Amigo Holdings PLC

Annual report and accounts 2020

We are proud to be the UK's leading provider of guarantor loans, meeting the need in society for financial inclusion

Our values

Simple

by never overcomplicating things

Read more on pages 2 and 3

Human

with our decisions

Read more on pages 4 and 5

Honest

about what we offer

Read more on pages 6 and 7

Forward-looking statements

This Annual Report and Amigo Holdings PLC's (the "Company") website may contain certain "forward-looking statements". These statements can be identified by the fact that they do not relate only to historical or current facts. In particular, forward-looking statements include all statements that express forecasts, expectations, plans, outlook, objectives and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of changes in interest or exchange rates, the availability or cost of financing to the Company, anticipated cost savings or synergies, expected investments, the completion of any strategic transactions or restructuring programmes, anticipated tax rates, changes in the international tax environment, expected cash payments, outcomes of litigation, anticipated changes in the value of assets and liabilities related to pension schemes and general economic conditions.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "anticipates", "aims", "due", "could", "may", "should", "will", "would", "expects", "believes", "intends", "plans", "targets", "goal" or "estimates" or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. By their very nature, forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will or may occur in the future. Many of these assumptions, risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely. There are a number of such factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the political conditions, economies and markets in which the Group operates (including the impact of the UK leaving the EU and the effects of the global Covid-19 pandemic); changes in the legal,regulatory and competition frameworks in which the Group operates; changes in the markets from which the Group raises finance; the impact of legal or other proceedings against or which affect the Group; changes in accounting practices and interpretation of accounting standards under IFRS; and changes in interest and exchange rates.

Any forward-looking statements made in this Annual Report or the Company's website, or made subsequently, which are attributable to the Company or any other member of the Group, or persons acting on their behalf, are expressly qualified in their entirety by the factors referred to above. Each forward-looking statement speaks only as of the date it is made. Except as required by legal or statutory obligations, the Company does not intend to update any forward-looking statements.

Nothing in this Annual Report or the Company's website should be construed as a profit forecast or an invitation to deal in the securities of the Company.

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Simple

by never overcomplicating things

Our product offering is simple and transparent

We offer guarantor loans to customers who typically have a poor or thin credit file, with a representative APR of 49.9%. Amigo does not add any fees, early redemption penalties or other charges.

Continuous support

From when our customers make an application, right the way through to their final payment, our skilled and dedicated teams are on hand to make their journey with Amigo as supportive and seamless as possible.

Credit restorative

Unlike other higher interest products, Amigo repayments are recorded positively on customers' credit files. Assuming any other credit is also managed positively, an Amigo loan may contribute to improving or building a customer's credit score without our customers having to do anything other than maintain their repayments.

Affordability

We aim to ensure that we provide money to customers that can afford the repayments. Our online application uses tools such as open banking to help assess customers' affordability and to allow us to cross-check against the information they've provided.

Flexibility

We've made paying back our loans as simple as possible. We have tailored repayment options to suit our customers' needs and how they get paid. Our proprietary technology allows customers to pay their loan weekly, fortnightly, monthly and by cash.

Read more about the role of the guarantor on page 17

"Voted Moneynet's Best Credit Builder 2014–2019"

Human

with our decisions

Our people are our greatest asset

We believe that our people are key to our success. That is why we go the extra mile to make sure our employees work in the best environment with the support they need to develop their own potential and to do a great job for our customers. Our digitalised model enabled us to move quickly to working remotely during Covid-19 and we have continued to support our employees' health and wellbeing throughout.

Development and training

From the very beginning, our employees go through in-depth training in our Amigo Academy to give them the best foundation for a successful start. We offer a wide range of further learning and development opportunities to support our employees' progress throughout their career with us.

Health and wellbeing

We have a number of schemes and initiatives to help our employees lead happy, healthy lives, delivered by our dedicated Health and Wellbeing team. We have our own in-house café, in-house massage therapists, gym membership and yoga, pilates and meditation classes, as well as an employee assistance programme with a 24/7 confidential helpline.

Diversity

Amigo has always championed the idea of our employees feeling free and comfortable to be who they are, in an open and respectful environment. We recognise the value of individual differences. At Amigo, our people's attitude and approach to our customers is what matters most.

Giving something back

Our values extend past the doors of our office. Amigo employees donate to various local, national and international charities. We have a paid volunteering scheme encouraging every employee to spend time each year volunteering.

Read more about how Amigo engages with our teams and our community on **pages 42 to 47**

"Amigo is dedicated to doing the best for its customers and its employees. We care for both in equal measure."

Honest

about what we offer

Doing the right thing for our customers

Our customer experience is incredibly important to us. We listen to our customers to make sure our decisions are based around what is best for them.

An open book

Our customers have open and easy access to their loan information. Each customer has a personalised online account where they can see their balance in real time, how much interest has accrued and their daily settlement figure.

Kept in the loop

We ensure our customers are always kept up to date. Both the borrower and guarantor receive updates on any changes to their account, payment reminders and much more by SMS, email and post – depending on their communication preferences.

No fees or charges

We believe that if someone's circumstances change and they are unable to make their repayment, the last thing they need is a late repayment charge. So, we don't charge any. We also have no charges for letters, processing or ancillary services.

Interest capped

Although it is not a regulatory requirement, we "cap" the total amount repayable and interest charged. This means that even if a customer does hit a bump in the road and is offered one of our payment plans, which could extend the term of the loan, they will never pay back a penny more than they originally agreed to.

Read more about our customers' experiences on **pages 21, 23 and 28**

> **Excellent team with incredible support – made loan process easy and seamless.**
>
> **Trustpilot, March 2020**

We make borrowing possible

Why we're here

Amigo exists for a very simple reason: to give people the chance to improve their lives. Over the years we have helped hundreds of thousands of people who may have been turned away by mainstream banks to gain access to finance, with the added potential of improving their credit score. Our purpose shapes our culture and means our teams are dedicated to achieving the best outcomes for our customers.

Customer numbers

222,000

Each backed by a supporting guarantor

How we do it

We bring guarantors into the process, usually a family member or friend, who will support the borrower to achieve their financial goals and agree to make the repayments if the borrower is unable to do so. We believe the guarantor will know the borrower better than a computerised credit score ever will. We have a multi-step process to assess the affordability of the loan for both the borrower and guarantor and, importantly, that the guarantor fully understands what is expected from them.

Number of payments made by guarantors

<10%

Helping our customers

We are a mid-cost lender. Our guarantor loan product is distinct from more expensive or less flexible forms of non-standard finance, such as payday loans, in that it offers a significantly lower interest rate, larger loan amounts and longer loan terms. Our customers come to us for help with considered purchases, not to manage day-to-day expenses.

This year we've helped

Headlines

Financial headlines

- Net loan book reduction of 9.1% year on year to £643.1m (2019: £707.6m)*
- Revenue growth of 8.7% (2019: £270.7m) to £294.2m
- Impairment:revenue ratio at 38.5% (2019: 23.7%) reflecting material impact from Covid-19*
- Operating cost:income ratio (excluding complaints) of 20.2% (2019: 17.5%) due to increased investment*
- Complaints cost of £126.8m and complaints provision of £117.5m as at 31 March 2020 driven by an increase in complaints volumes (complaints cost 2019: £0.1m; complaints provision 2019: £nil)
- Reported statutory loss after tax for the period of £27.2m, (2019: £88.6m profit)
- Total dividend per share relating specifically to the financial year: 3.1p (2019: 1.87p) as paid in January 2020. To conserve capital the Board is not recommending a final dividend
- Net borrowing adjusted tangible equity: 2.4x (2019: 1.9x). Gearing remains low at around pre-IPO levels*
- £64.3m of cash and cash equivalents as at 31 March 2020 (2019: £15.2m); unrestricted cash balance of over £135m as at 30 June 2020
- The Board notes that a material uncertainty exists relating to going concern due to Covid-19 and the potential for either a sustained high level of customer complaints redress or a negative outcome of the FCA investigation (see note 1.1 to the financial statements). Despite this, the Board considers there to be adequate liquidity to continue to support the ongoing business activity

> Read more in our Financial review on page 29

Operational headlines

- Lowering of overall Group risk appetite as the regulatory landscape continued to evolve resulting in (i) lower levels of repeat lending and (ii) increased lending to new customers, as a proportion of originations
- All new lending temporarily paused on 24 March 2020 in response to Covid-19, except to key workers in exceptional circumstances
- Formal sale process (FSP), launched in January 2020, terminated following withdrawal of potential acquirer. A strategic review is ongoing.
- Shareholders voted against all resolutions to remove the Board and appoint new directors at the General Meeting on 17 June 2020, which was requisitioned by Richmond Group Limited (RGL)
- Post-year-end agreement reached with FCA on resolving complaints backlog by 30 October 2020, and FCA investigation into Amigo's creditworthiness assessments initiated

* For detailed definitions and calculations of these alternative performance measures (APMs) mentioned, please see the APMs section on pages 144 to 149

Revenue (£m)

Net loan book (£m)

Statutory loss after tax (£m)

Customer numbers

Net borrowings/adjusted tangible equity

Employee engagement score

7.7/10

introduced in FY20

Amigo plays an important role in society

Despite the challenges we face, it is important to remember that Amigo serves a purpose in providing financial inclusion.

Roger Lovering
Acting Chair

The financial year ended 31 March 2020, and beyond, has been a difficult period for Amigo and our stakeholders. We have faced many challenges, whilst operating against a backdrop of an evolving regulatory landscape and the economic uncertainty surrounding the Covid-19 pandemic. It has been particularly saddening to have had a dispute with our largest shareholder, Richmond Group Limited (RGL), and founder, with much of this dispute played out in the public domain. In January 2020, statements from RGL led us to launch a strategic review of the business and formal sale process (FSP) and in June a General Meeting was held, requisitioned by RGL, proposing to remove all members of the Board. Prior to the meeting, RGL indicated that it would sell down its entire holding if the resolutions were not passed. Accordingly, it commenced a daily sell down of 1% of Amigo's issued share capital on 18 June 2020.

As a Board, we recognise the significant loss of shareholder value. Following the General Meeting, with the resolutions rejected, we now have a way forward and will look to rebuild the Board. I would like to assure our investors that we are working hard to address these challenges and to quickly put Amigo back on a positive footing.

Complaints

The substantial rise in complaints received, notably post year end, is the biggest challenge we face as a Group. While we cannot be certain how this will develop further, we have today announced a significant provision. We have built capacity to cope with this increase in volume of complaints and are engaging with the FOS and our regulator to provide a route forward.

There has been increased regulatory focus on the guarantor loan sector over the last 18 months. After the year end, at the end of May 2020, the FCA announced that it would be undertaking a review of our creditworthiness assessments from November 2018 to date. At this stage it is too early to say what the outcome of the investigation will be, but we welcome the opportunity to better understand the regulator's approach over this period.

Covid-19

Following the outbreak of the Covid-19 pandemic, which continues to affect communities globally, approximately 47,000 of our customers have been granted a payment holiday. To help our customers we have included a break from interest for the first three months of any pause in payments and we will work with our customers to help them transition back to a normal payment plan.

It is a testament to the agility of our digitalised business model and commitment of our people that we were able to respond at speed to the pandemic, migrating almost 400 employees to home working by the end of March 2020, with no disruption to our customer service. Our top priority remains the health and wellbeing of our employees, customers and partners as we begin a phased return to our offices. I am also pleased that as a business we have been able to pledge £100,000 to help five charities at this difficult time: three national charities supporting the NHS, the elderly and the homeless; and two local partner charities, including a local children's

hospice and a charity that provides financial assistance to those suffering with cancer.

I am profoundly proud of how our teams have adapted to the challenges we have faced and would like to express my deep thanks to all of our people for their hard work and dedication, maintaining our service to our customers throughout.

Board

On 17 June 2020 a General Meeting was held, having been requisitioned by RGL, with resolutions to remove each of the five members of the Board at that time and appoint two alternative named directors in their place. All resolutions were opposed with over 90% of the minority shareholders that voted supporting the Company. Prior to the vote, the existing Board members had indicated their willingness to step down.

In December 2019, the resignations from the Board of former Chair Stephan Wilcke, CEO Hamish Paton and former Non-Executive Director Clare Salmon were announced. Clare subsequently left the business on 5 February 2020 and Stephan on 18 June 2020, although he remains as a consultant to the business for an interim period (on a no-fee basis). It has been agreed that Hamish will leave Amigo on 31 July 2020. As a result, Richard Price was appointed Interim Chair of the Remuneration Committee and I was appointed Chair of the Nomination Committee. On 18 June 2020, I also took up the position of Acting Chair until such time as a permanent replacement is appointed.

I am delighted, on behalf of the Board, to welcome back Glen Crawford, who will be re-joining Amigo as CEO and Board member, having left for medical reasons in 2019. Subject to the necessary regulatory approvals, it is intended that Glen's appointment will take effect from 1 August 2020. Glen is a natural choice and brings experience and leadership to the Company at this challenging time. The search for a suitable replacement Chair of the Board is progressing well.

On behalf of the Board, I would like to thank Stephan, Hamish and Clare for their contributions during what has been a difficult time for both the Company and for them personally.

Good governance is important to us and the process is underway to return the Board to an appropriate composition in accordance with the UK Corporate Governance Code.

Formal sale process

Amigo has concluded the formal sale process announced on 27 January 2020. The FSP identified a number of potential acquirers which made indicative offers that were materially above where Amigo's shares were trading at the time they were received and that the Board considered worthy of further investigation. However, the potential acquirer with whom the Company had been in discussions withdrew from the process in June and the Board subsequently announced the termination of the FSP.

Dividend

Due to the uncertainty caused by the Covid-19 pandemic and the increased complaints provision, the Board is taking steps to conserve cash and maximise financial flexibility. Therefore, the Board has decided that it will not propose a final dividend payment for the year ended 31 March 2020. The cash cost of last year's final dividend was £35.4m.

Outlook

Amigo faces a number of challenges which the Board and wider team are working hard to address. The economic impact of Covid-19, a potential increase in the level of complaints received and the possible outcome of the FCA investigation have led to a material uncertainty surrounding going concern. Despite this, the Board considers there to be adequate liquidity to support our business. As at year end, we had equity of £167.4m after making the £117.5m provision for complaints, and as at 30 June 2020, we have unrestricted cash of over £135m.

The long-term drivers of our business are unchanged, we have fantastic employees and a clear focus on the challenges and opportunities we face.

Despite the difficulties we face, it is important to remember that Amigo serves a purpose in providing financial inclusion to those who are unable to access finance through mainstream lenders. This will be even more important as the country recovers from the economic impact of Covid-19 as during times of economic stress finance providers may retreat from the non-standard finance market, further limiting customers' choice. We have optimised our processes to enable us to resume lending quickly when it is appropriate to do so.

The result of the General Meeting has provided clarity over the Group's governance and we can now move forward without distraction. We will continue to engage proactively and positively with our regulators and are moving swiftly to bring stability to our leadership team. The long-term drivers of our business are unchanged, we have fantastic employees and a clear focus on the challenges and opportunities we face.

Roger Lovering
Acting Chair
20 July 2020

For further information see the Financial Review on pages 29 to 33

Market review

The ongoing Covid-19 pandemic has created a high level of economic uncertainty worldwide. It is too soon to say what lasting impact the pandemic will have but we believe that when we return to a more normalised world the pre-existing characteristics of the market will prevail. The non-standard credit market remains attractive with growth potential.

For more information on how we're helping our customers during the Covid-19 pandemic please see **pages 24 and 25**; and for details on the financial and risk impacts please see **pages 34 to 39**.

1 Strong demand for alternative finance

The UK non-standard finance sector has grown significantly over recent years with an estimated 10–12 million adults unable to access credit through mainstream lenders. Eliminating those who are highly indebted, who we would not consider appropriate Amigo customers, we estimate that the addressable pool of potential customers is around 8–10 million[1].

Amigo sits at the low end of the mid-cost consumer credit landscape. Increased regulatory oversight has seen many higher cost credit providers leave the market meaning that, with banks focusing predominantly on prime borrowers, demand has been heightened. Despite very strong growth, guarantor lenders still only account for a small portion of the alternate credit sector.

How we're responding:

Our purpose is underpinned by our goal to promote financial inclusion for all. We provide a fair and responsible alternative for the many people locked out of the high street banks.

2 Innovation in technology

The sector is continually evolving with innovation in technology driving a move towards online and digital platforms, leading customers to expect ever faster and more convenient solutions. With our bespoke IT and operational platforms enabling consistent operational performance and speed to market, we have the flexibility to evolve and stay one step ahead.

How we're responding:

This year we have extended our use of open banking technology within our affordability analysis. This allows us to access customers` bank information directly, speeding up the process for our customers. We've also introduced a self-serve payment plan facility to improve customers' online journey and help them manage their accounts.

3 The competitive landscape

Amigo holds a leading position with over 80% share within the guarantor segment of the wider non-standard finance sector. Our proprietary analytics capability and years of collected data, as well as our distinct credit scoring and payment management capabilities, give us a strong competitive advantage.

How we're responding:

We continue to invest in our business, people and technology, to ensure we maintain and develop industry leading practices. We are also testing differential pricing to remain competitive and offer the best solution for our customers.

4 An evolving regulatory environment

Over this last financial year, following significant growth in the guarantor loan segment, there has been increased regulatory oversight of the sector. There has also been an evolution in the Financial Ombudsman's (FOS) approach to its handling of complaints and an increase in the rate at which the FOS upholds complaints within the guarantor sector. See our CEO review on page 19 for details of ongoing regulatory reviews.

How we're responding:

We support regulation that protects consumers and maintains a fair and effective market. We engage fully with our regulators to highlight the important role we play in society, providing finance to an otherwise underserved population. We also seek to understand the change in approach seen over the year from the Financial Ombudsman. This will remain an ongoing focus for the Board.

1 Based on data from LEK Consulting, YouGov and Amigo's own calculations.

A successful start in Ireland

Amigo began providing guarantor loans in Ireland in February 2019. In Ireland the licensed moneylenders serve approximately 330,000* customers lending an estimated €270m. Our guarantor product provides a more flexible and less costly alternative to the more expensive doorstep lenders. As at the end of March 2020 we have attracted 3,400 borrowers, each with their own guarantor, growing a net loan book of £5.8m. Over the year, we have grown our team to manage the demand, from an average for the year of 18 employees compared to 11 last year. This is a good start and gives us confidence in our ability to roll out a valuable product into new markets.*

At the end of March 2020, as with the rest of the Group, Ireland paused lending following the onset of the Covid-19 pandemic. In June 2020, we reopened our office in line with Irish guidance and the majority of our team has returned. Our priority remains the health and wellbeing of our employees and we have taken additional health and safety steps to safeguard our teams, including additional cleaning, temperature checks, the use of PPE and social distancing measures. Amigo Ireland is ready to resume lending when it is appropriate to do so.

* Central Bank of Ireland, 2018.

Regulatory environment in Ireland

We are licensed by the Central Bank of Ireland (CBI) as a moneylender, the form of licence applicable to any non-bank lender lending at more than 23% APR. The CBI publishes conduct rules that relate to moneylenders. Much of the legislation is similar to the UK, as it is based on an EU directive. Although these are not as detailed as the FCA requirements, the CBI has recently published new rules that come into effect on 1 January 2021. The new rules cover: marketing; pre- and post-contract information; provision of information to guarantors; vulnerable consumers; complaints handling; outsourcing; and debt collection. We welcome the changes and had already implemented some of them prior to the release of the update, as we see these changes as being in the best interests of both Amigo and our customers. We are currently making the remaining necessary changes to our documentation and processes to ensure compliance with the requirements.

Amigo is one of the lowest cost licensed moneylenders in Ireland, offering loans of up to three years without having the need to lend or collect cash at the doorstep. The attraction of our product over the outdated door to door payout and collection model is already seeing customers move to us as a more flexible, less costly option than most moneylenders currently offer.

Daniel Hawkins
Managing Director, Amigo Ireland

Providing financial inclusion

Our business model serves a purpose in providing financial inclusion to those unable to access credit through mainstream lenders. This is likely to become increasingly relevant as the country recovers from the economic impact of Covid-19. The presence of guarantors enables us to lend at lower rates than might otherwise be possible and increases the security of the asset for our investors.

Our unique strengths

1 Brand recognition

We have built one of the most recognised non-standard finance brands in the UK. Since launching the Amigo brand in 2012, we have invested in building our profile through highly visible TV, radio and online advertising campaigns. Our refreshed advertising campaign launched this year helped attract a record number of new customers.

2 Leading position

Having pioneered the guarantor loan product in 2005, we are now the leading provider of guarantor loans in the UK, with over 80% of the guarantor loan segment of the market.

3 Guarantor support

The presence of the guarantor, often a close friend or family member, offers an implicit credit check with closer knowledge of the borrower than any lender can achieve, thereby enhancing the quality of the asset.

4 Proprietary data

Our 15 year presence in the guarantor loan space has enabled us to acquire and develop significant depth in customer data and credit scorecards. We believe we have collated the largest amount of proprietary analytical data from past loans and applications of any UK guarantor lender. We are able to use this data in our scorecards, loan performance analysis and underwriting decisions.

5 Scalable, bespoke IT platform

Our bespoke IT and operational platforms have been purpose built to support our guarantor lending activities, enabling consistent operational performance and speed to market, as well as a high level of customer service. Our entirely digitalised model enabled us to quickly adapt post Covid-19 with no disruption to our customers.

Our routes to market

Direct communication

We attract customers through our direct channel with our wide-reaching marketing activity and well established brand, supplemented by a strong digital presence.

37%
of originations
2019: 31%

Third party introducer

We have built strong, mutually beneficial relationships with nearly fifty different partners which include online and call centre brokers and price comparison websites. This diversified broker network requires no incremental marketing but indirectly benefits from the Amigo brand development.

35%
of originations
2019: 30%

Repeat business

We lend additional funds to existing customers who have displayed a good repayment history with Amigo. With good customer outcomes a priority, we have over this year taken a more conservative view on timing and frequency of any 'top up' loan to help prevent problems of persistent debt and reflect a lowering of overall Group risk appetite.

28%
of originations
2019: 39%

The journey our customers take

How our values shape this journey

Simple

Our product is simple with no fees, early redemption penalties or other charges

Human

Our teams deliver personal, collaborative and respectful customer service

Honest

We treat all our customers fairly, making the best outcomes for them our priority

How we create stakeholder value

Borrowers

We provide credit to customers with poor or thin credit files, who may have been turned down by mainstream lenders, giving them the opportunity to build or rebuild their credit score. We offer lower interest rates, larger amounts and longer loan terms than high-cost, short-term credit providers.

Guarantors

We support our guarantors throughout the process to ensure they fully understand their responsibilities. We enable the guarantor to support their family member or friend where, despite their own creditworthiness, they may not be able to lend the money themselves.

Employees and brokers

By building a sustainable business for the long term, we can provide fulfilling career progression for our teams and reliable business streams for our broker channels.

