Notes to the Consolidated Financial Statements

For the 52 week period ended 24 February 2018

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 24 February 2018.

The amendments to IAS 7 'Statements of Cash Flows', effective 1 January 2017, require the Group to provide disclosures about the changes in liabilities from financing activities. The Group categorises those changes into changes arising from cash flows and non-cash changes with further sub-categories as required by IAS 7.

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 7	Disclosure Initiative
IFRS 2014-2016 Cycle	Annual Improvements
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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 and effective:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers

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	Classification and Measurement of Share-based Payment Transactions amendments
IFRS 16	Leases
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

Implementation of IFRS 16, Leases

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and provides a model for the identification of lease arrangements and the treatment in the financial statements of both lessees and lessors. The standard distinguishes leases and service contracts on the basis of whether an identified asset is controlled by the customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and are replaced by a model where a right-of use asset and a corresponding liability are recognised for all leases by lessees, except for short-term assets and leases of low value assets.

The right of use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

The classification of cash flows will also be affected as under IAS 17 operating lease payments are presented as operating cash flows; whereas under IFRS 16, the lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively. The Group and Company are in the process of assessing the impact of the standard and will adopt it from 24 February 2019, the beginning of the next financial year.

Notes to the Consolidated Financial Statements *continued*

1. Accounting policies continued

Implementation of IFRS 9, Financial Instruments

IFRS 9 'Financial instruments' is effective from 1 January 2018 and replaces IAS 39 'Financial instruments: Recognition and measurement'. The standard has been applied prospectively and prior year comparatives will not be restated.

IFRS 9 requires the recognition of impairment on customer receivables through an expected loss model. Impairment provisions are therefore recognised on inception of a loan based on the probability of default and the typical loss given default. This differs from the current incurred loss model under IAS 39, where the requirement is that impairment provisions are only reflected when there is objective evidence of impairment.

However, for home collected credit businesses (HCC) the application of IAS 39 was conceptually difficult as the nature of our product is that customers will, from time to time, miss a payment and, up to a level, the Group is comfortable with this. Indeed, the Group applies no additional charges associated with missed payments and are proud of this aspect of forbearance in our products.

The Group has performed a preliminary assessment of potential impact of adopting IFRS 9 based on the financial instruments and hedging relationships as at the date of initial application of IFRS 9 (25 February 2018). IFRS 9 prescribes: (i) classification and measurement of financial instruments; (ii) expected loss accounting for impairment; and (iii) hedge accounting.

No changes are expected to the classification and measurement of the Company's assets, liabilities or equity nor does the company adopt hedge accounting. The only area which materially affects the group is expected loss accounting for impairment. Under this approach, greater impairment provisions are recognised on inception of a loan based on the probability of default and the typical loss given default.

Provisions are calculated based on an unbiased outcome which take into account historic performance and considers the outlook for macro-economic conditions.

The impairment approach under IFRS 9 differs from the current incurred loss model under IAS 39 where impairment provisions are only reflected when there is objective evidence of impairment, typically a missed payment. The resulting effect is that impairment provisions under IFRS 9 are recognised earlier. This will result in a one-off adjustment to receivables, deferred tax and reserves on adoption and will result in delayed recognition of profits.

IFRS 9 requires the recognition of 12 month expected credit losses (the lifetime credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition (stage 1) and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit impaired (stage 3).

When determining whether the risk of default has increased significantly since initial recognition the Group considers both quantitative and qualitative information based on the Group's historical experience.

Definition of default and credit impaired assets

- Quantitative criteria: the customer has missed more than two payments in the last 13 weeks.
- Qualitative criteria: indication that there is a measureable movement in the estimated future cash flows from a group of financial assets. For example, proposed legislation deemed to impact the collection performance of customers.

Based on current management estimates, the adoption of IFRS 9 results in a reduction in the net loan book as at 24 February 2018 of between 4% to 6%.

Despite the adjustments required to receivables and net assets, it is important to note that IFRS 9 only changes the timing of profits made on a loan. The group's underwriting and scorecards will be unaffected by the change in accounting, the ultimate profitability of loan is the same under both IAS 39 and IFRS 9 and more fundamentally the cash flows and capital generation over the life of a loan remain unchanged. The group's bank covenants are unaffected by IFRS 9, as they are based on accounting standards in place at the time they were set.

Alternative Performance Measures

In reporting financial information, the Group presents alternative performance measures, 'APMs', which are not defined or specified under the requirements of IFRS.

The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business. The APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board. Some of these measures are also used for the purpose of setting remuneration targets.

Each of the APMs used is set out on pages 98 to 99 including explanations of how they are calculated and how they can be reconciled to a statutory measure where relevant.

