28 February 2019

Amigo Holdings PLC

Financial results for the nine month period ended 31 December 2018

Amigo continues to deliver against IPO objectives

Figures in £ million, unless otherwise stated		9 Months ended 31 December 2018 IFRS 9	9 Months ended 31 December 2017 IAS 39	Change %
Revenue		201.0	149.9	34% (Fav)
Impairment / revenue	%	24%	21%	14% (Adv)
Adjusted profit after tax[1]		72.0	52.6	37% (Fav)
Profit after tax		62.5	38.3	63% (Fav)
EPS (Basic, adjusted)[2]	pence	16.0	13.2	21% (Fav)
Basic EPS	pence	13.9	9.6	45% (Fav)
Net loan book[3]		695.7	607.0	15% (Fav)
Net borrowings[4]/gross loan book[5]	%	60%	67%	10% (Fav)
Net borrowings /adjusted tangible equity[6]		2.0x	2.4x	17% (Fav)
Number of customers[7]	'000s	217	169	28% (Fav)

Notes:
[1] Adjusted profit is a non IFRS measure. Adjusted profit after tax 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) as shown in note 6
[2] This is a non-IFRS measure and the calculation is shown in note 6. Shareholder loan note interest is excluded as the loan notes were converted to equity immediately before admission while IPO costs are also non-recurring in nature. By excluding these items 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
[3] Net loan book represents total outstanding loans less provision for impairment excluding deferred broker costs
[4] Net borrowings is defined as borrowings, excluding shareholder loan notes, less cash at bank and in hand
[5] Gross loan book represents total outstanding loans, before impairment, excluding deferred broker costs
[6] Adjusted Tangible Equity is defined as shareholder equity less intangible assets plus shareholder loan notes
[7] Number of customers represents accounts with a balance greater than zero

Financial highlights

- Net Loan Book of £695.7 million (Q3 2017: £607.0 million pre IFRS 9), a 15% increase year-on-year
- Significant growth in revenue to £201.0 million, an increase of 34% compared to the previous period (9 months ended 31 December 2017: £149.9 million)
- Impairment charge as a percentage of revenue at Q3 is 24% and for FY19 reflects the implementation of IFRS 9
- 95% of balances are fully up to date or within 31 days overdue, reflecting the underlying credit quality of the loan book
- Adjusted profit after tax of £72.0 million; an increase of 37% compared to the previous year
- Profit after tax of £62.5 million; an increase of 63% compared to the previous year
- Dividend of 1.87 pence per share paid in January
- Customer base of 217,000 (Q3 2017: 169,000), an increase of 28% year-on-year
- Amigo is on track to meet the guidance for FY19, as set out at the time of IPO
- We continue to monitor potential effects of Brexit

Company highlights

- The inaugural securitisation in November 2018 for a £150 million facility has been increased to £200 million providing greater balance sheet flexibility

- Executed a bond repurchase in the open market of £8.7 million in Q3 and a further £50.8 million during the current quarter, reducing Amigo's cost of funding
- 'Best Credit Builder' winner in the Moneynet Awards in January 2019 for the sixth year running
- Amigo made its first loans to customers in the Republic of Ireland in February 2019; and the first step in testing the transferability of the "Amigo in a box" systems and processes in a new market
- Appointment of Nayan Kisnadwala as Chief Financial Officer in December 2018

Commenting on the Q3 results, Glen Crawford, CEO of Amigo, said:

"Amigo has reported another strong set of results this quarter, delivering further growth in our customer numbers, loan book and revenue, whilst continuing to carefully manage our impairment levels.

We are pleased that Nayan has now joined the Board as our Chief Financial Officer, with extensive experience to help us deliver the next stage of Amigo's development.

We continue to optimise our funding mix and have increased our securitisation facility by an additional £50M, taking the total available facility to £200M. This has facilitated the Group's opportunistic open-market buyback of £59.5M of our 2024 bonds, thereby reducing our average cost of capital going forward and providing greater balance sheet flexibility.

With additional diversified and lower cost funding lines in place, a disciplined approach to credit risk and significant operational leverage, we remain confident of delivering on the objectives for the full year set out at the time of our IPO whilst adopting a cautious approach to loan book growth due to Brexit uncertainties.

