would result in the carrying value of goodwill exceeding the recoverable amount.

The carrying value of goodwill at each period end was as follows:

	25 February 2017 £'000	27 February 2016 £'000
Shelby Finance Limited		
Carrying value of goodwill before impairment charge	192	–
Less: impairment	–	–
Carrying value of goodwill	192	–
Pearlmans Finance Limited		
Carrying value of goodwill before impairment charge	389	–
Less: impairment	–	–
Carrying value of goodwill	389	–
Portwood Finance Company Limited		
Carrying value of goodwill before impairment charge	251	–
Less: impairment	–	–
Carrying value of goodwill	251	–
Carson Finance Limited		
Carrying value of goodwill before impairment charge	112	–
Less: impairment	–	–
Carrying value of goodwill	112	–
H. Stanley (Hull) Limited		
Carrying value of goodwill before impairment charge	271	–
Less: impairment	–	–
Carrying value of goodwill	271	–
Deebank Financial Services Limited		
Carrying value of goodwill before impairment charge	140	–
Less: impairment	–	–
Carrying value of goodwill	140	–
Universal Trading Company Limited		
Carrying value of goodwill before impairment charge	153	–
Less: impairment	–	–
Carrying value of goodwill	153	–
KDS Finance:		
Carrying value of goodwill before impairment charge	959	959
Less: impairment	–	–
Carrying value of goodwill	959	959
Lagans Finance:		
Carrying value of goodwill before impairment charge	115	115
Less: impairment	–	–
Carrying value of goodwill	115	115
M&M Finance Limited:		
Carrying value of goodwill before impairment charge	39	43
Less: impairment	–	(4)
Carrying value of goodwill	39	39
Naughton Finance Limited:		
Carrying value of goodwill before impairment charge	213	251
Less: impairment	–	(38)
Carrying value of goodwill	213	213
Total carrying value	2,834	1,326

Notes to the Consolidated Financial Statements

For the 52 week period ended 25 February 2017 continued

10 Goodwill continued

Key assumptions used in goodwill impairment review

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. For the purposes of this impairment review, the Company is deemed to be a single CGU and there was no impairment in the reporting period.

11 Other intangible assets

Group	Software, Servers, & Licences £'000	Customer Lists £'000	Agent Networks £'000	Totals £'000
Cost				
At 28 February 2015	1,633	17,552	720	19,905
Additions	2,523	–	–	2,523
Acquisitions	–	1,757	64	1,821
At 27 February 2016	4,156	19,309	784	24,249
Additions	1,029	1,457	66	2,552
Disposals	(144)	–	–	(144)
At 25 February 2017	**5,041**	**20,766**	**850**	**26,657**
Accumulated amortisation				
At 28 February 2015	1,129	8,055	330	9,514
Charge for period	275	5,195	213	5,683
At 27 February 2016	1,404	13,250	543	15,197
Charge for period	749	3,517	146	4,412
Disposals	(10)	–	–	(10)
At 25 February 2017	**2,143**	**16,767**	**689**	**19,599**
Net book value				
At 25 February 2017	**2,898**	**3,999**	**161**	**7,058**
At 27 February 2016	2,752	6,059	241	9,052
At 28 February 2015	504	9,497	390	10,391

Company	Software, Servers, & Licences £'000	Customer Lists £'000	Agent Networks £'000	Totals £'000
Cost				
At 28 February 2015	1,633	–	–	1,633
Additions	2,523	–	–	2,523
Acquisitions	–	1,757	64	1,821
At 27 February 2016	4,156	1,757	64	5,977
Additions	930	1,457	66	2,453
Disposals	(144)	–	–	(144)
At 25 February 2017	**4,942**	**3,214**	**130**	**8,286**
Accumulated amortisation				
At 28 February 2015	1,129	–	–	1,129
Charge for period	275	829	34	1,137
At 27 February 2016	1,404	829	34	2,267
Charge for period	749	1,150	48	1,947
Disposals	(10)	–	–	(10)
At 25 February 2017	**2,143**	**1,979**	**82**	**4,204**
Net book value				
At 25 February 2017	**2,799**	**1,235**	**48**	**4,082**
At 27 February 2016	2,752	928	31	3,710
At 28 February 2015	504	–	–	504

12 Property, plant & equipment

Group	Computers and PDAs £'000	Fixtures & fittings £'000	Leasehold £'000	Motor Vehicles £'000	Totals £'000
Cost					
At 28 February 2015	2,082	36	3	–	2,121
Additions	847	76	–	–	924
Disposals	(1,199)	–	–	(706)	(1,904)
Acquisitions	–	–	–	706	706
At 27 February 2016	1,730	113	3	–	1,846
Additions	95	30	–	–	125
At 25 February 2017	**1,825**	**143**	**3**	**–**	**1,971**
Depreciation					
At 28 February 2015	1,172	11	3	–	1,185
Charge for period	499	23	–	214	736
Disposals	(1,044)	–	–	(214)	(1,258)
At 27 February 2016	627	34	3	–	664
Charge for period	480	64	–	–	544
At 25 February 2017	**1,107**	**98**	**3**	**–**	**1,208**
Net book value					
At 25 February 2017	**718**	**45**	**–**	**–**	**763**
At 27 February 2016	1,104	78	–	–	1,182
At 28 February 2015	910	26	–	–	936