The Group makes certain adjustments to the statutory measures in order to derive APMs where relevant. The Group's policy is to exclude items that are considered to be significant in both nature and/or quantum and where treatment as an adjusted item provides stakeholders with additional useful information to assess the year-on-year trading performance of the Group.

Basis of consolidation
The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 24 February 2018.

Revenue recognition
Interest income is recognised in the income statement for all loans and receivables measured at amortised cost using the effective interest rate (EIR) method. 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. This treatment is prescribed by IAS39.

Under IFRS9 there is no gross up adjustment as impairment provisions are recognised on inception of a loan based on the probability of default and the typical loss given default.

See *Critical accounting judgements and key sources of estimation uncertainty* 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 provision (IBNR) 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 assumptions 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.

See *Critical accounting judgements and key sources of estimation uncertainty* for more information.

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.

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.

Notes to the Consolidated Financial Statements *continued*

1. Accounting policies continued

Other intangibles 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 their 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

Investments in subsidiaries
Subsidiaries are entities over which the Company has power to govern the financial and operating policies so as to obtain benefits from its 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. The investments in subsidiaries are considered for impairment on a bi-annual basis.

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 preparation of 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. Deferred tax is valued at the prevailing rates 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.

Finance costs
Finance costs comprise the interest expense on external borrowings which are recognised in the income statement in the period in which they are incurred and the funding arrangement fees which were prepaid and are being amortised to the income statement over the length of the funding arrangement.

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 two equity-settled share-based compensation schemes for Directors, and one for employees.

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 or 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 or incidence and which the Directors consider should be disclosed separately to enable a full understanding of the Group's results. Exceptional costs are recognised in the profit or loss accounts in the period they are incurred.

Notes to the Consolidated Financial Statements *continued*

1. Accounting policies continued

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 (i.e. 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 is not 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 operations 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
There are no critical accounting judgements.

Key Sources of estimation uncertainty
Impairment
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 weeks 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 five-year average of actual performance.

To the extent that the net present value of estimated future cash flows differs by +/- 5% based on reasonably expected outcomes over the next 12 months, it is estimated that the amounts receivable from customers would be approximately £2.4m (2017: £2.3m) higher/lower.

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 an assessment to determine whether there is objective evidence, a 'trigger event', which indicates that there has been an adverse effect on expected future cash flows.

To the extent that the trigger event increases by one week it is estimated that the amounts receivable from customers would be approximately £1.4m (2017: £1.6m) higher.

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 the Group has made an assessment that interest income should be recognised over the contractual life of the loan based on historical loan book performance.

If the expected life of the loans shortens by two weeks, is it estimated that revenue would be approximately £1.6m (2017: £1.4m) higher.

2. Staff costs

	52 weeks ended 24 Feb 18 £'000	52 weeks ended 25 Feb 17 £'000
Wages and salaries	**17,345**	15,218
Social security costs	**2,290**	1,892
Other pension costs (note 21)	**426**	391
	20,061	17,501

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

	52 weeks ended 24 Feb 18	52 weeks ended 25 Feb 17
Management	**144**	138
Clerical & field staff	**379**	490
	523	628

Redundancy costs total £1,019,034 (2017: £283,188). These are a combination of post-acquisition integration costs and business as usual restructuring costs. The table above excludes the network of self-employed agents.

3. Exceptional (income)/costs

	52 weeks ended 24 Feb 18 £'000	52 weeks Ended 25 Feb 17 £'000
Flotation costs	**(71)**	2,179
Total Exceptional (Income)/Costs	**(71)**	2,179

4. Profit before tax

Profit before tax is stated after charging:

	52 weeks ended 24 Feb 18 £'000	52 weeks ended 25 Feb 17 £'000
Depreciation – Owned assets	**563**	544
Amortisation of intangibles	**2,950**	4,412
Operating lease rentals – Motor vehicles	**1,581**	1,967
Operating lease rentals – Property	**1,093**	1,110
Restructuring costs	**1,019**	283
Directors' remuneration (including key management personnel)	**1,014**	858
Directors' pension contributions to money purchase schemes	**18**	8
The number of Directors to whom retirement benefits were accruing was as follows:		
Money purchase schemes	**2**	6

Notes to the Consolidated Financial Statements *continued*

4. Profit before taxation continued

Information regarding the highest paid Director is as follows:

	52 weeks ended 24 Feb 18 £'000	52 weeks ended 25 Feb 17 £'000
Emoluments	**412**	330
Pension contributions to money purchase schemes	**5**	4

The analysis of auditor's remuneration is as follows:

	52 weeks ended 24 Feb 18 £'000	52 weeks ended 25 Feb 17 £'000
Fees payable to the Company's auditor for the audit of the Group's:		
– Financial statements	**224**	156
Fees payable to the Company's auditor and their associates for other services to the Group:		
– Subsidiary audit fee	**–**	–
Total audit fees	**224**	156
Audit related assurance services	**26**	25
Taxation compliance services	**–**	42
Corporate finance services	**–**	517
Other services	**–**	4
Total non-audit fees	**26**	588

5. Finance costs

	52 weeks ended 24 Feb 18 £'000	52 weeks ended 25 Feb 17 £'000
Other interest payable	**1,456**	927
Total interest payable	**1,456**	927

6. Taxation

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

	52 weeks ended 24 Feb 18 £'000	52 weeks ended 25 Feb 17 £'000
Current tax:		
UK corporation tax	**3,526**	3,499
Adjustment in respect of prior periods	**(23)**	–
Deferred tax:		
Origination and reversal of timing differences	**(440)**	(1,562)
Adjustment in respect of prior periods	**(22)**	654
Effect of change of tax rates	**–**	29
Total deferred tax	**(462)**	(879)
Tax on profit on ordinary activities	**3,041**	2,620

Factors affecting the tax charge
The tax assessed for the period is lower (2017: higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	52 weeks ended 24 Feb 18 £'000	52 weeks ended 25 Feb 17 £'000
Profit on ordinary activities before tax	**16,133**	11,219
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 20%)	**3,065**	2,244
Effects of:		
Ordinary expenses not deductible for tax purposes	**(12)**	70
IPO Exceptional expenses not deductible for tax purposes	**–**	436
Effect of changes in tax rate	**25**	30
Movement in amounts not provided in deferred tax	**8**	8
Adjustment in respect of prior periods	**(45)**	(167)
Tax on profit on ordinary activities	**3,041**	2,620

The standard rate of corporation tax applicable for the period ended 24 February 2018 is 19% (2017: 20%).

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

7. Dividend per share

Dividend per share	52 weeks ended 24 Feb 18	52 weeks ended 25 Feb 17
Dividends paid (£'000)	**8,418**	2,720
Weighted average number of shares ('000s)	**129,500**	129,500
Dividend per share (pence)	**6.50**	2.10

Subject to shareholder approval at the Annual General Meeting on 26 June 2018, the Board proposes to pay a final dividend of 4.8p per Ordinary Share payable on 27 July 2018 to all shareholders on the register at the close of business on 29 June 2018.

8. Earnings per share

	52 weeks ended 24 Feb 18	52 weeks ended 25 Feb 17
Earnings (£'000)	**13,092**	8,598
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)	**1,133**	598
Weighted average number of shares for the purposes of diluted earnings per share ('000s)	**130,633**	130,098
Basic earnings per share amount (pence)	**10.11**	6.64
Diluted earnings per share amount (pence)	**10.02**	6.61

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

Notes to the Consolidated Financial Statements
continued

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 £14,999,353 (2017: £10,612,965).

10. Goodwill

	Group Goodwill £'000	Company Goodwill £'000
Cost		
At 27 February 2016	1,659	1,659
Additions	1,508	1,316
At 25 February 2017 and 24 February 2018	**3,167**	**2,975**
Impairment		
At 27 February 2016	(333)	(333)
Impairment charge for the period	–	–
At 25 February 2017	(333)	(333)
Impairment charge for the period	–	–
At 24 February 2018	**(333)**	**(333)**
Net book value		
At 24 February 2018	**2,834**	**2,642**
At 25 February 2017	2,834	2,642
At 27 February 2016	1,326	1,326

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

Key assumptions used in goodwill impairment review
Determining whether goodwill is impaired requires an estimation of the discounted future cash flows of the Company using a discount rate of 11% and a terminal value based on a minimum future growth rate of 2%. The Group has conducted a sensitivity analysis on the goodwill impairment assessment and believes that there are no reasonably possible changes to the key assumptions in the next year which would result in the carrying value of goodwill exceeding the recoverable amount. The recoverable amount has been calculated using the value in use method. Goodwill is tested for impairment annually or more frequently if there are indications that goodwill might be impaired. The key assumptions used in the value in use calculation are the growth rates and the discount rates adopted. The growth rates are based on the most recent financial budgets approved by the Group Board for the next three years. The discount rates which reflect the time value of money and the risks specific to the financial services sector are sourced from an independent third party.