Investors

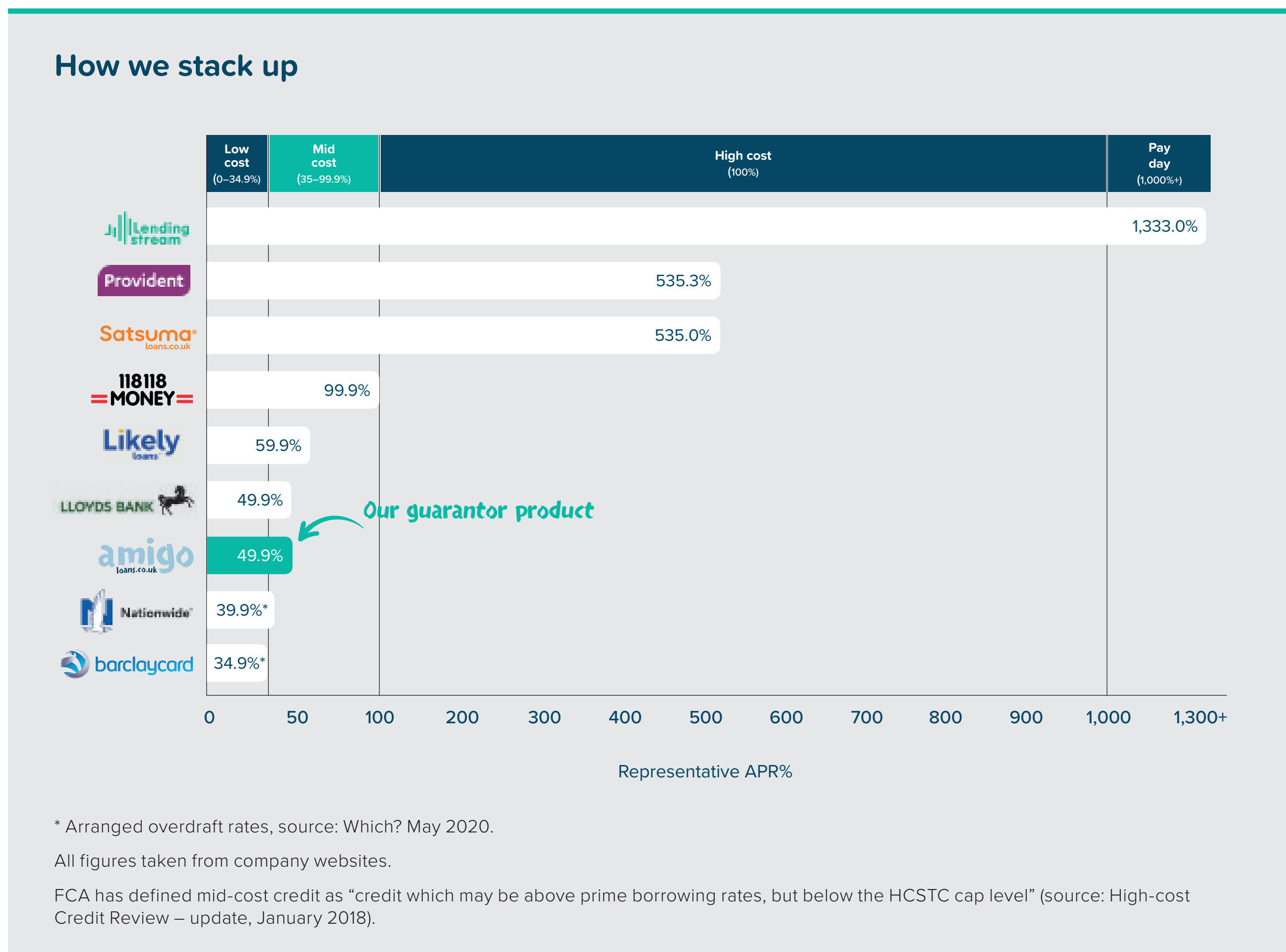
We recognise the loss of shareholder value resulting from the challenges we have faced this year and are looking to rebuild both value and trust in the business. The business model continues to generate significant cash with the presence of the guarantor adding enhanced asset quality.

Community

We believe in giving back to the community in which we live and operate. The causes we contribute to matter to our employees, impact the community in which we operate, have relevance for our customers and significance within the finance industry.

A mid-cost solution

At Amigo we're proud to be able to offer customers with a thin or poor credit record access to fair and responsible finance. The involvement of our guarantors and their personal knowledge of the borrower, coupled with our comprehensive affordability checks, gives us the confidence to lend and allows us to do so with a mid-cost rather than high-cost solution. Our guarantor product sits at the bottom end of the mid-cost category, alongside the not-for-profit credit unions which charge up to 42.6% APR, very close to our representative APR of 49.9%.



* Arranged overdraft rates, source: Which? May 2020.

All figures taken from company websites.

FCA has defined mid-cost credit as "credit which may be above prime borrowing rates, but below the HCSTC cap level" (source: High-cost Credit Review – update, January 2018).

How our interest is calculated

The interest on Amigo loans is calculated daily. This means that our borrowers only pay interest for the time they have the loan. So, if a loan is settled after 30 days, the borrower only pays interest on those 30 days. As we don't have any fees or charges for settling early or making extra payments, our borrowers can settle their loan at any time that suits them.

The daily interest is calculated against the balance of the loan. When the balance of the loan is higher in the early stages of the loan term, more interest is accrued against that higher balance.

When more payments have been paid and the balance is lower, there will be less interest. By making extra payments on top of the monthly repayments the balance is reduced faster, saving our customers money.

Whatever happens, we promise our customers will never pay back any more than they originally agreed to. That's because our interest is "capped". If anything does cause the interest to accrue faster, such as late payments or date changes, then the interest will stop once it hits the amount agreed when the loan was paid out, and our customers will not pay any more interest than that.

Our guarantors make lending possible

By standing as guarantor, they have been able to give their family, friends or loved ones the opportunity to access the finance they need. Whether that's getting them on the road, taking control of their finances or opening the door to a dream wedding, our guarantors are changing lives.

Like our borrowers, our guarantors go through the same rigorous application process to ensure the loan repayments are affordable should they need to step in. Our borrowers and guarantors tend to have open conversations face to face, discussing the borrower's circumstances and why they need the loan, implying an additional credit check and giving us extra assurance.

Our guarantors are our valued customers just as much as our borrowers and are always kept up to date with information regarding the loan. To eliminate unexpected surprises, our guarantors receive notifications when payments are made or missed and when they'd be expected to step in.

We have ten touch points with our guarantors throughout the loan application process. That's ten opportunities to ensure they understand the role and responsibilities of being a guarantor, and multiple opportunities for them to opt out of the process if they are unhappy.

1

Thinking of becoming a guarantor?

We have a dedicated guide on our website for all guarantors who want to know more about what being a guarantor entails and what their responsibilities are.

2

You've decided to go ahead

After the borrower has completed their side of the application it's your turn. Here you'll enter in your personal details, read through our T&Cs and electronically sign the agreement. We'll also suggest you seek external advice before progressing your application.

3

Making sure it's you

We'll send you a letter as a fraud prevention tool, ensuring it was you who signed the agreement online and reminding you of your responsibilities as a guarantor.

4

Assessing your affordability

Our online budgeting tool assesses your affordability to ensure the repayments are affordable should you need to step in and make a payment.

5

Keeping you in the loop

We'll let you know via SMS the application has been received and that we'll be calling you to talk though the guarantor role.

6

Important docs sent to you

We'll also send you an email with a copy of the guarantee and other signed documents.

7

A friendly chat

We'll give you a call to iron out any details, double-check you understand the loan process, the role of the guarantor and to check we have the right financial information. If we or you are unhappy on any issue, we won't pay out the loan.

8

Paying out the loan

You'll get a text from us letting you know that the funds have been paid into your account – not that of the borrower.

9

Written confirmation

We'll send you a letter with full copies of the agreements you have signed.

10

How to keep track

Finally, you'll get an email telling you the loan has been paid into your account. We'll also send you a link to your personalised online account where you can track the progress of loan repayments.

Responding to challenges

Amigo is a business of immense potential with a truly innovative product that plays a valuable role in society.

Hamish Paton
Chief Executive Officer

The financial year ended 31 March 2020 has been challenging both for Amigo and the wider sector. Through the course of the year we actively reviewed our approach to lending, reflective of an evolving regulatory landscape and an uncertain economic outlook. We tightened our underwriting assessments and our risk appetite. A reduction in repeat lending was implemented by Amigo during August 2019 and this was followed by a further lowering of Amigo's risk appetite in the second half of the year, as part of the strategic review. At the same time, we continued to strengthen our creditworthiness assessments to minimise risk for our borrowers, our guarantors and ourselves. At the end of March 2020, with the onset of Covid-19, we took the additional step to pause new lending to all customers, except for key workers meeting certain criteria. We continue to review our approach to lending as the situation develops. While Covid-19 actions had minimal impact on our full year performance, the lower originations and repeat lending resulting from the adjustment to our risk appetite, and an increase in the forward-looking impairment provision, led to an overall reduction in the net loan book of 9.1% compared to last year. Customer numbers and revenue in the year increased by 10.4% and 8.7% respectively, reflecting continued demand for our guarantor loan product and an increase in the average gross loan book over the year. However, increased provisions for both impairment and complaints contributed to a reported loss for the year of £27.2m.

Complaints

Over the past financial year, we have seen an evolution in the FOS' approach to its handling of complaints, resulting in a significant increase in the number of complaints the FOS has upheld in the customers' favour. In addition, we saw the level of complaints begin to increase from Q2 onwards. After the year end, the level of complaints increased substantially, with the majority of complaints coming from claims management companies.

In May 2020, we agreed a Voluntary Requirement (VReq) with the FCA to work through and reach a decision, before the end of June 2020, on a backlog of complaints that had developed. An amended VReq was agreed in July, covering a higher volume of complaints, with the deadline extended to the end of October 2020. We have upskilled and resourced our Complaints team to adapt to the significant increase in the volume of complaints received and we have taken independent advice on our complaints handling.

The cost of complaints in the year has increased to £126.8m with a remaining balance sheet provision of £117.5m as at 31 March 2020. The evolving situation, both in terms of an apparent regulatory evolution in outlook and the subsequent rise in complaints, is a challenge and one we are seeking to resolve as quickly as possible.

Operations

Excluding the cost of complaints, the ratio of operating expense to revenue at 20.2% reflects the continued efficiency in the Amigo model. As origination volumes decreased towards the end of the financial year, we have seen an associated reduction in acquisition and marketing costs.

The increase in the impairment provision has been driven in part by the impact of the worsening and uncertain economic outlook related to the Covid-19 pandemic on forward-looking assumptions and expected credit losses under IFRS 9. Earlier in the financial year, we reported an increase in the impairment provision due to operational capacity constraints where we had not grown our Collections teams in line with the high demand we had seen for our guarantor loan product and the resultant growth in customer numbers. We have made good progress since October 2019 with initiatives introduced to address this, with additional resource added to our Collections teams through both external recruitment and internal redeployment.

We regularly monitor and assess productivity and continue to invest in our people and technology accordingly. The ongoing investment in our bespoke IT systems and our processes has allowed greater automation and self-servicing, while retaining the personal element to Amigo's customer service. Over the year we have made changes to our customer journey, improving productivity and customer experience, for example by extending our use of open banking.

Our business in Ireland has progressed well over the year, growing its customer base significantly from its launch in February 2019, to achieve a net loan book of £5.8m by the end of the financial year. This is an encouraging start and demonstrates both demand for our product and our ability to successfully enter new markets.

Covid-19

Covid-19 presented an unprecedented challenge as we sought to protect our employees and follow government guidance while continuing to support our customers. I am immensely proud of our Amigo teams which succeeded in providing all employees with the appropriate equipment and support to facilitate remote working, while phasing in the transition to minimise the impact to our customers.

We introduced measures to help those affected by Covid-19. Where our customers are confident the impact is short term and is a result of Covid-19, we have introduced extra measures to support them. These include offering extended breathing space of up to six months to those experiencing potential payment difficulties, during which a customer's payments and contact are paused. In addition to this, we paused interest for customers for up to three months. As we cap the amount of interest our customers pay, this means that, despite the pause, they will not come back to higher monthly payments when they return to a normal payment plan and they will never pay more than stated in their original agreement. We have worked with the credit reference agencies to freeze the arrears status on a customer's credit file during this time, to ensure that the arrears status does not escalate while they are on extended breathing space. We continue to consider how our customers may be impacted in the longer term and what ongoing support we may be able to offer. For those who have an increased level of uncertainty around their longer-term finances, we can assist them with our existing forbearance options.

It is still too early to assess the full impact on our financial performance and as such it is not appropriate to issue guidance for this financial year. We have a strong cash position. Despite the special Covid-19 relief programme, cash collection has remained strong at 87% of pre-Covid-19 forecast projections. This includes the early settlement of some customer loans. We are well positioned to manage the challenges that the Covid-19 pandemic presents.

Regulatory update

The FCA has several sector-wide reviews ongoing for the non-standard finance sector including reviews of affordability, repeat lending and the treatment of vulnerable customers. Specific to guarantor lending, the FCA's reviews have focused on affordability, guarantor understanding and forbearance.

In November 2019, we received feedback from the FCA's multi-firm work into guarantor understanding. We have implemented a number of measures based on this feedback, providing more information to help our guarantors make an informed decision. While much of this was covered informally because of the relationship between the borrower and guarantor, this change formalises the sharing of this information.

Revenue

£294.2m

2019: £270.7m

Customer numbers

222,000

2019: 201,000

In April 2020, we received initial feedback from the FCA's review into affordability. We had already tested changes to our affordability verification processes and, as a result, a number of the recommendations from the FCA had been, or were in the process of being, implemented prior to March 2020, when we paused lending. We have extended our use of open banking as part of affordability assessments, as the improvement in open banking tools mean they are becoming more acceptable to consumers. The remaining recommendations by the FCA will be implemented before we return to meaningful levels of new lending.

As announced on 1 June 2020, the FCA has initiated an investigation into Amigo's creditworthiness assessment process, and the governance and oversight of this process. The investigation will cover the period from 1 November 2018 to date.

The FCA's review into, and guidance on, vulnerability has been delayed due to Covid-19. We have a dedicated team assisting customers deemed more vulnerable and our priority has always been the fair treatment and wellbeing of all our customers.

Amigo plays an important role in the lives of its customers, providing access to finance to those those unserved by mainstream lenders. This proposition remains highly relevant.

Regulatory update continued

The Covid-19 pandemic is undoubtedly putting pressure on the lending sector as a whole. Both the FCA and HM Treasury are monitoring the liquidity of all firms and we have been producing regular reports in accordance with their requests. We remain in a good position to help our existing customers through this difficult period and to return to providing our much needed guarantor loan product in time.

Looking forward

Whilst this last year has been challenging, it has also been a time when we have seen continued demand for our guarantor loan product. Amigo plays an important role in the lives of its customers, providing access to finance to those unserved by mainstream lenders. This proposition remains highly relevant.

We measure business performance against a range of KPIs – please see pages 26 and 27

In December 2019, I resigned as CEO and will leave the business at the end of July 2020 with former CEO, Glen Crawford, planning to return to the role from 1 August 2020. While it has been a difficult period, it has been a privilege to work with Amigo's teams of dedicated employees who believe in the business and its product. I would like to thank them for their support and commitment throughout. Amigo is a business of immense potential with a truly innovative product that plays a valuable role in society. With the General Meeting concluded, the business can now move forward and I wish the Board and Glen every success.

Hamish Paton
Chief Executive Officer
20 July 2020

Our values

Simple

Samantha's story

"Amigo Loans changed my life! Being a mum of two kids, finances can sometimes be a little tight. After having moved to the UK for a better life, my kids and I had to start all over from the beginning with no car or assets to our names. This made things extremely difficult for what felt like a lifetime!

I desperately needed a car to travel to work and do simple things, but didn't have enough money to purchase one. Due to being new to the country and not having a credit history, I was unable to access finance from my bank. A friend recommended Amigo, so I gave them a shot.

Due to the loan I received, I was able to purchase a car, which enabled me to get a better job which I love and has ultimately improved our standard of living! Without the loan, I would never have been able to offer my two kids the life they are living now. I'm truly grateful! It may be only something small to some, but the impact the loan has had on my life is massive."

Strategic review

In January 2020 we announced a strategic review of the business. The onset of Covid-19, as well as the General Meeting held in June, has delayed this process. Our return to lending is under constant review and with the General Meeting now concluded, the strategic review can continue. Our aim is to grow a sustainable business for the long term, providing responsible, life-improving finance to the underserved. This has been supported by four strategic pillars:

1 Customer-focused culture

Customer-focused culture, delivered by our people, who are engaged throughout Amigo

2 Conservative risk management

A conservative approach to risk management which means having diligent regulatory discipline, a solid risk framework and robust credit risk controls

3 Operating at scale

Efficiency achieved through operating at scale with a simple product

4 Strong balance sheet

A strong balance sheet which means low leverage, high liquidity and sound provisioning

Over the year, we have focused on the need to drive operational enhancements in our core offer. In response to external and internal challenges we have lowered our risk appetite on new lending and tightened creditworthiness assessments. We have extended our use of open banking and invested in people, processes and technology to enhance the customer experience. Internationally, we continue to support our business in Ireland where we have seen strong demand for our guarantor product and growing customer numbers. We have a strong balance sheet to support our activities.

At the same time, we leveraged our heritage of innovation and experimentation, testing different pricing structures to increase the relevance and competitiveness of our core proposition. We have looked at offering lower rates to lower risk customers and could potentially open up our product to a broader customer base. We were at the beginning of this journey when we paused lending activity due to Covid-19.

On 17 June 2020, at a General Meeting, requisitioned by our then majority shareholder, Richmond Group Limited, over 90% of minority shareholders who voted, voted against the resolutions to remove all members of the Board and appoint new directors. We can now move forward. We are a business of immense potential with an innovative product that plays a valuable role in society. The outcome of the strategic review and the strategy to take this business forward will be outlined in due course.

Our values

Human

Steven's story

My partner and I had not long since welcomed our daughter into the world. As a family of seven, the house was bursting at the seams. We knew we needed a bigger family home to comfortably fit all of our children. After a few months of looking, the perfect home became available. We knew this would be our forever home and we would have more than enough space to watch our family flourish and grow up.

Unfortunately my wife and I didn't have enough cash for the deposit or the best credit histories to borrow from our banks. So, we knew either a family member or a ridiculously priced 'doorstep lender' would be our only options. Little did we know that our family was not in a position to lend us the money and we were very much put off by the massive APR of the doorstep lender. I saw an Amigo advert on the TV and thought to myself why not give this a try, so I did.

Some years later my family and I are very happy and content in our forever home. We have plenty of space for all our children to live comfortably. Our children go to great schools and are doing incredibly well. This wouldn't have been possible if it wasn't for Amigo giving us a chance. So on that note, thank you Amigo.

How is Amigo responding to the Covid-19 pandemic?

As for many businesses, Covid-19 presented an unprecedented challenge for Amigo: how could we protect our employees and follow government guidance while continuing to support our customers?

We set up a designated working group of experts from each area of the business, including the Executive Committee, ("ExCo") and, with Board oversight, created a detailed, multi-scenario strategy. Initially we took action to implement increased hygiene measures in the office with a longer-term view of preparing the business to work remotely. In Bournemouth, we split the operational function of our business across our two office sites, with the intention that if one site had to be closed due to a contamination risk, the other site could continue serving our customers. In parallel to this, the support functions of the business which already had the capability to do so began working remotely, allowing us to reduce the headcount and therefore the risk at both sites.

As greater government restrictions looked more likely, we started planning for the entire business to work remotely. Many of our teams, particularly our operational teams, had never worked remotely before. However, within the space of two weeks we succeeded in providing all employees with the appropriate equipment and support to facilitate remote working, phasing in its application to minimise the impact on our customers. In Ireland, we moved directly to home working.

As a Group, we were able to move very quickly to have almost all c.400 employees working from home by the end of March.

Our entirely digitalised operating model with its online journey and bespoke technology means we have been able to operate remotely with no disruption to our customer service.

What approach is Amigo taking to lending during the Covid-19 pandemic?

Amigo has temporarily ceased lending, except to key workers who need urgent financial assistance. We will continue to review our approach to this as the situation develops.

What support is Amigo offering its customers during the Covid-19 pandemic?

We encourage customers to fill out the Covid-19 form which is available on our website. For those customers who have an increased level of uncertainty around their longer-term finances, we are assisting them via our existing forbearance options.

Our entirely digitalised operating model means we have been able to operate remotely with no disruption to our customer service.

Where our customers are confident that the Covid-19 impact is short term, we have introduced additional Covid-19 relief measures to support them. These measures include offering extended breathing space of up to six months to those experiencing potential payment difficulties, during which a customer's payments and contact will be paused. In addition to this, we paused interest for customers for up to three months.

We have also worked with the credit reference agencies to freeze the arrears status on customers' credit files during this time, to ensure that the arrears status does not escalate while a customer is on extended breathing space. Since these measures were introduced on 31 March 2020, we have provided payment holidays to approximately 47,000 customers. We are continuing to consider how our customers may be impacted in the longer term and what ongoing support we may be able to offer.

What support is Amigo offering its employees during the Covid-19 pandemic?

Working from home has presented new challenges for every Amigo employee and we are doing what we can to support our teams during this time. This includes providing appropriate equipment to enable employees to work from home comfortably and efficiently, and issuing manager and employee guidance on a number of topics relating to working and managing a team from home. We have continued to embrace our culture through events such as online workouts hosted by our Health and Wellbeing Manager and other activities that keep our employees happy and connected.

What are the financial implications for Amigo?

It is still too early to assess the full impact of Covid-19 on our financial performance. Despite the special Covid-19 relief programme, cash collection has remained strong since 1 April 2020.

We are, therefore, well positioned to manage the challenges that the Covid-19 pandemic presents.

What approach will Amigo take to its transition back to normality?

We have proven that we can run the business successfully in a remote working environment while continuing to provide an uninterrupted service to our customers. However, following government guidance, in June we started a phased reopening of our sites with both offices in Bournemouth open to some teams and the majority of the team returning to the office in Ireland. We have taken steps to safeguard our employees with additional cleaning regimes and health and safety measures including temperature checks, the use of PPE and provision for social distancing. The health and wellbeing of all our employees is our key priority and for those that are vulnerable, living with someone who is, or simply do not yet feel comfortable to return to the office, our working practices will remain flexible.

What challenges lie ahead?

We continue to adapt to the remote working environment and we are incredibly proud of how well the business, and all our employees, have adjusted to the change. There is no doubt that Covid-19 is challenging our society as a whole and the future is difficult to predict, but we are confident that our approach is robust and thorough enough to allow us to continue to adapt to these challenges and service our customers.

Has Amigo offered any support to its local community during the Covid-19 pandemic?

Amigo takes its responsibility to community seriously, and we're proud of our ongoing work with local and national charities that support vulnerable adults. Supporting the organisations and charities that look after the vulnerable is more crucial now than ever, and we want to do our bit.

We are helping five charities during the Covid-19 pandemic: three national charities supporting the NHS, the elderly and the homeless, and two of our local partner charities, a local children's hospice and a charity that provides financial assistance to those suffering with cancer.

We also continue to work with our other local partner charities to see what additional support we can offer them at this time.

For further information please see the Financial Review on **pages 29 to 33**

"We continue to consider how our customers may be impacted in the longer term and what ongoing support we may be able to offer."

Summary results and KPIs

The key performance indicators (KPIs) presented here are helpful in assessing the Group's progress against its strategy and are the KPIs which are closely monitored internally. However, they are not exhaustive as management also takes account of a wide range of other measures in assessing underlying performance.

This has been a year of change and challenge for Amigo as can be seen below. See the Financial review on pages 29 to 33 for further detail.

For detailed definitions and calculations of all alternative performance measures (APMs) mentioned, please see the APMs section on pages 144 to 149.

Number of customers ('000)

Description

Number of customers represents accounts with a balance greater than zero, exclusive of charged off accounts. It is the key non-financial KPI used within the business to review current performance.

* Restated in line with revised definition of customers which represents the number of accounts with a balance greater than zero, excluding charged off accounts.

Performance

There has been an increase in customer numbers of 10.4% to 222,000 in the year (2019: 201,000). This is partly due to the growth of the Irish loan book contributing 3,400 customers, but also due to operational focus shifting to prioritise acquiring new customers following the introduction of our revised policy on relending in Q1 FY20, only relending to customers that have demonstrated an extended period of on-time payments. Before restatement, disclosed figures for 2019 and 2018 were 224,000 and 182,000 respectively.

Revenue (£m)

Description

Revenue comprises interest income on amounts receivable from customers. It is primarily derived from a single segment in the UK, with a small proportion being from the Group's Irish entity, Amigo Loans Ireland Ltd.

Performance

Revenue has risen by 8.7% year on year to £294.2m from £270.7m in the prior year, driven by an increase in the number of borrowers and an increase in average gross loan book, 5.7% from £725.5m to £766.5m. Growth has slowed in the final quarter of the year due to a lower risk appetite during the strategic review and also a pause on lending during the Covid-19 outbreak leading to a reduction in the net loan book.