Company	Computers and PDAs £'000	Fixtures & fittings £'000	Motor Vehicles £'000	Totals £'000
Cost				
At 28 February 2015	1,674	26	–	1,700
Additions	847	76	–	924
Disposals	(1,199)	–	(706)	(1,904)
Acquisitions	–	–	706	706
At 27 February 2016	1,322	102	–	1,424
Additions	95	30	–	125
At 25 February 2017	**1,417**	**132**	**–**	**1,549**
Depreciation				
At 28 February 2015	764	–	–	764
Charge for period	499	23	214	736
Disposals	(1,044)	–	(214)	(1,258)
At 27 February 2016	219	23	–	242
Charge for period	480	64	–	544
At 25 February 2017	**699**	**87**	**–**	**786**
Net book value				
At 25 February 2017	**718**	**45**	**–**	**763**
At 27 February 2016	1,104	79	–	1,182
At 28 February 2015	910	26	–	936

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For the 52 week period ended 25 February 2017
continued

13 Investment in subsidiaries

	Company £'000
Cost	
At 28 February 2015	64,822
Impairment	(63,501)
At 27 February 2016	1,321
Additions	690
Impairment	–
At 25 February 2017	**2,011**

Investments in subsidiary undertakings are stated at cost less any provision for impairment. On 28 February 2015 the Company acquired 100% of the ordinary share capital of Shopacheck Financial Services Ltd (SFS) from its immediate parent company, Perpignon Limited.
On 10 January 2017 the Company acquired 100% of the ordinary share capital of Shelby Finance Limited. As a result, the Company owns 100% of the ordinary share capital of the following subsidiary undertakings, which are included in the Group's consolidation:

- Shopacheck Financial Services Limited (SFS), a Company registered in England and Wales (Company number: 07067456) with Registered Office, Kingston House, Centre 27, Woodhead Road, Birstall, Batley, West Yorkshire, WF17 9TD, whose principal activity was the provision of consumer credit and is currently non-trading.
- Shelby Finance Limited, a Company registered in England and Wales (Company number: 08117620) with Registered Office, Kingston House, Centre 27, Woodhead Road, Birstall, Batley, West Yorkshire, WF17 9TD, whose principal activity is the provision of consumer credit.

During the prior period, SFS paid a dividend in specie of £68,599,000 to the Company which resulted in a reduction in the intercompany balance to £1,321,416 with a corresponding reduction in SFS' net assets by this amount. As a result, the Company's investment in SFS was reduced to its recoverable amount, which was deemed to be the revised net assets of SFS, resulting in an impairment of £63,500,887.

Shopacheck Financial Services Limited and Shelby Finance Limited both qualify for an exemption to audit under the requirements of Section 479A of the Companies Act 2006. As such, no audit has been conducted for these companies in the current financial year.

14 Trade and other receivables

	Group		Company	
	25 February 2017 £'000	27 February 2016 £'000	**25 February 2017 £'000**	27 February 2016 £'000
Amounts falling due within one year:				
Net receivable from advances to customers	**60,833**	56,152	**60,833**	56,152
Amounts falling due after one year:				
Net receivable from advances to customers	**395**	679	**395**	679
Net loan book	**61,228**	56,831	**61,228**	56,831
Amounts owed by Perpignon Group undertakings	**–**	75	**–**	75
Other debtors	**489**	238	**489**	238
Prepayments	**1,530**	1,241	**1,523**	1,241
	63,247	58,385	**63,240**	58,385

Amounts receivable from customers

	Group and Company	
	25 February 2017 £'000	27 February 2016 £'000
Amounts receivable from customers	**61,228**	56,831
Analysis by future date due		
– due within one year	**60,833**	56,152
– due in more than one year	**395**	679
Amounts receivable from customers	**61,228**	56,831
Analysis by security		
Other loans not secured	**61,228**	56,831
Amounts receivable from customers	**61,228**	56,831
Analysis of overdue		
Neither past due nor impaired	**42,990**	38,568
Past due not impaired	**224**	277
Impaired	**18,014**	17,986
Amounts receivable from customers	**61,228**	56,831

The credit risk inherent in amounts receivable from customers is reviewed under impairment as per note 1 and under this review the credit quality of assets which are neither past due nor impaired was considered to be good. The above analysis of when loans are due is based upon original contractual terms which are not rescheduled rather than payment performance over the last 13 weeks. The carrying amount of amounts receivable from customers whose terms have been renegotiated that would otherwise be past due or impaired is therefore £nil (2016: £nil)

An analysis of movements on loan loss provisions is provided below:

	Group and Company £'000
At 28 February 2015	40,782
Charge for period	22,588
Amounts written off during period	(21,741)
Unwind of discount	(9,203)
Provision subsequently recognised for customers acquired during the period	3,660
At 27 February 2016	36,086
Charge for period	21,058
Amounts written off during period	(22,526)
Unwind of discount	(2,601)
Provision subsequently recognised for customers acquired during the period	2,737
At 25 February 2017	**34,754**

There has been no material change in the average effective interest rate used for consumer credit during the period to 25 February 2017.