Our primary goal is to meet the needs of the millions of people in the UK turned away by their banks and unable to access the money they need. Our simple, flexible, mid-cost product - a guarantor loan at 49.9% APR with no additional fees - continues to provide a genuine alternative for this group of individuals."

Analyst, investor and bondholder conference call

Amigo will be hosting a live webcast for investors and bondholders today at 08:30 (GMT) which will be available at: https://www.amigoplc.com/investors/results-centre

A conference call is also available for those unable to join the webcast (Dial in: +44 20 3936 2999; Access code: 862403).

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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Financial review

In the third quarter the business continued to grow its gross loan book with a focus on its core lending. This approach has enabled an increase in customer numbers, delivered against carefully managed impairment levels. Amigo's cost/income ratio continues to remain below 20%, at 17.9% for the third quarter of 2018 (2017, Q3: 22.7%). Combined with the above, this has resulted in an expected growth in profitability for the business.

Adjusted profit after tax has increased by 37% to £72.0 million for the year-to-date on the back of an increasing loan book and a statutory profit after tax increase of 63% to £62.5 million. The net loan book at 31 December 2018 reflects the transition to IFRS 9 which increased the loss allowance by £44.2 million. After booking this additional provision, the net loan book has increased by £88.7 million compared to 31 December 2017.

The strong cash flows of the business mean that Amigo naturally delevers with a net borrowings / gross loan book ratio of 60% compared to 67% at 31 December 2017. Net borrowings / adjusted tangible equity stands at 2.0x, reduced from 2.8x at 31 March 2018 when calculated on a like for like basis (i.e. including the additional IFRS 9 provision and assuming conversion of the shareholder loan notes into equity). The Group increased its securitisation facility from £150m to £200m. The additional facility may be used from time to time to buy back outstanding high yield bonds.

Adjusted basic earnings per share of 16.0p for the nine month period shows an increase of 21% over the prior period and basic earnings per share increased 45% to 13.9p.

Regulatory and business update

The FCA's focus on mid-cost credit, as an alternative to higher-cost credit has been reiterated while the FCA took action against practices it found in the rent-to-own and home collect credit markets.

The FCA is looking at vulnerable customers over the next few months across a wide range of financial products. Amigo's simple product, with no fees and a cap on the total amount payable provides an alternative for those who might otherwise be excluded from the credit market.

As the exact nature of the UK's withdrawal from the European Union ('Brexit') is not yet decided, resulting regulatory and other changes could impact the Group's results. No immediate regulatory changes are expected, but Amigo continues to monitor Brexit negotiations and potential impact on the wider macroeconomic environment.

Product awards

For the last six years Amigo has won the Moneynet.co.uk Best Credit Builder product award and recently won the 'UK Contact Centre of the Year' at the UK Contact Centre Forum Awards. This is recognition for the way Amigo helps to ensure that all customers (both borrowers and guarantors) are treated fairly.

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 approximately 88% UK product share as at 31 December 2017. 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%, with no fees, early redemption penalties or any other charges.

Amigo Holdings Limited changed its name to Amigo Holdings Plc prior to IPO. 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 31 December 2018, Amigo had approximately 217,000 customers with an average outstanding balance approaching £4,000 and term outstanding of around 37 months.

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Condensed Consolidated Statement of Comprehensive Income

	Notes	**9 months ended 31-Dec-18 Unaudited £m**	9 months ended 31-Dec-17 Unaudited £m	Year to 31-Mar-18 Audited £m
Revenue	2	**201.0**	149.9	210.8
Interest payable and funding facility fees		**(27.5)**	(21.7)	(30.4)
Shareholder loan note interest		**(6.0)**	(15.3)	(21.2)
Total interest payable	3	**(33.5)**	(37.0)	(51.6)
Impairment of amounts receivable from customers[1]		**(48.7)**	(31.4)	(44.8)
Operating expenses		**(35.9)**	(34.1)	(46.2)
IPO and related financing costs	4	**(3.9)**	-	(2.1)
Profit before tax		**79.0**	47.4	66.1
Tax on profit	5	**(16.5)**	(9.1)	(15.5)
Profit and total comprehensive income[2]		**62.5**	38.3	50.6

