29 August 2019

Amigo Holdings PLC

Financial Results: Q1 FY20

Amigo Holdings PLC, (Amigo), the leading provider of guarantor loans in the UK, announces results for the three month period ended 30 June 2019. In the quarter Amigo saw customer numbers and revenue increase by 17.3% and 13.7% respectively. A rise in impairment and increased investment delivered adjusted profit after tax of £20.4m. The balance sheet has been further strengthened with a £100m increase in the securitisation facility and cash generation remains strong.

Figures in £m, unless otherwise stated		**Q1 2020**	**Q1 2019**	**Change %**
Number of customers[1]	'000	210.3	179.3	17.3%
Revenue		71.5	62.9	13.7%
Net loan book[2]		728.4	638.2	14.1%
Impairment:revenue ratio		30.5%	25.4%	20.1%
Cost:income ratio[3]		23.4%	17.5%	33.7%
Adjusted profit after tax[4]		20.4	21.8	(6.4%)
Profit after tax		18.1	12.3	47.2%
EPS (basic, adjusted)[5]	Pence	4.3	5.5	(21.8%)
Basic EPS	Pence	3.8	3.1	22.6%
Net borrowings/adjusted tangible equity [6]		1.8x	2.5x	(28.0%)

Financial Highlights

- Net loan book of £728.4m, a 14.1% increase year on year (Q1 FY19: £638.2m) driven by a 17.3% rise in customers. Net loan book as at Q4 FY19 was £707.6m
- Significant growth in revenue to £71.5m, an increase of 13.7% (Q1 FY19: £62.9m)
- Impairment:revenue ratio of 30.5% (Q1 FY19: 25.4%). The increase in impairments is due to operational challenges within collections, the impact of higher originations and the increased day 1 provisions and more cautious IFRS 9 assumptions around the economy
- 94.1% of balances are fully up to date or within 31 days overdue (Q1 FY19: 95.7%)
- Cost:income ratio increased to 23.4% due to accelerated investment and a provision for complaints (Q1 FY19: 17.5%)
- Adjusted profit after tax for the period was £20.4m (Q1 FY19: £21.8m)
- Net borrowings/adjusted tangible equity stayed within expectations at 1.8x (Q1 FY19 2.5x)
- £100m increase in securitisation facility in June 2019 further diversifying funding sources
- The available size of the revolving credit facility was reduced in May 2019 from £159.5m to £109.5m
- Reduced costs of funding from securitisation increase, additional bond repurchases of £28.0m at quarter end and a further £2.9m post quarter end
- Amigo Ireland achieved a net loan book approaching €2.3m as at 30 June 2019, having made its first loans to customers in February 2019

Hamish Paton, CEO of Amigo, commented:

"New customers continue to choose Amigo as we provide a valuable product that improves their lives by giving them fair and transparent access to credit – to buy a car, to put down a rental deposit or to consolidate expensive debts. Our guarantor loan product occupies a space in society that is making a real difference to the lives of our customers, many of whom cannot access credit from their bank or building society.

"Amigo is both a responsible and profitable lender. We are focused on our future returns and building a sustainable business for the long term. We are accelerating investment in our operations to enable continued delivery of best in class customer service and further enhancing credit and conduct policies.

"This positive action means that we are hitting the ground running ahead of what we recognise is a changing regulatory and economic landscape. By doing this, we are being proactive and pragmatic. We are focused on achieving the best customer outcomes - all with long-term returns as a key driver."

Taking positive action

Responding to an evolving regulatory and economic environment, while recognising the continued strong demand for our product, we are taking the following positive action:

- New customer lending is being prioritised over relending to existing customers
- We have further enhanced and tightened our credit policy
- We are investing across key internal functions: operations, compliance and complaints

What does it mean?

- New customer numbers will continue to grow as strong demand persists for our guarantor loan product
- There will be an impact on repeat lending growth due to our enhanced credit policy, which will be noticeable from Q2 onwards
- Impairments are likely to remain at a higher level
- Cost:income ratio will rise slightly, albeit from a low base
- We have taken the decision to amend guidance for FY20 for (i) net loan book growth, (ii) impairment:revenue ratio and (iii) cost:income ratio
    - Net loan book growth: Broadly flat
    - Impairment:revenue ratio: Low to mid 30s (%)
    - Cost:income ratio: Low 20s (%)
    - Dividend payout and net debt/tangible equity remain unchanged

Notes to summary financial table:

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

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

[3]The cost:income ratio is defined as operating expenses divided by revenue

[4]Adjusted profit is a non IFRS measure. Adjusted profit after tax for Q1 2020 is profit after tax plus impact on profit of the £28.0m bond buyback in the period (£0.5m), plus impact on profit of writing off previously capitalised fees relating to our prior revolving credit facility (£1.8m). Adjusted profit after tax for Q1 2019 is profit after tax plus shareholder loan note interest (£6.0m) and IPO costs and related financing (£3.9m) less incremental tax expense (£0.4m).

[5]This is a non-IFRS measure and the calculation is shown in note 7. Bond buyback costs are excluded as they are not underlying in nature. By excluding this item from the adjusted profit and EPS metrics, the Directors are of the opinion that these measures give a better understanding of the underlying performance of the business. The weighted average number of shares has increased by 18.7% since 30 June 2018 due to timing of shareholder loan note conversion to equity following the IPO, hence diluting adjusted basic earnings per share figures.

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

Results webcast and conference call

Amigo will be hosting a live meeting and conference call today at 09:30 (BST). The live webcast can be accessed via our website at: https://www.amigoplc.com/investors/results-centre. A conference call is also available (Dial in: +44 20 3936 2999; Access code: 546634). There will be a facility to ask questions via both the webcast and conference call. A replay will be available on Amigo's website after the event. The presentation pack for the webcast shows the reconciliation between the PLC results and Amigo Loans Group Limited (the 'Bond Group').

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BUSINESS REVIEW

Demand for our product is strong. During the period, we continued to grow our gross loan book with customer numbers up 17.3% and a strong quarter on quarter originations performance. The net loan book increased 14.1% year on year to £728.4m (Q1 FY19: £638.2m). This positive result was offset by a rise in provisions, including an increase in our impairment:revenue ratio of 5.1ppts to 30.5% (Q1 FY19: 25.4%) and a new provision relating to customer complaints, as well as an increase in operating expense.

Higher impairments were largely a result of operational challenges within collections which resulted in more customers in early arrears. We are investing in our teams to address capacity constraints. The growth in originations in the quarter also had an IFRS 9 impact due to the front loading of provisions. Twelve month expected credit losses have been recognised immediately on this new business, but against minimal revenue, contributing to an increased impairment:revenue ratio for the quarter.