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15 Trade and other payables: amounts falling due within one year

	Group		Company	
	25 February 2017 £'000	27 February 2016 £'000	**25 February 2017 £'000**	27 February 2016 £'000
Trade creditors	**1,054**	1,922	**952**	1,922
Amounts owed to group undertakings	**–**	–	**1,776**	1,321
Tax	**2,153**	2,078	**2,153**	2,078
Social security and other taxes	**451**	410	**451**	410
Other creditors	**550**	586	**451**	586
Accrued expenses	**1,684**	2,456	**1,679**	2,456
Deferred consideration	**–**	–	**100**	–
Bank loans payable	**–**	–	**–**	–
	5,892	7,452	**7,562**	8,773

16 Trade and other payables: amounts falling due after one year

	Group		Company	
	25 February 2017 £'000	27 February 2016 £'000	**25 February 2017 £'000**	27 February 2016 £'000
Bank loans	**10,000**	–	**9,000**	–
	10,000	–	**9,000**	–

The bank loan is a revolving credit facility held with Shawbrook Bank PLC. Under the terms of the loan covenant, the loan book is held as collateral against the funds borrowed.

17 Operating lease commitments

The following operating lease payments are committed to be paid as follows:

	Group and Company			
	Other operating leases		Land & buildings	
	25 February 2017 £'000	27 February 2016 £'000	**25 February 2017 £'000**	27 February 2016 £'000
Existing:				
Within one year	**1,236**	710	**422**	468
Between one and five years	**2,063**	177	**208**	117
	3,299	887	**630**	586

Land and building operating lease commitments relate to the future rental payments until first break of the Support Centre property at Kingston House, Birstall and the network of regional branches.

Other operating lease commitments relate to the fleet of company cars.

18 Deferred tax

	Group		Company	
	25 February 2017 £'000	27 February 2016 £'000	**25 February 2017 £'000**	27 February 2016 £'000
Fixed asset temporary differences	**(123)**	1,681	**(123)**	643
Other temporary differences	**740**	198	**193**	198
Deferred tax liability	**617**	1,879	**70**	840

	Group £'000	Company £'000
Balance as at 28 February 2015	2,614	636
Credit for the period	(1,057)	(118)
Arising on acquisition	174	174
Adjustment in respect of prior periods	147	147
Balance as at 27 February 2016	1,879	840
Credit for the period	(714)	(222)
Arising on acquisition	274	274
Adjustment in respect of prior periods	(822)	(822)
Balance as at 25 February 2017	**617**	**70**

19 Called up share capital

Authorised, allotted, issued and fully paid

Number:	Class:	Nominal Value	25 February 2017 £'000	27 February 2016 £'000
129,500,000	Ordinary	£0.01	**1,295**	1,295
			1,295	1,295

20 Reserves

Group	Retained Earnings £'000	Share premium £'000	Total £'000
At 28 February 2015	16,470	5,612	22,082
Profit for the period	7,916	–	7,916
Capital reduction	78,317	(5,612)	72,705
Dividends paid	(48,629)	–	(48,629)
At 27 February 2016	54,074	–	54,074
Profit for the period	8,599	–	8,599
Deferred tax adjustment	4	–	4
Share-based payment charge	126	–	126
Dividends paid	(2,720)	–	(2,720)
At 25 February 2017	**60,083**	**–**	**60,083**

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For the 52 week period ended 25 February 2017 continued

20 Reserves continued

Company	Group reconstruction reserve £'000	Retained earnings £'000	Share premium £'000	Total £'000
At 28 February 2015	(9,276)	12,738	5,612	9,074
Profit for the period	–	16,621	–	16,621
Capital reduction	–	78,317	(5,612)	72,705
Dividends paid	–	(48,629)	–	(48,629)
At 27 February 2016	(9,276)	59,047	–	49,771
Profit for the period	–	10,613	–	10,613
Deferred tax adjustment	–	4	–	4
Share-based payment charge	–	126	–	126
Dividends paid	–	(2,720)	–	(2,720)
At 25 February 2017	**(9,276)**	**67,070**	**–**	**57,794**

21 Retirement benefit schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of the trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The total costs charged of £390,952 (2016: £377,019) represent contributions payable to these schemes by the Group at rates specified in the rules of the plans. Contributions payable to the schemes at the year end were £62,162 (2016: £55,986).

22 Ultimate parent company

The Company is a 51% subsidiary of Perpignon Limited. Perpignon Limited's shareholding reduced during the year due to the IPO. Perpignon Limited continues to hold a controlling majority in the Company. At 25 February 2017, the smallest Group of undertakings into which these financial statements are consolidated is Perpignon Limited, registered in England and Wales and the largest Group of undertakings into which these financial statements are consolidated is FCAP Four Limited, registered in England and Wales. Copies of these financial statements are available from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. The ultimate controlling party of the Company is FCAP Four Limited.