11. Other intangible assets

Group	Software, Servers, & Licences £'000	Customer Lists £'000	Agent Networks £'000	Totals £'000
Cost				
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
Additions	1,412	–	–	1,412
At 24 February 2018	**6,453**	**20,766**	**850**	**28,069**
Accumulated amortisation				
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
Charge for period	898	1,973	79	2,950
At 24 February 2018	**3,041**	**18,740**	**768**	**22,549**
Net book value				
At 24 February 2018	**3,412**	**2,026**	**82**	**5,520**
At 25 February 2017	2,898	3,999	161	7,058
At 27 February 2016	2,752	6,059	241	9,052

Company	Software, Servers, & Licences £'000	Customer Lists £'000	Agent Networks £'000	Totals £'000
Cost				
At 27 February 2016	4,156	1,757	64	5,977
Additions	930	1,457	66	2,453
Acquisitions	(144)	–	–	(144)
At 25 February 2017	4,942	3,214	130	8,286
Additions	1,377	–	–	1,377
At 24 February 2018	**6,319**	**3,214**	**130**	**9,663**
Accumulated amortisation				
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
Charge for period	874	689	26	1,590
At 24 February 2018	**3,017**	**2,668**	**108**	**5,794**
Net book value				
At 24 February 2018	**3,302**	**544**	**22**	**3,869**
At 25 February 2017	2,799	1,235	48	4,082
At 27 February 2016	2,752	928	31	3,710

Notes to the Consolidated Financial Statements *continued*

12. Property, plant & equipment

Group	Computers & PDAs £'000	Fixtures & fittings £'000	Leasehold £'000	Totals £'000
Cost				
At 27 February 2016	1,730	113	3	1,846
Additions	95	30	–	125
At 25 February 2017	1,825	143	3	1,971
Additions	597	25	–	622
At 24 February 2018	**2,422**	**168**	**3**	**2,593**
Depreciation				
At 27 February 2016	627	34	3	664
Charge for period	480	64	–	544
At 25 February 2017	1,107	98	3	1,208
Charge for period	543	20	–	563
At 24 February 2018	**1,650**	**118**	**3**	**1,771**
Net book value				
At 24 February 2018	**772**	**50**	**–**	**822**
At 25 February 2017	718	45	–	763
At 27 February 2016	1,104	78	–	1,182

Company	Computers & PDAs £'000	Fixtures & fittings £'000	Totals £'000
Cost			
At 27 February 2016	1,322	102	1,424
Additions	95	30	125
At 25 February 2017	1,417	132	1,549
Additions	597	25	622
At 24 February 2018	**2,014**	**157**	**2,171**
Depreciation			
At 27 February 2016	219	23	242
Charge for period	480	64	544
At 25 February 2017	699	87	786
Charge for period	543	20	563
At 24 February 2018	**1,242**	**107**	**1,349**
Net book value			
At 24 February 2018	**772**	**50**	**822**
At 25 February 2017	718	45	763
At 27 February 2016	1,104	79	1,182

13. Investment in subsidiaries

	Company £'000
Cost	
At 27 February 2016	1,321
Additions – Shelby share issue	690
Impairment	–
At 25 February 2017	2,011
Additions – Shelby share issue	600
At 24 February 2018	**2,611**

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.

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	
	24 Feb 18 £'000	25 Feb 17 £'000	**24 Feb 18 £'000**	25 Feb 17 £'000
Amounts falling due within one year:				
Net receivable from advances to customers	**72,563**	60,833	**72,335**	60,833
Amounts falling due after one year:				
Net receivable from advances to customers	**265**	395	**265**	395
Net loan book	**72,828**	61,228	**72,600**	61,228
Other debtors	**429**	489	**429**	489
Prepayments	**1,610**	1,530	**1,413**	1,523
	74,867	63,247	**74,442**	63,240

Amounts receivable from customers

	Group 24 Feb 18 £'000	**Company 24 Feb 18 £'000**	Group and Company 25 Feb 17 £'000
Amounts receivable from customers	**72,828**	**72,600**	61,228
Analysis by future date due			
– due within one year	**72,563**	**72,335**	60,833
– due in more than one year	**265**	**265**	395
Amounts receivable from customers	**72,828**	**72,600**	61,228
Analysis by security			
Other loans not secured	**72,828**	**72,600**	61,228
Amounts receivable from customers	**72,828**	**72,600**	61,228
Analysis of overdue			
Neither Past due Nor impaired	**52,544**	**52,432**	42,990
Past Due not Impaired	**231**	**231**	224
Impaired	**20,053**	**19,937**	18,014
Amounts receivable from customers	**72,828**	**72,600**	61,228

Notes to the Consolidated Financial Statements *continued*

14. Trade and other receivables continued

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. The carrying amount of amounts receivable from customers whose terms have been renegotiated that would otherwise be past due or impaired is therefore £nil (2017: £nil).