In addition, we have updated our IFRS 9 model to reflect the increased probability of a no deal Brexit and the corresponding adverse effect this is expected to have on the economy and on consumer sentiment. While past recessions have demonstrated the resilience of our business, we believe it is prudent to factor a deteriorating economic outlook into our impairments model. We will continue to monitor the potential impact and will review our position again at the half year.

We have recognised a provision of £2.0m relating to expected losses arising from existing customer complaints. We have seen an increase in the number found in favour of the customer by the Financial Ombudsman and have updated the way we investigate these cases.

Amigo's cost:income ratio has increased to 23.4% for the quarter (Q1 FY19 17.5%). This is due to the investment in our people and processes and a provision we have recognised for customer complaints. As we build a sustainable business focussed on long term returns, investing in our operations is crucial and we will continue to do so to ensure best in class customer experience and positive customer outcomes.

The combination of higher provisions and increased costs has resulted in an adjusted profit after tax of £20.4m (Q1 2019: £21.8m). Statutory profit after tax was up 47.2% at £18.1m as funding structures have evolved and IPO costs are behind us.

Net borrowings/adjusted tangible equity, our preferred indicator of gearing, stands at 1.8x, reduced from 2.5x at 30 June 2018 (when calculated on a like for like basis). We further increased our securitisation facility from £200m to £300m in June 2019. The additional facility diversifies our funding sources and lowers our marginal cost of funding. It may be used from time to time to buy back outstanding high yield bonds.

On 17 May 2019 the available size of the revolving credit facility was reduced from £159.5m to £109.5m. The term has been extended by 5 years to May 2024, the margin reduced to 2.9% and the number of banks in the syndicate decreased from four to three. Included within interest payable for the quarter is £2.2m of written off fees (£1.8m net of tax). These were previously capitalised and were being spread over the expected life of the Group's prior revolving credit facility. Following substantial modification of the facility, these have been written off in full. Fees worth £700k have been capitalised in relation to the new facility and will be spread over the expected life of the new agreement.

Basic earnings per share increased 22.6% to 3.8p while adjusted basic earnings per share decreased 21.8% to 4.3p primarily due to the increase in share count and reduction in profit after tax.

The change in economic outlook, and the potential for regulatory change, means we are taking a more cautious approach to lending and have increased provisioning. We have enhanced our credit policy around relending through adopting a more conservative view on frequency and timing and are now prioritising lending to new customers. We expect a continued strong performance in new customers. Total originations and loan book growth will be impacted in the short to medium term as the levels of repeat lending reduce. Furthermore, the operational challenges that we are addressing will take time, and coupled with a deteriorating economic outlook, we expect impairment to remain at a higher level than previously expected.

We are therefore resetting expectations for the current financial year. Loan book growth is expected to be broadly flat, impairment:revenue ratio will be low to mid 30s (%) and our cost:income ratio is expected to be in the low 20s (%). Our net debt/tangible equity is unaffected, as is our dividend which will remain at the higher of last year`s level or 50% of statutory profits, subject to bond covenants.

We remain a highly profitable business with high returns on assets and strong cash generation. Our diversified funding mix gives us a strength and flexibility of balance sheet that places us in a strong position to take this business forward and capture the strong demand for our product.

We believe that the addressable market for guarantor loans is highly attractive, and there is significant scope for future growth. We have been encouraged by the performance of our operation in Ireland, where we first offered loans in February 2019. Customer numbers are growing significantly, with a loan book of €2.3m as at the end of the first quarter. As a result, we have further invested in our team there to support this initial success and now have approximately 16 full time employees working in our new office in Dublin.

REGULATORY UPDATE

Amigo's UK business is fully authorised by the Financial Conduct Authority (FCA) and we support the FCA's efforts to ensure that consumers are protected from undue harm, that there is effective competition and that the consumer finance market operates effectively.

Amigo has always sought to take appropriate steps to comply with both letter and spirit of, first the Office of Fair Trading and then, FCA rules and regulations and has gradually tightened its internal control framework as regulatory standards and obligations have increased over time.

The FCA recently commented on the growth of the guarantor loans segment within the consumer finance market, the number of payments being made by guarantors, and the work that the FCA will be undertaking to ensure that guarantors are fully aware of their responsibilities before they assume any obligations.

We support this approach by the FCA as Amigo has always gone to significant lengths to obtain the informed consent of every customer (borrower and guarantor). With Amigo, the proportion of payments made by a guarantor has remained broadly steady during the last year at just under 10%.

Another area highlighted by the FCA is relending and the dangers of persistent debt, particularly where the APR is in the hundreds of percent and the customer is taking many years to repay capital. Currently only 12% of our customers have topped up their Amigo loan (i.e. taken a further advance) more than twice. However, we are making sure we stay ahead of regulation and we have reviewed and further tightened eligibility criteria. We believe it is the right course of action in the long term for both our customers and our business.

Last week the Financial Ombudsman (FOS) published product complaint numbers. In common with other lenders in our sector we have seen an increase in the number found in favour of the customer by the FOS.

We will continue to work alongside our regulators and consider it our responsibility as sector leader to not only respond to the evolving regulatory environment but to drive change proactively to improve customer outcomes. We aim to do the best for all our stakeholders and, as a result, have further enhanced our credit and conduct policies. We are committed to building a sustainable business for the long term and continuing to make a positive difference to the lives of our customers.

About Amigo Loans

Amigo Holdings PLC (the Company) is listed on the main market of the London Stock Exchange (ticker: AMGO). It is the leading Company in the UK guarantor loans market and offers access to credit to those who are unable to borrow from traditional lenders due to their credit history.

The guarantor loan concept introduces a second individual to the lending relationship, typically a family member or friend with a stronger credit profile than the borrower. This individual acts as guarantor, undertaking to make loan payments if the borrower does not.

Amigo was founded in 2005 and has grown to become the UK's largest provider of guarantor loans, with over 80% UK product share. Amigo's guarantor loan product has allowed borrowers to obtain the finance they need, rebuild their credit scores and improve their ability to access credit from mainstream financial service providers.

Amigo operates within the mid-cost credit market providing a simple and transparent product - a guarantor loan at an APR of 49.9%, we have no fees for letters, processing or charges for ancillary services.

Within the Group, Amigo Loans Ltd is authorised as a lender and regulated in the UK by the Financial Conduct Authority (FCA) and Amigo Management Services Limited is authorised as a 'servicer' for debt administration and collecting.

Amigo has a simple business model, offering a single transparent product – a guarantor backed loan at 49.9% APR with no additional charges, fees, front loading of interest or prepayment penalties. The product sits firmly in the mid cost credit space a long way from high cost credit which starts at 100% APR and much closer to rates of up to 35% APR offered by prime lenders (based on Amigo estimates). The simplicity of the guarantor loan product and the ability for a customer to repay at any time without financial penalty has the advantage of allowing customers the opportunity to improve their credit history.