23 Acquisitions

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

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

Deebank Financial Services Limited

On 18 April 2016, the Company acquired the loan book and certain assets of Deebank Financial Services Limited via a cash purchase. The Company acquired the assets of Deebank Financial Services Limited for the purpose of increasing its customer base. The costs incurred in relation to this acquisition of £13,000 were expensed to the Income Statement.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Non-current assets			
Intangible assets	–	453	451
Tangible fixed assets	130	–	130
Current assets			
Debtors	788	–	788
Total assets	918	453	1,371
Non-current liabilities			
Deferred tax	–	(81)	(81)
Total liabilities	–	(81)	(81)
Net assets	918	372	1,290

Goodwill arising on acquisition	£'000
Consideration	1,430
Net assets acquired	(1,290)
Goodwill	140

Universal Trading Company Limited

On 20 July 2016, the Company acquired the loan book and certain assets of Universal Trading Company Limited via a cash purchase. The Company acquired the assets of Universal Trading Company Limited for the purpose of increasing its customer base. The costs incurred in relation to this acquisition of £12,000 were expensed to the Income Statement.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Non-current assets			
Intangible assets	–	87	87
Current assets			
Debtors	285	–	285
Total assets	285	87	372
Non-current liabilities			
Deferred tax	–	(16)	(16)
Total liabilities	–	(16)	(16)
Net assets	285	72	356

Goodwill arising on acquisition	£'000
Consideration	509
Net assets acquired	(356)
Goodwill	153

Notes to the Consolidated Financial Statements
For the 52 week period ended 25 February 2017 continued

23 Acquisitions continued

H. Stanley (Hull) Limited

On 10 August 2016, the Company acquired the loan book and certain assets of H. Stanley (Hull) Limited via a cash purchase. The Company acquired the assets of H. Stanley (Hull) Limited for the purpose of increasing its customer base. The costs incurred in relation to this acquisition of £11,200 were expensed to the Income Statement.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Non-current assets			
Intangible assets	–	197	197
Current assets			
Debtors	428	–	428
Total assets	428	197	625
Non-current liabilities			
Deferred tax	–	(36)	(36)
Total liabilities	–	(36)	(36)
Net assets	428	162	590

Goodwill arising on acquisition	**£'000**
Consideration	861
Net assets acquired	(590)
Goodwill	271

Pearlmans Finance Limited

On 15 September 2016, the Company acquired the loan book and certain assets of Pearlmans Finance Limited via a cash purchase. The Company acquired the assets of Pearlmans Finance Limited for the purpose of increasing its customer base. The costs incurred in relation to this acquisition of £13,270 were expensed to the Income Statement.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Non-current assets			
Intangible assets	–	545	545
Current assets			
Debtors	678	–	668
Total assets	678	545	1,223
Non-current liabilities			
Deferred tax	–	(98)	(98)
Total liabilities	–	(98)	(98)
Net assets	678	447	1,125

Goodwill arising on acquisition	**£'000**
Consideration	1,514
Net assets acquired	(1,125)
Goodwill	389

Portwood Finance Company Limited

On 28 September 2016, the Company acquired the loan book and certain assets of Portwood Finance Company Limited via a cash purchase. The Company acquired the assets of Portwood Finance Company Limited for the purpose of increasing its customer base. The costs incurred in relation to this acquisition of £11,290 were expensed to the Income Statement.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Non-current assets			
Intangible assets	–	145	145
Current assets			
Debtors	488	–	488
Total assets	488	145	633
Non-current liabilities			
Deferred tax	–	(26)	(26)
Total liabilities	–	(26)	(26)
Net assets	488	119	607

Goodwill arising on acquisition	**£'000**
Consideration	858
Net assets acquired	(607)
Goodwill	251

Carson Finance Limited

On 10 October 2016, the Company acquired the loan book and certain assets of Carson Finance Limited via a cash purchase. The Company acquired the assets of Carson Finance Limited for the purpose of increasing its customer base. The costs incurred in relation to this acquisition of £12,735 were expensed to the Income Statement.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Non-current assets			
Intangible assets	–	95	95
Current assets			
Debtors	274	–	274
Total assets	274	95	369
Non-current liabilities			
Deferred tax	–	(17)	(17)
Total liabilities	–	(17)	(17)
Net assets	274	78	352

Goodwill arising on acquisition	**£'000**
Consideration	464
Net assets acquired	(352)
Goodwill	112

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23 Acquisitions continued

Shelby Finance Limited

On 10 January 2017, the Group acquired 100% of the issued share capital of Shelby Finance Limited via a cash purchase. The Company acquired Shelby Finance Limited for the purpose of enabling a diversification of its product range and reduce the time to market. The costs incurred in relation to this acquisition of £nil were expensed to the Income Statement.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Non-current assets			
Tangible fixed assets	5	(5)	–
Current assets			
Debtors	67	(64)	3
Total assets	72	(69)	3
Liabilities			
Accruals and other liabilities	(5)	–	(5)
Total liabilities	(5)	–	(5)
Net assets	67	(69)	(2)