		9 months ended 31-Dec-18	9 months ended 31-Dec-17	Year to 31-Mar-18
Basic and Diluted EPS (pence)	6	**13.9**	9.6	12.7

[1] - IFRS 9 was adopted on 1 April 2018, comparatives have not been restated

[2] - There was no other comprehensive income during any period, and hence no consolidated statement of other comprehensive income is presented

Consolidated balance sheet

	Notes	**31-Dec-18 Unaudited £m**	31-Dec-17 Unaudited £m	31-Mar-18 Audited £m
Non-current assets				
Property, plant and equipment		**0.6**	0.6	0.6
Intangible assets		**0.1**	0.1	0.1
Deferred tax asset		**7.7**	0.1	-
		8.4	0.8	0.7
Current assets				
Customer loans and receivables[1]	7	**715.8**	625.0	666.3
Other receivables	8	**1.6**	2.1	2.3
Financial instrument asset		**0.3**	-	-
Cash at bank and in hand		**29.7**	17.6	12.2
		747.4	644.7	680.8
Total Assets		**755.8**	645.5	681.5
Current liabilities				
Trade and other payables	9	**(24.0)**	(27.3)	(18.8)
Current tax liabilities		**(16.4)**	(3.3)	(12.7)
		(40.4)	(30.6)	(31.5)
Non-current liabilities				
Borrowings	10	**(488.3)**	(438.1)	(455.0)
Shareholder loan notes	11	**-**	(195.2)	(201.1)
Deferred tax liability		**-**	-	(0.2)
		(488.3)	(633.3)	(656.3)
Total liabilities		**(528.7)**	(663.9)	(687.8)
Net assets / (liabilities)		**227.1**	(18.4)	(6.3)
Equity				
Share capital		**1.2**	1.0	1.0
Share premium		**207.9**	0.9	0.9
Merger reserve		**(295.2)**	(295.2)	(295.2)
Retained earnings		**313.2**	274.9	287.0
Shareholder equity		**227.1**	(18.4)	(6.3)

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

N Kisnadwala Date: 28 February 2019
Director

Company no.
10024479

[1] - IFRS 9 was adopted on 1 April 2018, comparatives have not been restated.

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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 2017 (Audited)	1.0	0.9	(295.2)	236.4	**(56.9)**
Total comprehensive income	-	-	-	38.5	**38.5**
At 31 December 2017 (Unaudited)	1.0	0.9	(295.2)	274.9	**(18.4)**
Total comprehensive income	-	-	-	12.1	**12.1**
At 31 March 2018 (Audited)	1.0	0.9	(295.2)	287.0	**(6.3)**
IFRS 9 opening balance sheet adjustment[2]	-	-	-	(37.7)	**(37.7)**
At 01 April 2018	1.0	0.9	(295.2)	249.3	**(44.0)**
Total comprehensive income	-	-	-	62.5	**62.5**
Share based payments	-	-	-	1.4	**1.4**
IPO[3]	0.2	207.0	-	-	**207.2**
At 31 December 2018 (Unaudited)	**1.2**	**207.9**	**(295.2)**	**313.2**	**227.1**

[1] - The merger reserve was created as a result of a Group reorganisation to create an appropriate holding company structure.
[2] - Refer to IFRS 9 note 1.2 - 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 11).

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Consolidated Cashflow statement