Loans are offered between 1-5 years of between £500 to £10,000. As at 30 June 2019, Amigo had approximately 210,300 customers with an average outstanding balance of approximately £4,000 and term outstanding of just over 36 months.

Condensed Consolidated Statement of Comprehensive Income

	Notes	**3 months ended 30-Jun-19**	3 months ended 30-Jun-18	Year to 31-Mar-19
		Unaudited	Unaudited	Audited
		£m	£m	£m
Revenue	3	**71.5**	62.9	270.7
Interest payable and funding facility fees		**(10.4)**	(9.0)	(38.2)
Shareholder loan note interest		**-**	(6.0)	(6.0)
Total interest payable	4	**(10.4)**	(15.0)	(44.2)
Impairment of amounts receivable from customers		**(21.8)**	(16.0)	(64.2)
Administrative and operating expenses		**(16.7)**	(11.0)	(47.4)
IPO costs and related financing	5	**-**	(3.9)	(3.9)
Profit before tax		**22.6**	17.0	111.0
Tax on profit	6	**(4.5)**	(4.7)	(22.4)
Profit and total comprehensive income to equity shareholders of the Group		**18.1**	12.3	88.6

The profit is derived from continuing activities.

		3 months ended	3 months ended	Year to
Earnings per share		**30-Jun-19**	30-Jun-18	31-Mar-19
Basic EPS (pence)	7	**3.8**	3.1	19.4
Diluted EPS (Pence)	7	**3.8**	3.1	19.4
Dividend per share (pence)		**-**	-	1.87

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position as at 30 June 2019

	Notes	30-Jun-19 Unaudited £m	30-Jun-18 Unaudited £m	31-Mar-19 Audited £m
Non-current assets				
Customer loans and receivables	8	**319.0**	274.9	302.5
Property, plant and equipment		**1.0**	0.5	0.7
Right of use lease asset		**0.4**	-	-
Intangible assets		**0.1**	0.1	0.1
Deferred tax asset		**6.5**	7.7	6.8
		327.0	283.2	310.1
Current assets				
Customer loans and receivables	8	**430.9**	381.8	426.0
Other receivables	9	**3.7**	2.4	1.2
Derivative asset		**0.1**	-	0.1
Cash at bank and in hand		**27.5**	11.9	15.2
		462.2	396.1	442.5
Total Assets		**789.2**	679.3	752.6
Current liabilities				
Trade and other payables	10	**(19.5)**	(27.4)	(15.4)
Lease liability		**(0.2)**	-	-
Provisions	12	**(1.8)**	-	-
Current tax liabilities		**(9.7)**	(14.5)	(16.0)
		(31.2)	(41.9)	(31.4)
Non-current liabilities				
Borrowings	11	**(495.2)**	(460.5)	(476.7)
Lease liability		**(0.6)**	-	-
Shareholder loan notes	13	**-**	(207.2)	-
		(495.8)	(667.7)	(476.7)
Total liabilities		**(527.0)**	(709.6)	(508.1)
Net assets/(liabilities)		**262.2**	(30.3)	(244.5)
Equity				
Share capital		**1.2**	1.0	1.2
Share premium		**207.9**	0.9	207.9
Merger reserve		**(295.2)**	(295.2)	(295.2)
Retained earnings		**348.3**	263.0	330.6
Shareholder equity		**262.2**	(30.3)	244.5

The accompanying notes form part of these financial statements.

This interim report of Amigo Holdings PLC was approved by the Board of Directors and authorised for issue.

Nayan Kisnadwala   Date: 29 August 2019
Director

NKisnadwala

Company no. 10024479

Condensed Consolidated Statement of Changes in Equity

	Share capital £m	Share premium £m	Merger Reserve[1] £m	Retained earnings £m	**Total equity £m**
At 31 March 2018 (Audited)	1.0	0.9	(295.2)	287.0	**(6.3)**
IFRS 9 opening balance sheet adjustment[2]	-	-	-	(37.5)	**(37.5)**
At 01 April 2018	1.0	0.9	(295.2)	249.5	**(43.8)**
Total comprehensive income	-	-	-	12.3	**12.3**
Share-based payments	-	-	-	1.4	**1.4**
At 30 June 2018 (Unaudited)	1.0	0.9	(295.2)	263.2	**(30.1)**
Total comprehensive income	-	-	-	76.3	**76.3**
IPO[3]	0.2	207.0	-	-	**207.2**
Dividends paid	-	-	-	(8.9)	**(8.9)**
At 31 March 2019 (Audited)	1.2	207.9	(295.2)	330.6	**244.5**
Total comprehensive income	-	-	-	18.1	**18.1**
IFRS 16 adjustment[4]	-	-	-	(0.4)	**(0.4)**
At 30 June 2019 (Unaudited)	1.2	207.9	(295.2)	348.3	**262.2**

The accompanying notes form part of these financial statements.

[1] - The merger reserve was created as a result of a Group reorganisation in 2017 to create an appropriate holding company structure. The restructure was within a wholly owned group, constituting a common control transaction.
[2] - IFRS 9 was adopted on 1 April 2018; comparatives have not been restated.
[3] - On 4 July 2018 the shareholder loan notes were converted to equity upon the listing of the Group (see note 13).
[4] - On 1 April 2019, the Group adopted IFRS 16. A right of use asset of £0.4m and a lease liability of £0.8m were recognised as a result, with the balancing amount being posted to retained earnings.