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

	Group £'000	Company £'000
At 27 February 2016	36,086	36,086
Charge for period	21,058	21,058
Amounts written off during period	(22,526)	(22,526)
Unwind of discount	(2,601)	(2,601)
Provision subsequently recognised for customers acquired during the period	2,737	2,737
At 25 February 2017	34,754	34,754
Charge for period	24,452	24,327
Amounts written off during period	(24,946)	(24,812)
Unwind of discount	(351)	(485)
At 24 February 2018	**33,909**	**33,784**

There has been no material change in the average effective interest rate used for consumer credit during the period to 24 February 2018.

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

	Group		Company	
	24 Feb 18 £'000	25 Feb 17 £'000	**24 Feb 18 £'000**	25 Feb 17 £'000
Trade creditors	**1,504**	1,054	**1,466**	952
Amounts owed to group undertakings	**–**	–	**1,002**	1,776
Social security and other taxes	**441**	451	**441**	451
Other creditors	**745**	550	**745**	451
Accrued expenses	**2,895**	1,684	**2,875**	1,679
Deferred consideration	**–**	–	**–**	100
	5,585	3,739	**6,529**	5,409

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

	Group and Company	
	24 Feb 18 £'000	25 Feb 17 £'000
Bank loans	**16,000**	10,000
Unamortised arrangement fees	**(448)**	(211)
	15,552	9,789

In August 2017, the Company signed a £15,000,000 loan facility to bring its total revolving credit facilities to £40,000,000. The bank loan is a revolving credit facility held with Shawbrook Bank Limited and a major high street bank. 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	
	24 Feb 18 £'000	25 Feb 17 £'000	**24 Feb 18 £'000**	25 Feb 17 £'000
Existing:				
Within one year	**1,063**	1,236	**415**	422
Between one and five years	**1,756**	2,063	**108**	208
	2,819	3,299	**523**	630

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

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

18. Deferred tax

	Group		Company	
	24 Feb 18 £'000	25 Feb 17 £'000	**24 Feb 18 £'000**	25 Feb 17 £'000
Fixed asset temporary differences	**(161)**	(123)	**(161)**	(123)
Other temporary differences	**305**	740	**12**	193
Deferred tax liability/(asset)	**144**	617	**(149)**	70

	Group £'000	Company £'000
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
Credit for the period	(451)	(197)
Adjustment in respect of prior periods	(22)	(22)
Balance as at 24 February 2018	**144**	**(149)**

19. Called up share capital

Authorised, allotted, issued and fully paid:

Number:	Class	Nominal Value	**24 Feb 18 £'000**	25 Feb 17 £'000
129,500,000	Ordinary	£0.01	**1,295**	1,295
			1,295	1,295

Notes to the Consolidated Financial Statements *continued*

20. Reserves

Group	Retained earnings £'000	Total £'000
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
Profit for the period	13,092	13,092
Deferred tax adjustment	11	11
Research and development credit adjustment	26	26
Share-based payment charge	431	431
Dividends paid	(8,418)	(8,418)
At 24 February 2018	**65,225**	**65,225**

Company	Group reconstruction reserve £'000	Retained earnings £'000	Total £'000
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
Profit for the period	–	14,999	14,999
Deferred tax adjustment	–	11	11
Research and development credit adjustment	–	26	26
Share-based payment charge	–	431	431
Dividends paid	–	(8,418)	(8,418)
At 24 February 2018	**(9,276)**	**74,120**	**64,844**

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 pension provider. 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 £425,585 (2017: £390,952) represents 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 £66,465 (2017: £62,162).

22. Ultimate parent company

Up until 21 February 2018 the Company was a 51% subsidiary of Hay Wain Group Limited (formerly Perpignon Limited). Hay Wain Group Limited's shareholding reduced on 23 February 2018 to 36.8% and as such it no longer holds a controlling interest in the Company. From 24 February 2018 the Directors consider there to be no ultimate Parent Company.

23. 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 24 February 2018 the Company and Group's indebtedness amounted to £16,000,000 (2017: £10,000,000).

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 24 February 2018 is the carrying value of amounts receivable from customers of £72,828,003 (2017: £61,227,412).

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 (2017: between 20 and 52 weeks), with an average value of approximately £320 (2017: £300). The loans are underwritten in the customers' home by an agent following a full affordability assessment and eligibility against credit policy. 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 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 products.

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 24 February 2018 was £4,867,521 (2017: £3,984,553).

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

Counterparty credit risk is managed by the Board of Directors 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 £40,000,000 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.