Net loan book (£m)

Description

Net loan book represents the gross loan book less the IFRS 9 impairment provision, excluding deferred broker costs.

* The 2018 loan book is restated with the IFRS 9 transitional adjustment upon adoption of IFRS to show true like-for-like growth figures. £646.9m was the 2018 year statutory net loan book.

Performance

There has been a 9.1% reduction in the net loan book in the year, from £707.6m to £643.1m. Net loan book growth in the first half of the year has been offset by the impact of lower risk appetite initiatives on new lending introduced in the later part of the year. The reduction is also partly due to an increase in the impairment provision year-on-year from £75.4m to £106.8m.

Impairment:revenue ratio (%)

Description

This ratio represents the Group's impairment charge for the period divided by revenue for the period. This is a key measure for the Group in monitoring risk within the business.

Performance

The impairment:revenue ratio increased 62.4% in the period from 23.7% to 38.5%. The year-on-year increase is partly due to resource constraints within Collections impacted by increased customer numbers. The macroeconomic impact of the Covid-19 pandemic was one of the main drivers of the year-on-year increase in the impairment provision.

Operating cost:income ratio (excluding complaints) (%)

Description

The Group defines operating cost:income ratio as operating expenses excluding complaints and items deemed by the Group to be exceptional (such as IPO, strategic review, formal sale process costs and related financing costs), divided by revenue.

Performance

The increase of the operating cost:income ratio of 17.5% to 20.2% for FY20 reflects investments made in people and processes. This ratio excludes a provision made in the year in relation to customer complaints in order to more clearly show like-for-like underlying performance. Including complaints, the cost:income ratio for the year was 63.3% versus 17.5% in the prior year.

Adjusted loss/profit after tax (£m)

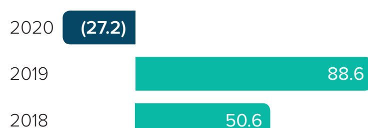
Description

Adjusted profit after tax is a non-IFRS measure, adjusting for non-recurring transactions. The Directors' believe that adjusting for these items is useful in making year on year comparisons. In the current financial year, it adjusts for: (a) senior secured note buyback-related costs; (b) RCF capitalised fee write-off; (c) the release of a tax provision; and (d) strategic review costs. See the Alternative Performance Measures (APMs) section on pages 144 to 149 for the full reconciliation.

Performance

The reduction in adjusted profit after tax in the year by 126.9% to a loss after tax of £26.9m is primarily due to the recognition of a provision for customer complaints and increased impairment provisioning in the year. Excluding the impact of complaints, adjusted profit after tax would be £75.8m (a 24.3% reduction on the prior year) driven by the increase in both impairment and operating expenses in the year.

Statutory loss/profit after tax (£m)



Description

This KPI represents statutory profit after tax and is reviewed in conjunction with adjusted profit after tax within the business.

Performance

The reduction in statutory profit after tax in the year by 130.7% to a loss after tax of £27.2m is primarily due to the recognition of provisions for customer complaints and an increased impairment provision in the year. Excluding the impact of complaints, profit after tax would be £75.5m (a 14.8% decrease on prior year) reflecting an increase in both impairment and operating expenses in the year.

Adjusted basic loss/ earnings per share (pence)

Description

This non-IFRS measure is shown in note 12. Basic (loss)/earnings per share (EPS) is adjusted for items consistent with adjusted (loss)/profit after tax to give a better understanding of the underlying performance of the business.

Performance

Year-on-year adjusted EPS decreased 125.9% to a loss per share of 5.7p, down from 22.0p in the prior year. This is due to the current year adjusted loss after tax and also an increase in the weighted average number of shares.

Basic loss/earnings per share (pence)

Description

This measure calculates earnings (profit after tax) per share (weighted average number of shares).

Performance

Basic EPS fell 129.4% year on year to a loss per share of 5.7p due to the reduction in statutory profit after tax to a loss in the year, and the fact the weighted average number of shares has increased.

Net borrowings/adjusted tangible equity

Description

Net borrowings is defined as borrowings, excluding shareholder loan notes, less cash at bank and in hand. Adjusted tangible equity is defined as shareholder equity less intangible assets plus shareholder loan notes.

This is the Group's primary measure used to monitor gearing.

Performance

Net borrowings/adjusted tangible equity has increased unfavourably by 26.3% in the year due to a decrease in adjusted tangible equity in the year following recognition of complaints expenses of £126.8m in the year. Despite recognition of a complaints provision in the year, gearing remains low in line with pre-IPO levels.

Our values

Honest

I was a guarantor for a family member and found the whole process very stress free and straight forward. After the initial online questions, I received a telephone call from a very pleasant young man who explained everything again to me and I was given the chance to ask any questions that I had. Shortly after I received a text to let me know that the loan had been processed. From the start of the application to the end there was lots of communication and I would definitely recommend Amigo Loans.

A year of unprecedented challenges

Despite the unprecedented level of challenges during financial year ended 31 March 2020 and beyond, we have stayed focused on financial stability, with particular focus on maintaining adequate liquidity. We are committed to containing the issues related to the back book, while developing plans to build a sustainable new business for the long term.

Nayan Kisnadwala
Chief Financial Officer

Introduction

Results for the twelve months ended 31 March 2020 are representative of the challenging year faced by Amigo, exacerbated by the impact of the global Covid-19 pandemic from March 2020 onwards.

We have had to deal with several Board and management changes, operational challenges in the Collections team, a strategic review and a formal sale process, increasing levels of customer complaints and Covid-19 related challenges towards the end of the fiscal year. We faced these challenges proactively throughout the year. We increased staffing in Collections, the strategic review resulted in changes to our lending policies and risk appetite which we will implement post Covid-19 and we have implemented policies and processes to address complaints after obtaining advice from experts in the sector. Our digitalised model enabled us to respond rapidly following the outbreak of Covid-19, and we quickly implemented customer-centric relief measures.

While addressing these challenges, we ensured that we remained focused on our funding and undertook steps to improve our liquidity. We implemented cost management measures, cancelled dividends, paused lending and improved collections. We cancelled our revolving credit facility (RCF) post year end given our liquidity, and negotiated a pause in both the financial performance triggers and further borrowings from our securitisation facility until we fully understand the impact of Covid-19 on our arrears and impairments.

In February 2020, Amigo withdrew its guidance to the market on expected performance of key performance indicators (KPIs) due to these uncertainties.

Complaints

During the course of the past year, a major issue has arisen around customer complaints with regards to past lending decisions. Historically complaints have not been a material issue; for the year ended 31 March 2019 the complaints redress expense was negligible at less than £0.1m with only a small number of complaints made and very few of these being upheld or referred to the FOS.

In the year, we saw the FOS change its approach towards lending decision complaints, which lead to a much higher uphold rate on complaints referred to the FOS than we had previously experienced. The number of complaints found in favour of the customer by the FOS increased to 94% in the six months to end of December 2019, whereas historically the vast majority of cases were found in favour of Amigo. In response to this, Amigo has updated the way it investigates cases. As the change in the approach from the FOS resulted in an increased uphold rate, we recognised a provision for complaints received but not yet assessed in Q1. At that point in time, we had not seen any increase in the volume of complaints made. Volumes began to increase modestly in Q2, and we then added a provision for the portion of expected future complaints on existing loans where we thought it was likely that redress would be

Financial review continued

Complaints continued

offered to the customer. Both incoming volumes and provisions have continued to rise since then, with a significant increase post the year end. More recently, claims management companies have emerged as the major source of complaints.

To address this challenge, a material increase in the complaints provision was recognised based on all available information at the date of signing this report, with a balance sheet provision of £117.5m as at 31 March 2020. The level of the provision has been increased to reflect the volume of complaints received. The total charge to the income statement in the year was £126.8m with £9.3m utilised in the period to award customers redress including both loan balance adjustments and cash payments. In accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets, the provision relates to both the estimated costs of customer complaints received up to 31 March 2020 and the projected costs of potential future complaints where it is considered likely that customer redress will be appropriate, based on the available data on the type and volume of complaints received to date.

The provision is not intended to cover the eventual cost of all future complaints; such cost remain unknown. There is significant uncertainty around: the emergence period for complaints; the activities of claims management companies; and the developing view of the FOS on individual affordability complaints, all of which will significantly affect complaint volumes, uphold rates and redress costs.

Amigo is committed to managing complaints raised by customers in accordance with regulatory requirements. Following the year end there have been several significant developments regarding the management of complaints. On 27 May 2020 Amigo announced it had agreed a Voluntary Requirement (VReq) with the FCA to work through a backlog of complaints principally arising in 2020 by the end of June 2020. On 3 July 2020 we announced that an amended VReq, covering a higher volume of complaints, had been agreed with the FCA. Under the terms of the amended VReq Amigo agreed to reach a position by 30 October 2020 where all complaints are dealt with appropriately within eight weeks. We have also hired external advisors and built up our claim handling infrastructure. These complaints do not represent a clearly identifiable cohort of lending; rather, each is assessed and, where complaints are upheld it is due to the particular circumstances of the case. We continue to investigate the root cause of complaints in line with regulatory expectations. The Company continues to explore all avenues to address this issue, including working with the FOS to understand the standards they are applying and challenging these outcomes where necessary. Amigo is open to the option of judicially reviewing decisions that we believe are wrong.

FCA investigation

Separately, on 1 June 2020, the Company announced that the FCA commenced an investigation covering the period from 1 November 2018 into whether or not Amigo's creditworthiness assessment process was compliant with regulatory requirements. While this does not directly address complaints, any findings could have implications for how complaints are decided. At this time, the potential result and impact of this investigation is unknown.

Overall financial results

The Group delivered revenue growth of 8.7% in the year to £294.2m. Loss after tax was £27.2m, compared to a prior year profit after tax of £88.6m. When adjusting for items that are not business as usual in nature, adjusted loss after tax was £26.9m for the financial year ended 31 March 2020, down from prior year adjusted profit after tax of £100.1m. The decline in profitability since 2019 is driven primarily by the recognition of a complaints provision in the year, and also by an increase in our impairment provision, driven in part by the anticipated increase in expected credit losses as a result of the Covid-19 pandemic and the deterioration in the macroeconomic outlook.

Amigo's key performance indicators have been considered below when discussing business performance within the financial year. For detailed definitions and calculations of all alternative performance measures (APMs) mentioned, please see the APMs section on pages 144 to 149.

Revenue growth

The Group generated revenue of £294.2m in the year, an 8.7% increase on the prior year (2019: £270.7m). The growth was driven in part by an increase of 10.4% in our customer numbers to 222,000 (2019: 201,000) confirming continued high demand for our product and an increase in average gross loan book year on year of 5.7% from £725.5m to £766.5m.

Customers

In August 2019, Amigo's credit policies were tightened, only relending to customers that have demonstrated an extended period of on-time payments. Our internal focus shifted to acquiring new customers with a new marketing campaign accelerating lead generation. As a result, we increased the number of borrowers we serve by a net 21,000, a 10.4% increase from the end of the prior year and we ended the year with 222,000 borrowers. The definition of our customer numbers has been refined in the year and represents the number of accounts with a balance greater than zero, exclusive of charged off accounts. This led to a restatement of the prior year's customer number, reducing it by 23,000 to 201,000.

Originations

Amigo announced a strategic review on 27 January 2020, which saw a reduction in the risk appetite for new lending in Q4. This, coupled with changes to repeat lending eligibility rules, led to a year-on-year reduction in originations of £78.7m to £347.4m (2019: £426.1m). Loans are originated

through three channels, comprising direct and third-party channels for new customers, and repeat lending. The mix of lending has changed from 61% new customers and 39% repeat customers in the prior year, to 72% new and 28% repeat in the current year, reflecting the change Amigo made to its relending policy in the year.

On 24 March 2020, the uncertainty of the economic implications of the Covid-19 pandemic led to a temporary pause on all new lending activity except to key workers in exceptional circumstances, the full impact of which will affect the financial year ending 31 March 2021.

Loan book

We ended the year with a gross loan book (excluding broker fees) of £749.9m, a decrease of £33.1m or 4.2% from the prior year end (2019: £783.0m), with an average loan size of £3,378 (2019: £3,896). This is calculated as the total gross loan book divided by the number of borrowers. This reduction is reflective of the decline in originations in the year and the reduction of repeat lending.

The net loan book reduced by 9.1% year on year moving from £707.6m to £643.1m. This reduction is reflective of the decline in the gross loan book combined with the increase in the impairment provision year on year from £75.4m to £106.8m.

Our business in Ireland has grown in the financial year, contributing £7.2m to the consolidated gross loan book and £5.8m to the net loan book of at the year end. See note 3 in the financial statements for further details.

Margin and capital management

We have a simple business model with a representative APR of 49.9% and no other fees. This translates into a simple interest rate of 41.2%.

Revenue yield is defined by the Group as annualised revenue over the average gross loan book for the period. Revenue yield was 38.4% compared to 37.3% in the prior period.

Cost of funds is defined as interest payable as a percentage of average gross loan book over the financial year. Our cost of funds decreased to 4.0% in the year (2019: 5.3% inclusive of shareholder loan note interest, 4.4% without) primarily due to the opportunistic repurchase on the open market of £85.9m of our senior secured notes (2019: £80.0m) and the annualised impact of repurchasing £80.0m of notes in the prior year. This was enabled by Amigo's increased borrowing capacity following the introduction of our securitisation funding facility. At the year end we had a diversified capital structure including senior secured notes in the form of high yield bonds, a super senior revolving credit facility (RCF) and a securitisation facility, in addition to cash generated from our operations. There are no near-term maturity dates in our financing structure; the maturity of our senior secured notes is 2024 and our securitisation facility is due in June 2022 with a subsequent four year amortisation period to June 2026. The RCF was cancelled in May 2020, given the adequate liquidity position of the Group.

Funding (£m)

Funding facilities as at year end (£m)	31 Mar 20	31 Mar 19
RCF (2024)	**109.5**	159.5
Senior secured notes (2024)	**234.1**	320.0
Securitisation (2026)	**300.0**	200.0
	643.6	679.5

At 31 March 2020, Amigo had available undrawn facilities of £177.8m from its funding sources (2019: £195.0m), in addition to cash of £64.3m. On 27 May 2020 Amigo announced the cancellation of its super senior revolving credit facility (RCF). Revised year-end available undrawn facilities excluding the RCF is £68.3m; we note during the temporary pause period of the securitisation facility this headroom is unavailable. We will continue to have diversified sources of funding from an instrument, counterparty and tenor perspective, while we aim to lower the cost of funds over the next few years. From time to time the Group may opportunistically continue to buy back outstanding senior secured notes. The Board seeks to maintain a strong capital base in order to maintain investor, customer and creditor confidence and to sustain future development of the business.

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. Our net interest margin was 32.7% for the period reflective of the reduction in cost of funds (2019: 31.4%).

Impairment

The Covid-19 pandemic has materially impacted our impairment provision; the impact is reflected in the provision by way of new macroeconomic assumptions and a staging overlay to reflect relief measures extended to customers during the outbreak.

Towards the end of the final quarter of the year, Amigo saw an uplift in requests for breathing space from customers. On 31 March 2020 our Covid-19 relief measures were formally introduced; for customers that request it, depending on their individual circumstances, a payment holiday between one and six months has been offered. We note that the granting of a payment holiday does not automatically indicate a significant increase in credit risk (SICR) in this unprecedented Covid-19 scenario; multiple variables have been considered on an individual customer basis to determine if a SICR event has occurred. The treatment of those customers within our IFRS 9 modelling has involved significant accounting judgements and has involved detailed analysis of historic behaviour of that customer, considering both previous payment plans and the number of times that the loan has fallen into arrears. Following this analysis performed on an individual account basis, a stage 1 to stage 2 uplift overlay has been applied to our IFRS 9 model.

In addition to the staging overlay, new macroeconomic assumptions have been applied to our IFRS 9 model in which several scenarios with varying severities and durations of the Covid-19 pandemic have been considered and probability weighted. The key judgement of how to probability weight each scenario is discussed in further detail in note 2 to the financial statements.

Impairment continued

In the year, the model Amigo used for IFRS 9 calculations has been refined and improved, resulting in a shift in the staging distribution of the provision; more details on the key judgements and estimates within the model and sensitivity analysis are in note 2.

Earlier in the period, and prior to the impact of Covid-19, resource constraints within our Collections department were a key driver in the increase of our impairment provision. Amigo invested in both its workforce and processes to address this issue, with average headcount increasing from 303 to 405 year on year. We continue to direct more resource into our Collections team with the benefit of recent recruitment and internal redeployment reducing reliance on third-party outsourcing.

We have an impairment provision of £106.8m at year end, which is over two times the balance of receivables which are 60 days past due or more, being £42.0m (2019: £29.8m). The proportion of receivables which are current or less than 31 days past due remains within our expectations at 92.1% (2019: 94.6%) as at 31 March 2020.

Impairment coverage	31 Mar 20	31 Mar 19
Impairment provision	**106.8**	75.4
>60 days past due receivables	**42.0**	29.8
Coverage ratio	**2.5**	2.5

One of our key performance indicators is the impairment:revenue ratio; this was 38.5% for the financial year (2019: 23.7%). The impairment expense disclosed in the consolidated statement of comprehensive income includes the positive impact of the recovery of written-off debt, primarily via debt sales, totalling £9.8m (2019: £3.1m). We will continue to pursue debt sale arrangements with FCA authorised third parties.

Cost management

Operating cost:income ratio represents operating costs exclusive of complaints expense as a percentage of revenue; for the financial year this is 20.2%, up from 17.5% in the prior year. This increase reflects investments made to improve the customer journey and provide positive customer outcomes. As can be seen in note 6 of the financial statements, increased spend on employee costs and legal and professional fees were partially offset by reductions in advertising and marketing spend and print, post and stationery costs. Other costs have increased largely due to increased licensing, IT, charitable donation, outsourced call centre costs and a rise in broker costs unattributable to individual loans.

	31 Mar 20 £m	31 Mar 19 £m
Advertising and marketing	**14.5**	17.3
Employee costs	**18.0**	13.6
Print, post and stationary	**3.5**	4.4
Credit scoring costs	**3.2**	2.3
Communication costs	**2.6**	2.4
Legal and professional fees	**7.0**	1.5
Other	**10.6**	5.9
	59.4	47.4

Our overall average headcount rose from 303 to 405 over the financial year in line with initiatives to address resource constraints within the Complaints and Collections departments and to build appropriately sized support teams allowing Amigo to meet all expectations and deliverables required by a listed group.

Overall, our simple business model, our online customer journey and our technology allow us to have a very low operating cost:income ratio (excluding complaints) despite ongoing challenges.

Loss after tax

Our statutory loss after tax was £27.2m, compared to a prior year profit after tax of £88.6m. This decline in profitability is driven by the recognition of a complaints provision and increased impairment provisioning in the year. Adjusting our statutory loss after tax for: (a) senior secured note buyback-related costs; (b) RCF fee write off; (c) strategic review and formal sale process (FSP) related costs; and (d) a release of a tax provision gives us our adjusted loss after tax of £26.9m, which is 126.9% lower than the prior year adjusted profit after tax (2019: £100.1m). Excluding the impact of complaints, statutory profit after tax would be £75.5m (a 14.8% decrease on prior year) and adjusted profit after tax would be £75.8m (a 24.4% decrease).

Reported loss/profit after tax to adjusted loss/profit after tax reconciliation (£m)

	31 Mar 20 £m	31 Mar 19 £m
Reported (loss)/profit after tax	**(27.2)**	88.6
Senior secured note buyback	**(0.3)**	2.5
RCF fees	**2.2**	—
Shareholder loan note interest	**—**	6.0
IPO and related financing costs	**—**	3.9
Strategic review and FSP costs	**2.0**	—
Tax provision release	**(2.9)**	
Less tax	**(0.7)**	(0.9)
Adjusted (loss)/profit after tax	**(26.9)**	100.1

Our adjusted return on equity for the financial year was negative 13.1% (2019: 45.6%). This is defined as adjusted loss/profit after tax over average adjusted tangible equity. Statutory loss/profit after tax over tangible equity was negative 16.3% for the financial year (2019: 36.2%).

Our adjusted return on assets was negative 3.6% after tax (compared to 14.0% in the prior year). This is defined as adjusted loss/profit after tax over average revenue-generating assets in the year (being customer loans, other receivables and cash).

Explanations of all adjustments are detailed in the APMs section of the financial statements on pages 144 to 149.

Cash flows and liquidity

Adjusted free cash flow is defined as collections less non-direct costs (being operating expenses not relating to exceptional items, complaints or cost of acquisition). We generated £554.5m in free cash flow in the last financial year (2019: £515.7m), which is equivalent to 1.6x current year originations of £347.4m (2019: 1.1x) and 1.2x current

borrowings at year end (2019: 1.2x). Total cash collections were £594.0m versus £543.5m in the prior year. Statutory net cash from operating activities was £122.0m in the year (2019: (£5.4m) cash used). The Group has maintained its strict capital management processes and has continued to invest in its people, processes, marketing and infrastructure whilst also continually monitoring cash versus borrowing levels.

At the year end, Amigo held £64.3m in cash and cash equivalents (2019: £15.2m) following cash retention initiatives implemented during the Covid-19 outbreak, put in place to lower reliance on external funding providers and to cover future operating costs and originations when the pause on new lending is lifted in the future. Whilst originations are paused, the business continues to be highly cash generative as demonstrated by the positive cash flows built up throughout Q4 and post year end, with over £135.0m of unrestricted cash held at 30 June 2020.

Gearing

Net borrowings/adjusted tangible equity, the Group's measure used to monitor gearing, has increased to 2.4x (2019: 1.9x), due to the reduction in equity following the recognition of a complaints provision in the year. Despite the increase, the Group's gearing is low and in-line with pre-IPO levels.

Net borrowings/adjusted tangible equity

31 Mar 2018	2.3x
31 Mar 2019	1.9x
31 Mar 2020	**2.4x**

Dividends and loss/earnings per share

Our adjusted basic loss/earnings per share for the year was a loss of 5.7p, down 125.9% year on year, whilst basic loss/earnings per share decreased 129.4% year on year to a loss per share of 5.7p.

The Group enforces a disciplined capital management process around dividend approval. We paid an interim dividend of 3.1p per share in January 2020. In Q3 we withdrew our guidance around dividends and post year end confirmed following the Covid-19 outbreak and increased complaints provision that no final dividend is being proposed for the year ended 31 March 2020. This gives a total full year dividend of 3.1p.

Summary

This has been a year of significant challenge for Amigo, with numerous unprecedented events crystallising throughout the year including but not limited to a change in relending policy, the commencement of a strategic review, the announcement, progression and termination of a formal sale process, an evolution in the FOS' approach to complaints and a global pandemic. Following the year end, we entered into a Voluntary Requirement with the FCA to clear a backlog of complaints by the end of October 2020. The increase in complaint volumes has led to a material rise in the year-end complaints provision. On 29 May 2020 the FCA commenced an investigation into whether or not Amigo's creditworthiness assessment process, and the governance and oversight of this, was compliant with regulatory requirements. The FCA investigation will cover the period from 1 November 2018 to date.

The Covid-19 situation evolves daily; we will continue to monitor the macroenvironment and government announcements when considering when to lift our temporary pause on new lending. For now, we continue to operate mostly from home, prioritising continuing support of our existing customers.

Despite the in-year challenges, our liquidity remains adequate, with over £135.0m in unrestricted cash held at 30 June 2020. Throughout the first fiscal quarter of 2021, Amigo granted Covid-19 related payment holidays to approximately 47,000 customers; despite this, cash collections remained strong at 87% of pre-Covid-19 forecast projections. High cash collections were driven in part by operational redeployment to the Collections team whilst originations are temporarily paused, and also by an increase in early settlements. Gearing remains low despite the recognition of a complaints provision in the year; in line with pre-IPO levels, net borrowings/adjusted tangible equity was 2.4x at 31 March 2020. It is considered we have adequate liquidity to continue to support the ongoing business activity; however, the unquantifiable and unpredictable potential impact of the FCA investigation, Covid-19 impact on the economy and the level of complaints have led to a material uncertainty surrounding going concern.