Condensed Consolidated Statement of Cash Flows

	3 months ended 30-Jun-19 Unaudited £m	3 months ended 30-Jun-18 Unaudited £m	Year to 31-Mar-19 Audited £m
Profit for the period	**18.1**	12.3	88.6
Adjustments for:			
Impairment provision	**21.8**	16.0	64.2
Income tax expense	**4.5**	4.7	22.4
Shareholder loan note interest accrued	**-**	6.0	6.0
Interest expense	**10.4**	9.0	38.2
Interest receivable	**(76.0)**	(69.2)	(286.3)
Share-based payment	**-**	-	1.3
(Profit)/loss on purchase of senior secured notes	**0.3**	-	-
Depreciation of property, plant and equipment	**0.1**	0.1	0.3
Operating cash flows before movements in working capital[1]	**(20.8)**	(21.1)	(65.3)
Net movement in working capital	**(2.7)**	3.3	(3.2)
Increase in provisions	**1.8**	-	-
Tax Paid	**(10.5)**	(2.9)	(18.3)
Interest paid	**(2.3)**	(0.8)	(35.8)
Proceeds from intercompany funding	**0.2**	0.1	0.4
Repayment of intercompany funding	**-**	(0.5)	(0.6)
Net cash used in operating activities before loans issued and collections on loans	**(34.3)**	(21.9)	(122.8)
Loans issued	**(115.1)**	(109.8)	(426.1)
Collections	**146.4**	126.4	543.5
Other loan book movements	**1.5**	-	-
Net cash used in operating activities	**(1.5)**	(5.3)	(5.4)
Investing activities			
Purchases of property, plant, equipment	**(0.2)**	-	(0.4)
Net cash used in investing activities	**(0.2)**	-	(0.4)
Financing activities			
Proceeds from issue of share capital	**-**	-	-
Purchase of senior secured notes	**(29.1)**	-	(81.3)
Dividends paid	**-**	-	(8.9)
Proceeds from bank borrowings	**72.6**	17.0	266.5
Repayment of bank borrowings	**(29.5)**	(12.0)	(167.5)
Net cash from financing activities	**14.0**	5.0	8.8
Net increase / (decrease) in cash and cash equivalents	**12.3**	(0.3)	3.0
Cash and cash equivalents at beginning of period	**15.2**	12.2	12.2
Cash and cash equivalents at end of period	**27.5**	11.9	15.2

[1] The IPO is not included in financing activities (as no new capital was raised). IPO and related financing costs are included within operating cash flows; see note 5 for detail. On 4 July 2018 the Company's shares were admitted to trading on the London Stock Exchange. Immediately prior to admission the shareholder loan notes were converted to equity increasing the share capital of the business to 475 million ordinary shares and increasing net assets by £207.2m. No additional shares were issued subsequent to conversion of the shareholder loan notes. There were no cash transactions involved in this conversion – all related transaction costs are immaterial.

Notes to the condensed consolidated financial statements

1. Accounting policies

1.1 Basis of preparation of financial statements

Amigo Holdings PLC is a public company limited by shares (following IPO on 4 July 2018), listed upon the London Stock Exchange (LSE: AMGO). On listing the Company changed its name from Amigo Holdings Limited to Amigo Holdings PLC and re-registered in the period as a public company. The Company is incorporated and domiciled in the United Kingdom and its registered office is Nova Building, 118-128 Commercial Road, Bournemouth, United Kingdom BH2 5LT.

The consolidated financial statements have been prepared on a going concern basis and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (EU-IFRS).

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

The consolidated financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and the Companies Act 2006, except for financial instruments measured at amortised cost or fair value.

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

The Group's principal accounting policies under EU-IFRS, which have been consistently applied to all years presented unless otherwise stated, are set out below:

These interim financial statements have not been prepared fully in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of Amigo Holdings PLC (the 'Group') as at and for the year ended 31 March 2019.

The interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated annual report for the year ended 31 March 2019. Changes to significant accounting policies are described in notes 1.2 and 1.3.

Notes to the condensed consolidated financial statements

Accounting policies (continued)

The consolidated financial statements of the Group as at and for the year ended 31 March 2019 are available upon request from the Company's registered office at Nova Building, 118-128 Commercial Road, Bournemouth, United Kingdom, BH2 5LT.

The comparative figures for the financial year ended 31 March 2019 are not the Company's statutory accounts for that financial year, but are an extract from those statutory accounts for interim reporting. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor:

(i) was unqualified;
(ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and
(iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

These interim financial statements were approved by the board of directors on 29 August 2019.

1.2 New and amended standards adopted by the group and company

Details of the accounting policies applied are those set out in Amigo Holdings PLC Financial Statements 2019.

In applying the accounting policies, management has made appropriate estimates in many areas, and the actual outcome may differ from those calculated. The key sources of estimation uncertainty at the balance sheet date were the same as those that applied to the consolidated financial statements of the Group for the period ended 31 March 2019.

During the period IFRS 16 Leases became effective and were adopted by the Group. The impact did not have a material impact on the Group's net cash flows, financial position, total comprehensive income or earnings per share.

1.3 IFRS 9

IFRS 9 Financial Instruments replaced IAS 39 Financial instruments: Recognition and Measurement and was adopted on 1 April 2018.

In applying the accounting policies, management has made appropriate estimates in many areas, and the actual outcome may differ from those calculated, particularly with regard to forward-looking assumptions. Key judgements and estimates in the Group's accounting policies are displayed in section 2.

Notes to the condensed consolidated financial statements

Accounting policies (continued)

i) Classification

IFRS 9 requires a classification and measurement approach for financial assets which reflects how the assets are managed and their cash flow characteristics. IFRS 9 includes three classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). A financial asset is measured at amortised cost if it meets both of the following conditions (and is not designated as at FVTPL):

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

Loans to customers are measured at amortised cost under IFRS 9.

ii) Impairment

IFRS 9 includes a forward-looking "expected credit loss" (ECL) model in regards to impairment. IFRS 9 requires an impairment provision to be recognised on origination of a loan. Under IFRS 9, a provision will be made against all stage 1 (defined below) loans to reflect the probability that they will default within the next twelve months. The application of lifetime expected credit losses to assets which have experienced a significant increase in credit risk also results in an uplift in impairment. IFRS 9 changes the timing of impairment losses with earlier recognition of impairment provisions on a growing loan book.

iii) Measurement of ECLs

Under IFRS 9 financial assets fall into one of three categories:

Stage 1—Financial assets which have not experienced a "significant" increase in credit risk since initial recognition.

Stage 2—Financial assets that are considered to have experienced a "significant" increase in credit risk since initial recognition.

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

Notes to the condensed consolidated financial statements

Accounting policies (continued)

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

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

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

When a borrower misses a payment, both parties are kept informed regarding the remediation of the arrears. If a missed payment is not remediated within a certain timeframe, collection efforts are automatically switched to the guarantor and if arrears are cleared the loan is considered as performing.

iv) Assessment of significant change in risk

In determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis. The qualitative customer data available both on an ongoing basis and without undue cost or effort is payment status flags, which occur in specific circumstances such as a short-term payment plan, bankruptcy, deceased or other indicators of a change in a customer's circumstances. See note 2.1.2 for details of how payment status flags are linked with customer arrears, and judgements on what signifies a significant change in risk.

v) Derecognition

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

Notes to the condensed consolidated financial statements

Accounting policies (continued)

vi) Modification

Aside from top-ups, no formal modifications are offered to customers. In some instances, forbearance measures are offered to customers. These are not permanent measures, meaning there are no changes to the customers contract and so do not meet derecognition or modification requirements.

vii) Definition of default

The Group considers an account in default if it is more than three contractual payments past due, i.e. greater than 61 days, which is a more prudent approach than the rebuttable presumption of 90 days and has been adopted to align with internal operational procedures. The Group reassesses the status of loans at each month end on a collective basis. When the arrears status of an asset improves so that it no longer meets the default criteria for that portfolio it is cured and transitions back from stage 3.

viii) Forbearance

Where the borrower indicates to the Group that they are unable to bring the account up to date, informal, temporary forbearance measures may be offered. There are no changes to the customers' contract at any stage. Hence, these changes are neither modification or derecognition events. Depending on the forbearance measure offered, an operational flag will be added to the account, which may suggest a significant increase in credit risk and trigger movement of this balance from stage 1 to stage 2 in impairment calculations. See note 2.1.2 for further details.