	9 months ended 31-Dec-18 Unaudited £m	9 months ended 31-Dec-17 Unaudited £m	Year to 31-Mar-18 Audited £m
Profit for the period	**62.5**	38.3	50.6
Adjustments for:			
Impairment provision	**48.7**	31.4	44.8
Income tax expense	**16.5**	9.1	15.5
Shareholder loan note interest accrued	**6.0**	15.3	21.2
Interest expense	**27.5**	21.7	30.4
Interest charged on loan book	**(220.6)**	(157.2)	(222.1)
Depreciation of property, plant and equipment	**0.2**	0.2	0.2
Operating cash flows before movements in working capital[1]	**(59.2)**	(41.2)	(59.4)
Increase in receivables	**3.5**	5.4	(8.8)
Decrease in payables	**0.6**	(10.7)	7.5
Tax paid	**(12.7)**	(10.4)	(7.2)
Interest paid	**(18.1)**	(14.0)	(28.2)
Proceeds from intercompany funding	**0.3**	0.8	3.1
Repayment of intercompany funding	**(0.7)**	(3.2)	(5.0)
Proceeds from bank borrowings	**155.8**	259.0	276.6
Repayment of bank borrowings	**(115.5)**	(95.0)	(105.0)
Net cash used in operating activities before loans issued and collections on loans	**(46.0)**	90.7	73.6
Loans issued	**(326.4)**	(362.4)	(470.1)
Collections	**398.6**	284.9	404.4
Net cash generated from operating activities	**26.2**	13.2	7.9
Investing activities			
Purchases of property, plant, equipment	**-**	-	(0.1)
Net cash used in investing activities	**-**	-	(0.1)
Financing activities			
Repurchase of Bonds	**(8.7)**	-	-
Net cash used in financing activities	**(8.7)**	-	-
Net increase in cash and cash equivalents	**17.5**	13.2	7.8
Cash and cash equivalents at beginning of period	**12.2**	4.4	4.4
Cash and cash equivalents at end of period	**29.7**	17.6	12.2

[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 4 for detail.

Notes to the condensed financial statements

1. Accounting policies

1.1 Basis of preparation of financial statements

Amigo Holdings PLC is a public company (following IPO on 4 July 2018), listed upon the London Stock Exchange (LSE: AMGO). On listing the Company changed name from Amigo Holdings Limited to Amigo Holdings PLC.

These consolidated financial statements have been prepared on the going concern basis and in accordance with the recognition and measurement requirements of the International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The consolidated financial statements are prepared under the historical cost convention except for financial instruments measured at amortised cost or fair value. 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 2018.

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 2018, other than that IFRS 9 and IFRS 15 have been applied to the Group's financial statements. Changes to significant accounting policies are described in note 1.2.

The consolidated financial statements of the Group as at and for the year ended 31 March 2018 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 2018 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 28 February 2019.

1.2 Significant accounting policies

Details of the accounting policies applied are those set out in Amigo Holdings Limited's Financial Statements 2018 with the exception of IFRS 9 which was adopted from 1 April 2018 and is

considered further in 1.2.3 below. IFRS 15 was considered but is not material to the sources of revenue for the Group.

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 statutory financial statements of the Group for the period ended 31 March 2018.

During the period a number of new standards and amendments to IFRS became effective and were adopted by the Group. The impact of IFRS 9 is described below, otherwise none of the other changes had a material impact on the Group's net cash flows, financial position, total comprehensive income or earnings per share.

	31-Mar-18 Closing £m	01-Apr-18 IFRS 9 Impact £m	01-Apr-18 Opening £m
Non-current assets			
Property, plant and equipment	0.6	-	0.6
Intangibles	0.1	-	0.1
Deferred tax	-	7.9	7.9
	0.7	**7.9**	**8.6**
Current assets			
Gross loan book	668.1	-	668.1
Loss allowance	(21.2)	(44.2)	(65.4)
Loan book	**646.9**	**(44.2)**	**602.7**
Deferred broker fees	19.4	(1.4)	18.0
Customer loans and receivables	**666.3**	**(45.6)**	**620.7**
Other receivables	2.3	-	2.3
Cash at bank and in hand	12.2	-	12.2
	680.8	**(45.6)**	**635.2**
Total assets	**681.5**	**(37.7)**	**643.8**
Total liabilities	**(687.8)**	**-**	**(687.8)**
Net assets / (liabilities)	**(6.3)**	**(37.7)**	**(44.0)**
Capital and reserves			
Called up share capital	1.0	-	1.0
Share premium	0.9	-	0.9
Merger reserve	(295.2)	-	(295.2)
Retained earnings	287.0	(37.7)	249.3
Shareholder equity	**(6.3)**	**(37.7)**	**(44.0)**

There have been no changes to the measurement of financial assets and liabilities upon adoption of IFRS 9, classification has changed from Loans and receivables to Amortised Cost.