Goodwill arising on acquisition	**£'000**
Consideration	190
Net assets acquired	(2)
Goodwill	192

The following acquisitions occurred in the comparative period:

KDS Finance

On 26 March 2015, the Company acquired the loan book and certain assets of KDS Finance via a cash purchase. The Company acquired the assets of KDS Finance for the purpose of increasing its customer base. The costs incurred in relation to this acquisition of £170,000 were expensed to the Income Statement.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Non-current assets			
Intangible assets	–	852	852
Tangible fixed assets	546	–	546
Current assets			
Debtors	1,984	–	1,984
Total assets	2,530	852	3,382
Liabilities			
Accruals and other liabilities	(229)	–	(229)
Total liabilities	(229)	–	(229)
Net assets	2,302	852	3,153

Goodwill arising on acquisition	**£'000**
Consideration	4,112
Net assets acquired	(3,153)
Goodwill	959

Sunniside Finance

On 17 June 2015, the Company acquired the loan book and certain assets of Sunniside Finance via a cash purchase. The Company acquired the assets of Sunniside Finance for the purpose of increasing its customer base. The costs incurred in relation to this acquisition of £12,000 were expensed to the Income Statement.

	Book value £	Fair value adjustments £	Fair value £
Non-current assets			
Intangible assets	–	82	82
Current assets			
Debtors	348	–	348
Total assets	348	82	430
Current liabilities			
Deferred tax	–	(15)	(15)
Total liabilities	–	(15)	(15)
Net assets	348	67	415

Gain arising on acquisition	**£'000**
Consideration	383
Net assets acquired	(415)
Gain on acquisition	(32)

Lagans Finance

On 25 September 2015, the Company acquired the loan book and certain assets of Lagans Finance via a cash purchase. The Company acquired the assets of Logans Finance for the purpose of increasing its customer base. The costs incurred in relation to this acquisition of £17,000 were expensed to the Income Statement.

	Book value £	Fair value adjustments £	Fair value £
Non-current assets			
Intangible assets	–	888	888
Tangible fixed assets	159	–	159
Current assets			
Debtors	1,886	–	1,886
Total assets	2,045	888	2,933
Current liabilities			
Deferred tax	–	(160)	(160)
Total liabilities	–	(160)	(160)
Net assets	2,045	728	2,773

Goodwill arising on acquisition	**£'000**
Consideration	2,889
Net assets acquired	(2,773)
Goodwill	115

Shopacheck Financial Services Limited and Shelby Finance Limited both qualify for an exemption to audit under the requirements of Section 479A of the Companies Act 2006. As such, no audit has been conducted for these companies in the current financial year.

Notes to the consolidated financial statements

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24 Financial Instruments

The Group and the Company's principal financial instruments are amounts receivable from customers, cash, bank overdrafts and bank loan.

The Group and the Company's business objectives rely on maintaining a well-spread customer base of carefully controlled quality by applying strong emphasis on good credit management, both through strict lending criteria at the time of underwriting a new credit facility and continuous monitoring of the collection process.

As at 25 February 2017, the Company and Group's indebtedness amounted to £10,000,000 (2016: £9,000,000).

Currency risk

The Group has no exposure to foreign currency risk.

Credit risk

Credit risk is the risk that the Group will suffer loss in the event of a default by a customer or a bank counterparty. A default occurs when the customer or bank fails to honour repayments as they fall due.

(i) Amounts receivable from customers

The Group's maximum exposure to credit risk on amounts receivable from customers as at 25 February 2017 is the carrying value of amounts receivable from customers of £61,227,412 (2016: £56,831,014).

Credit risk is managed using a combination of lending policy criteria, credit scoring (including behavioural scoring), policy rules, individual lending approval limits, central underwriting, and a home visit to make a decision on applications for credit.

The loans offered to customers are short-term, typically a contractual period of between 20 and 52 weeks, with an average value of approximately £500. The loans are underwritten in the customer's home by an agent with emphasis placed on any previous lending experience with the customer and the agent's assessment of the credit risk based on a completed application form and the home visit. Once a loan has been made, the agent visits the customer weekly to collect repayments. The agent is well placed to identify signs of strain on a customer's income and can moderate lending accordingly. Equally, the regular contact and professional relationship that the agent has with the customer allows them to manage customers' repayments effectively even when the household budget is tight. This can be in the form of taking part-payments, allowing missed payments or occasionally restructuring the debt in order to maximise cash collections.

Agents are primarily paid commission for what they collect and not for what they lend, so their main focus is on ensuring loans are affordable at the point of issue and then on collecting cash. Affordability is reassessed by the agent each time an existing customer is re-served. This normally takes place within 12 months of the previous loan because of the short-term nature of the product.

Arrears management is a combination of central letters, central telephony and field activity undertaken by field management. This will often involve a home visit to discuss the customer's reasons for non-payment and to agree a suitable resolution.