We are mindful of the evolving regulatory environment and will continue to work extremely closely with our regulators, the FCA, and the FOS to ensure our conduct framework and supporting systems and processes remain compliant. In this time of uncertainty, Amigo retains its core belief and business goal of providing financial inclusion to all, providing our customers with the financial support they need that might not be offered to them by mainstream lenders. We are committed to developing a new business which is sustainable in the long term, while addressing the challenges we have in the back book.

The most important asset we have is our people. The versatile and committed Amigo workforce has shown true grit throughout all of the changes and continues to put our customers at the heart of everything we do in order to provide them with the best possible outcomes.

Nayan Kisnadwala
Chief Financial Officer
20 July 2020

A Group-wide risk management framework

Overview

Amigo continues to enhance and formalise our risk governance in line with our position as a prominent, public company providing an important service to our customers. To support this work, we have established a Group-wide risk management framework.

Three lines of defence
Best practice approach to ensuring ownership, challenge, and assurance for all risks

Risk ownership
Clear accountability at the Executive Committee ("ExCo") level for specific risks

Risk and control self-assessment
Process in which the first line, facilitated by the Risk function, formally reviews, assesses, and documents its risks, controls, and key risk indicators

Risk monitoring and reporting
Monitoring of risks within each functional area and through an integrated view at the Executive Committee and Board levels

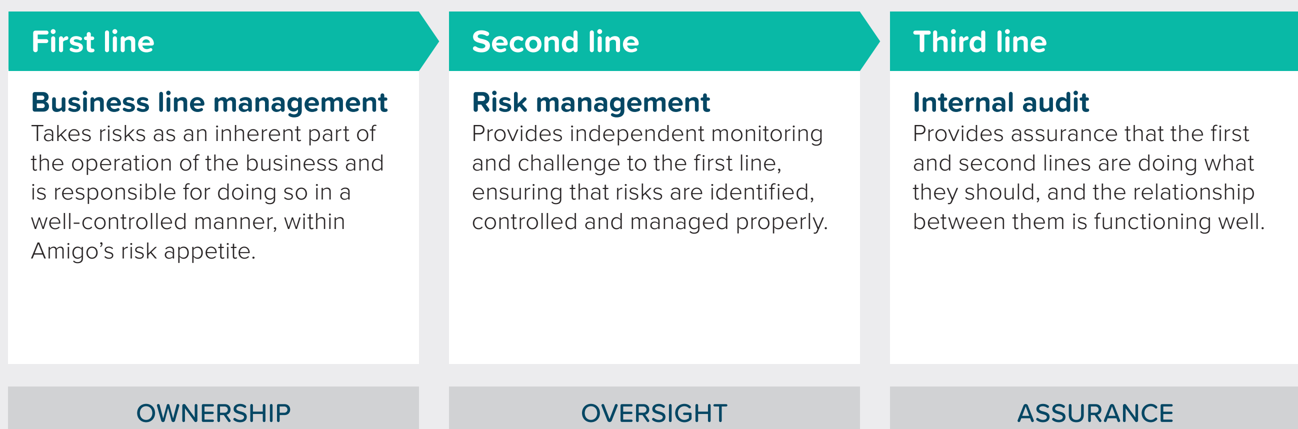
Risk mitigation programmes
Defined and tracked programmes of actions to bring out-of-appetite risks within appetite

Incident management
Structured process for capturing significant incidents, capturing the lessons and updating risk assessments and controls as necessary

Risk appetite statement
Articulation of the level and types of risks that Amigo is willing to take in pursuit of its strategic goals

Risk taxonomy
Common language of risk across the business to support both assessment and communication

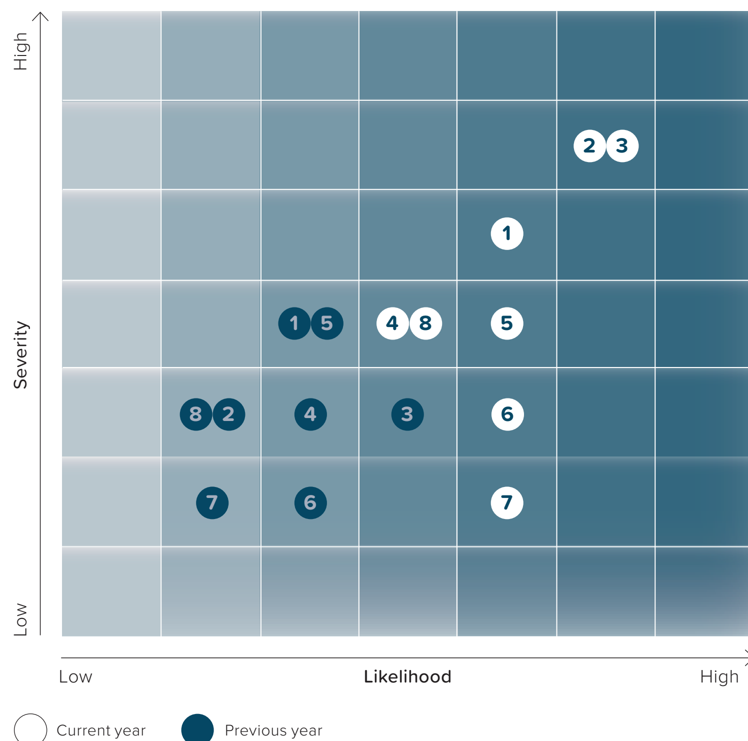
The three lines of defence model is a key part of our framework and serves to clarify roles and duties in managing Amigo's risks:



Our principal risks

Management, the Risk Committee, and the Board regularly review our risk profile and the Board has carried out a robust assessment of the emerging and principal risks facing the Company. Our risk taxonomy includes eight types of risk. As illustrated here, risk has increased over the past year across the full spectrum, though increases in some areas have been sharper than in others. There is further discussion below of the principal risks and uncertainties that we think could have a significant impact on the business. The Group also faces other, less material risks which may become material in the future.

1 dit risk
2 tomer and conduct risk
3 ulatory and political risk
4 erational risk
5 ple risk
6 tegic and competitive risk
7 ısury risk
8 . of shareholders with significant influence



Covid-19 and risk

Covid-19 emerged toward the end of the year, and the situation has rapidly evolved. It presents a challenge across every risk type and has a wide range of potential impacts. We have maintained business continuity thanks to our dynamic culture and flexible technical architecture, quickly implementing a remote working approach that we can sustain as long as necessary and maintain as an option should there be a recurrence after lockdown is lifted. We have taken care of customers, maintaining critical services and offering special relief measures even before it was mandated by the FCA. Given the economic disruption and uncertainty around the path back, credit risk is particularly elevated as well. More detail on our response to Covid-19 can be found on pages 24 and 25, and the impact on specific risk types is discussed further below.

Overall statement of risk appetite

Amigo recognises that taking risk is necessary, but we seek at all times to ensure that the risk we take is well informed and deliberate and that controls are in place to mitigate its impact. We apply this principle to ourselves and support our customers in doing the same.

Risk management continued

Principal risks and uncertainties

Credit risk

Risk movement:

The risk that a counterparty will not repay a debt in full and on time, with potential impacts including increased impairment, reduced profitability and cash flow, and significant diversion of management time and effort. This includes idiosyncratic lending risk, macroeconomic risk and new lending pilot risk.

Risk appetite	Mitigation	Change in past year
Amigo is a mid-cost lender and we take a degree of credit risk that is consistent with our pricing. Core lending, the bulk of our business, is to customer segments we understand well. We also engage on a controlled basis in pilot lending, testing new segments that we think are appropriate for our product. Amigo does not have an appetite for material wholesale credit risk or other credit risk outside its lending business.	The guarantor nature of our product significantly mitigates the credit risk of our lending, and our Decision Science (Analytics) team uses available data to identify lending that is within our risk appetite. We explore new lending segments on a controlled basis through our pilot lending programme. Our Collections team works with customers who fall behind on payments to assist them in coming back up to date on their obligations.	Origination through the year has continued our focus on well-understood segments, with older lending pilots either being promoted to core lending or terminated and fewer new pilots pursued. Lending criteria have been tightened, with more focus on borrower credit history and stricter rules on top-up eligibility. However, operational challenges have led to increased arrears in the back book and higher impairments. There was some recovery at the end of the year, but more remains to be done. The macroeconomic environment was more challenging than expected, with Brexit-related uncertainty dragging on. The emergence of Covid-19 at the end of the year led to a further large increase in credit risk, though much of that came after the end of the reporting year. The economy has been severely disrupted and the path back remains unclear. Relief measures have been offered, and there may be challenges getting customers back to regular payments, even when they are financially able to do so, as well as maintaining normal collections activity.

Customer and conduct risk

Risk movement:

The risk that Amigo's actions will lead to poor outcomes for our customers, either borrowers or guarantors. The primary impact is the potential harm to those customers, but impact on the Company may include the cost of redress, regulatory action (potentially including investigation, fines, or even loss of authorisation to operate), the operational burden of responding to unhappy customers, and reputational damage. This includes affordability risk, the risk of customer misunderstanding and the risk of persistent debt.

Risk appetite	Mitigation	Change in past year
Amigo recognises that borrowing or acting as a guarantor is a big decision for our customers and we seek to ensure that those decisions are fully informed and appropriate.	Amigo believes that the most effective mitigation of customer and conduct risk is based in corporate culture. To that end, we seek to instil a customer-oriented mindset in all employees. Performance metrics and remuneration at all levels are designed with good customer outcomes in mind. Any customer complaints or other evidence of adverse customer outcomes are thoroughly investigated to understand the root cause, and changes are made to business practices when appropriate. Affordability is assessed for both borrower and guarantor on all loans, and we speak with all guarantors to ensure they fully understand their obligations. Measures are in place to identify and work carefully with vulnerable customers. As a second line of defence, a system of compliance monitoring covers all customer touchpoints.	Amigo's culture remains strongly customer focused and our product offering remains simple and transparent. We have recently enhanced our affordability checks in pay-out, requiring more detailed documentary evidence in more cases and integrating open banking into our processes. We have worked closely with the FCA as it carried out thematic reviews of the sector and supported measures to ensure that guarantors are thoroughly aware of their obligations. We have faced significant challenges adapting to the change in standards from the FOS and the increase in complaint volume and complaints upheld that has resulted. These complaints are being individually assessed, and where a complaint is upheld it is due to the particular circumstances of that case. We continue to explore root causes in line with regulatory expectations. We continue to explore all options to address this issue, from constructive engagement with the FOS to understand their current standards to challenging them where we disagree, and Amigo is open to judicially reviewing decisions that we believe are wrong. Our customer and conduct risk management continues to develop in line with evolving regulation and industry best practice. Covid-19 has led to some increase in customer and conduct risk, as existing customers have had their finances disrupted and potential new customers are less certain of their ability to afford a loan. We have mitigated this risk by offering payment holidays where needed. We have also limited new lending to key workers in exceptional circumstances.

Principal risks and uncertainties

Regulatory and political risk

The risk that the regulatory or political environment will change in a way adverse to our business. This may be explicit changes in regulation or legislation or changes in interpretation. At a minimum, the impact would be the operational burden of adapting to changing regulation. But where we fail (or have failed) to adapt to changes, the impact can extend to regulatory action, potentially including investigation, fines, or even loss of authorisation to operate. It includes regulation or legislation specific to our product, applying to financial services more generally, or not specific to our business at all.

Risk appetite	Mitigation	Change in past year
Amigo is in a sector (financial services) and a sub-sector (alternative finance) that are inherently subject to significant regulatory and political risk, but we take all reasonable steps to reduce that risk as it applies to us.	Amigo proactively engages with regulators and politicians to ensure they understand our business model and the value of the service we provide to our customers. We support sensible regulation and legislation that enhances the functioning of the consumer finance market. We scan the horizon for potential changes that may affect our business in order to prepare for them before they are implemented.	The FCA has carried out a number of reviews through the year that have dealt with our business, both specifically and as part of the wider sector. Where we have received the results of these reviews, we are comfortable that we can implement the actions they have asked for, including enhanced disclosure to guarantors and more detailed affordability checks. Indeed, as a leader in the sector, we feel we can respond better than many competitors. However, some of this enhanced regulation may leave certain segments, particularly lower value and shorter-term lending, uncommercial, and more regulation may come as the results of other reviews are released. In addition, after the end of the financial year, the FCA began an investigation into whether Amigo's creditworthiness assessment process, and the governance and oversight of this, was compliant with regulatory requirements. The risk in this area remains elevated. Covid-19 has driven new regulatory guidance, broadly designed to mitigate the impact of the pandemic on consumers by shifting it to lenders, e.g. by requiring substantial relief measures. This new regulation was issued very quickly, without time for a normal consultation period and without taking into account concerns raised by Amigo and others in the industry, particularly around issues arising from the inflexibility of the Consumer Credit Act. There may therefore be significant unintended consequences of this regulation. There may also be more regulation to come.

Operational risk

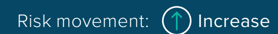
The risk of a loss or negative impact due to inadequate or failed internal policies, processes or systems or from external events. A data security or cyber incident leading to a breach of personal data could result in harm to customers, fines, bad publicity, and a loss of customer trust. System downtime could also lead to customer inconvenience or detriment, loss of revenue, and reputational impact. Failure to properly execute payout or collection processes could lead to financial losses, customer harm, and even regulatory action. Errors in contracts with key suppliers may lead to them being unenforceable, resulting in additional cost and disrupted service.

Risk appetite	Mitigation	Change in past year
Amigo takes a proportionate approach to operational risks, balancing the need to provide consistent and reliable operational performance with the need to remain nimble, refining our operations in a continually changing environment.	IT infrastructure and systems are designed with security, redundancy and spare capacity and are regularly tested. Disaster recovery and incident response plans are in place. The Change Management team provides second line review over all changes in process or systems. First and second line functions monitor process execution and feed back to process owners to continually drive improvement.	The business has continued in its tradition of rapid operational change, with both efficiency and the control environment continuing to improve to keep overall risk in line. In some areas, our operational capacity has fallen somewhat behind our scale, particularly in complaints handling, though these issues are being addressed. Our cyber security and IT resilience are constantly evolving, but the threats are as well, resulting in a stable risk position. Covid-19 has presented a business continuity challenge that we had not specifically prepared for, but we have adjusted swiftly to circumstances, significantly expanding remote working and maintaining customer service. However, at the time of this report the external environment remains highly uncertain, and operational risk can only be seen as slightly elevated.

Risk management continued

Principal risks and uncertainties

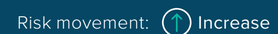
People risk



The risk that Amigo will not have the number and quality of people necessary to deliver on its strategy. This may leave the Company unable to properly service its customers, leading to customer harm and loss of profitability. It may also result in the Company being less able to perform key functions.

Risk appetite	Mitigation	Change in past year
Amigo aims to have the quantity and quality of people necessary to meet its objectives at all times and to maintain its performance in case of unexpected loss of key personnel.	Amigo regularly considers succession plans for all key people, including internal and external options. We seek to minimise the potential for disruption to business operations from the unexpected loss of key individuals through good knowledge management. General staffing requirements are planned well in advance. Amigo positions itself as a highly desirable employer with its combination of culture, work environment and compensation.	Amigo has continued to improve the breadth and depth of its senior management, adding “bench strength” and improving succession planning. Overall staffing levels remain adequate but a number of initiatives have been put in place that have improved recruiting and retention across the business. There have been a number of changes at ExCo and Board level during the year, and the strategic review, formal sale process and related issues have created significant challenges with hiring and retention, particularly at senior levels. Covid-19 has had little direct impact on our people, but an elevated risk of sickness and disruption will remain as the country emerges from lockdown, even allowing for social distancing and hygiene measures that were implemented prior to beginning our phased return to the offices.

Strategic and competitive risk



The risk that Amigo fails to achieve its objectives, either due to actively poor decisions or a passive failure to adapt to changes in the competitive environment, leading to reduced revenue, increased expenses, or lost opportunities. This includes the risk of new competitors and the risks in entering a new geography.

Risk appetite	Mitigation	Change in past year
Amigo maintains a simple strategy, focusing on maintaining its strong position and leading execution in the guarantor loans space while exploring adjacent niches that can be developed using our specialised capabilities if they prove promising.	Amigo keeps our strategic focus on our guarantor loan product, doing one thing and doing it extremely well. We do not extend ourselves into barely related product areas. We closely monitor developing competition and counter it with our strong brand and operational excellence.	Amigo Ireland has continued to develop on plan. It remains a fairly small piece of the business but it shows the potential for international expansion. We continue to face a large number of small competitors in the domestic space and while our brand, product share, and operational efficiency remain notable strengths, we have also been testing ideas like risk-based pricing to help to defend our position. The wider market continues to evolve, with some competitors having left the space and brokers finding their business models disrupted. Operational and regulatory challenges in our core business have led to a strategic review, which is currently underway.

Principal risks and uncertainties

Treasury risk

The risk arising from the core actions of the Treasury function. A failure to properly manage liquidity could lead to the Company requiring more expensive funding, reducing profitability, or even being unable to meet its obligations as they fall due.

Risk appetite	Mitigation	Change in past year
Amigo operates its Treasury function to support the growth of its lending business. Treasury is not a profit centre and avoids or hedges any material risk.	Amigo maintains diversity of funding sources and term length. We seek to keep substantial headroom to covenant levels on funding agreements such that there is no material chance of breaching them. Our current strategy creates no material interest rate risk or market risk but, if that changes, it will be hedged.	Through the course of the year, Amigo repurchased debt and explored further diversification of funding sources; however, funding diversification efforts were paused and, after the financial year end, the RCF was cancelled. In addition, operational issues have led to less headroom on funding covenants and an increased risk that funding lines will be put into amortisation. Reduced origination toward the end of the year has left the business highly cash generative, but there may be liquidity challenges in any return to prior origination volumes. Foreign exchange risk remained immaterial. With Covid-19 and the requirement for extensive relief measures, liquidity risk has increased. Collections have been less impacted than initially expected, supported by increased early settlement, and we came to a temporary agreement on our securitisation funding to accommodate the extraordinary situation. But as the path to recovery remains unclear and any extension of the agreement on the securitisation is subject to negotiation, significant risk remains.

Risk of shareholders with significant influence

The Company has a shareholder that possesses sufficient voting power to have a significant influence over certain matters requiring shareholder approval, including the election and removal of Directors, dividend policy, remuneration policy and approval of significant corporate transactions. The shareholder may also exercise influence through informal channels, such as social media. The position of the shareholder may not always be aligned with the opinion and interests of management, the Company or the Company's other shareholders. This may have a financial, reputational, and regulatory impact, require significant management time and effort to address and result in litigation by, or against the Company. For more information on the shareholder with significant influence please see page 87.

Risk appetite	Mitigation	Change in past year
The Company seeks to foster effective engagement with, and encourage participation from, its shareholders and its significant shareholder in particular. It seeks to engender a culture where the Company is responsive to the views of its shareholders.	The former Chair of the Board has historically sought both formal meetings and regular informal engagement with this shareholder to understand its views on governance and performance against strategy. Similarly, the Chairs of the Board Committees have also sought engagement with this shareholder on significant matters related to their areas of responsibility. This mitigation is dependent on this shareholder being receptive to such engagement. The Company took the decision, during the year, not to actively engage with comments made by this shareholder via social media, in order to ensure the Company was able to maintain a dialogue with all shareholders in line with its reporting obligations. The Company has entered into a Relationship Agreement with this shareholder, which contains contractual obligations on the majority shareholder to ensure that the Company operates independently. Further detail on the Relationship Agreement can be found on page 87.	During the past year, this shareholder placed a representative on the Board and declared an intention to place a second, declared its willingness to sell its stake in the Company, triggered a formal sale process, withdrew its representative and pending nominee from the Board, requisitioned a General Meeting with the stated intention of removing all the Board members and appointing two replacements and declared an intention to sell down its entire stake if the vote at the General Meeting went against it. The General Meeting was held after the end of the financial year, and the measures proposed by the majority shareholder were not approved. The shareholder has begun to sell down as declared and at the time of this report, holds less than 50% of the Company's shares. The risk has therefore reduced from its peak, but it remains as long as the shareholder has a stake that allows it to exercise significant influence. While it is possible that a new shareholder will develop a stake that gives it significant influence, this is not viewed as a material source of risk.

Going concern and viability statement

Going concern statement

The Directors have made an assessment in preparing these financial statements as to whether the Group and Company are a going concern. The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Group meets its funding requirements through:

- cash generated from operations and the existing loan book is expected to continue to generate cash inflows in the normal course of business. In response to the Covid-19 pandemic, all new lending, except to key workers, was paused in March 2020;
- a £300m securitisation facility which expires in June 2022, after which the drawn balance will amortise in line with the repayment of the underlying securitised agreements. On 24 April 2020 the Directors negotiated a three month waiver period for the facility. The terms of the waiver period amendment remove the obligation of the lender to make any further advances to the Group but also provide the Group with a waiver from an early amortisation event should an asset performance trigger threshold be breached during the period. The terms of the amendment also require that the facility must be restructured to the satisfaction of the lender by the end of the waiver period (24 July 2020 or such other date agreed to by the lender) or the facility will be placed into early amortisation, after which, the performance covenants no longer apply; and
- senior secured notes of £234.1m which expire in January 2024. The notes have no financial maintenance covenants.

The Group has an unrestricted cash balance of over £135m as at 30 June 2020. The Directors have prepared a base case cash flow forecast which covers a period of more than twelve months from the date of approval of these financial statements. This base case assumes:

- no material new lending for the duration of the forecast period;
- the securitisation facility enters early amortisation on the assumption that Group is unable to restructure the facility to the satisfaction of the lender at the end of the waiver period;
- complaints redress is settled in line with the expectations of the 31 March 2020 balance sheet provision (refer to note 18 to the financial statements); and
- credit losses, and therefore customer collections, remain consistent with the expectations of the year-end impairment provision (refer to note 13 to the financial statements);
- a lower cost base than the financial year ended 31 March 2020, which would be achieved through a combination of lower variable costs and targeted cost saving initiatives to re-align the cost base to the re-based business; and
- no dividend payments during the forecast period.

This base case indicates that the Group and Company will have sufficient funds to enable it to operate within its available facilities and settle its liabilities as they fall due for at least the next twelve months.

The Directors have prepared a severe but plausible downside scenario covering the same forecast period, being at least the next twelve months from date of approval of these financial statements, which includes sensitivities that consider the potential impact of:

- increased credit losses as a result of a deterioration in the macro-economic outlook due to Covid-19 and the inability of an increased number of Amigo's customers to continue to make payments. This sensitivity is broadly aligned to Amigo's worst case IFRS 9 macroeconomic scenario (see note 2.1.3 to the financial statements); and
- a sustained high volume of customer complaints coupled with an increase in the uphold rate.

This downside scenario also assumes that new lending remains materially paused throughout the forecast period. The downside scenario indicates that the Group should have sufficient funds to enable it to operate within its available facilities and settle its liabilities as they fall due in the next twelve months, excluding any negative impact from the FCA investigation discussed below.

However, the assumed high level of customer complaints redress throughout the forecast period would significantly reduce available liquidity headroom. If complaints redress were to continue at the same high levels assumed in the downside scenario beyond the next twelve months, the Group would need to source additional financing to maintain adequate liquidity and continue to operate.

In June 2020, the Financial Conduct Authority ("FCA") launched an investigation into the Group's creditworthiness assessment process, and the governance and oversight of this process. This investigation will cover the period from 1 November 2018 to date. Such investigations can take up to two years to finalise but could be concluded on within the next twelve months. There are a number of potential outcomes which may result from this FCA investigation, including the imposition of a significant fine and/or the requirement to perform a mandatory back-book remediation exercise. The Directors consider a mandatory back-book remediation exercise to be a possible outcome, but not the most likely outcome. The Directors consider should they be required to perform a back-book remediation exercise it could reasonably be expected to exhaust the Group's available liquid resources.