1.2.3. IFRS 9

IFRS 9 'Financial Instruments' is the replacement of IAS 39 'Financial instruments, recognition and measurement' and was adopted on 01 April 2018. The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarised below.

The assessment below is dependent on management's judgements and estimates particularly with regard to forward looking assumptions. The full impact of adopting IFRS 9 on the current year consolidated Financial Statements will depend on the financial instruments that the Group holds during the current financial year, the macroeconomic environment and judgements made during the year.

1.2.3.1. Classification

IFRS 9 adopts 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 Though 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.

The Group does not believe that the new classification requirements have had a significant impact upon the measurement bases for its financial assets. Loans to customers that are classified as loans and receivables and measured at amortised cost under IAS 39 are also measured at amortised cost under IFRS 9.

1.2.3.2. Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward looking 'expected credit loss' (ECL) model. IFRS 9 requires an impairment provision to be recognised on origination of a loan. Under IAS39, a provision is made where there has been objective evidence of impairment, such as a borrower falling into arrears. Additionally, the IAS39 methodology included a provision against up to date loans for losses where the loss has been incurred but not yet reported and is likely to be reported during a short emergence period. Under IFRS9, a provision will be made against all stage 1 (see note 1.2.3.2.1) loans to reflect the probability that they will default within the next 12 months, which is longer than the emergence period used under IAS39, thus accelerating the recognition of impairment charges. 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 versus IAS39. IFRS 9 only changes the timing of impairment losses with earlier recognition of impairment provisions on a growing loan book; the Group's cash flows are unaffected by the change in accounting standard and the lifetime losses are the same under both IAS 39 and IFRS 9.

1.2.3.2.1. Measurement of ECLs

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

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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.

Loss allowances for Stage 1 financial assets are based on 12-month ECLs, that is the portion of ECLs that result from default events that are estimated within 12 months of the reporting date and are recognised from the date of initial recognition. 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.

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. 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 Groups historical trends, current credit loss behaviour and management judgements.

The impairment requirements of IFRS 9 are complex and require management judgements, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

• assessing whether the credit risk of an instrument has increased significantly since initial recognition;

• incorporating forward-looking information into the measurement of ECLs; and

• incorporating a probability weighted estimate of external macroeconomic factors into the measurement of ECLs.

The Group performs separate credit and affordability assessments on both the borrower and guarantor. 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. In substance the Group treats the borrower and the guarantor as having equivalent responsibilities. This dual borrower nature of the product is a key consideration in determining the staging and the recoverability of financial assets.

1.2.3.2.2. Assessment of significant change in credit 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 significant change. To determine whether there has been a significant increase in credit risk the following 2 step approach has been taken:

1) The primary indicator of whether a significant increase in credit risk has occurred for an asset is determined by considering the performance of each payment status flag on a collective basis (see note 1.2.3.2.1.). The Group considers the credit risk of an asset to have increased significantly since initial recognition if a payment flag has been placed on a specific account indicating the remaining lifetime probability of default has increased significantly since initial recognition.

The Group reassesses the flag status of all loans at each month end on a collective basis 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 when a payment flag is removed from the account.

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 (31 days), which is aligned to the rebuttable presumption of 30 days past due.

1.2.3.2.2.1 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 to 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.

1.2.3.2.3. 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.

1.2.3.2.4. 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. Forecast unemployment rates have been factored into the credit loss models utilising four scenarios based on independent forecasts of future economic conditions and applying a probability weighted approach.

These weighted scenarios include a base (60%), an upside (6.6%) and two downside scenarios (20.2% and 13.2%). The forward looking scenarios have been reviewed regularly as part of a working group, with the selection of scenarios and scenario weightings consistent since the date of transition. The scenarios are weighted according to management judgement of each scenario's likelihood. The base case attracts 60% 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 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.