Notes to the Consolidated Financial Statements *continued*

23. Financial instruments continued

Group At 24 February 2018	**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	72,563	265	–	–	–	72,828
Other Assets	2,039	–	–	–	9,176	11,215
Cash at bank and in hand	4,868	–	–	–	–	4,868
Total assets	79,470	265	–	–	9,176	88,911
Shareholders' funds	–	–	–	–	(66,521)	(66,521)
Other liabilities	(6,694)	(15,552)	–	–	(144)	(22,390)
Total liabilities and shareholders' funds	(6,694)	(15,552)	–	–	(66,665)	(88,911)
Cumulative Position	**72,776**	**57,489**	**57,489**	**57,489**	**–**	**–**

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	77,877
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	–	–

Company At 24 February 2018	**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	72,335	414	–	–	–	72,749
Other Assets	1,842	–	–	–	9,944	11,786
Cash at bank and in hand	4,795	–	–	–	–	4,795
Total assets	78,972	414	–	–	9,944	89,330
Shareholders' funds	–	–	–	–	(66,139)	(66,139)
Other liabilities	(7,639)	(15,552)	–	–	–	(23,191)
Total liabilities and shareholders' funds	(7,639)	(15,552)	–	–	(66,139)	(89,330)
Cumulative Position	**71,333**	**56,195**	**56,195**	**56,195**	**–**	**–**

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	–	–

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 or 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.

The Group's policy is to maintain a strong capital base so as to maintain investor and market confidence and to sustain future development of the business. Management monitors the return on equity and return on assets, and strives to deliver a progressive dividend policy for shareholders.

The Board of Directors recognises the balance required between maximising shareholder return and maintaining a prudent balance sheet. To this end the Group has a formal gearing policy. The Group defines gearing as Total Debt/Total Equity and has a preferred average level of gearing of less than 1.0.

The Group's gearing at 24 February 2018 was:

	24 Feb 18 £'000	25 Feb 17 £'000
Gross Debt	**16,000**	10,000
Equity	**66,521**	61,378
Gearing	**0.24**	0.16

Existing Loan facilities are subject to a number of bespoke financial covenants such as Interest cover, which are monitored internally and submitted on a monthly basis to funders. There were no breaches of any of these covenants in the period to 24 February 2018.

Any changes to existing or adding of new loan facilities require the approval of the PLC Board.

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 (i.e. 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 24 February 2018	**Loans and receivables £'000**	**Financial liabilities measured at amortised cost £'000**	**Non-financial assets/ liabilities £'000**	**Total £'000**
Assets:				
Cash and cash equivalents	4,868	–	–	4,868
Amounts receivable from customers	72,828	–	–	72,828
Trade and other receivables	429	–	1,610	2,039
Property, plant and equipment	–	–	822	822
Goodwill	–	–	2,834	2,834
Other intangible assets	–	–	5,520	5,520
Total assets	**78,125**	**–**	**10,786**	**88,911**
Liabilities:				
Bank and other borrowings	–	(15,552)	–	(15,552)
Trade and other payables	–	(5,585)	–	(5,585)
Current tax liabilities	–	–	(1,110)	(1,110)
Deferred tax liabilities	–	–	(144)	(144)
Total liabilities	**–**	**(21,137)**	**(1,254)**	**(22,391)**

Notes to the Consolidated Financial Statements *continued*

23. Financial instruments continued

Company 24 February 2018	**Loans and receivables £'000**	**Financial liabilities measured at amortised cost £'000**	**Non-financial assets/ liabilities £'000**	**Total £'000**
Assets:				
Cash and cash equivalents	4,795	–	–	4,795
Amounts receivable from customers	72,600	–	–	72,600
Trade and other receivables	429	–	1,413	1,842
Property, plant and equipment	–	–	822	822
Goodwill	–	–	2,642	2,642
Investment in subsidiary	–	–	2,611	2,611
Deferred Tax Asset	–	–	149	149
Other intangible assets	–	–	3,869	3,869
Total assets	**77,824**	**–**	**11,506**	**89,330**
Liabilities:				
Bank and other borrowings	–	(15,552)	–	(15,552)
Trade and other payables	–	(6,529)	–	(6,529)
Current tax liabilities	–	–	(1,110)	(1,110)
Deferred tax liabilities	–	–	–	–
Total liabilities	**–**	**(22,081)**	**(1,110)**	**(23,191)**

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)

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

Group **At 24 February 2018**	**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	–	2,690	–	–	–	2,690
Tax liabilities	–	1,110	–	–	144	1,254
Accruals and deferred income	–	2,894	–	–	–	2,894
Bank loans	–	–	–	15,552	–	15,552
At 24 February 2018	**–**	**6,694**	**–**	**15,552**	**144**	**22,390**