Based on these indications the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Long-term viability

In accordance with Provision 31 of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over the three years to March 2023. The Directors' assessment has been made with reference to the Group's current position and strategy, as laid out in the Strategic Report

(see pages 1 to 50) and the Group's principal risks and uncertainties and how these are managed (see pages 34 to 39).

In making their assessment the Directors took account of the Group's current financial and operational positions and the challenges facing the business. These include uncertainty surrounding the level of complaints going forward, the impact of the FCA investigation, the elevated macroeconomic risk arising from the Covid-19 pandemic and the availability of capital. The Directors' assessment covers a period of three years to March 2023, which they believe is the most appropriate period for the assessment of long-term viability as it is aligned to the Group's three-year strategic planning scenario analysis.

The financial projections are built on a bottom-up, granular basis and makes specific assumptions in respect of future credit losses, customer complaints redress and capital structure. The Directors' have modelled base and downside case scenarios to consider the wide range of possible outcomes due to the significant uncertainties facing the business as a result of both the Covid-19 pandemic and customer complaints.

Funding

The Group meets its funding requirements through:

- cash generated from operations and the existing loan book is expected to continue to generate cash inflows in the normal course of business. In response to the Covid-19 pandemic, all new lending, except to key workers, was paused in March 2020;
- senior secured notes of £234.1m which expire in January 2024; and
- a £300m securitisation facility which expires in June 2022, after which the drawn balance will amortise in line with repayment of the underlying securitised agreements. On 24 April 2020 the Directors negotiated a three month waiver period for the facility. The terms of the waiver period amendment remove the obligation of the lender to make any further advances to the Group but also provide the Group with a waiver from an early amortisation event should an asset performance trigger threshold be breached during the period. The terms of the amendment also require that the facility must be restructured to the satisfaction of the lender by the end of the waiver period (24 July 2020 or such other date agreed to by the lender) or the facility will be placed into early amortisation, after which, the performance covenants no longer apply.

There are no financial maintenance covenants in relation to the Group's senior secured notes. Whilst the securitisation facility has performance trigger covenants, in both the base case and downside case scenarios considered, the facility is assumed to enter early amortisation on the assumption that Group is unable to restructure the facility to the satisfaction of the lender at the end of the current waiver period. Consequently, the Group has assessed viability from a liquidity and solvency perspective with no financial covenant compliance considerations.

Base Case

This base case forecast considers a return to lending in second half of the financial year ended 31 March 2021 funded by the Group's existing capital structure with no new lending facilities assumed. It is likely, although not certain, that the Group would look to secure new facilities to support a return to lending and provide additional liquidity. Given the uncertainty over this intention the base case assumes that only currently committed facilities will be available to the Group. In addition to a return to lending the base scenario is underpinned by the following key assumptions:

- complaints redress is settled in line with the expectations of the 31 March 2020 balance sheet provision (refer to note 18 to the financial statements);
- credit losses, and therefore customer collections, remain consistent with the expectations of the 31 March 2020 impairment provision (refer to note 13 to the financial statements);
- a lower cost base than the financial year ended 31 March 2020, which would be achieved through a combination of lower variable costs and targeted cost saving initiatives to re-align the cost base to the re-based business;
- no dividend payments during the three-year period; and
- no adverse ruling or financial consequences from the ongoing FCA investigation.

This base case indicates that the Group would retain sufficient liquidity and remain solvent from a balance sheet perspective to enable it to continue in operation and meet its liabilities as they fall due over the period to 31 March 2023.

Downside Case

The downside scenario reflects the impact of applying stresses to the base case assumptions over which there are significant risks and uncertainties. In this scenario the following stressed assumptions have been applied:

- increased credit losses as a result of a deterioration in the macroeconomic outlook due to Covid-19 and the inability of an increased number of Amigo's customers to continue to make payments. This sensitivity is broadly aligned to Amigo's worst case IFRS 9 macroeconomic scenario (see note 2.1.3 to the financial statements); and
- a sustained high volume of customer complaints coupled with an increase in the uphold rate.

Under this scenario, due to the increased liquidity constraints from the combination of lower customer collections and increased complaints redress, and in the continued absence of new funding facilities, the Group has insufficient capacity to fund new lending and thus no future lending has been assumed. This severe but plausible downside scenario indicates that the Group would become non-viable within the planning horizon.

Directors' assessment

Note 1.1 of the financial statements discloses that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern.

However, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2023, subject to the assumptions that:

1. The FCA investigation does not result in a mandatory back-book review or a material financial penalty;
2. Customer complaint volumes do not increase further from levels already experienced, nor are they sustained at a level seen in recent months for an extended period of time, nor does the uphold rate or average redress increase materially;
3. The Covid-19 pandemic and resulting economic shock does not have a severe or long-lasting impact on customer collections aligned to that considered in the IFRS 9 worst case scenario (see note 2.1.3 of the financial statements); and
4. The Group recommences originations to a level that will sustain a loan book of a sufficient size to allow the Group to meet its liabilities as they fall due over the period to 31 March 2023.

How we engage with our stakeholders

Since our inception in 2005, Amigo has had a strong sense of social, environmental and economic responsibility and an understanding that our success depends on having happy, healthy employees and satisfied customers and being a positive ambassador within not only the financial industry but also our local community. Our values have grown out of this understanding and the culture we've built over the years.

Our purpose – to give people the chance to improve their lives – and our values of simple, human and honest, form the bedrock of everything we do, driving not only the service we deliver to our customers, but also the way we approach our responsibility as an employer and our responsibilities to our local community and the environment. It has allowed us to create an Amigo community where customers, employees, investors and the various causes we support really matter.

As our Amigo community continues to grow, our values help us strengthen relationships with all our stakeholders, do the right thing by our customers, build trust, reduce operating costs, mitigate risks and attract and retain the most dynamic, smart and innovative talent.

Customers

Why it's important	How we do it
By engaging with our customers and listening to what's important to them, we develop a deeper understanding of their requirements. The feedback we receive shapes our decisions and helps us to ensure our product is right for our customers and that we continue to support them throughout their journey with us. Positive interaction helps us to retain customers and attract new ones. Read more on our customers on page 44	• From when our customers make an application, right the way through to their final payment, our skilled and dedicated teams are on hand to make the journey with Amigo as supportive and seamless as possible • We have an online and phone-based customer journey with customer access to personalised online accounts • We speak to every guarantor to check they fully understand the responsibilities of the role and that they can afford repayments if necessary • We communicate through our customer website, social media, customer surveys and feedback sites • Both the borrower and guarantor are kept up to date on their loan and any changes to their account and sent payment reminders and much more by SMS, email and post – depending on their communication preferences

Shareholders and investors

Why it's important	How we do it
Both institutional and private shareholders have invested in our business. We also have investors who hold our senior secured notes and lending banks with whom we maintain strong relationships. As a listed company, we are required to provide clear, timely and transparent updates on our business to all investors simultaneously. As a bond issuer, we are committed to reporting financial results quarterly.	• We have regular dialogue with our investors and provide a dedicated investor email for enquiries • Material investors are given access to senior management and Board members • Financial results are reported quarterly with presentations webcast to enable access to all • All investors are invited to our Annual General Meeting. Details of any special arrangements due to Covid-19 for this year's meeting will be provided in due course • We provide regular updates via our website and produce an Annual Report on our business Read more in our Section 172 Statement on pages 49 and 50 and in our Governance Report on page 59

Employees and brokers

Why it's important	How we do it

The skill and commitment of our employees and brokers are key to our success, to delivering outstanding customer service and to creating sustainable value for the long term. We expect our teams to demonstrate the Amigo values and culture by always keeping the interests of our customers front of mind. It is important to engage talented and passionate employees and brokers, to develop their potential and to enable them, as positive ambassadors for Amigo, to attract new, and service existing, customers.

Employee engagement score

7.7/10

Read more on our people on **pages 45 and 46**

- From the very beginning our people go through in-depth training in our Amigo Academy. Throughout their careers with us, we offer further learning and development opportunities
- We hold regular CEO forums and town halls with senior management to encourage two-way communication. Each month an employee who has gone above and beyond in their role, demonstrating our values, is awarded "Amigo of the Month"
- Employee feedback is gathered via quarterly unattributed, perception studies
- We host regular training programmes with the agents of customer-facing brokers to ensure their knowledge aligns with our values
- We conduct audits on all of our brokers every quarter. This involves a full website audit and auditing of calls for the brokers which have contact centres

Communities

Why it's important	How we do it

By playing an active role in our local community, our employees can assume responsibility for where they live and work, applying the same focus on ownership and being part of solutions as they do when they are in the office. The charities we support have a particular focus on vulnerable adults. They are causes that matter to us as a company, impact the community in which we operate, have relevance for our customers and significance within the finance industry. We are mindful too of minimising the impact we have as a business on our environment and seek to act in as sustainable and environmentally friendly way as possible.

Hours volunteered by our Amigos

581.5

- In 2019, Amigo established partnerships with five charities which support vulnerable adults
- Our employees can take part in the Amigo volunteering scheme where they are paid to volunteer
- We support local food banks with regular donations
- Our AmiGo Green initiatives are reducing our impact on the environment
- Through fundraising and our Give As You Earn scheme our employees have donated over £85,000
- Amigo has made business donations of just under £65,000, including both lump sum donations to our partner charities and matched funding for employee contributions throughout the year

Read more on our community on **page 47**

Our regulators

Why it's important	How we do it

We engage regularly with our regulators to ensure that we fully understand and comply with an evolving regulatory landscape and also to promote a better understanding of our product and our goal to promote financial inclusion for all. We aim to work collaboratively with our regulators to ensure we can continue to provide fair and responsible finance to the many who are unable to access credit through mainstream sources, and to achieve the best outcomes for our customers.

- Our Chief Regulatory and Public Affairs Officer, as well as members of our Board and senior management team, maintain an ongoing dialogue with regulators and members of Parliament
- We participate in public consultations, for example as part of the FCA Expert Group on Credit Information and recent Covid-19 consultations

Read more in our Section 172 Statement on **pages 49 and 50**

A responsible corporate approach
How we engage with our stakeholders

Our customers

Our customer experience is really important to us, and we take our responsibility to customers very seriously. Our purpose, to give people the chance to improve their lives, is underpinned by our goal of financial inclusion for all. We provide a responsible alternative for the millions of people who may be unable to access credit through mainstream channels.

As well as having teams of our people ready to meet our customer needs by telephone throughout their journey with us, we also share information with our customers via social media and enable feedback through the Trustpilot website.

Responsible lending
Our affordability processes assess all applicants' income and expenditure so that we only lend to customers who can comfortably afford to repay the loan. If we suspect financial vulnerability, customers are directed to specialist debt counselling experts. We are committed to the fair treatment of all customers, to give them the financial mobility they need to achieve their goals.

Vulnerable customers
It is our intention that every customer who experiences vulnerability is assured the best support throughout their journey with Amigo. Our teams are trained to recognise when a customer might be considered vulnerable, either through the conversations they have with them or as a result of an assessment of the information we attain on them. It could be for a range of reasons including a sudden change in circumstances such as recent unemployment or that they are experiencing mental health issues. It could be that they need permanent help or just a little assistance during a particularly tricky time. Our dedicated Specialist Support team are on hand to provide targeted support and ensure each customer receives fair and appropriate treatment to meet their needs. Whatever a customer's situation, we want to give them the confidence that we are here to help.

Enabling financial freedom
Amigo is a credit restorative product. We report back to the main three credit reference agencies, which creates the opportunity for customers with thin or credit-impaired histories to build their credit files through a pattern of successful payments. Our guarantor loan product meets a need in society, aiming to provide financial inclusion to those who have been locked out of the high street banks. We seek to help people improve their credit scores and move towards prime borrower status, improving their lives and financial prospects in the longer term.

We love to receive feedback from our customers.
These are some of the highlights from Trustpilot:

★ Trustpilot

Excellent service!
They handled my loan efficiently and with no problem. I definitely recommend Amigo Loans. Very supportive.

March 2020

I cannot thank Amigo enough!
Amigo Loans has changed my life for the better and helped make sure me and my guarantor felt at ease throughout the process.

February 2020

Efficient service
The customer service I received was very quick and my responsibilities explained clearly. Thank you Amigo Loans for enabling me to help a dear friend.

January 2020

Our people

Achieving our business priorities depends on our people. Our aim is to be a great place to work, providing interesting and challenging opportunities, career progression and a dynamic culture for our people. Our people plan supports this aim through a number of workstreams: attracting the right talent; retaining talent through development, engagement and wellbeing; diversity; and having brilliant basics.

Attracting talent

This year we changed our internal structure, processes and policies to attract candidates. Our careers website underwent a full refresh to emphasise our employer brand, the candidate journey and opportunities within Amigo. Our business growth targets within our customer-facing operational teams have been challenging, and we have hired in excess of 180 Customer Ambassadors. This attracted over 3,000 applications, the majority of which came from direct sources, avoiding significant cost and maintaining a low cost per hire.

Developing a high-performance culture

All new starters attend a dedicated induction known as the Amigo Academy, with specific Academies for each of our key business areas. These are designed to enable our employees to have the right skills and capability to deliver the right outcomes to our customers. This year we refreshed our Academy and introduced new learning and development interventions, which allow our employees to be multi-skilled in the wider areas of the business.

Mandatory e-learning modules are completed annually: Protecting Data, Confidential and Inside Information, Financial Crime, Bribery and Corruption, Equality and Diversity, Treating Customers Fairly (TCF), Display Screen Equipment, Health and Safety, Whistleblowing, Senior Managers and Certification Regime (SMCR) and Mental Health Awareness.

There are great learning opportunities too for those in specialist roles and we provide an annual budget for each person which they can use for development purposes.

Individual objectives are in the form of balanced scorecards for Executive Committee members through Executive Performance Plans (EPPs) and for our customer facing roles we have a career pathway framework. Both provide the opportunity to link pay and reward to KPI achievement and performance.

Employee engagement

In July 2019, we introduced our quarterly employee engagement survey through an online platform called Peakon to get a better understanding of what affects our people and how we can improve their working life.

In response to feedback received, we launched a new career framework for frontline operational teams. This enables our employees to develop both core and outstanding standards of customer service and behaviours and focuses on our employee values and service standards.

We have implemented a clear and robust annual review process with a formal year-end performance review against objectives and expectations in role and we introduced performance ratings for the first time in Amigo. Those ratings will be considered for any pay adjustments and variable pay schemes.

Throughout the year we have improved communication. We launched a new intranet (AmigoHub), held "state of the nation" sessions with all employees in September, led by Hamish Paton and ExCo team members, and ran a number of informal briefing sessions (monthly CEO huddle) and regular meetings with teams, facilitated by ExCo members.

We have refreshed the majority of our company policies and introduced a number of new ones: company sick pay and enhanced maternity, adoption and paternity leave. Ensuring our employees have the most appropriate benefits available to them is a critical part of our attraction and retention aims. This year saw the introduction of a number of new benefits: private medical insurance, critical illness cover, death in service scheme and two employee share plans. These benefits are offered to all employees, regardless of their level in the organisation – again a reflection of the culture in Amigo, where everybody counts.

Promoting health and wellbeing

It is very important to us that we support our people in all aspects of their health and wellbeing. We introduced a new concept called AmigoHUG (Helping U Grow) to enable us to focus on employee wellbeing activities (physical, mental, social, spiritual and financial).

As one of the leading causes of illness, mental health is an area of growing importance to our business. We have a robust programme of support in this area for our employees, whether the issue is work related or not. We have twelve fully trained Mental Health First Aider employees and all new starters attend a mental health awareness session, delivered by Dorset Mind, as part of the Amigo Academy. We provide an employee assistance programme which provides free, confidential, 24/7 support for all employees both online and over the phone, as well as providing face-to-face therapy sessions if required. And we offer a range of fitness activities to promote our people's physical health, including in-house massage, yoga and pilates classes and gym membership. This year we ran a series of internal workshops in areas such as new employee benefit launches and financial wellbeing and planning, which were provided by external experts.

A responsible corporate approach continued
How we engage with our stakeholders

Diversity

To help deliver equality we are committed to supporting diversity and creating an inclusive workplace where all our people feel valued and able to fulfil their potential, regardless of their race, gender, age, religion or disabilities.

The importance of diversity, equality and non-discrimination is highlighted in our equality and diversity policy and we are proud that this is demonstrated through our culture, where decisions are based on individual ability and potential in relation to the needs of the business. We are committed to ensuring that our Board and senior management teams promote diversity and inclusivity.

In 2019, we started on our journey to become a Disability Confident employer and successfully achieved Level 1. We are committed to continue to the next phase of the Disability Confident accreditation through completing a self-assessment of our practices to achieve Level 2. We continue to be inclusive in our recruitment, selection, promotion and development processes, ensuring full and fair consideration is given to all applications for employment made by disabled candidates. All managers have received training on managing disability and a wider training module on diversity and inclusion is being developed for launch this year as part of our Management Development Programme. We are able to work with our occupational health providers in the event of any employee becoming disabled during their employment, to ensure the necessary support and appropriate adjustments are made to enable ongoing employment.

The table below shows our employee base at year end, split by gender, using the definition used in the Hampton-Alexander Review* (namely the most senior level of management (ExCo) plus those of its direct reports that are senior managers).

Role	Male	Female	Total
ExCo	7	2	9
Senior managers	9	2	11
Other employees	190	157	347
			367

* Hampton-Alexander Review – Improving gender balance in FTSE leadership, November 2019.

** We began formally recording e-learning training hours in November 2019 and upskilling training in January 2020.

In March 2020, in line with the gender pay gap reporting regulations, we reported a decrease in the mean gender pay gap from 37.9% to 27.9% and an increase in the median gender pay gap from 4.0% to 6.0% from the figures reported in March 2019. We acknowledge that there is still work to do in this area. Our gender pay gap summary, which can be found on both our investor and consumer websites, outlines the reasons behind our figures and what we intend to do to close the gap further over time.

We have the following controls in place to deliver an inclusive culture and diverse workforce:

- an equality and diversity policy which applies to all employees in Amigo;
- all our employees are required to complete a mandatory equality and diversity e-learning module annually;
- we seek a good balance of male and female employees through our recruitment and selection processes; and
- we are members of the Disability Confident scheme, the government's scheme to support disabled people in the workplace.

Having brilliant basics

This year we refreshed current and created new people policies and procedures to ensure good governance of HR matters. During the year we developed, built and implemented our first dedicated HR system in Amigo.

HR Hub was launched early 2020 and provides a single comprehensive, robust and strategic people management solution to streamline processes and reduce manual administrative burden across the Group. This is a self-serve system where employees and their managers can maintain their own personal data for the first time at Amigo.

Human rights and modern slavery

Amigo respects and supports human rights and is committed to the highest level of ethical standards and sound governance arrangements. We act ethically and with integrity in all our business dealings. In accordance with the UK Modern Slavery Act, our Modern Slavery Statement is approved by our Board and published on our website.

Training stats over the year**

Our community

Being a positive part of our local and wider community is important to us. The causes we contribute to matter to our employees, impact the community in which we operate, have relevance for our customers and significance within the finance industry. We also want to minimise the impact we have as a business on our environment. We are fully committed to ensuring we operate in a sustainable and environmentally friendly way and have made further progress with our AmiGo Green initiatives this year.

AmiGo Give Something Back

We play an important role in the lives of our customers and our approach to charity has been built around this. In 2019, Amigo established partnerships with five charities which support vulnerable adults: one national charity focusing on money advice, and four local charities supporting homelessness and mental health, including one with a military association. It is likely that everyone at Amigo has been touched by at least one of these causes, whether that is over the phone supporting our customers in our professional role, or at home in our personal lives. The charities were chosen with the intention to develop an ongoing and long-term relationship and to help provide a more comprehensive and informed support network.

Amigo established partnerships with five charities which support vulnerable adults.

During the year:

- We accrued £100,000 in donations to charities in relation to the Covid-19 pandemic. This is in addition to the more than £90,000 pledged in connection with charitable causes throughout the year.
- 101 of our employees took part in our volunteer scheme which allows our teams to do paid volunteering. In total, they donated over 470 hours of their time to various causes. Our people also volunteered outside of working hours with a further 111.5 hours of their free time.
- Our employees donated 1,849 items (>800kg) to Bournemouth Foodbank and Michael House, a charity providing supported accommodation to vulnerable adults in Bournemouth.
- Through employee fundraising and our Give As You Earn scheme our employees donated over £85,000. This included over £8,000 raised in connection with our charity trip, which saw twelve Amigo employees travel to Cambodia to help with teaching and maintenance in a local school.
- We made business donations of just under £65,000, including both lump sum donations to our partner charities and matched funding for employee contributions throughout the year.

AmiGo Green

As a business, we are conscious of the impact we have on our environment, which is why we aim to do what we do in the most sustainable and environmentally friendly way possible. Of course, there are areas where we know we could do more and we are always looking at new products and ideas to help meet our environmental goals. We also want to support our employees in making eco-friendly decisions, both at work and at home.

- In September 2019, we stopped all monthly paper statements to customers. This is forecast to save 7 million sheets of paper in 2020, which is around 450 trees.
- In August 2019, AmiGo Green combined with our volunteer scheme for a litter pick on Bournemouth beach. 26 of our employees took part and cleared 21 bags of general waste and five bags of recycling.
- With the help of environmental charity “One Tree Planted”, we donated £1,500 to cover the cost of planting 1,930 trees in Australia. This will help restore the bush that has been devastated by the recent wildfires and help to provide new homes for wildlife.

Read more on our environmental impact on page 48

Environmental impact

Amigo recognises the importance of looking after our environment and the fact that urgent action is needed to mitigate risks associated with climate change.

As we are a mid-sized business within the financial services sector, with two offices in one UK location, and one in Ireland, our operations do not have a significant impact on the environment. That said, we are committed to the continual assessment of the impact we are having on the environment and using these findings to drive positive change. We are using this financial year as a baseline to record, review and reduce our environmental impact moving forward. This is our first year reporting on our emissions. We have determined that climate risk has a negligible impact on our asset values, stress testing and going concern lending activity.

We have recently completed phase II of the Energy Saving Opportunity Scheme (ESOS), having already participated in phase I in 2014. The report that followed indicated that our operations are well managed with regard to energy efficiency with limited potential for energy saving. Our energy consumption has increased since phase I, mainly due to the increase in employees and additional office space. Since phase I, we've improved energy efficiency by making changes to our IT systems.

Greenhouse gas emissions

Our scope 1 and 2 emissions and associated scope 3 emissions have accounted for 190.3 tonnes of CO_2e for the year ended 31 March 2020. We have voluntarily reported some of our scope 3 emissions, in particular, our water usage.

The quantity of energy consumed during the year ended 31 March 2020 resulting from the purchase of electricity, heat, steam or cooling in the UK only is 612,944 kWh. We do not have the data available for the kWh amount of energy consumed from activities for which the Company is responsible.

These figures relate to emissions and energy usage in the UK only; we do not currently have data available for Ireland.