1.2.3.3. Transition

The Group has taken advantage of the exemption and not restated comparative information for periods up to 31 March 2018. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. The estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Group's equity at 1 April 2018 is approximately £38m. This represents:

• £nil related to the classification requirements;

• An expected reduction of approximately 7% of the carrying value of the loan book related to increased IFRS 9 impairment charge;

• An increase of approximately 17% of the additional IFRS 9 impairment provision in the carrying value of the deferred tax asset; and

• An expected reduction of approximately £38m of net assets related to increased IFRS 9 impairment provision. The above are estimates and will not be finalised until all transition work has been completed. The impact is the Group's best estimate pending finalisation of the transition work. The Group continues to refine, monitor and validate certain elements of the impairment models and related controls ahead of full reporting of IFRS 9 impacts later in the financial year.

1.2.3.4. Disclosure

IFRS 9 requires additional disclosures, in particular with regards to credit risk and ECLs. The Group's implementation project included assessing the disclosure requirements, identifying data gaps and implementing the necessary system and control changes to enable the required disclosure.

1.2.3.5. Securitisation transactions

The group securitises its financial assets via the sale of these assets to special purpose entities, which in turn issue securities to investors. All financial assets continue to be held on the Group's consolidated balance sheet, together with debt securities in issue recognised for the funding.

2. Revenue

Revenue consists of interest revenue and is derived from a single segment in the UK. 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.

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3. Interest payable and funding facility

	Period to 31-Dec-18 Unaudited £m	Period to 31-Dec-17 Unaudited £m	Year to 31-Mar-18 Audited £m
Bank interest payable	**2.7**	1.5	2.9
Senior secured notes interest payable	**22.3**	19.5	25.0
Securitisation interest payable	**0.2**	-	-
Funding facility fees	**2.3**	0.7	2.5
	27.5	21.7	30.4
Shareholder loan note interest	**6.0**	15.3	21.2
Total interest payable	**33.5**	37.0	51.6

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

4. IPO and related financing costs

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

	Period to 31-Dec-18 Unaudited £m	Period to 31-Dec-17 Unaudited £m	Year to 31-Mar-18 Audited £m
IPO and related financing costs	**3.9**	-	2.1

IPO costs

IPO costs relate to advisor, legal fees, and financing fees in respect of the listing of the Group in July 2018.

5. Taxation

The applicable corporation tax rate for the period to 31 December 2018 was 19% and the effective tax rate is 20.9%. The Group's effective tax rate for the period to 31 December 2017 was 19.2%. The current period effective tax rate is reflective of the applicable corporate tax rate for the year and reconciling items, recognising an element of the IPO and related financing costs as disallowable.

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6. Earnings per share

	31-Dec -18	31-Dec-17	31-Mar-18
	Unaudited	Unaudited	Audited
	Pence	Pence	Pence
Basic and Diluted EPS	**13.9**	9.6	12.7
Adjusted Basic EPS*	**16.0**	13.2	18.1

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

Reconciliations of the earnings used in the calculations are set out below:

	31-Dec -18	31-Dec-17	31-Mar-18
	Unaudited	Unaudited	Audited
	£m	£m	£m
Earnings for basic EPS	**62.5**	38.3	50.6
Shareholder loan note interest	**6.0**	15.3	21.2
IPO and related financing costs	**3.9**	-	2.1
Less: tax on Shareholder loan note interest and IPO and related financing costs	**(0.4)**	(1.0)	(1.5)
Earnings for adjusted basic EPS*	**72.0**	52.6	72.4
Weighted average number of shares (m)	**449.6**	400.0	400.0

*Adjusted Basic EPS and Earnings for adjusted basic EPS are non-GAAP measures and are unaudited.

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 2018 and 31 December 2017 as a result of the change in the number of shares without a corresponding change in resources.

7. Customer loans and receivables

The below table is prepared on an IFRS 9 basis, in accordance with the transitional provisions of the standard.

	31-Dec-18	01-Apr-18
	Unaudited	Unaudited
Customer loans and receivables	**£m**	£m
Stage 1	**647.0**	584.5
Stage 2	**97.3**	69.1
Stage 3	**25.7**	14.5
Gross Loan Book	**770.0**	668.1
Provision	**(74.3)**	(65.4)
Deferred broker costs[1]	**20.1**	18.0
Customer loans and receivables	**715.8**	620.7

A reconciliation of the 01 April 2018 opening amounts receivable from customers is presented in note 1.2. Staging of assets is described in detail in note 1.2.3.2.1.