(ii) Bank counterparties

The Group's maximum exposure to credit risk on bank counterparties as at 25 February 2017 was £3,984,553 (2016: £3,755,291).

Counterparty credit risk arises as a result of cash deposits placed with banks.

Counterparty credit risk is managed by the Board which ensures that the Group's cash deposits are only made with high-quality counterparties with the level of permitted exposure to a counterparty firmly linked to the strength of its credit rating.

Liquidity risk

Liquidity risk is the risk that the Group will have insufficient liquid resources available to fulfil its operational plans and/or to meet its financial obligations as they fall due.

Liquidity risk is managed by daily monitoring of expected cash flows and ensuring that the group maintains headroom on its committed borrowing facilities to fund growth and contractual maturities for at least the following 12 months. Funding is available through a £25,000,000 revolving asset based credit facility. The Group's liquidity risk is shown in the following tables which measure the cumulative liquidity gap. Most of the Group's financial assets are repayable within one year which results in a positive liquidity position.

Group At 25 February 2017	**Less than 1 year £'000**	**More than 1 year but not more than 2 years £'000**	**More than 2 years but not more than 5 years £'000**	**More than 5 years £'000**	**No fixed maturity date £'000**	**Total £'000**
Financial assets	60,833	395	–	–	–	61,228
Other assets	2,019	–	–	–	10,655	12,674
Cash at bank and in hand	3,985	–	–	–	–	3,985
Total assets	66,837	395	–	–	10,655	77,887
Shareholders' funds	–	–	–	–	(61,378)	(61,378)
Other liabilities	(5,892)	(10,000)	–	–	(617)	(16,509)
Total liabilities and shareholders' funds	(5,892)	(10,000)	–	–	(61,995)	(77,887)
Cumulative position	**60,945**	**51,340**	**51,340**	**51,340**	**–**	**–**

Group At 27 February 2016	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	No fixed maturity date £'000	Total £'000
Financial Assets	56,152	679	–	–	–	56,831
Other Assets	1,479	–	–	–	11,635	13,114
Cash at bank and in hand	3,755	–	–	–	–	3,755
Total assets	61,386	679	–	–	11,635	73,700
Shareholders' funds	–	–	–	–	(55,369)	(55,369)
Other liabilities	(7,452)	(9,000)	–	–	(1,879)	(18,331)
Total liabilities and shareholders' funds	(7,452)	(9,000)	–	–	(57,248)	(73,700)
Cumulative Position	53,934	45,613	45,613	45,613	–	–

Company At 25 February 2017	**Less than 1 year £'000**	**More than 1 year but not more than 2 years £'000**	**More than 2 years but not more than 5 years £'000**	**More than 5 years £'000**	**No fixed maturity date £'000**	**Total £'000**
Financial Assets	60,833	395	–	–	–	61,228
Other Assets	2,012	–	–	–	9,498	11,510
Cash at bank and in hand	3,983	–	–	–	–	3,983
Total assets	66,828	395	–	–	9,498	76,721
Shareholders' funds	–	–	–	–	(59,089)	(59,089)
Other liabilities	(7,562)	(10,000)	–	–	(70)	(17,632)
Total liabilities and shareholders' funds	(7,562)	(10,000)	–	–	(59,159)	(76,721)
Cumulative position	**59,266**	**49,661**	**49,661**	**49,661**	**–**	**–**

Company At 27 February 2016	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	No fixed maturity date £'000	Total £'000
Financial Assets	56,152	679	–	–	–	56,831
Other Assets	1,478	–	–	–	7,615	9,093
Cash at bank and in hand	3,755	–	–	–	–	3,755
Total assets	61,385	679	–	–	7,615	69,679
Shareholders' funds	–	–	–	–	(51,066)	(51,066)
Other liabilities	(8,773)	(9,000)	–	–	(840)	(18,613)
Total liabilities and shareholders' funds	(8,773)	(9,000)	–	–	(51,906)	(69,679)
Cumulative position	52,612	44,291	44,291	44,291	–	–

Notes to the consolidated financial statements

For the 52 week period ended 25 February 2017 continued

24 Financial Instruments continued

Interest rate risk

The Group's activities do not expose it to significant financial risks of changes in interest rates. There is considered to be no material interest rate risk in cash, trade and other receivables; trade and other payables.

Capital risk management

The Board of Directors assess the capital needs of the Group on an ongoing basis and approve all capital transactions.

Fair values of financial assets and liabilities

The fair values of amounts receivable from customers, bank loans and overdrafts and other assets and liabilities are considered to be not materially different from their book values. Fair values which are recognised or disclosed in these financial statements are determined in whole or in part using a valuation technique based on assumptions that are supported by prices from observable current market transactions in the same instrument (ie without modification or repackaging) and based on available observable market data. The fair value hierarchy is derived from Level 3 inputs in accordance with IFRS 13 as the instruments are not traded in an active market and the fair value is therefore determined through discounting future cash flows.