Environmental intensity indicators

0.86

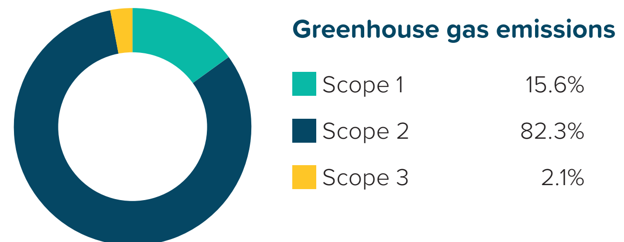
kg of CO_2e per customer (number of UK customers: 222,000 as at 31 March 2020)

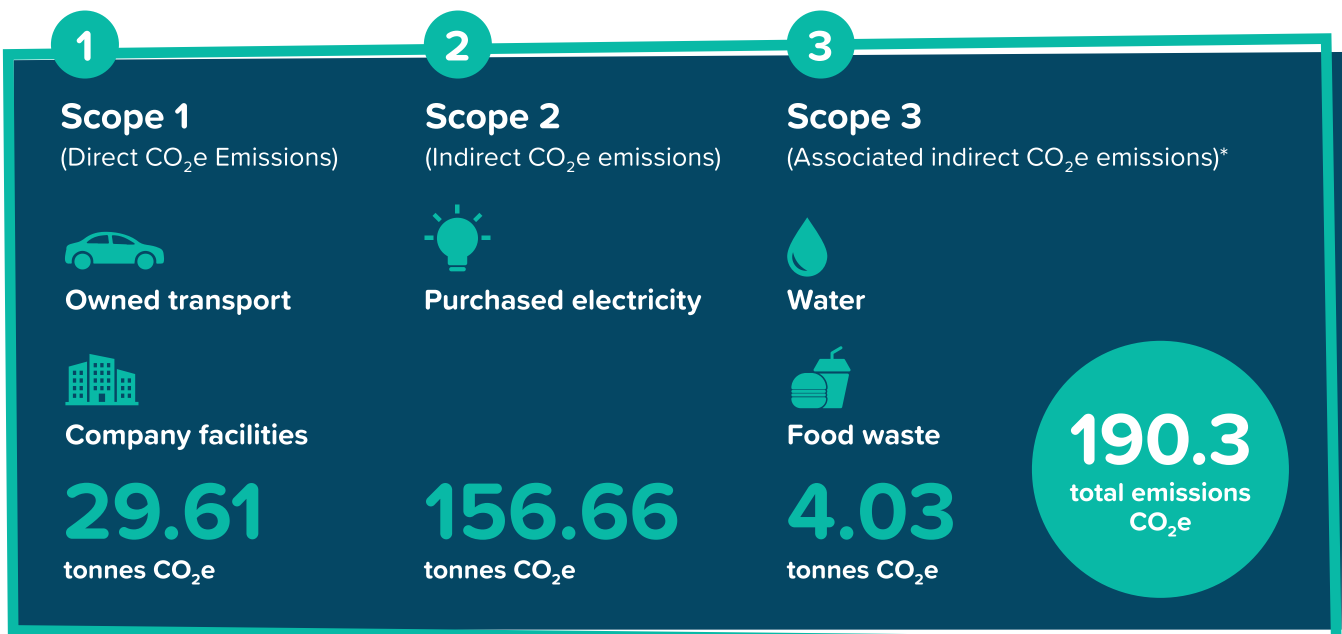
0.52

tonnes CO_2e per employee (number of UK employees: 367 as at 31 March 2020)

Methodology

1 Our emissions are reported in accordance with the WRI/WBCSD Greenhouse Gas (GHG) Protocol. We use an operational control approach to account for emissions using the UK Government GHG Conversion Factors for Company Reporting (Version 1.2, 2019). Our GHG emissions are calculated using energy usage data provided by our energy suppliers, and from records of fuel use.





* Water usage data from 16 November 2019 onwards is an estimate based on an average of the previous months, as we were unable to take a reading during the Covid-19 pandemic.

Section 172 statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, among other matters, to:

(a) the likely consequences of any decision in the long term;

(b) the interests of the company's employees;

(c) the need to foster the company's business relationships with suppliers, customers and others;

(d) the impact of the company's operations on the community and the environment;

(e) the desirability of the company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly as between members of the company.

The Directors give careful consideration to the factors set out above in discharging their duties under section 172. The key stakeholders we consider in this regard are our employees, our customers and guarantors, our shareholders, the regulators, our brokers and suppliers and the local communities in which we are located. In addition, the Directors consider the need to balance the interests between the requirements of the majority and minority shareholders.

The Board recognises that building strong relationships with our stakeholders will help us to deliver our strategy in line with our long-term values and operate the business in a sustainable way.

Stakeholder engagement

The Board is committed to effective engagement with all its stakeholders. The Board and its Committees regularly receive reports from management which consider issues concerning customers, the environment, communities, suppliers, brokers, employees, regulators and investors, which they consider in their discussions and in their decision making under section 172.

The Board and its Committees undertake deep dive reviews to further develop their understanding of key issues impacting all stakeholders. In addition to this, the Board seeks to understand the interests and views of the Group's stakeholders by engaging with them directly as appropriate.

Some of the ways in which the Board has engaged directly with stakeholders over the year are set out on pages 42 and 43.

Customers

Our customers, both borrowers and their guarantors, are at the centre of what we do. During the year, the Company undertook consultation exercises, by questionnaires and through focus groups, to better understand the different needs of our customers and the products they would like us to provide. The outputs were then used to generate discussions on the needs of such customers and how the best outcome could be achieved for them. The campaign generated numerous conversations and insights into how customer service can be tailored to improve the customer experience. More information on our customers is provided on page 44.

Employees

The Board receives updates from senior management on various metrics in relation to employees. The Company introduced a quarterly survey of employee engagement in 2019. In consultation with management, the Directors became directly involved with the review and implementation of changes to the organisation of the Group's operational structure, including the introduction of a clear and robust performance management framework and the introduction of a fair job levelling process which determines job grades and aligned salary bands. Further information on engagement with employees is provided on pages 43, 45 and 46.

Investors

The Board regularly receives updates on feedback from investors from senior management. In addition, various members of the Board, including the Chair, the Chair of the Remuneration Committee and the Senior Independent Director, have regular dialogue with institutional investors to discuss and provide updates about and seek feedback on the business, strategy, long-term financial performance and the Directors' Remuneration Policy. Members of the Board also met shareholders at the AGM last year and regularly review briefings on shareholders from the Head of Investor Relations.

During the year, the Board had intensive and ongoing discussions with the then majority shareholder regarding the future direction of the Group. See page 39 for further details.

Section 172 statement continued

Regulators

Members of the Board regularly meet with the Group's regulators. There was increased engagement with regulators during the year on matters concerning the ongoing relationship with the then majority shareholder, the formal sale process, complaints handling and the output from the sector-wide affordability review undertaken on guarantor lending. During the year, members of the Board actively engaged with the Financial Ombudsman Service in relation to its ongoing work on complaints generated on past lending.

Suppliers

Where appropriate, the Board receives updates from management regarding any issues concerning suppliers. Given the nature of the Amigo business, the vast majority of supplier relationships are well managed within the business below Board level. However, on occasion, the Board is asked to consider issues or proposals relating to potential suppliers, for example, where outsourcing is considered, or in connection with the credit reference agencies with which we work.

Decision making

We set out below an example of how the Directors have had regard to the matters set out in section 172(1)(a)–(f) when discharging their duties under section 172 and the effect of the decisions taken by them.

Covid-19

A significant decision taken during year was the decision to temporarily pause lending as a result of the Covid-19 pandemic.

The decision is a good example of how the Board had to balance:

- the short and long-term needs of the business (decision to pause lending);
- the need to ensure the safety of our employees (ensure everyone can work from home via ordering additional laptops);
- the needs of our customers (offering payment holidays and deciding to not charge interest for a three month period); and
- regulators (implementing the payment holidays).

The financial consequences of the temporary pause in lending were assessed by the Board. The Board considered the operational consequences of the decision and the impact on the resources of the Company and the impact on the review of the Company and took into account that resources released could be redeployed, after due training, to help with the collections process which was operationally stressed due to the impact of Covid-19 on our customers.

This Strategic Report of Amigo Holdings PLC was approved and authorised for issue by the Board and was signed on its behalf by:

Hamish Paton
Chief Executive Officer
20 July 2020

Chair's introduction

Roger Lovering
Acting Chair

An eventful year which has been challenging on the corporate governance front.

I am pleased to introduce this report on how the Board operates from a governance and control perspective to ensure that we comply with the principles and relevant provisions of the UK Corporate Governance Code. As a Board we take corporate governance very seriously, and I will continue to ensure that we maintain high standards throughout my tenure.

In this Governance section we set out:

- our Board of Directors and Executive Committee of senior managers responsible for delivering the desired outcomes for our customers and stakeholders;
- the role of the Board, its operation and an assessment of the Board's effectiveness;
- the Report of the Audit Committee;
- the Report of the Nomination Committee;
- the Report of the Risk Committee;
- the Directors' Remuneration Report; and
- the Directors' Report.

During the 2019/20 financial year the business focus was very much on the continuing development of the business in the face of a number of headwinds and maintaining an effective governance structure that was appropriate for the Company.

At Board level we continued to strive for a well-balanced and effective Board, strong oversight of risk management and sound shareholder relationships.

Throughout the year, the Board has made strenuous efforts to develop a wider Board membership with the skills composition to deal with the issues facing the Company. The Board is somewhat disappointed that its efforts to broaden the pool of Non-Executive Directors were not successful, due to the formal sale process and resignations received during the year, and the General Meeting requisitioned post-year end. The Board is moving as quickly as possible to become fully compliant with the UK Corporate Governance Code (see page 56).

Subsequent to the year end, the then majority shareholder requisitioned a shareholder General Meeting where it was proposed that the entire Board, even those already standing down, be removed by shareholder vote and replaced by a Chair and CEO selected by the majority shareholder. These resolutions were not passed at the General Meeting. However, Stephan Wilcke resigned as Chair of the Board effective on 18 June 2020, and the Board has agreed that Hamish Paton will leave the Company on 31 July 2020.

We announced earlier this month that Glen Crawford will be returning to Amigo as CEO on 1 August 2020, subject to regulatory approval. We look forward to his return. We continue to seek a new Chair and a new Chair of the Remuneration Committee.

I would like to thank my fellow Directors for their continued support and commitment to Amigo during this difficult time.

Roger Lovering
Acting Chair
20 July 2020

Our Board

Key

● Member ■ Chair

●■ Audit
●■ Nomination
●■ Remuneration
●■ Risk

Other Directors holding office in the year

- Glen Crawford was a Director of the Company for the period 24 February 2016 to 14 June 2019. On 8 July 2020 we announced that Glen will be rejoining the Company as CEO and a Director on 1 August 2020, subject to regulatory approval
- Clare Salmon was a Director of the Company for the period 8 November 2018 to 5 February 2020
- James Benamor was a Director of the Company for the period 9 December 2019 to 4 March 2020
- Stephan Wilcke was a Director and Chair of the Company for the period 20 April 2016 to 18 June 2020

Roger Lovering
Acting Chair and Senior Independent Non-Executive Director

Age 60
Tenure 4 years
Committees Audit (member), Nomination (member), Risk (chair)

Roger was appointed as a Non-Executive Director of the Company in April 2016 and was previously a Non-Executive Director of Amigo Loans Ltd and Amigo Management Services Ltd between December 2015 and April 2016. Following the departure of Stephan Wilcke on 18 June 2020, Roger was appointed as Acting Chair.

Background and external appointments
Roger served as the Chief Executive Officer of Santander Cards UK Limited from March 2006 to June 2011, and was previously Head of European Cards at HSBC and Chief Operating Officer at HFC Bank. Roger also served as the Chairman of Harrods Bank and Chairman of Oodle Financial Services Limited and was a Non-Executive Director with Shawbrook Group plc. Roger holds a degree in Accountancy and Financial Analysis from the University of Warwick and is a Chartered Accountant.

Brings to the Board
Roger has extensive knowledge, gained first hand, of operating at a senior level within world-leading consumer-focused finance companies and has direct experience of establishing consumer finance businesses in other jurisdictions. Roger's detailed operational knowledge means that he has the experience needed to act as Chair of the Risk Committee.

Richard Price
Independent Non-Executive Director

Age 58
Tenure 4 years
Committees Audit (chair), Nomination (member), Remuneration (member), Risk (member)

Richard was appointed as a Non-Executive Director of the Company in April 2016 and was previously a Non-Executive Director of Amigo Loans Ltd and Amigo Management Services Ltd between December 2015 and April 2016.

Background and external appointments
Richard spent the majority of his career with KPMG where he was a partner from January 1997 to July 2012. He is currently also a Non-Executive Director of Hampshire Trust Bank Plc, Brooks Macdonald Group plc and Alpha Bank London Limited. Richard holds a BSc in Economics and Business Economics from the University of Southampton and is a Chartered Accountant.

Brings to the Board
Richard has wide and diverse experience gained from a variety of senior roles within one of the world's largest financial advisory companies. Richard has specialised in the financial services sector throughout his career and his financial and accounting expertise is particularly relevant in his role as Chair of the Audit Committee.

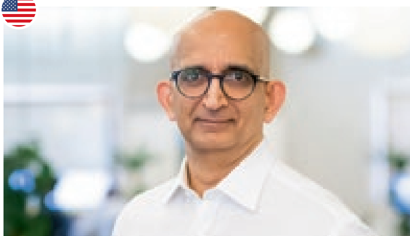
Hamish Paton
Chief Executive Officer

Age	44
Tenure	<1 year
Committees	**N/A**

Hamish was appointed Chief Executive Officer of the Company and of Amigo Loans Ltd and Amigo Management Services Ltd in July 2019. Hamish resigned as CEO in December 2019 and will leave the Company on 31 July 2020.

Background and external appointments
Hamish joined Amigo in May 2019. He was CEO at BrightHouse Group Ltd between October 2016 and March 2019, having first joined the business in 2006. Before that he worked at all levels of the business developing an insightful knowledge of those customers who are not currently well served by the main banks and financial institutions. Prior to that, he held roles within Cable & Wireless and OC&C Strategy Consultants. Hamish has an MA in Economics from Cambridge University.

Brings to the Board
Hamish has a strong background in consumer credit, and a deep understanding of the customers who use Amigo's product.



Nayan Kisnadwala
Chief Financial Officer

Age	59
Tenure	1 year
Committees	●

Nayan was appointed Chief Financial Officer (CFO) in January 2019.

Background and external appointments
Nayan has over three decades of global experience in financial services in the UK, Ireland, the USA and other international markets in strategic chief financial officer or other senior finance roles. His experience includes consumer lending in world-class companies including American Express, MBNA and Barclaycard. Before joining Amigo, he was the Group CFO of Premium Credit Limited. Nayan is a Non-Executive Director of Kuflink Group PLC. Nayan holds an MBA from New York University. He is also a Chartered Accountant and a Chartered Financial Analyst.

Brings to the Board
Nayan has extensive experience of operating in a regulated, consumer-based finance business which needs to maintain access to flexible, cost-effective capital on a prudent basis. His experience of working with world-class financial companies will ensure financial reporting meets the high standards expected of a Premium Listed issuer on the London Stock Exchange.

Executive Committee (ExCo) members

In addition to Hamish Paton and Nayan Kisnadwala, whose biographies are shown on page 53, the following senior managers sit on the Executive Committee:

Nicholas Beal
Chief Regulatory and Public Affairs Officer

Nick held the position of Director of Legal and Compliance for Amigo from February 2016 until March 2019, and was previously Company Secretary for the Group until June 2019. Nick became the Chief Regulatory and Public Affairs Officer on 1 April 2019. Prior to joining the Group, Nick was Head of Legal for UK Secured Lending at Barclays from 2007 to 2011 and before that was a Solicitor at Bradford & Bingley plc and Yorkshire Building Society. Nick is admitted as a Solicitor of England and Wales and holds an LLB from Nottingham Law School.

Roger Bennett
Company Secretary

Roger joined Amigo in June 2018 in preparation for the Company joining the London Stock Exchange, acting as Head of Company Secretariat. Roger became Company Secretary in June 2019. Prior to joining the Group, Roger was Group Company Secretary and Head of Governance at Miton Group plc since 2007. Roger qualified as a Chartered Accountant in 1988 and has performed board level roles, including that of Finance Director and Company Secretary, at various investment management, wealth management, stockbroking and Lloyd's of London underwriting agencies. Roger is a qualified Chartered Accountant and has a BA (Hons) in Accountancy Studies from Exeter University.

Helen Hancock
Chief People Officer

Helen joined Amigo in July 2019 to shape the people strategy. She is responsible for the development and execution of the people agenda, ensuring appropriate leadership and support are provided for each element of the human resources strategy. Helen has over 20 years' experience working in HR in medium and large corporate organisations. Prior to joining Amigo, she was the HR Director at the AA, a FTSE 250 company, for seven years. Previously, Helen has held various senior HR and Change roles at British American Tobacco, Alldays Convenience Stores (subsequently acquired by the Co-op) and B&Q. She has a postgraduate degree accredited by the Chartered Institute of Personnel & Development (CIPD) from Solent University. In June 2020, Helen gave notice of her intention to resign, and a search is underway for her successor.

Steve joined Amigo in 2012 and is one of the longest-standing members of our management team. Steve has progressed through a number of different sales, marketing and operational roles to become our Chief Customer Officer, responsible for both the operational side of the business, including our Lending and Collections departments, as well as customer acquisition and marketing. Prior to joining Amigo, Steve co-founded and established a successful consultancy business in London. Steve also has previous financial services experience from his time with Lloyds TSB Insurance.

Stephen King
Chief Customer Officer

Siobhan joined Amigo in March 2020 to provide guidance on the evolution of Amigo's complaints framework. Siobhan has over 25 years' experience of working in the financial services sector where she has led complex transformational, regulatory driven, remediation programmes of work in a number of FTSE 100 companies (Barclays, Lloyds and Old Mutual) as well as spending a number of years working in regulatory compliance at HSBC. More recently Siobhan was the interim Remediation Director at Caversham Finance Ltd. Siobhan has a BA (Hons) in Accountancy and a BSc (Hons) in Psychology.

Siobhan Lee
Complaints Director (Interim)

Mark joined Amigo as Chief Risk Officer in January 2019. After starting his career in aerospace engineering, he moved into financial services as a management consultant with Oliver Wyman, specialising in finance and risk for a range of UK, European and global clients. He subsequently worked as a Risk Director at the Asset Protection Agency, an executive arm of HM Treasury, and most recently as CRO at OneSavings Bank. Mark holds an MBA from London Business School and is a Chartered Financial Analyst.

Mark Paskowitz
Chief Risk Officer

Naynesh is responsible for the Decision Science and Analytics team which builds Amigo's scorecards, predictive models and MI. Prior to joining Amigo, Naynesh spent four years at Cabot Credit Management as its Director of Decision Science and Analytics, leading the decision science, analytics, strategy and insight teams. He played a key role in the sale of Cabot to JC Flowers and Encore Capital Group in 2013 as well as the purchase of Marlin Financial in 2014. Under Naynesh, the team grew from six full-time equivalent (FTE) members to 30+, developing models for pricing and operations as well as providing advanced analytics throughout the organisation. He has also held senior roles at SAV Credit and has a BA in Business Administration from the University of West London.

Naynesh Patel
Chief Analytics Officer

Corporate Governance Statement

Statement of compliance with the 2018 UK Corporate Governance Code

Amigo is subject to the 2018 UK Corporate Governance Code (the 'UK Corporate Governance Code') which is issued by the Financial Reporting Council and which is available at www.frc.org.uk. The UK Corporate Governance Code sets out guidance in the form of principles and provisions on how companies should be directed and controlled to follow good governance practice. Companies listed in the UK are required to disclose how they have applied the main principles and whether they have complied with its provisions throughout the financial year. Where the provisions have not been complied with, companies must provide an explanation. Throughout the year, the Company has complied with the provisions set out in the UK Corporate Governance Code, except for the following matters:

- At least half of the Board, excluding the Chair, should be Independent Non-Executive Directors (Provision 11): Clare Salmon left the business on 5 February 2020. This resulted in the number of Directors on the Board dropping from seven to six, three of which were Independent Non-Executive Directors. Of the three Independent Non-Executive Directors, one was the Chair. Compliance with this provision of the UK Corporate Governance Code was achieved again on 4 March 2020, following James Benamor's resignation from the Board. Post year end, the number of Directors on the Board dropped to four, following Stephan Wilcke's resignation as Chair on 18 June 2020. This leaves two Independent Non-Executive Directors out of four and, of those two, one is Acting Chair. A process is underway to appoint a new Chair, and additional Non-Executive Directors, to bring the composition of the Board back into compliance with the UK Corporate Governance Code.
- The Remuneration Committee is required to have three Independent Non-Executive Directors and the Chair of the Committee should not be the Chair of the Board (Provision 32): Following Clare Salmon's departure from the business, membership of the Remuneration Committee has comprised two Independent Non-Executive Directors. The then Chair of the Board assumed joint responsibility for chairing the Committee with its other member, Richard Price. Following the departure of the Chair of the Board, Stephan Wilcke, on 18 June 2020, a process is underway to bring the composition of this Committee back into compliance with the UK Corporate Governance Code.
- The Audit Committee is required to have three Independent Non-Executive Directors and Chair of the Board should not be a member (Provision 24): Since Clare Salmon left the Company in February 2020, the Audit Committee has consisted of two Independent Non-Executive Directors. Subsequent to the year end, Stephan Wilcke left the Company in June 2020, and one of the Independent Non-Executive Directors is currently Acting Chair of the Board. As with the Remuneration Committee, a process is underway to bring the composition of this Committee back into compliance with the UK Corporate Governance Code.

Leadership and effectiveness

Governance structure

- Provision 5 of the UK Corporate Governance Code requires employee engagement through: (i) the appointment of a Director from the workforce, (ii) the creation of a formal workforce advisory panel, and/or (iii) a designated Non-Executive Director: In place of these methods, the Company has implemented a range of employee engagement initiatives as described on pages 45 and 46. These are subject to proactive review to ensure their continued effectiveness. The Board engages with these initiatives and considers them to be effective, with some actions taken as a result of employee feedback.
- The Company is required to undertake an annual evaluation and review of the Board (Provision 21): The Company has not undertaken a formal evaluation of the Board during the year, due to the formal sale process and the uncertainty of the Board compostion.

Role of the Board

The Board has collective responsibility for the long-term success of Amigo and for its leadership, strategy, control and management. The offices of Chair and Chief Executive Officer (CEO) are separate and distinct and the division of responsibilities between them has been clearly established, set out in writing and agreed by the Board. The Chair is responsible for the leadership and effectiveness of the Board and for ensuring that each Non-Executive Director is able to make an effective contribution to the Board through debate and discussion with the Executive Directors. The Chair is also responsible for setting the style and tone of Board discussions. The CEO's role is to develop Amigo's strategic direction and to lead senior management in executing Amigo's strategy and managing the operational requirements of the business.

The Non-Executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are carefully examined and fully discussed, that the performance of the Group is monitored and challenged and that the financial information provided is comprehensive and accurate. They are also responsible for ensuring, through the Remuneration Committee, that appropriate remuneration arrangements are in place for the Executive Directors.

Operation of the Board

The Board has a formal schedule of matters which are reserved for its consideration, including approval of the long-term objectives and strategy, approval of budgets and financial statements, including the production of the annual report and accounts, acquisitions and disposals, changes to the structure of the Group and overall corporate governance issues. It reviews trading performance and considers major capital expenditure and the funding arrangements of the Group.

The Board has delegated certain responsibilities to formally constituted Committees, details of which are set out on pages 60 and 61. By delegating key responsibilities to these Committees, the Board is able to ensure that adequate time is devoted by Board members to the oversight of key areas within their responsibility.

Day-to-day management and control of the business is undertaken by the Executive Directors together with other senior managers, who sit on the Executive Committee (ExCo). The ExCo normally meets on a weekly basis together with other senior managers as appropriate.

Board meetings are scheduled to be held twelve times a year, with main meetings linked to key events in the Group's financial calendar, with the annual results being approved at the Annual General Meeting (AGM). The Board meets to approve reports for the quarters ending in June and December, the half year ending in September and the full year ending in March, as well as approving the interim and final dividends which may be payable in January and July.

Regular agenda items include an overview of the market and current trading, a detailed review of financial performance against agreed targets and detailed compliance reports and risk data, including information on complaints. The Board held several sessions throughout the year focusing on strategy which, together with the Board members, also included key senior managers from the business. The strategy sessions included an in-depth review of the current position of the market offering and considered options for meeting future customer demand. When considering the business of the Group, the Board is aware of the need to have regard to the matters set out in section 172 of the Companies Act 2006 (see pages 49 and 50) as well as the significance of environmental, social and governance (ESG) matters.

Budgets are prepared for the next financial year, which are reviewed and approved by the Board in January and April. The Board also has a programme to conduct more detailed reviews of different aspects of the business at each meeting, with the schedule of topics being regularly reviewed to ensure that it remains appropriate. The relevant functional head may be asked to attend such meetings to present relevant reports and deal with questions for Board members.