As at 31 December 2018, 107.6m of the loans to customers had its beneficial interest assigned to SPV entities as collateral for securitisation transactions.

[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.

Impairment provisions

	£m
Total impairment provisions at 31 March 2018 (under IAS 39)	21.2
IFRS 9 adjustment to opening provision for loan impairments	44.2
Total impairment provisions at 1 April 2018 (under IFRS 9)	65.4

	01-Apr-18	Movement	31-Dec-18
	£m	£m	£m
Stage 1	36.9	(7.5)	29.4
Stage 2	14.3	5.7	20.0
Stage 3	14.2	10.7	24.9
Total	**65.4**	**8.9**	**74.3**

Ageing of gross loan book by days overdue

	31-Dec-18	31-Dec-17	31-Mar-18
	Unaudited	Unaudited	Audited
	£m	£m	£m
Current	**667.2**	564.1	605.6
1 - 30 days	**65.6**	42.2	40.3
31 to 60 days	**11.7**	7.0	7.7
>61 days	**25.5**	13.6	14.5
Gross Loan Book	**770.0**	626.9	668.1

	31-Dec-18	31-Dec-17	31-Mar-18
	Unaudited	Unaudited	Audited
Customer loans and receivables	**£m**	£m	£m
Due within one year	**401.4**	349.6	373.6
Due in more than one year	**294.3**	257.4	273.3
Net Loan book	**695.7**	607.0	646.9
Deferred broker costs[1]	**20.1**	18.0	19.4
Customer loans and receivables	**715.8**	625.0	666.3

8. Other receivables

	31-Dec-18	31-Dec-17	31-Mar-18
	Unaudited	Unaudited	Audited
	£m	£m	£m
Current			
Other receivables	**0.1**	0.9	0.9
Prepayments and accrued income	**1.5**	1.2	1.4
	1.6	2.1	2.3

9. Trade and other payables

	31-Dec-18	31-Dec -17	31-Mar-18
	Unaudited	Unaudited	Audited
	£m	£m	£m
Current			
Accrued senior secured note interest	**13.6**	13.7	6.3
Trade payables	**0.4**	1.5	0.8
Amounts owed to Group undertakings	**-**	-	0.4
Taxation and social security	**0.7**	1.7	0.2
Accruals and deferred income	**9.3**	10.4	11.1
	24.0	27.3	18.8

10. Bank and other borrowings

	31-Dec -18 Unaudited £m	31-Dec -17 Unaudited £m	31-Mar-18 Audited £m
Non-current liabilities			
Amounts falling due 2-3 years			
Securitisation facility	**84.7**	-	-
Amounts falling due 3-4 years			
Bank loan	**17.6**	45.4	62.2
Amounts falling due > 5 years			
Senior secured notes	**386.0**	392.7	392.8
	488.3	438.1	455.0

The bank facility, and the senior secured notes are secured by a charge over ALGL Group's assets and a cross guarantee given by other ALGL Group companies.

The inaugural securitisation on 13 November 2018 for a £150 million facility was increased as at 17 December 2018 to £200 million, of which, £84.7m was drawn down (net of amortised fees) at 31 December 2018.

11. Shareholder loan notes

	31-Dec-18 Unaudited £m	31-Dec-17 Unaudited £m	31-Mar-18 Audited £m
Amounts falling due > 5 years			
Shareholder loan notes	-	195.2	201.1

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

12. 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.

13. Share based payment

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.

14. Related Party Transactions

Other than transfer of shareholder loan notes to equity in the period (see note 11), the Group had no related party transactions during the nine month period to 31 December 2018 that would materially affect the performance of the Group. Details of the transactions for the year ended 31 March 2018 can be found in note 21 of the Amigo Holdings Limited 2018 financial statements.

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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 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.

(1) "**Net Loan Book**" is a subset of customer loans and receivables, comprised of:

	31-Dec-18	31-Dec-17	31-Mar-18
	£m	£m	£m
Gross Loan Book[a]	**770.0**	626.9	668.1
Provision[b]	**(74.3)**	(19.9)	(21.2)
Net Loan Book[c]	**695.7**	607.0	646.9

(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.