Notes to the condensed consolidated financial statements

2. Critical accounting assumptions and key sources of estimation uncertainty

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

Judgements

Management considers the following areas to be the judgements that have the most significant effect on the amounts recognised in the financial statements. They are explained in more detail in the following sections:

- IFRS 9 – Measurement of ECLs
  - Assessing whether the credit risk of an instrument has increased significantly since initial recognition (note 2.1.2).
  - Definition of default is considered by the Group to be when an account is three contractual payments past due (note 1.3.vii).

Estimates

Areas which include a degree of estimation uncertainty are:

- IFRS 9 - Measurement of ECLs
  - Adopting a collective basis for measurement in calculation of ECLs in IFRS 9 calculations (note 2.1.1).
  - Incorporation of forecast loss curves, prepared on a risk segment basis, in the calculation of ECLs (note 2.1.1).
  - Forward-looking information incorporated into the measurement of ECLs (note 2.1.3).
  - Incorporating a probability weighted estimate of external macroeconomic factors into the measurement of ECLs (note 2.1.3).
- IFRS 9 – Probability of default
  - Probability of default (PD) is an estimate of the likelihood of default over a given time horizon, the calculation of which includes internal historical data, assumptions and expectations of future conditions.
- Provisions (note 12)
  - Calculation of our provisions involves managements best estimate of expected future outflows, the calculation of which evaluates current and historical data, and assumptions and expectations of future outcomes.

Notes to the condensed consolidated financial statements

2.1 Credit impairment

2.1.1 Measurement of ECLs

The Group has adopted a collective basis of measurement for calculating ECLs. The loan book is divided into portfolios of assets with shared risk characteristics and further divided by quarterly origination vintages. ECLs are calculated on a collective asset basis, and hence apply on a combined borrower/guarantor basis (see note 1.3.viii for further details over the borrower/guarantor relationship).

The Group's ECL methodology considers the collective estimated cash shortfalls for each credit risk portfolio based on forecast loss curves. Forecast loss curves are prepared on a risk segment basis for annual vintages and combine the Group's historical trends, current credit loss behaviour and management judgements. Internal Group trends are reviewed over 60 months for equivalent cohorts of assets, being the maximum contractual term for the product. No external information is used, aside from in consideration of economic adjustments (see 2.1.3). Loss curves are reviewed and approved by the Risk Committee and Audit Committee prior to use in IFRS 9 calculations.

2.1.2 Assessment of significant change in credit risk

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

1) The primary indicator of whether a significant increase in credit risk has occurred for an asset (see note 2.1.1). If the specific operational flag placed on an account is deemed a trigger indicating the remaining lifetime probability of default has increased significantly, the Group considers the credit risk of an asset to have increased significantly since initial recognition.

The Group reassesses the flag status of all loans at each month end and remeasures the proportion of the book which has demonstrated a significant increase in credit risk based on the latest payment flag data. An account transitions from stage 2 to stage 1 immediately when a payment flag is removed from the account. Each quarter a Flag Governance meeting is held, to review operational changes which may impact the use of operational flags in the assessment of significant increase in credit risk.

2) As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is two contractual payments past due (equivalent to 30 days), which is aligned to the rebuttable presumption of more than 30 days past due.

2.1.3 Forward-looking information

The Group assesses the impact of forward-looking information on its measurement of ECLs. The Group has analysed the effect of a range of economic factors and identified the most significant macroeconomic factor that is likely to impact credit losses as the rate of unemployment.

2.1.3 Forward-looking information (continued)

Forecast unemployment rates have been built into the credit loss forecasts utilising four scenarios based on an independent forecast of future economic conditions and applying a probability weighting to each scenario. Economic assumptions included in IFRS 9 calculations are approved by the Board.

These weighted scenarios include a base (40.0%), an upside (6.1%) and two downside scenarios (31.6% and 22.2%). The forward-looking scenarios have been reviewed regularly and updated where deemed necessary. The weightings as at 31 March 2019 year-end were a base (50.0%), an upside (5.1%) and two downside scenarios (26.4% and 18.5%).

The political climate has resulted in a heightened risk of a no deal Brexit and the general sentiment is that this could have an adverse effect on the economy. As a result, the Group assessed the sensitivity and increased the probability weighting of a stressed scenario during the first half of the year.

The scenarios are weighted according to management judgement of each scenario's likelihood. The base case attracts 40.0% weighting and is driven by unemployment changes, as estimated by the Office of Budget Responsibility. The probability weighting applied to each remaining scenario is calculated based on the period of time that the unemployment rate has been above each threshold since 1971, as management's best estimate of future unemployment scenarios. Since year end, the Group assessed the sensitivity and the base case has been lowered to 40.0% from 50.0% due to various political events and the increased information available around Brexit meaning managements view on the probability of a hard-Brexit has changed since year end, leading to a lowering of the base case. At the end of Q1 2020, this change in estimate resulted in a £0.4m increase in the impairment provision. The Group will continue to monitor the potential impact over the coming months and expects any further impact to be recognised in the later part of this year.

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

Notes to the condensed consolidated financial statements

3. Revenue

Revenue consists of interest revenue and is derived primarily from a single segment in the UK, with an immaterial amount from Amigo Loans Ireland Ltd. This is consistent with the reporting to the chief operating decision maker, which the Group considers is the Board. No segmental analysis is therefore provided based on the immaterial nature of Ireland revenue.

4. Interest payable and funding facility fees

	Period to 30-Jun-19 Unaudited £m	Period to 30-Jun-18 Unaudited £m	Year to 31-Mar-19 Audited £m
Bank interest payable	**3.0**	0.5	3.8
Senior secured notes interest payable	**5.9**	7.7	29.1
Securitisation interest payable	**1.7**	-	1.8
Funding facility fees	**(0.2)**	0.8	3.5
	10.4	9.0	38.2
Shareholder loan note interest	**-**	6.0	6.0
Total interest payable	**10.4**	15.0	44.2

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

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

Included within bank interest payable for the quarter is £2.2m of written off fees. These were previously capitalised and were being spread over the expected life of the Group's prior revolving credit facility. Following substantial modification of the facility, these have been written off in full. Fees worth £700k have been capitalised in relation to the new facility and will be spread over the expected life of the new agreement.