Key focus areas for the Board during the year included ongoing business performance, enhanced regulatory interest in the product, complaints, lending criteria and associated activity, identifying principal risks, creditworthiness and affordability of customers, the strategic review and the formal sale process.

Between scheduled meetings the Board is in frequent contact to progress Amigo's business and, if necessary, ad hoc Board meetings are held at short notice. It is expected that all Directors attend Board and relevant Committee meetings, unless they are prevented from doing so by prior commitments. If Directors are unable to attend meetings in person, or by telephone, they are given the opportunity to be consulted and comment in advance of the meeting.

Papers are generally circulated in the week prior to each Board or Committee meeting to ensure that Directors have sufficient time to review them before the meeting. Documentation includes detailed management accounts, reports on current trading, reports from the main functional areas including regulation, corporate governance and matters where the Board is required to give its approval. The Chair holds regular, informal meetings with the Non-Executive Directors without the Executive Directors being present and the Non-Executives also meet with the Chair and the CEO on an informal basis several times a year. Although not a member of the Audit Committee, and therefore not recorded in the table below, the Chair also on occasion attended these meetings at the invitation of the Committee Chair.

Attendance at meetings held during the year to 31 March 2020 is set out in the table below:

	Stephan Wilcke	James Benamor[1]	Roger Lovering	Richard Price	Clare Salmon[2]	Glen Crawford[3]	Hamish Paton[4]	Nayan Kisnadwala
Board – scheduled	12 of 12	2 of 3	12 of 12	12 of 12	8 of 9	1 of 2	6 of 7	12 of 12
Board – ad hoc	27 of 27	6 of 6	26 of 27	24 of 27	18 of 22	4 of 8	15 of 18	22 of 27
Nomination Committee	4 of 6	3 of 3	6 of 6	6 of 6	3 of 4	N/A	N/A	N/A
Audit Committee	N/A	1 of 1	7 of 7	7 of 7	6 of 6	N/A	N/A	N/A
Remuneration Committee	9 of 10	N/A	1 of 1	9 of 10	9 of 9	N/A	N/A	N/A
Risk Committee	4 of 6	N/A	6 of 6	6 of 6	2 of 5	N/A	N/A	5 of 6

1 James Benamor was appointed as a Director of the Company on 9 December 2019 and resigned on 4 March 2020.

2 Clare Salmon resigned as a Director of the Company on 5 February 2020.

3 Glen Crawford resigned as a Director of the Company on 14 June 2019.

4 Hamish Paton was appointed as a Director of the Company on 29 July 2019.

Statement of compliance with the UK Corporate Governance Code (2018 version) continued

Board effectiveness

Board performance and evaluation

The UK Corporate Governance Code requires the Board to conduct an annual evaluation of its own performance and that of its Committees and Directors. The review process undertaken by the Board requires members to rate their own performance and the performance of the Board through completion of a questionnaire. The review process for the year was disrupted due to the uncertainty of the Board composition as a result of resignations in the year and the formal sale process. The Board intends to re-engage with the formal Board evaluation process during 2020/21. The Board will look to implement the recommendations and actions arising from the review.

Areas covered by the review will include the composition and processes followed at the Board and Committee meetings, topics discussed, behaviours of Board members, diversity and challenge by members and effectiveness of the Board in stress situations. In addition to the annual evaluation exercise there remains an ongoing dialogue within the Board to ensure that it operates effectively and that any matters raised are addressed in a timely manner.

The performance of the Executive Directors and senior managers is reviewed annually by the Remuneration Committee in conjunction with their annual pay review and the payment of bonuses.

Training and support

The training needs of the Board and its Committees are regularly reviewed and each Director is responsible for ensuring their skills and knowledge of the Group remain up to date. Particular emphasis is placed on ensuring that Directors are aware of proposed legislative and regulatory changes in areas such as corporate governance, financial reporting and consumer finance specific issues through the issue of briefing papers at Board meetings and through direct training undertaken by our corporate advisors. All Directors visit Amigo's main office on a regular basis (subject to Covid-19 restrictions) and are encouraged to familiarise themselves on aspects of the day-to-day business.

Newly appointed Directors receive a tailored induction on joining the Board to acquaint them with the Group. This normally includes meetings with other Board members and senior management, and the provision of an induction pack containing general information on the Group, its policies and procedures, financial and operational information and a briefing on Directors' responsibilities. There is an agreed written procedure for Directors, in furtherance of their duties, to take independent professional advice at the Group's expense. Directors also have access to the services of the Company Secretary. The Group had in place throughout the year directors' and officers' liability insurance.

Accountability

The Board has responsibility for determining, with the assistance of the Audit and Risk Committees, whether the Annual Report, taken as a whole, is fair, balanced and understandable to enable shareholders to assess the Group's performance, business model and strategy. In coming to its view, the Board took into account the views of the Audit and Risk Committees, as well as its own knowledge of the Group, its strategy and performance in the year, the guidance given to all contributors to the Annual Report and a detailed review by senior management of the overall content.

Board composition, structure and diversity

As at the year end the Board comprised the Independent Non-Executive Chair, two Executive Directors and two Independent Non-Executive Directors. The Chair was Stephan Wilcke, the CEO was Hamish Paton and Roger Lovering was the Senior Independent Director. The Directors' biographies are on pages 52 and 53. During the year, Executive Director Glen Crawford resigned from the Board on 14 June 2019 and was succeeded as CEO by Hamish Paton, who was appointed to the Board on 29 July 2019. Richmond Group Limited, the then majority shareholder, exercised its right under the Relationship Agreement with the Company to appoint a Director and as a result James Benamor was appointed to the Board as a non-independent Non-Executive Director on 9 December 2019. James Benamor resigned as a Non-Executive Director on 4 March 2020. Clare Salmon resigned as a Non-Executive Director on 5 February 2020. Post year end, Stephan Wilcke resigned as Chair of the Board and Non-Executive Director on 18 June 2020. In addition, Hamish Paton, current CEO, will step down as CEO and Executive Director on 31 July 2020, to be replaced by Glen Crawford who will re-join the Company as CEO and Executive Director on 1 August 2020, subject to regulatory approval.

In order to be compliant with the UK Corporate Governance Code, the Board is taking steps to recruit a Chair and additional Non-Executive Director.

Amigo's policy and approach to diversity at Board level is described in the Nomination Committee Report on page 66, while Amigo's commitment to diversity and inclusion within the workforce, and how it has been implemented, can be found on page 46.

Independence

The Board is confident that all of the Non-Executive Directors during the year satisfied the independence criteria of the UK Corporate Governance Code on their appointment and continued to satisfy those criteria, with the exception of James Benamor, who was not independent by virtue of his controlling shareholding in Richmond Group Limited .

Stephan Wilcke, the previous Chair, was independent on appointment, having never been employed by the Group and having diverse business interests beyond the Group, and in the opinion of the Board he remained independent during his time as Chair. Roger Lovering was the Senior Independent Director during the year, becoming Acting Chair post-year-end. He too has never been employed by the Group and has diverse business interests. As well as supporting the Chair and acting as a sounding board for the Chair and an intermediary for other Directors, a key responsibility for the Senior Independent Director is to be available for direct contact from shareholders should they require. Roger Lovering can be contacted via investors@amigo.me.

On 29 April 2020, the Board received a requisition notice from its then majority shareholder, Richmond Group Limited, requiring the Board to convene a General Meeting of the

Company for the purpose of considering resolutions to remove all of the Company's Directors and appoint two named directors in their place. At the General Meeting on 17 June 2020, over 90% of the minority shareholders that voted, voted against the resolutions.

Board independence and Committee membership – Directors as at 31 March 2020

Name	Independent	Nomination Committee	Audit Committee	Remuneration Committee	Risk Committee
Stephan Wilcke[1]	Yes	●		■	●
Roger Lovering	Yes	■	●	●	■
Richard Price	Yes	●	■	●	●
Hamish Paton	No				
Nayan Kisnadwala	No				●

1 Subsequent to the year end, Stephan Wilcke resigned from the Board on 18 June 2020. Richard Price took over as Chair of the Remuneration Committee on an interim basis.

Key: ● Member ■ Chair

Commitment and conflicts of interest

All significant commitments which the Directors have outside Amigo are disclosed prior to appointment and on an ongoing basis when there are any changes. The Board is satisfied that each of the Non-Executive Directors commits sufficient time to their duties and fulfils their obligations to Amigo. The Board has the right, under the Articles of Association, to approve potential situational conflicts of interest. During the year, a small number of such potential conflicts relating to Directors' own remuneration arrangements and replacement of Directors have been approved by the Board following disclosure by certain Directors, in each case with the relevant Director not taking part in any decision relating to their own position. Directors are also aware that the disclosure and authorisation of any potential conflict situation does not detract from their requirement to notify the Board separately of an actual or potential conflict in relation to a proposed transaction by the Group.

Internal controls and risk management framework

The Board follows an internal control and risk management framework, which includes the following key elements:

- a clear schedule of matters which require approval at Board level;
- a policy in relation to delegation of authority and the limitations which apply;
- comprehensive costs budget prepared for the Group, and individual business units;
- ongoing monitoring of the performance of the Group, and individual business units, against budgets with reports given to the Board on a regular basis;
- internal audit assessments, both with respect to financial matters and business matters, discussed with management and the Audit Committee together with corrective actions agreed and monitored;
- a centralised financial reporting system and process, with controls and reconciliation procedures designed to facilitate the production of the consolidated accounts;
- assessment of accounting standard changes with both the external auditor and the Audit Committee;
- documented policies made widely available to employees in relation to anti-bribery and corruption, anti-money laundering, export controls and whistleblowing;
- an ongoing review of the principal risks which face the Group, in addition to the assessment undertaken by the Audit Committee in preparing the viability statement; and
- regular reports in relation to finance, tax and treasury given to the Audit Committee.

Relations with shareholders

The Board is keen to ensure that our shareholders have a good understanding of the business and its performance, and that the Directors are aware of any issues or concerns which shareholders may have. Communication with shareholders takes a variety of forms as set out below.

Institutional shareholders and analysts

There is a regular dialogue with institutional shareholders and analysts including dial-in and individual meetings after the announcement of the year-end, half year and quarterly results.

The Board receives regular reports and feedback on the meetings held between the Executive Directors and shareholders, and internally circulates copies of analysts' reports on the Group. The Senior Independent Director, also currently Acting Chair Roger Lovering, is available to shareholders if they have concerns about governance issues which the normal channels of contact fail to resolve. The former Chair and the Senior Independent Director met major shareholders during the year, and the Chair of the Remuneration Committee is in touch with major shareholders on remuneration matters.

Governance report continued

Relations with shareholders continued

Institutional shareholders and analysts continued

As noted elsewhere, the Board's relationship with Richmond Group Limited has been an important area of discussion at Board level.

Annual General Meeting (AGM)

Amigo will hold its second AGM in 2020. The notice of the AGM will be sent to shareholders at least 20 working days before the meeting. All substantive items of business at shareholders' meetings are dealt with under separate resolutions, including a resolution to receive the "Annual Report and Accounts".

Website

The Group maintains a website (www.amigoplc.com) with a dedicated investor relations section. All Company announcements are available on this site, as are copies of slides used for presentations to investment analysts. We are happy to answer questions by email at investors@amigo.me.

Board Committees

The Board has delegated certain responsibilities to standing Committees, details of which are set out below. By delegating key responsibilities to these Committees, the Board is able to ensure that adequate time is devoted by Board members to the oversight of key areas within their responsibility.

Committee	Key function, responsibility and area of expertise
Audit	• Oversees the remit of, appoints, decides remuneration of, monitors and reviews the effectiveness of the Company's Internal Audit provider in the context of the Company's overall risk management system. Ensures findings are investigated and actioned appropriately. • Oversees the remit of, appoints, decides remuneration of, monitors and reviews the effectiveness of the Company's external audit provider in the context of the Company's overall audit plan. • Assists the Board in monitoring the Group's financial reporting process and the integrity of the Group's periodic financial statements, including reporting of financial performance to the market. • Advises the Board whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position, performance, business model and strategy. • In conjunction with the Risk Committee, reviews the effectiveness of the Group's system of internal controls and ensures adequate whistleblowing procedures are in place.
Nomination	• Regularly reviews the structure, size, composition and skill set of both the Executive and Non-Executive Directors. Considers succession planning, director resignation and re-election at AGMs, including identification of appropriate candidates to fill vacant or new roles. • Develops, regularly reviews and makes recommendations on the Company's approach to governance practices including monitoring any conflicts of interest. • Considers ongoing educational and training needs of the Board in relation to changing requirements in the market.
Risk	• Advises the Board on the Company's overall risk appetite, tolerance and strategy taking into account the factors influencing the approach to risk. Considers the risk policies in place and ensures they form part of a robust assessment of the risks including those affecting our business model, future performance, solvency, liquidity, business continuity and business disaster recovery. • Regularly reviews and approves the parameters used in measuring risk and the methodology used to assess such risks. Considers procedures and in conjunction with the Audit Committee sets standards for accurate and timely reporting of large exposures and risks adjudged to be of critical importance. • Considers fraud matters and ensures procedures are in place to deal with applicable legal and regulatory requirements including consideration of anti-money laundering practices and customer and conduct risk. Reviews systems and controls for determining correct ethical behaviour and the prevention of bribery, corruption and modern slavery. • On an ad hoc basis, considers matters on behalf of the Board including acquisitions, disposals and new products. • Reviews the activities of the Chief Risk Officer including considering the appointment and removal of said officer. • In conjunction with the Audit Committee, reviews the effectiveness of the Group's system of internal controls and ensures the adequacy of the Group's Compliance function.

Committee	Key function, responsibility and area of expertise
Remuneration	• Determines the terms and conditions of employment of each of the Board, Executive Directors, senior management and Company Secretary. Determines the remuneration policy, which includes termination and compensation payments and pension arrangements and expenses, taking into account relevant laws and regulations. • Determines all aspects of share incentive arrangements in consultation with shareholders. Sets and designs appropriate performance targets and criteria including determining when payments should be withheld or clawed back from an Executive Director. • Liaises with the Nomination Committee to ensure remuneration for newly appointed Executive Directors fits within the remuneration policy. • Oversees workforce policies and practices to make recommendations to the Board to promote the long-term success of the Group and align with strategies and values. • Responds to matters raised during the AGM by shareholders in relation to the remuneration policy.

Formal terms of reference for the Nomination Committee, Audit Committee, Risk Committee and Remuneration Committee have been approved by the Board and are available on request or to download from the Group's website.

The Group also has a Disclosure Committee, which is responsible for managing the disclosure of information by the Group in compliance with its obligations under the Market Abuse Regulations, the Financial Conduct Authority's Listing Rules, and the Disclosure Guidance and Transparency Rules. The Disclosure Committee is made up of the members of the Board. The Disclosure Committee meets on an ad hoc basis and considers matters when appropriate during the year.

Disclosure Guidance and Transparency Rules disclosure

The information required by DTR 7.2 is set out in this report, the Nomination Committee Report, the Risk Committee Report and the Audit Committee Report, except for information required under DTR 7.2.6, which is set out in the Directors' Report.

Audit Committee

Richard Price
Chair of the Audit Committee

Member	Meetings	Attendance
Richard Price	7	7
Roger Lovering	7	7
Clare Salmon[1]	6	6
James Benamor[2]	1	1

1 Clare Salmon stood down from the Audit Committee on her resignation on 5 February 2020.
2 James Benamor was appointed to the Audit Committee on 19 February 2020 and stepped down on his resignation on 4 March 2020.

The Committee will continue to monitor the financial performance and position of Amigo, ensuring reporting remains fair, balanced and understandable.

Overview

I am pleased to present the Audit Committee Report. The Committee's key responsibilities include monitoring the integrity of the Group's financial reporting and internal controls and overseeing the internal and external audit processes and a range of other corporate governance activities.

During the year, the Committee devoted particular attention to significant financial reporting areas including: the Group's published financial statements, being the quarterly, interim and annual report and accounts; and management and oversight of the relationship with the external auditor, KPMG.

The Committee has devoted much time to consideration of the provisioning methodology to be used when considering the evaluation of potential redress for complaints. The Committee also continued with the evaluation of IFRS 9 issues and the implications for our continuing impairment rate calculations. This work has been undertaken in conjunction with the Risk Committee.

Another key role of the Committee has been the management of the Internal Audit function provided by PwC. Work undertaken has included the approval of the overall Internal Audit plan, consideration of individual areas of work and the review of findings from the reports undertaken, including agreed management actions.

The Committee has followed the deliberation on Brexit and more lately, on Covid-19 and, in conjunction with the Risk Committee, devoted time to the potential impact on impairment rates. Unfortunately, at the time of writing, the lasting economic and social ramifications of Covid-19 remain unknown, particularly in relation to unemployment, but the Committee has sought to identify the potential impact on the impairment rates used within the Amigo model.

Moving forward, the Committee will continue to monitor the financial performance and position of Amigo, ensuring reporting remains fair, balanced and understandable as well as reflective of the underlying evolving economic environment in which Amigo operates.

I would like to thank my colleagues and members of the Committee for their hard work and commitment over the last twelve months.

Richard Price
Chair of the Audit Committee
20 July 2020

Committee composition

Richard Price chaired the Audit Committee throughout the year. The other members of the Committee during the year were Roger Lovering, Clare Salmon and James Benamor. Clare Salmon stood down from the Committee in February 2020 and James Benamor stood down in March 2020. The Board considers all members to be independent, with the exception of James Benamor and the Committee as a whole to have relevant sectoral competence. James Benamor was not independent during his time on the Committee by virtue of his controlling shareholding in Richmond Group Limited Please see Committee member biographies on pages 52 and 53 for further information.

Roles and responsibilities

The principal duties of the Audit Committee were to:

Financial reporting

- Monitor the integrity of the annual, interim and quarterly report and accounts.
- Review and report to the Board on significant financial reporting issues, estimates and judgements, particularly in relation to accounting for complaints and IFRS 9.
- Review the Viability Statement included in the Annual Report and the adoption of the going concern basis as the appropriate basis on which to prepare Amigo's financial statements.

Internal controls

- Keep Amigo's internal financial controls under review.
- Consider the effectiveness of internal control systems.
- Direct and review the activities of the Internal Audit function provided by PwC.

Whistleblowing

- Review the adequacy and security of Amigo's whistleblowing arrangements, ensuring appropriate arrangements are in place for employees to raise concerns confidentially and to have those concerns adequately investigated without repercussion to them, and to ensure there is a mechanism in place to deal proportionately with outcomes from those investigations.

External audit

- Consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting (AGM), in relation to the appointment or re-appointment of Amigo's external auditor.
- Oversee the relationship with the external auditor, approve the remuneration for audit services and develop the policy governing the use of the external auditor to provide non-audit services.
- Approve the external auditor's terms of engagement.
- Assess annually the external auditor's independence and objectivity.
- Discuss with the external auditor the factors that could affect the audit quality and review and approve the annual audit plan.
- Review the findings of the external audit engagement.
- Provide the opportunity for the external auditor to meet with the Committee without executive management present in order to raise any concerns or discuss matters relating to the audit work.

The Committee receives regular updates on regulatory, accounting and reporting developments and their application to Amigo.

Meetings and attendance

The Committee held seven meetings during the year. Attendance at these meetings by the Committee members is shown in the table on page 62. On each occasion the external auditor, Chief Financial Officer, Company Secretary and other senior members of the executive team attended, including the Chief Risk Officer. Attendance by representatives of Internal Audit occurred on an ad hoc basis when Internal Audit output was reviewed.

There is an opportunity at each meeting for the Committee to discuss matters privately with the internal and external auditors without management present. Outside of scheduled meeting times, the Chair of the Committee is in regular contact with both the internal and external audit partners, to discuss matters relevant to Amigo. The Committee's terms of reference are available on Amigo's website and these are reviewed annually and updated where necessary to reflect changes in the responsibilities of the Committee. In addition, the Committee conducts a review of its own performance on an annual basis and considers steps for future improvement taking input from the members of the Committee, the internal and external auditors and senior members of the executive team.

Key priorities for the coming year are the continuation of the development of the Internal Audit programme, especially in relation to affordability and conduct risk, oversight of the impact of Brexit and Covid-19 on financial modelling, and the ongoing monitoring of IFRS 9.

Key activities of the Audit Committee in 2019/20

The Committee met seven times during the year and the following activities were undertaken:

- reviewed and considered significant issues relevant to the annual report and accounts for the year ended 31 March 2019 including confirmation of the application of Amigo's accounting policies and any material changes to financial reporting requirements;
- reviewed and considered significant issues relevant to the unaudited quarterly report and accounts to 30 June 2019;
- reviewed and considered significant issues relevant to the unaudited interim report and accounts to 30 September 2019;
- reviewed and considered significant issues relevant to the unaudited quarterly report and accounts to 31 December 2019;
- reviewed and approved Amigo's method for the assessment of impairment provisions in accordance with IFRS 9;

Audit Committee report continued

Key activities of the Audit Committee in 2019/20 continued

- reviewed the external auditor's audit planning report for the year ended 31 March 2020 and findings from the 2019/20 interim audit work completed in the period;
- reviewed and approved the audit fee for the interim and final audit work;
- reviewed and approved the Amigo policy on non-audit services;
- in conjunction with the Risk Committee, reviewed the effectiveness of the Group's system of internal control (including financial and operational);
- reviewed the going concern and viability statements, focusing on key judgements, assumptions and estimates underlying the Group's plans;
- reviewed and considered significant issues relevant to the annual report and accounts for the year ended 31 March 2020 including confirmation of the application of Amigo's accounting policies and any material changes to financial reporting requirements;
- reviewed and approved the Internal Audit plan from PwC and reviewed various reports throughout the year;
- assessed the effectiveness of the Internal Audit function by reference to the quality, experience and expertise of the team provided by PwC, and by reviewing periodic and individual reports on specific areas of interest. During the year, Internal Audit focused on:
  - management information assessment;
  - affordability;
  - financial promotions;
  - complaints handling;
  - corporate governance;
  - vulnerable customers;
  - cash management and funding;
  - compliance function effectiveness;
  - risk management; and
  - IT change control;
- reviewed and updated the terms of reference for the Committee.

Auditor effectiveness and independence

The Committee considered KPMG's effectiveness by reference to the audit plan, including the key risks identified and the materiality adopted, its performance against that plan and its relevant experience of both the non-standard finance sector and Amigo's business and operations. KPMG's current internal quality control measures were also evaluated. Further details of the audit engagement partner, engagement date and length of tenure are provided in the Independent Auditor's Report on pages 91 to 98.

The Committee has also considered the objectivity and independence of the external audit, noting both the statement of independence provided by KPMG and the absence of any known conflict of interest between Amigo and KPMG. The Committee's policy is that KPMG will only be engaged to perform non-audit services in exceptional circumstances and, even then, only with the prior approval of the Committee. In the last financial year KPMG did not provide any non-audit work. Details of audit fees paid to KPMG are provided in note 6 to the consolidated financial statements.

There was a tender of audit services in February 2017 when KPMG was appointed as auditor to the Group. The next tender of audit services is due in 2027.

Financial reporting

The Committee reviewed and provided input into the audit scope and audit plan provided by KPMG. In evaluating key issues and areas of judgement relevant to the consolidated financial statements, the Committee reviewed KPMG's audit findings and observations and considered the following significant issues:

Issue	Relevant action
IFRS 9	• Determination of a "significant increase" in credit risk • Consideration of expected credit loss profiles • Development of forward-looking economic scenarios
Conduct risk (including complaints)	• Consideration of impact of regulatory scrutiny on activities of the business • Consideration of regulatory redress payable from complaints • Consideration of changes required to meet changes in regulatory requirements and environment over the period
Going concern	• Consideration of a risk to going concern resulting from an increase in financial commitments due to redress payable on upheld complaints • Consideration of short, medium, and long-term funding requirements considering complaints and impact of Covid-19 on impairment levels • Development of forward-looking financial scenarios
Recoverability of parent company investment in subsidiaries	• Consideration of carrying value of investment in subsidiaries against forward looking economic valuation of subsidiaries • Consideration of likely movements and changes in valuation resulting from future originations and future debt recoverability • Consideration of the cash generating unit associated with subsidiary undertakings

Nomination Committee

Roger Lovering
Chair of the Nomination Committee

Member	Meetings	Attendance
Roger Lovering	6	6
Stephan Wilcke	6	4
Richard Price	6	6
Clare Salmon[1]	4	3
James Benamor[2]	3	3

1 Clare Salmon stepped down from the Nomination Committee on her resignation on 5 February 2020.
2 James Benamor was appointed to the Nomination Committee on 12 December 2019 and stepped down on his resignation on 4 March 2020.