(2) "**Net borrowings**" is comprised of:

	31-Dec-18	31-Dec-17	31-Mar-18
	£m	£m	£m
Borrowings	**(488.3)**	(438.1)	(455.0)
Cash at bank and in hand	**29.7**	17.6	12.2
Net Borrowings	**(458.6)**	(420.5)	(442.8)

(3) The Group defines loan to value ("LTV") as net borrowings divided by gross loan book

	31-Dec-18	31-Dec-17	31-Mar-18
Net Borrowings (£m)	**(458.6)**	(420.5)	(442.8)
Gross Loan Book (£m)	**770.0**	626.9	668.1
Net borrowings / gross loan book	**59.6%**	67.1%	66.3%

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(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 31 December 2018, 2017 and 31 March 2018.

	31-Dec-18	31-Dec-17	31-Mar-18
	£m	£m	£m
Shareholder equity*	**227.1**	(18.4)	(44.0)
Intangible assets	**(0.1)**	(0.1)	(0.1)
Shareholder loan notes	**-**	195.2	201.1
Adjusted Tangible Equity	**227.0**	176.7	157.0
Net borrowings / Adjusted Tangible Equity	**2.0**	2.4	2.8

Opening balance adjustment on IFRS 9 adoption*	31-Mar-18	Adjustment	01-Apr-18
			£m
Shareholder equity	(6.3)	(37.7)	(44.0)
Intangible assets	(0.1)	-	(0.1)
Shareholder loan notes	201.1	-	201.1
Adjusted Tangible Equity	194.7	(37.7)	157.0
Net borrowings / Adjusted Tangible Equity	2.3	0.5	2.8

*See note 1.2 for impact of IFRS 9 adoption on 01 April 2018.

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 the nine month period ended 31 December 2018, 2017 and full year 31 March 2018.

	31-Dec-18	31-Dec-17	31-Mar-18
	£m	£m	£m
Revenue	**201.0**	149.9	210.8
Impairment charge	**(48.7)**	(31.4)	(44.8)
Risk Adjusted Revenue	**152.3**	118.5	166.0

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.

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(6) The Group defines "**Risk Adjusted Margin**" as Risk Adjusted Revenue* divided by the Average of Gross Loan Book.

	31-Dec-18	31-Dec-17	31-Mar-18
Risk Adjusted Revenue*	**152.3**	118.5	166.0
Average Gross Loan Book[(a)]	**719.1**	518.7	539.3
Risk Adjusted Margin	**28.2%**	30.5%	30.8%

(a) Average Gross Loan Book	**£m**	£m	£m
Opening Gross Loan Book	**668.1**	410.4	410.4
Closing Gross Loan Book	**770.0**	626.9	668.1
Average Gross Loan Book	**719.1**	**518.7**	**539.3**

*For nine month periods the Risk Adjusted Revenue is annualised by dividing by 9 months and multiplying by 12 months.

(7) The Group defines "**Net Interest Margin**" as net interest income* divided by the average of Gross Loan Book.

	31-Dec-18	31-Dec-17	31-Mar-18
	£m	£m	£m
Revenue	**201.0**	149.9	210.8
Interest payable and funding facility fees	**(27.5)**	(21.7)	(30.4)
Net Interest Income	**173.5**	128.2	180.4
Net Interest Margin	**32.2%**	**33.0%**	**33.5%**

*For nine month periods the Net Interest Income is annualised by dividing by 9 months and multiplying by 12 months. Comparatives adjusted to exclude cash.

(8) The Group defines "**Cost:Income Ratio**" as operating expenses excluding IPO costs and related financing divided by Revenue.

	31-Dec-18	31-Dec-17	31-Mar-18
	£m	£m	£m
Revenue	**201.0**	149.9	210.8
Operating expenses	**35.9**	34.1	46.2
Cost Income Ratio	**17.9%**	22.7%	21.9%

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

	31-Dec-18	31-Dec-17	31-Mar-18
	£m	£m	£m
Revenue	**201.0**	149.9	210.8
Impairment of amounts receivable from customers	**48.7**	31.4	44.8
Impairment charge as a percentage of Revenue	**24.2%**	20.9%	21.3%