Notes to the condensed consolidated financial statements

5. IPO and related financing costs

These items are disclosed separately in the financial statements because the Directors consider it necessary to do so to provide further understanding of the financial performance of the Group. They are material items of expense that have been shown separately due to the significance of their nature and amount.

	Period to 30-Jun-19 Unaudited £m	Period to 30-Jun-18 Unaudited £m	Year to 31-Mar-19 Audited £m
IPO and related financing costs	**-**	**3.9**	3.9

IPO and related financing costs relate to advisor, legal fees and financing fees in respect of the listing of the Group in July 2018. Included within these costs in the prior year was a £1.4m share-based payment expense.

6. Taxation

The applicable corporation tax rate for the period to 30 June 2019 was 19% and the effective tax rate is 19.9%. The Group's effective tax rate for the period to 30 June 2018 was 27.6%. The current period effective tax rate is reflective of the applicable corporate tax rate for the year and reconciling items.

7. Earnings per share

	30-Jun-19 Unaudited Pence	30-Jun-18 Unaudited Pence	31-Mar-19 Audited Pence
Basic and Diluted EPS	**3.8**	3.1	19.4
Adjusted Basic EPS[1]	**4.3**	5.5	22.0

[1]Adjusted basic EPS and earnings for adjusted basic EPS are non-GAAP measures.

The weighted average number of shares has increased by 18.7% since 30 June 2018 due to timing of shareholder loan note conversion to equity following the IPO, hence diluting adjusted basic earnings per share figures. Reconciliations of the earnings used in the calculations are set out below. Note figures are presented net of tax:

Notes to the condensed consolidated financial statements

7. Earnings per share (continued)

	30-Jun-19 Unaudited £m	30-Jun-18 Unaudited £m	31-Mar-19 Audited £m
Earnings for basic EPS	**18.1**	12.3	88.6
Senior secured note buyback	**0.5**	-	2.0
Shareholder loan note interest	**-**	5.6	5.6
IPO and related financing costs	**-**	3.9	3.9
RCF fees	**1.8**	-	-
Earnings for adjusted basic EPS[1]	**20.4**	21.8	100.1
Weighted average number of shares (m)	**474.7**	400.0	455.9

[1]Adjusted basic EPS and earnings for adjusted basic EPS are non-GAAP measures.

There were 1,000,000 ordinary shares in issue at 31 March 2018. As a result of the IPO, on 28 June 2018 the 1,000,000 ordinary shares in issue were sub-divided, with each existing ordinary share split into 400 ordinary shares. The weighted average number of shares has been retrospectively adjusted for 31 March 2019 and 30 June 2018 as a result of the change in the number of shares without a corresponding change in resources.

8. Customer loans and receivables

	30-Jun-19 Unaudited £m	30-Jun-18 Unaudited £m	31-Mar-19 Audited £m
Stage 1	**693.7**	607.0	683.4
Stage 2	**82.8**	81.7	70.0
Stage 3	**33.0**	21.5	29.6
Gross Loan Book	**809.5**	710.2	783.0
Deferred broker costs[1]- Stage 1	**18.4**	15.8	18.2
Deferred broker costs[1]- Stage 2	**2.2**	2.1	1.9
Deferred broker costs[1]- Stage 3	**0.9**	0.6	0.8
Loan book inclusive of deferred broker costs	**831.0**	728.7	803.9
Provision	**(81.1)**	(72.0)	(75.4)
Customer loans and receivables	**749.9**	656.7	728.5

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

Notes to the condensed consolidated financial statements

8. Customer loans and receivables (continued)

As at 30 June 2019, £261.0m of the loans to customers had their beneficial interest assigned to the Group's special purpose vehicle (SPV) entity, namely AMGO Funding (No. 1) Limited, as collateral for securitisation transactions (2018: £nil).

Ageing of gross loan book by days overdue:	**30-June-19**	30-Jun-18	31-Mar-19
	Unaudited	Unaudited	Audited
	£m	£m	£m
Current	**698.6**	628.9	680.9
1 - 30 days	**63.5**	50.7	59.8
31 - 60 days	**14.4**	9.2	12.7
>61 days	**33.0**	21.4	29.6
Gross Loan Book	**809.5**	710.2	783.0

	30-June-19	30-Jun-18	31-Mar-19
	Unaudited	Unaudited	Audited
Customer loans and receivables	**£m**	£m	£m
Due within one year	**419.8**	368.6	412.9
Due in more than one year	**308.6**	269.6	294.7
Net Loan book	**728.4**	638.2	707.6
Deferred broker costs[1]			
Due within one year	**11.1**	13.2	13.1
Due in more than one year	**10.4**	5.3	7.8
Customer loans and receivables	**749.9**	656.7	728.5

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

Notes to the condensed consolidated financial statements

9. Other receivables

	30-Jun-19 Unaudited £m	30-Jun-18 Unaudited £m	31-Mar-19 Audited £m
Current			
Other receivables	**0.1**	0.9	-
Debt sale income	**2.1**	-	-
Prepayments and accrued income	**1.5**	1.5	1.2
	3.7	2.4	1.2

10. Trade and other payables

	30-Jun-19 Unaudited £m	30-Jun-18 Unaudited £m	31-Mar-19 Audited £m
Current			
Accrued senior secured note interest	**10.3**	14.0	5.0
Trade payables	**1.6**	0.8	1.2
Amounts owed to group undertakings	**-**	-	0.2
Taxation and social security	**0.8**	0.8	0.6
Accruals and deferred income	**6.8**	11.8	8.4
	19.5	27.4	15.4

11. Bank and other borrowings

	30-Jun-19 Unaudited £m	30-Jun-18 Unaudited £m	31-Mar-19 Audited £m
Non-current liabilities			
Amounts falling due 3-4 years			
Securitisation facility	**207.7**	**-**	158.6
Bank loan	**(0.7)**	67.2	2.8
Amounts falling due > 5 years			
Senior secured notes	**288.2**	393.3	315.3
	495.2	460.5	476.7

The bank facility and the senior secured notes are secured by a charge over the Group's assets and a cross guarantee given by other subsidiaries. The inaugural securitisation on 13 November 2018 for a £150m facility was increased as at 17 December 2018 to £200m. The securitisation facility increased to £300m in June 2019, of which, £207.7m was drawn down (net of unamortised fees) at 30 June 2019.