Company **At 24 February 2018**	**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	–	3,654	–	–	–	3,654
Tax liabilities	–	1,110	–	–	–	1,110
Accruals and deferred income	–	2,875	–	–	–	2,875
Bank loans	–	–	–	15,552	–	15,552
At 24 February 2018	**–**	**7,639**	**–**	**15,552**	**–**	**23,191**

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	–	–	617	3,221
Accruals and deferred income	–	1,684	–	–	–	1,684
Bank loans	–	–	10,000	–	–	10,000
At 25 February 2017	–	5,892	10,000	–	617	16,509

Notes to the Consolidated Financial Statements *continued*

23. Financial instruments continued

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

24. Share-based payments

The Deferred Share Plan (DSP) – Senior Management Team
The Company introduced this share option plan on 26 April 2016 with 1,002,310 share options being issued under the plan on admission to AIM ('Admission'). A further share option plan was granted on 5 May 2017 when 989,700 share options were issued. 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 are subject to three performance conditions. The first of these conditions was measured over a period of one year from Admission assessing the Company's absolute total shareholder return ('TSR'). 25% of the initial Awards will vest for 7.5% annual TSR growth, rising on a straight-line basis to 100% vesting for 12.6% 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 also be subject to the satisfaction of two further performance conditions measured up to the end of the financial year ending February 2019 (i.e. 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 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% of salary in respect of any financial year.

As of the balance sheet date, the estimated market value of each share option granted is £1.37 (2017: £1.15). This has resulted in a charge to the profit or loss account of £340,261 (2017: £126,159) during the year.

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	5 May 2017	8 May 2016
Expected volatility	45%	26%
Expected term	1	1
Risk free rate	0.34%	0.34%
Dividend yield	0%	0%

	Number	Weighted average exercise price (£)
Outstanding at 25 February 2017	1,002,310	–
Awarded/granted	989,700	–
Lapsed	–	–
Exercised	–	–
Outstanding at 24 February 2018	**1,992,010**	**–**
Exercisable as at 24 February 2018	**–**	**–**

For the share options outstanding at 24 February 2018, the weighted average remaining contractual life is 9.2 years (2017: 10.2 years).

The Share Option Plan (SOP) – Employees
On 19 October 2017 the Company introduced its first share option plan that entitles employees to purchase shares in the Company at an exercise price of £0.01 per share. 238,097 share options were issued under the plan and subsequent share options are granted to employees on a rolling annual basis at the discretion of the Remuneration Committee and subject to the Company's profit performance in the previous financial year.

The fair value of the employee share options has been measured using the Black-Scholes valuation method. Service and non-market performance conditions were not taken into account in measuring fair value.

As of the balance sheet date, the estimated market value of each share option granted is £1.37. This has resulted in a charge to the profit or loss account of £20,587 during the year.

The market value of the shares at the grant date is calculated using the Black-Scholes valuation method. The assumptions used in the calculation are set out below:

	SOP
Grant date	19 October 2017
Expected volatility	0.40
Expected term	1
Risk free rate	0.75%
Dividend yield	4.75%

	Number	Weighted average exercise price (£)
Outstanding at 25 February 2017	–	–
Awarded/granted	238,097	0.01
Lapsed	(3,200)	0.01
Exercised	–	–
Outstanding at 24 February 2018	**234,897**	**0.01**
Exercisable as at 24 February 2018	**–**	**–**

For the share options outstanding at 24 February 2018, the weighted average remaining contractual life is 9.6 years.

All options are expected to be equity settled.

Notes to the Consolidated Financial Statements *continued*

25. Related party transactions

Until 21 February 2018 Hay Wain Group Limited (formerly Perpignon Limited) was the immediate parent company of Morses Club PLC. Hay Wain Holdings Limited (formerly FCAP Four Limited) is the immediate parent undertaking of Hay Wain Group Limited.

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

	Dividends received/ (paid) £'000	Management fees £'000	Professional fees recharged £'000
52 Weeks ended 24 February 2018			
Hay Wain Holdings Limited	–	–	–
Hay Wain Group Limited	(4,293)	–	–
Shopacheck Financial Services Limited	–	–	–
Shelby Finance Limited	–	–	–
	(4,293)	–	–
52 Weeks ended 25 February 2017			
Hay Wain Holdings Limited	–	–	–
Hay Wain Group Limited	(1,387)	(120)	–
Shopacheck Financial Services Limited	–	–	–
Shelby Finance Limited	–	–	–
	(1,387)	(120)	–

At the period-end the following balances were outstanding:

	24 Feb 18 £'000	25 Feb 17 £'000
Hay Wain Holdings Limited	**–**	–
Hay Wain Group Limited	**–**	–
Shopacheck Financial Services Limited	**(1,321)**	(1,321)
Shelby Finance Limited	**319**	(455)
Amounts owed from/(to) Related Parties	**(1,002)**	(1,776)

Alternative performance measures

This Annual Report and Financial Statements provides alternative performance measures (APMs) which are not defined or specified under the requirements of International Financial Reporting Standards. We believe these APMs provide readers with important additional information on our business. To support this we have included a reconciliation of the APMs we use where relevant and a glossary indicating the APMs that we use, an explanation of how they are calculated and why we use them.