The following table sets out the carrying value of the Group's financial assets and liabilities in accordance with the categories of financial instruments set out in IAS 39. Assets and liabilities outside the scope of IAS 39 are shown within non-financial assets/liabilities:

Group 25 February 2017	**Loans and receivables £'000**	**Financial liabilities measured at amortised cost £'000**	**Non-financial assets/ liabilities £'000**	**Total £'000**
Assets:				
Cash and cash equivalents	3,985	–	–	3,985
Amounts receivable from customers	61,228	–	–	61,228
Trade and other receivables	489	–	1,530	2,019
Property, plant and equipment	–	–	763	763
Goodwill	–	–	2,834	2,834
Other intangible assets	–	–	7,058	7,058
Total assets	**65,702**	**–**	**12,185**	**77,887**
Liabilities:				
Bank and other borrowings	–	(10,000)	–	(10,000)
Trade and other payables	–	(3,288)	–	(3,288)
Current tax liabilities	–	–	(2,604)	(2,604)
Deferred tax liabilities	–	–	(617)	(617)
Total liabilities	**–**	**(13,288)**	**(3,221)**	**(16,509)**

Company 25 February 2017	**Loans and receivables £'000**	**Financial liabilities measured at amortised cost £'000**	**Non-financial assets/ liabilities £'000**	**Total £'000**
Assets:				
Cash and cash equivalents	3,983	–	–	3,983
Amounts receivable from customers	61,228	–	–	61,228
Trade and other receivables	489	–	1,523	2,012
Property, plant and equipment	–	–	763	763
Goodwill	–	–	2,642	2,642
Investment in subsidiary	–	–	2,011	2,011
Other intangible assets	–	–	4,082	4,082
Total assets	**65,700**	**–**	**11,021**	**76,721**
Liabilities:				
Bank and other borrowings	–	(10,000)	–	(10,000)
Trade and other payables	–	(4,958)	–	(4,958)
Current tax liabilities	–	–	(2,604)	(2,604)
Deferred tax liabilities	–	–	(70)	(70)
Total liabilities	**–**	**(14,958)**	**(2,674)**	**(17,632)**

Group 27 February 2016	Loans and receivables £'000	Financial liabilities measured at amortised cost £'000	Non-financial assets/ liabilities £'000	Total £'000
Assets:				
Cash and cash equivalents	3,755	–	–	3,755
Amounts receivable from customers	56,831	–	–	56,831
Trade and other receivables	313	–	1,241	1,554
Property, plant and equipment	–	–	1,182	1,182
Goodwill	–	–	1,326	1,326
Other intangible assets	–	–	9,052	9,052
Total assets	60,899	–	12,801	73,700
Liabilities:				
Bank and other borrowings	–	(9,000)	–	(9,000)
Trade and other payables	–	(4,964)	–	(4,964)
Current tax liabilities	–	–	(2,488)	(2,488)
Deferred tax liabilities	–	–	(1,879)	(1,879)
Total liabilities	–	(13,964)	(4,367)	(18,331)

Company 27 February 2016	Loans and receivables £'000	Financial liabilities measured at amortised cost £'000	Non-financial assets/ liabilities £'000	Total £'000
Assets:				
Cash and cash equivalents	3,755	–	–	3,755
Amounts receivable from customers	56,831	–	–	56,831
Trade and other receivables	313	–	1,241	1,554
Property, plant and equipment	–	–	1,182	1,182
Goodwill	–	–	1,326	1,326
Investment in subsidiary	–	–	1,321	1,321
Other intangible assets	–	–	3,710	3,710
Total assets	60,899	–	8,870	69,679
Liabilities:				
Bank and other borrowings	–	(9,000)	–	(9,000)
Trade and other payables	–	(6,285)	–	(6,285)
Current tax liabilities	–	–	(2,488)	(2,488)
Deferred tax liabilities	–	–	(840)	(840)
Total liabilities	–	(15,285)	(3,328)	(18,613)

Notes to the consolidated financial statements

For the 52 week period ended 25 February 2017 continued

24 Financial Instruments continued

The tables below summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Group At 25 February 2017	**Repayable on demand £'000**	**Less than 1 year £'000**	**More than 1 year but not more than 2 years £'000**	**More than 2 years but not more than 5 years £'000**	**More than 5 years £'000**	**Total £'000**
Trade and other payables	–	1,604	–	–	–	1,604
Tax liabilities	–	2,604	–	–	–	3,221
Accruals and deferred income	–	1,684	–	–	617	1,684
Bank loans	–	–	10,000	–	–	10,000
At 25 February 2017	**–**	**5,892**	**10,000**	**–**	**617**	**16,509**

Company At 25 February 2017	**Repayable on demand £'000**	**Less than 1 year £'000**	**More than 1 year but not more than 2 years £'000**	**More than 2 years but not more than 5 years £'000**	**More than 5 years £'000**	**Total £'000**
Trade and other payables	–	3,179	–	–	–	3,179
Tax liabilities	–	2,604	–	–	70	2,674
Accruals and deferred income	–	1,779	–	–	–	1,779
Bank loans	–	–	10,000	–	–	10,000
At 25 February 2017	**–**	**7,562**	**10,000**	**–**	**70**	**17,632**