Notes to the condensed consolidated financial statements

12. Provisions

	30-Jun-19 Unaudited £m	30-Jun-18 Unaudited £m	31-Mar-19 Audited £m
Balance as at 31-Mar-19	**-**	-	-
Provisions made during the period	**2.0**	-	-
Utilised during the period	**(0.2)**	-	-
Balance at 30-Jun-19	**1.8**	-	-
2019			
Non-current	**-**	**-**	**-**
Current	**1.8**	**-**	**-**
	1.8	**-**	**-**

Operational loss provision

Provisions are recognised when the Group has legal or constructive obligations as a result of past events and it is probable that expenditure will be required to settle those obligations. They are measured at the Directors' best estimates of future cash flows, after taking into account information available and different possible outcomes, discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

The provision relates to expected operational losses arising from existing customer complaints. The Group continues to monitor its policies and processes to ensure that it responds appropriately to customer complaints, and will continue to assess this provision periodically.

13. Shareholder loan notes

	30-Jun-19 Unaudited £m	30-Jun-18 Unaudited £m	31-Mar-19 Audited £m
Amounts falling due > 5 years			
Shareholder loan notes	**-**	207.2	-

On 4 July 2018 the shareholder loan notes were converted to equity upon the listing of the Group.

Notes to the condensed consolidated financial statements

14. Immediate and ultimate parent undertaking

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

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

15. Share-based payments

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

16. Related Party Transactions

The Group had no related party transactions during the three month period to 30 June 2019 that would materially affect the performance of the Group. Details of the transactions for the year ended 31 March 2019 can be found in note 24 of the Amigo Holdings PLC 2019 financial statements.

17. Post Balance Sheet Events

As at 29 August 2019, the Group repurchased an additional £2.9m of senior secured notes, reducing the nominal value of the notes from £292.0m at quarter end to £289.1m. At this date, this is the Group's best estimate of the total amount of notes which will be repurchased in the open market.

The final dividend for the financial year ending 31st March 2019 of 7.45p per share was approved at our Annual General Meeting on 12th July 2019. This was paid on 31st July 2019, with the final value being £35.4m.

Appendix – Alternative performance measures (unaudited)

Appendix: Alternative performance measures

This financial report provides alternative performance measures ("APMs") which are not defined or specified under the requirements of International Financial Reporting Standards. We believe these APMs provide readers with important additional information on our business. To support this we have included a reconciliation of the APMs we use, how they are calculated and why we use them.

Key Performance Indicators

The Group incurred costs on the Initial Public Offering (IPO) in July 2018. These costs, included as IPO and related financing costs, are not considered to be part of the underlying operating expenses of the Group as they relate to a specific one-off activity. As a result, KPIs exclude these costs.

Other financial data Figures in £m, unless otherwise stated	**3 months to 30 June 2019**	**3 months to 30 June 2018**	**Year to 31 March 2019**
Net Loan Book	728.4	638.2	707.6
Net Borrowings	467.7	448.6	461.5
Net borrowings/gross loan book	57.8%	63.2%	58.9%
Borrowings/loan book	61.2%	64.8%	60.9%
Net borrowings/adjusted tangible equity	1.8	2.5	1.9
Risk adjusted revenue	49.7	46.9	206.5
Risk adjusted margin	25.0%	27.2%	28.5%
Average gross loan book	796.3	689.2	725.5
Net interest margin	29.9%	30.7%	31.5%
Cost:income ratio	23.4%	17.5%	17.5%
Impairment:revenue ratio	30.5%	25.4%	23.7%
Impairment charge as a percentage of loan book	10.8%	9.0%	8.2%
Cost of funds percentage	5.2%	8.7%	6.1%
Adjusted return on average adjusted tangible equity	32.2%	46.9%	45.6%
Adjusted free cash flow excluding loan originations	135.4	121.3	515.7

Appendix – Alternative performance measures (unaudited)

***Other financial data** continued* Figures in £m, unless otherwise stated	**3 months to 30 June 2019**	**Year to 30 June 2018**	**Year to 31 March 2019**
Adjusted profit after tax	20.4	21.8	100.1
Adjusted return on average assets	10.7%	12.9%	14.0%
Revenue yield	35.9%	36.5%	37.3%
Gross loan book	809.5	710.2	783.0
Originations	113.4	109.8	426.1
Adjusted tangible equity	262.1	176.8	244.4
Adjusted tangible equity/total assets	0.34x	0.26x	0.33x
Percentage of book <31 days past due	94.1%	95.7%	94.6%

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

	30-Jun-19 **£m**	30-Jun-18 £m	31-Mar-19 £m
Gross loan book[(a)]	**809.5**	710.2	783.0
Provision[(b)]	**(81.1)**	(72.0)	(75.4)
Net loan book[(c)]	**728.4**	638.2	707.6

(a) Gross loan book represents total outstanding loans and excludes deferred broker costs.
(b) Provision for impairment represents the Group's estimate of the portion of loan accounts that are not in arrears or are up to five payments in arrears for which the Group will not ultimately be able to collect payment. Provision for impairment excludes loans that are six or more payments in arrears, which are charged off of the Statement of Financial Position and are therefore no longer included in the loan book.
(c) Net loan book represents gross loan book less provision for impairment.

Appendix – Alternative performance measures (unaudited)

2. "**Net borrowings**" is comprised of:

	30-Jun-19	30-Jun-18	31-Mar-19
	£m	£m	£m
Borrowings	**(495.2)**	(460.5)	(476.7)
Cash at bank and in hand	**27.5**	11.9	15.2
Net borrowings	**(467.7)**	(448.6)	(461.5)

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

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

	30-Jun-19	30-Jun-18	31-Mar-19
	£m	£m	£m
Net borrowings (£m)	**(467.7)**	(448.6)	(461.5)
Gross loan book (£m)	**809.5**	710.2	783.0
Net borrowings/gross loan book	**57.8%**	63.2%	58.9%

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

	30-Jun-19	30-Jun-18	31-Mar-19
	£m	£m	£m
Borrowings (£m)	**(495.2)**	(460.5)	(476.7)
Gross loan book (£m)	**809.5**	710.2	783.0
Borrowings/gross loan book	**61.2%**	64.8%	60.9%

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

Appendix – Alternative performance measures (unaudited)

4. The Group defines "**adjusted tangible equity**" as shareholder equity less intangible assets plus shareholder loan notes. The following table sets forth a reconciliation of adjusted tangible equity to shareholder equity at 30 June 2019, 2018 and 31 March 2019.

	30-Jun-19	30-Jun-18	31-Mar-19
	£m	£m	£m
Shareholder equity	**262.2**	(30.3)	244.5
Intangible assets	**(0.1)**	(0.1)	(0.1)
Shareholder loan notes	**-**	207.2	-
Adjusted tangible equity	**262.1**	176.8	244.4
Net borrowings/adjusted tangible equity	**1.8**	2.5	1.9

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

5. The Group defines "**risk adjusted revenue**" as revenue less impairment charge. The following table sets forth a reconciliation of risk adjusted revenue to revenue for 3 months to 30 June 2019, 2018 and year to 31 March 2019.