APM	Closest Statutory Measure	Definition and Purpose
Income Statement Measures		
Impairment as % of Revenue (%)	None	Impairment as a percentage of revenue is reported impairment divided by reported revenue and represents a measure of credit quality that is used across the business.
Agent Commission as % of Revenue (%)	None	Agent commission, which is included in cost of sales, divided by reported revenue is used to measure the proportion of income generated which is paid to agents.
Cost/Income Ratio or Operating Cost ratio (%)	None	The cost-income ratio is cost of sales and administration expenses, excluding exceptional items, finance costs and amortisation divided by reported revenue.
Credit Issued (£m)	None	Credit issued is the principal value of loans advanced to customers and is an important measure of the level of lending in the business.
Sales Growth (%)	None	Sales growth is the period-on-period change in Credit Issued.
Adjusted Profit Before Tax (£m)	None	Profit Before Tax per the Income statement adjusted for exceptional costs, non-recurring costs and amortisation of goodwill and acquisition intangibles. This is used to measure ongoing business performance.
Adjusted Profit Before Tax (underlying HCC) (£m)	None	Profit Before Tax per the Income statement adjusted for exceptional costs, non-recurring costs and amortisation of goodwill and acquisition intangibles, Territory Build subsidies and losses of Dot Dot Loans.

Reconciliation of statutory PBT to adjusted PBT and adjusted PBT underlying HCC

£'m	FY18	FY17	Increase
Statutory PBT	**16.1**	11.2	43.8%
Amortisation of acquisition intangibles	**2.0**	3.7	
Cost of flotation on AIM	**(0.1)**	2.2	
Restructuring and other non-recurring costs	**1.0**	0.6	
Adjusted PBT	**19.2**	17.7	8.5%
Territory build subsidies	**4.4**	1.2	
Dot Dot Loans development costs	**0.8**	–	
Adjusted PBT underlying HCC	**24.4**	18.9	29.1%
Tax	**(5.1)**	(4.0)	
Adjusted PAT underlying HCC	**19.3**	14.9	

APM	Closest Statutory Measure	Definition and Purpose
Balance sheet and returns measures		
Tangible Equity (£m)	None	Net Assets less intangible assets less acquisition intangibles.
Adjusted Return on Equity (%)	None	Calculated as adjusted profit after tax divided by rolling 12 month average of tangible equity. It is used as a measure of overall shareholder returns adjusted for exceptional items.
Adjusted Return on Assets (%)	None	Calculated as adjusted profit after tax divided by 12 month average Net Loan Book. It is used as a measure of profitability generated from the loan book. Net Loan Book is Amounts owing from customers less provisions for deferred income and impairments.
Tangible Equity/Average Receivables Ratio (%)	None	Net Assets less intangible assets less acquisition intangibles plus divided by 12 months average receivables.
Other Measures		
Customers	None	Customers who have an active loan and from whom we have received a payment of at least £3 in the last 17 weeks.
Agents	None	Agents are self-employed individuals who represent the Group's subsidiaries and are engaged under an agency agreement.
Cash from Operations (excluding investment in loan book) (£m)	None	Cash from Operations (excluding investment in the loan book) is Cash from Operations excluding the growth in the loan book due to either acquisition or movement in the net receivables otherwise. (see reconciliation below).
Adjusted Net Margin	None	Adjusted Profit before tax (which excludes amortisation of intangibles on acquisitions, the one-off costs of the IPO and other non-operating costs) divided by reported revenue. This is used to measure overall efficiency and profitability.
Cash from funding (£m)	None	Cash from Funding is the increase/(decrease) in the Bank Loan balance.

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

	Group	
	24 Feb 18 £'000	25 Feb 17 £'000
Net cash inflow from operating activities	**7,239**	9,726
Add back:		
Movement in net loan book	**11,604**	1,918
Tax paid	**4,536**	4,078
Prepaid loan facility arrangement fee	**(448)**	–
Cash from operations (excluding investment in loan book)	**22,931**	15,722