Group At 27 February 2016	Repayable on demand £'000	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	Total £'000
Trade and other payables	–	2,508	–	–	–	2,508
Tax liabilities	–	2,488	–	–	1,879	4,367
Accruals and deferred income	–	2,456	–	–	–	2,456
Bank loans	–	–	9,000	–	–	9,000
At 27 February 2016	–	7,452	9,000	–	1,879	18,331

Company At 27 February 2016	Repayable on demand £'000	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	Total £'000
Trade and other payables	–	3,829	–	–	–	3,829
Tax liabilities	–	2,488	–	–	840	3,328
Accruals and deferred income	–	2,456	–	–	–	2,456
Bank loans	–	–	9,000	–	–	9,000
At 27 February 2016	–	8,773	9,000	–	840	18,613

25 Share-Based Payments

The Deferred Share Plan (DSP)

The Company introduced this share option plan on 26 April 2016. 1,002,310 share options were issued under the plan on admission to AIM and subsequent share options are granted to Executive Directors and senior managers on a rolling annual basis at the discretion of the Remuneration Committee.

The initial awards granted to the Company's senior management team on Admission will be subject to three performance conditions. The first of these conditions will be measured over a period of one year from Admission assessing the Company's absolute total shareholder return ("TSR"). 25 per cent of the initial Awards will vest for 7.5 per cent annual TSR growth, rising on a straight-line basis to 100 per cent vesting for 12.6 per cent annual TSR growth, subject to the other performance conditions referred to below.

Notwithstanding the satisfaction of the TSR performance condition referred to above, any vesting of these initial awards will be subject to the satisfaction of two further performance conditions measured up to the end of the financial year ending February 2019 (ie the full three-year performance period). In order for these awards to vest, the Company will have to achieve the budgeted level of profit before tax for each of the financial years ending in February 2017, 2018 and 2019. The vesting of the initial awards is also conditional on the Remuneration Committee determining that, over the period finishing at the end of the financial year ending in February 2019:

- the Company's internal and external audits and compliance training delivery have been satisfactory;
- the Company has obtained and retained all relevant FCA authorisation for the carrying on of its business; and
- the participant has not been subject to any disciplinary action and their personal performance has been satisfactory.

For any subsequent annual grants, the Remuneration Committee will set any performance conditions by reference to the Company's long-term strategy, which may include total shareholder return and/or financial metrics and/or key strategic goals to support long-term value creation. It is the Remuneration Committee's current intention that the vesting of any Awards granted to the Company's senior management team in respect of the financial years ending February 2018 and 2019 will at least in part be subject to the Company's TSR performance.

Any performance condition may be amended or substituted if one or more events occur which cause the Remuneration Committee to consider that an amended or substituted performance condition would be more appropriate and not materially less difficult to satisfy.

Awards will not be granted to a participant under the DSP over Ordinary Shares with a market value (as determined by the Remuneration Committee) in excess of 100 per cent of salary in respect of any financial year.

As of the balance sheet date, the estimated market value of each share option granted is £1.15. No share options lapsed/were forfeited during the year. This has resulted in a charge to the profit and loss account of £126,159 during the year.

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For the 52 week period ended 25 February 2017 continued

25 Share Based Payments continued

The market value of the shares at the grant date is calculated using a Monte Carlo simulation. The assumptions used in the calculation are set out below:

	DSP
Grant date	8 May 2016
Expected volatility	0.26
Expected term	1
Risk free rate	0.34%
Dividend yield	0%

	Number	Weighted average exercise price (£)
Outstanding at 27 February 2016	–	–
Awarded/granted	1,002,310	–
Lapsed	–	–
Exercised	–	–
Outstanding at 25 February 2017	1,002,310	–

For the share options outstanding at 25 February 2017, the weighted average remaining contractual life is 2 years.

26 Related Party Transactions

Perpignon Limited is the immediate parent company of Morses Club PLC. FCAP Four Limited is the ultimate parent undertaking.

The Company undertook the following transactions with its parent and subsidiary during the period:

	Dividends received/ (paid) £'000	Management fees £'000	Professional fees recharged £'000
52 Weeks ended 25 February 2017			
FCAP Four Limited	–	–	–
Perpignon Limited	(1,387)	(120)	–
Shopacheck Financial Services Limited	–	–	–
Shelby Finance Ltd	–	–	–
	(1,387)	(120)	–
52 Weeks ended 27 February 2016			
Perpignon Limited	(48,629)	(941)	(374)
Shopacheck Financial Services Limited	68,599	–	–
	19,970	(941)	(374)

At the period-end, the following balances were outstanding:

	25 February 2017 £'000	27 February 2016 £'000
FCAP Four Limited	**–**	–
Perpignon Limited	**–**	–
Shopacheck Financial Services Limited	**(1,321)**	(1,321)
Shelby Finance Ltd	**(455)**	–
Amounts owed from/(to) Related Parties	**(1,776)**	(1,321)