	30-Jun-19	30-Jun-18	31-Mar-19
	£m	£m	£m
Revenue	**71.5**	62.9	270.7
Impairment charge	**(21.8)**	(16.0)	(64.2)
Risk adjusted revenue	**49.7**	46.9	206.5

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

Appendix – Alternative performance measures (unaudited)

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

	30-Jun-19	30-Jun-18	31-Mar-19
	£m	£m	£m
Risk adjusted revenue	**49.7**	46.9	206.5
Average gross loan book	**796.3**	689.2	725.5
Risk adjusted margin	**25.0%**	27.2%	28.5%
Average gross loan book			
Opening gross loan book	**783.0**	668.1	668.1
Closing gross loan book	**809.5**	710.2	783.0
Average gross loan book	**796.3**	689.2	725.5

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

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

	30-Jun-19	30-Jun-18	31-Mar-19
	£m	£m	£m
Revenue	**71.5**	62.9	270.7
Interest payable and funding facility fees	**(10.4)**	(9.0)	(38.2)
Net interest income	**61.1**	53.9	232.5
Net interest margin	**29.9%**	30.7%	31.5%
IFRS 9 stage 3 revenue adjustment	**6.2**	2.2	12.7
Adjusted net interest margin	**32.9%**	32.0%	33.2%

Appendix – Alternative performance measures (unaudited)

8. The Group defines "**cost:income ratio**" as operating expenses excluding IPO costs and related financing divided by revenue.

	30-Jun-19	30-Jun-18	31-Mar-19
	£m	£m	£m
Revenue	**71.5**	62.9	270.7
Operating expenses	**16.7**	11.0	47.4
Cost:income ratio	**23.4%**	17.5%	17.5%

This measure allows review of cost management.

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

	30-Jun-19	30-Jun-18	31-Mar-19
	£m	£m	£m
Revenue	**71.5**	62.9	270.7
Impairment of amounts receivable from customers	**21.8**	16.0	64.2
Impairment charge as a percentage of revenue	**30.5%**	25.4%	23.7%

A key measure for the Group in monitoring risk within the business.

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

	30-Jun-19	30-Jun-18	31-Mar-19
	£m	£m	£m
Impairment charge	**21.8**	16.0	64.2
Closing gross loan book	**809.5**	710.2	783.0
Impairment charge as a percentage of loan book (annualised)	**10.8%**	9.0%	8.2%

Allows review of impairment level movements year on year.

Appendix – Alternative performance measures (unaudited)

11. The Group defines "**Cost of funds**" as interest payable divided by the average of gross loan book.

	30-Jun-19	30-Jun-18	31-Mar-19
	£m	£m	£m
Interest payable	**10.4**	15.0	44.2
Average book	**796.3**	689.2	725.5
Cost of funds percentage (annualised)	**5.2%**	8.7%	6.1%

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

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

	30-Jun-19	30-Jun-18	31-Mar-19
	£m	£m	£m
Adjusted profit after tax	20.4	21.8	100.1
Adjusted tangible equity	262.1	177.0	244.4
Average adjusted tangible equity	253.3	185.9	219.6
Adjusted return on average adjusted tangible equity (annualised)	**32.2%**	**46.9%**	**45.6%**

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

Appendix – Alternative performance measures (unaudited)

13. The Group defines "**free cash flow**" as cash collections less non-direct costs (expenses excluding advertising and credit score costs). The following table sets forth the calculation of adjusted free cash flow excluding loan originations for 3 months to 30 June 2019, 2018 and year to 31 March 2019.

	30-Jun-19	30-Jun-18	31-Mar-19
	£m	£m	£m
Collections	146.3	126.4	543.5
Non-direct costs	(10.9)	(5.1)	(27.8)
Adjusted free cash flow excluding loan originations	**135.4**	**121.3**	**515.7**

This is used internally to review cash generation.

14. The Group defines "**adjusted profit after tax**" as profit after tax plus shareholder loan note interest and IPO costs and related financing and senior secured note buyback related costs, less incremental tax expense. The following table sets forth a reconciliation of adjusted profit after tax to profit after tax for 3 months to 30 June 2019, 2018 and year to 31 March 2019.

	30-Jun-19	30-Jun-18	31-Mar-19
	£m	£m	£m
Reported PAT	18.1	12.3	88.6
Senior secured note buyback	0.5	-	2.0
RCF Fees	1.8	-	-
Shareholder loan note interest	-	5.6	5.6
IPO and related financing costs	-	3.9	3.9
Adjusted PAT	**20.4**	**21.8**	**100.1**

The above items were all excluded due to them being non business-as-usual transactions. IPO and related financing costs are one off and related to the Group becoming a public listed company. Shareholder loan note interest will not continue in future years as this has all been converted to equity. Senior secured note buybacks are not underlying business-as-usual transactions. Hence, removing these items is deemed to give a fairer representation of profit within the financial year.

Appendix – Alternative performance measures (unaudited)

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

Revenue yield	**30-Jun-19**	30-Jun-18	31-Mar-19
	£m	£m	£m
Revenue	71.5	62.9	270.7
Opening Loan Book	783.0	668.1	668.1
Closing Loan Book	809.5	710.2	783.0
Average Loan Book	796.3	689.2	725.5
Revenue yield (annualised)	**35.9%**	**36.5%**	**37.3%**
IFRS 9 stage 3 revenue adjustment	**6.2**	2.2	12.7
Adjusted revenue yield	**39.0%**	37.8%	39.1%

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

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

Ageing of gross loan book by days overdue:	**30-Jun-19**	30-Jun-18	31-Mar-19
	£m	£m	£m
Current	698.6	628.9	680.9
1-30 days	63.5	50.7	59.8
31 - 60 days	14.4	9.2	12.7
> 61 days	33.0	21.4	29.6
Gross loan book	**809.5**	**710.2**	**783.0**
Percentage of book <31 days past due	94.1%	95.7%	94.6%

17. Adjusted return on assets (ROA)

Adjusted return on assets	**30-Jun-19**	30-Jun-18	31-Mar-19
Adjusted profit after tax	20.4	21.8	100.1
Customer loans	728.4	638.2	707.6
Other receivables	25.2	21.0	22.7
Cash	27.5	11.9	15.2
Total Assets	781.1	671.1	745.5
Average Assets	763.3	676.0	713.2
Adjusted return on assets	**10.7%**	**12.9%**	**14.0%**