"Seeking to achieve an appropriate size, composition and structure of the Board for the delivery of the Group's strategic objectives."

Overview

I am pleased to introduce our Nomination Committee Report for 2019/20, which explains the Committee's focus and activities during the year, which by anyone's standard has been a challenging period. The focus of the Committee has continued to be on seeking to ensure that the size, composition and structure of the Board are appropriate for the delivery of the Group's strategic objectives. In the latter part of the year the Committee underwent a number of changes and throughout this time it strove to ensure that the Company met the provisions of the UK Corporate Governance Code, although this was not always possible.

Committee composition

I took over as Chair of the Nomination Committee on 13 December 2019. Prior to this, the Nomination Committee was chaired by Stephan Wilcke. Richard Price was also a member of the Committee throughout the year. Clare Salmon stood down as member of the Committee following her resignation as a Non-Executive Director of the Company in February 2020. James Benamor joined the Committee after his appointment as a non-independent Non-Executive Director of the Company in December 2019 but then stood down as a member of the Committee when he resigned as a Director in March 2020. All the current Committee members are considered by the Board to be independent.

Roles and responsibilities

The key responsibilities of the Nomination Committee are to identify, evaluate and nominate candidates for appointment to the Board, to review regularly the structure, size and composition (including skills, knowledge and experience) of the Board and to make recommendations to the Board with regard to any adjustments that are deemed necessary. The Committee is also responsible for considering the Company's succession plans for Board members and senior management, taking into account the challenges and opportunities facing the Company and the skills and expertise that are needed on the Board in the future. The Committee is responsible for reviewing membership of the Board's Committees to ensure that undue reliance is not placed upon any individuals.

Nomination Committee report continued

Key activities of the Nomination Committee in the year

The Committee held six meetings during the year. Attendance at these meetings by the Committee members is shown in the table on page 65.

This has been a very challenging and turbulent year for the Committee. I took over as Chair of the Committee following Stephan Wilcke's decision to not to seek re-election at the next Annual General Meeting. Hamish Paton also announced at the same time that he would be leaving the Company. Thus, the Committee needed to start a recruitment process for a CEO and Chair, as well as an additional independent Non-Executive Director to replace Clare Salmon. I can confirm that Stephan Wilcke, as retiring Chair, was not involved in the selection or appointment of his successor.

We reviewed the membership of the Committee and invited James Benamor to join the Committee as it was considered important to involve the then majority shareholder in the recruitment process.

We then selected an independent recruitment consultant, Lomond Consulting, from the panel of three firms that we invited to tender for the business. However, the strategic review and formal sale process delayed the search for potential candidates.

Post year end, on 29 April 2020, Richmond Group Limited asked for a General Meeting to be called at which it sought to remove all existing members of the Board. The resolutions to remove the Board and appoint an alternative Chair and CEO were not passed at the General Meeting, which took place on 17 June 2020. After the General Meeting we quickly recommenced the CEO recruitment process and on 8 July 2020, we were delighted to announce that Glen Crawford would be rejoining Amigo as CEO, subject to FCA approval. We did not use a recruitment consultant in the appointment of Glen Crawford. The recruitment of a replacement Chair is in progress.

Other key activities during the year included:

- supporting the appointment of Hamish Paton as CEO;
- reviewing the composition of the various Board Committees;
- reviewing the skill set of the existing Board and senior management and initiating a training programme to meet identified training requirements, particularly in relation to the introduction of the Senior Managers and Certification Regime; and
- reviewing the appointment of Richmond Group Limited's Director, James Benamor.

The issues of succession planning and Board structure will remain the ongoing focus of the Committee during the course of the forthcoming year.

The Committee has been actively seeking to refresh the Board and identity skills shortages. Rebalancing the skills composition will be a key consideration as we rebuild the Board.

The Group has asked all Directors, excepting Hamish Paton and Stephan Wilcke, to stand for re-election at this year's AGM. This is in accordance with best practice identified in the UK Corporate Governance Code.

The Committee has not undertaken an external evaluation of the Board this year, as the process was disrupted due to the uncertainty of the Board composition as a result of resignations and the formal sale process.

Diversity

The Board approves of the principle, and has a policy, of trying to recruit more women into senior management and Director roles. Unfortunately, with the resignation of Clare Salmon on 5 February 2020, we lost our only female member of the Board. Once the issue regarding the future membership of Board members has been resolved, a key consideration of recruitment of new Board members will be to increase diversity (including gender and ethnicity) on the Board.

The Board currently consists of four people, which will expand with the appointment of a new Chair, the appointment of Glen Crawford as CEO and additional Non-Executive Director. The Board believes that Amigo would be best served by creating a diverse Board with a suitable range of skills, experience and knowledge across all the Board members.

The Hampton-Alexander Report and the Parker Review diversity recommendations will be a key consideration as we look to rebuild the Board. The Committee recognises that it has much work to do to meet these voluntary targets.

Roger Lovering
Chair of the Nomination Committee
20 July 2020

Risk Committee

Roger Lovering
Chair of the Risk Committee

Member	Meetings	Attendance
Richard Price	6	6
Roger Lovering	6	6
Stephan Wilcke	6	4
Clare Salmon[1]	5	2
Nayan Kisnadwala	6	5

1 Clare Salmon stepped down from the Risk Committee on her resignation on 5 February 2020.

Overview

I am pleased to present the Risk Committee Report. The Committee's key role is to provide oversight of and advice to the Board on the management of risk across the organisation, balancing the agenda between risk exposure and the future risk strategy of the Group.

The Committee had a full agenda in the year which involved oversight of ongoing risks associated with lending to Amigo customers, plus ensuring that future risks are identified and addressed. A key part of the Committee's work was to oversee the continuing development of the risk management framework and the assessment of impairment across the various loan cohorts. We also had a full regulatory agenda. Specifically, as a Committee we have taken a closer look at areas such as responsible lending (including affordability) and the treatment of vulnerable individuals. We also had to consider the changing landscape in relation to complaints and the changing position of the FOS. In relation to lending to customers, we have taken into account the regulatory landscape plus the impact of Covid-19. The result has been a decision to reduce our risk appetite and to pause lending, until the economic impact of Covid-19 is more certain.

We have also monitored the Group's liquidity position during the year, to ensure that the Group maintained adequate access to funds and a strong cash position. At the end of the year, the Group had £64.3m cash on the balance sheet.

We have continued to enhance and embed an appropriate risk culture as the Group evolves. Areas of focus have included business continuity planning and data and cyber risk.

The Committee reviewed and updated the Company's risk appetite statement for formal approval by the Board. The Committee oversaw regular reviews of the risk report and quarterly credit loss forecasts.

Last year, one of the main areas of uncertainty facing the business was Brexit. Until negotiations of the exit terms have been agreed, we still will not be able to ascertain the impact of Brexit upon the business, if any. However, the Brexit risk has been overshadowed by the impact of Covid-19. This has had a massive impact on all our stakeholders, especially our customers and employees. Approximately 47,000 of our customers have applied for and been granted a payment holiday, as at the end of June 2020. Helping these customers and managing the risk of these customers going forward will be critical to the business. In this regard, we have considered the appropriate scenarios and stress tests that should be applied and the potential impact on the business. We will continue to monitor the situation whilst Covid-19 sadly runs its course.

We also considered the risk associated with the position of our largest shareholder. This is discussed in greater detail on page 39.

Moving forward, the Committee will continue to monitor and assess the risks facing the Group and provide valuable insight into what is looking to be a challenging operating environment. I would like to thank my colleagues and members of the Committee for their hard work and commitment over the last twelve months.

Roger Lovering
Chair of the Risk Committee
20 July 2020

Risk Committee

The principal purpose of the Committee is to assist the Board in its oversight of risk within Amigo, with particular focus on risk appetite, risk profile and the effectiveness of Amigo's internal controls and risk management systems.

Membership and attendance

The Committee consists of the Non-Executive Directors and the Chief Financial Officer. The Chief Risk Officer, Chief Regulatory and Public Affairs Officer and Company Secretary normally attend all Risk Committee meetings. Other interested parties are also invited to attend Committee meetings, as appropriate. The Committee met six times during the year. Attendance at Risk Committee meetings is set out on page 67.

Cross-membership between each of the Board's Committees ensures that all material risks and related issues are appropriately identified, communicated and taken into account in the decisions taken by each Committee and the Board.

Role and responsibilities

The Board has delegated the oversight of risk management to the Committee, although the Board retains overall accountability for Amigo's risk profile.

The Committee's primary functions include:

- advising the Board on the Group's overall risk appetite, tolerance and strategy taking into account the factors influencing the approach to risk;
- considering the risk policies in place and ensuring they form part of a robust assessment of the risks including those affecting our business model, future performance, solvency, liquidity, business continuity and business disaster recovery;
- regularly reviewing and approving the parameters used in measuring risk and the methodology used to assess such risks;
- considering fraud matters and ensuring procedures are in place to deal with applicable legal and regulatory requirements including consideration of anti-money laundering practices and customer and conduct risk; and
- reviewing the activities of the Chief Risk Officer including considering appointment and removal.

Key activities of the Risk Committee during 2019/20

During the year, the Committee reviewed all material, financial, operational and compliance controls, identified key risks affecting the Company and reassessed and confirmed the Group's risk appetite statement and target residual ratings for each of the principal risks. The principal risks are set out on pages 34 to 39.

The Committee has focused on ensuring that appropriate risk management strategies were implemented, monitored and reported effectively within the overarching Group-wide risk management framework. The Committee continued to develop an effective enterprise risk management framework, improving the detailed analysis of the principal risks faced by the business.

During the period the Committee focused on the following matters:

- oversight of embedding of the Senior Manager and Certification Regime throughout Amigo;
- the ongoing review and identification of Group risks with action plans put in place to mitigate such risks, including strengthening the three lines of defence;
- a review of the risk appetite across the Group;
- oversight of the risk management system implementation and key reporting requirements;
- consideration of the changing regulatory environment, including the impact on reputational risk;
- oversight of quarterly credit risk reporting;
- enhanced monitoring of vulnerability, affordability, responsible lending and arrears management issues;
- considering the impacts and implications arising out of Brexit;
- considering the impacts and implications arising out of Covid-19;
- considering the impacts and implications arising out of the FOS' changing position regarding customer complaints; and
- a regular review of the loss forecast data for input into provisioning under IFRS 9 for the impairment rate across the entire scope of the loan book.

Areas of focus in 2020/21

The Committee intends to continue to improve the Company's risk management framework during 2020/21. Key tasks include: a further review and enhancement of the Group risk management framework, further work to monitor the complaints provision and the FCA investigation into lending from November 2018, further development of the Group's risk register, further monitoring of Covid-19 implications and further enhancements to the newly implemented risk management system.

Remuneration Committee

Richard Price
Interim Chair of the Remuneration Committee

Member	Meetings	Attendance
Clare Salmon[1]	9	9
Stephan Wilcke	10	9
Richard Price	10	9
Roger Lovering[2]	1	1

1 Clare Salmon stood down as Chair of the Committee upon her resignation on 5 February 2020.
2 Roger Lovering joined the Committee on 5 February 2020.

Report from the Interim Chair of the Remuneration Committee

Stephan Wilcke and I assumed interim responsibility for chairing the Remuneration Committee following the resignation of Clare Salmon on 5 February 2020. Following Stephan's departure, I am now chairing the Remuneration Committee on an interim basis and I am pleased to present the Remuneration Committee Report for the year ended 31 March 2020. The Committee has a number of accountabilities including responsibility for assessing and determining the Director Remuneration Policy; reviewing and, where appropriate, endorsing senior management remuneration; and oversight of the Group Remuneration Policy.

In addition to this letter and a "Remuneration at a glance" section, this report consists of two key sections as required by the reporting regulations:

Section 1 – Annual Report on Remuneration: this section details the remuneration receivable by our Executive and Non-Executive Directors in respect of 2019/20 and summarises how we intend to implement the Remuneration Policy in 2020/21.

Section 2 – Remuneration Policy: this section summarises how we intend to remunerate Executive and Non-Executive Directors over the life of the Policy, which was approved by shareholders at the AGM in 2019.

This Remuneration Report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Group (Accounts and Reports) (Amendment) Regulations 2013 (the "Regulations"). This Report meets the requirements of the UK Listing Rules and the Disclosure Guidance and Transparency Rules. The information set out below represents auditable disclosures referred to in the Auditor's Report on pages 91 to 98, as specified by the UK Listing Authority and the Regulations.

Business context for 2019/20

The second year of Amigo as a public company has been a period of significant change and challenge for the business. Adjusted profit was down 126.9% on a like-for-like basis, to a loss after tax of £26.9m. This was driven by the recognition of a complaints provision of £117.5m. Net loan book decreased by 9.1% during the year.

Directors' remuneration report continued

Director changes in the period

During the year there were two changes in the number of Executive Directors and two changes in the number of Non-Executive Directors. In considering the appointment and departure terms for these individuals, we have sought to act fairly and not pay any more than is necessary, while wishing to ensure a successful transition between individuals for the benefit of Amigo and our shareholders.

Changes in Executive Directors were:

- Glen Crawford (CEO) resigned on 5 February 2019 and formally stepped down as Director of Amigo with effect from 14 June 2019. Glen was subsequently appointed as a consultant on a six-month contract with effect from 6 March 2020 to support the formal sale process. Subsequent to year end, on 8 July 2020 we announced that Glen would be returning to the Company as CEO and an Executive Director on 1 August 2020, subject to regulatory approval.
- Hamish Paton (CEO) was appointed to the Board as an Executive Director on 29 July 2019. Hamish gave notice of his resignation on 8 December 2019 and has announced that he will leave the business on 31 July 2020, following which he will be on garden leave until 31 August 2020.

The remuneration matters relating to the above changes in Executive Directors are detailed in the Remuneration Report.

Changes in Non-Executive Directors were:

- Clare Salmon (an independent Non-Executive Director and the Chair of the Remuneration Committee) resigned on 5 February 2020.
- James Benamor was appointed to the Board as non-independent Non-Executive Director on 9 December 2019 and resigned from this post on 4 March 2020.
- In addition, in December 2019, Stephan Wilcke announced his intention not to seek re-election at the 2020 AGM, following which he stepped down as Chair of the Board and independent Non-Executive Director on 18 June 2020.

Any remuneration matters relating to the above changes are detailed in this report.

Remuneration decisions and outcomes for 2019/20

Following approval of the Remuneration Policy (the 'Policy') at the 2019 AGM, the Committee's activities focused on the application of the Policy in the year including adjustments to base pay with effect from 1 April 2020, the formal details of the annual bonus plan, the outcomes of which are described below, as well as awards under the LTIP.

The annual bonus for Executive Directors is based on the policy setout on pages 80 and 81. Under the Policy, the CEO and CFO are eligible for consideration of a bonus award up to 150% and 100% of base salary respectively, with 100% of any bonus earned subject to deferral into shares for three years.

The strategic scorecard for Executive Director bonuses is detailed on page 73.

The Company did not achieve all of the core threshold performance criteria for the award of bonus entitlement under the arrangements laid out for FY20. However, in light of a range of factors including financial performance, shareholder returns and the current trading environment due to the Covid-19 pandemic, the Committee has given careful consideration to the formulaic outcome under the Policy and applied its discretion to award a bonus of £95,790 to Nayan Kisnadwala, Chief Financial Officer. In line with the Policy, this bonus was fully deferred into shares. The Remuneration Committee adjudged Nayan Kisnadwala met, in aggregate, 30% of his performance targets. Hamish Paton was not eligible for a bonus due to his resignation. Further details are set out on page 73.

Implementation of Policy in 2020/21

Amigo will continue to implement the Remuneration Policy in 2020/21, particularly as it needs to refresh the Board in accordance with announced resignations and planned re-appointment of Glen Crawford.

I hope that you find the report informative and that it provides a clear rationale for the decisions that the Committee has taken, ensuring adherence to our Remuneration Policy for 2019/20.

Richard Price
Interim Chair of the Remuneration Committee
20 July 2020

Remuneration at a glance

This brief section summarises our remuneration principles which form the foundation for our Policy.

Remuneration principles

The Committee seeks to support the delivery of the Group's strategy through establishing appropriate remuneration arrangements. Our goal is to build a strong long-term sustainable business by delivering ongoing sales growth and sustainable shareholder returns through the delivery of a single transparent product to our customers, by colleagues exhibiting the best practice and service excellence.

Consequently, the overall Remuneration Policy of the Committee, and of the Board, is to provide remuneration packages for Executive Directors and other senior managers within Amigo which:

- **Attract and retain –** Enable Amigo to attract and retain management of a high calibre with the necessary customer service focus, and financial and regulatory credentials required to deliver a sustainable business model and drive shareholder returns. Remuneration arrangements are set at levels appropriate to achieving this goal without paying more than is considered necessary. The Committee considers market data at appropriate intervals to inform the positioning of executives' pay relative to the companies of a similar size and in similar sectors, without seeking to "match the median", to identify and mitigate the risk of losing strong performers.
- **Link variable pay to performance and the delivery of the agreed strategy –** Provide management with the opportunity to earn competitive remuneration through annual and long-term variable pay arrangements that are designed to support delivery against key strategic objectives. Performance measures are aligned with strategic goals so that remuneration arrangements are transparent to executives, shareholders and other stakeholders. Different elements of executive pay are delivered over the short and longer term and are designed to ensure that a substantial proportion of the executives' remuneration is variable, performance related and shareholding based.
- **Align executives with shareholders –** Ensure management's interests are aligned with those of shareholders by incentivising management to deliver the Group's long-term strategy of a sustainable, growing business and thus enhance shareholder value. A significant portion of reward is delivered in shares to create alignment of interests.
- **Drive sustainable ethical performance –** Remuneration arrangements are designed to support the sustainable delivery of ethical performance and to prevent excessive risk taking.

Section 1 – Annual Report on Remuneration

1.1 Committee composition during the year

During the year, the Committee comprised:

- Clare Salmon (Chair and member of the Committee for the period 1 April 2019 to 5 February 2020);
- Stephan Wilcke (Interim Co-Chair for the period 5 February 2020 until 31 March 2020);
- Richard Price (Interim Co-Chair for the period 5 February 2020 until 31 March 2020 and Interim Chair for the period 1 April 2020 to date); and
- Roger Lovering (joined the Committee for the period 5 February 2020 to date).

There were ten Committee meetings held during the year; details of attendance are shown in the table on page 69. All members are considered to be independent for the purposes of the UK Corporate Governance Code. The Company Secretary generally acts as secretary to the Committee unless a personal conflict of interest is apparent.

1.2 Activities during the year

During the year, the Committee has:

- reviewed and approved the Directors' Remuneration Report in the FY20 Annual Report and Accounts;
- discussed and approved both financial and strategic annual bonus amounts paid in May 2019 (including payments to the deferred bonus plan), bonus metrics and targets and LTIP awards;
- discussed and approved remuneration for Hamish Paton as CEO;
- approved the exit terms for Hamish Paton;
- approved the balanced scorecards (Executive Performance Plans) for the CEO and CFO and had visibility of Executive Performance Plans for ExCo: and
- approved terms of appointment for senior management joining the business (Chief People Officer, Marketing Director, Chief Operations Officer, Commercial Data Director and Interim Complaints Director).

1.3 Advisors and other attendees

During the year, the Committee has been supported by Helen Hancock, the Chief People Officer, and Roger Bennett, the Company Secretary. The Chief Executive Officer and Chief Financial Officer also attend Committee meetings on occasion, at the request of the Committee; they are never present when their own remuneration is discussed. In carrying out its responsibilities, the Committee is authorised to obtain the advice of external independent remuneration consultants and is solely responsible for their appointment, retention and termination. During the year, the Committee has taken advice from Willis Towers Watson ('WTW'). Total fees paid to WTW were £52,500, exclusive of VAT, in respect of advice provided to the Remuneration Committee in the year, charged on a time and materials basis.

Section 1 – Annual Report on Remuneration continued

1.3 Advisors and other attendees continued

The Committee considers WTW's advice independent and impartial, and is also satisfied that the WTW team does not have connections with the Company that might impair its independence. The Committee considered the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts. Willis Towers Watson is a signatory of the Remuneration Consultants Group Code of Conduct.

Implementation of the Remuneration Policy in 2019/20

1.4 Single total figure of remuneration for Executive Directors (audited)

The following table sets out the total remuneration for Executive Directors and Non-Executive Directors for 2019/20 with prior year comparatives.

	Hamish Paton[5]	Nayan Kisnadwala[6]		Glen Crawford[7]	
	2019/20	2019/20	2018/19	2019/20	2018/19
Base salary[1]	278,260	322,041	77,500	117,051	311,382
Bonus[2]	—	95,790	77,500	3,250	240,909
Benefits[3]	55,581	46,347	9,049	—	165
Pension[4]	3,333	2,580	302	—	19,627
Total	337,174	466,758	164,351	120,301	572,083
Legacy shares[8]	—	—	—	—	106,366,199
Total	337,174	466,758	164,351	120,301	106,938,282

1 This represents cash paid or receivable in respect of the period.
2 This is the total annual bonus in respect of the period.
3 This represents the taxable value of all benefits paid or receivable in respect of the period including: accommodation costs, use of hotels, etc.
4 This represents pension contributions paid by the Group on behalf of the individual. No payments were made in lieu of pension contributions.
5 Hamish Paton was appointed as a Director of the Company on 29 July 2019, at which point his salary was £400,000 p.a.
6 Nayan Kisnadwala was appointed as a Director of the Company on 31 January 2019. Nayan Kisnadwala had a 3% increase in base pay during the year, in line with inflationary pay rises across the business in April 2019.
7 Glen Crawford resigned as a Director of the Company on 14 June 2019. He later returned in the period to work for Amigo on a consultancy basis only.
8 Glen Crawford had previously subscribed for C ordinary shares in the Company, the terms of which provided for their conversion into 0.25p ordinary shares as part of the IPO on a basis determined by reference to the IPO price. As a result of this conversion, Glen Crawford held 38,891,345 0.25p ordinary shares immediately following the IPO.

1.5 Changes to Executive Directors

Following Glen Crawford's resignation in February 2019 he subsequently stepped down from the Board with effect from 14 June 2019. As Glen resigned he was paid remuneration in line with the Remuneration Policy up until his leaving date and was not entitled to any other payments. There was a 3% increase in base pay for Glen Crawford during the year, in line with inflationary pay rises across the business in April 2019.

Hamish Paton was formally appointed to the Board with effect from 29 July 2019 on terms disclosed in last year's Annual Report on Remuneration and as detailed below, inclusive of a "recruitment" share award under the terms of the LTIP, including performance conditions, determined on a basis to in effect compensate him for compensation forgone relating to his previous employment and in line with the approved Remuneration Policy.

Hamish Paton tendered his resignation on 8 December 2019 and will leave the Group on 31 July 2020, following which he will be on garden leave until 31 August 2020. In line with his service agreement, Hamish Paton will continue to receive salary and benefits, including pension until this time. He will then receive a payment of salary in lieu of the remainder of his notice period (which shall expire on 8 December 2020) and his outstanding incentive awards under the Amigo Holdings PLC 2019 Long Term Incentive Plan will be treated in accordance with the Remuneration Policy. Hamish Paton will be treated as a good leaver in respect of his outstanding awards and so shall continue to hold them until the normal vesting date. The outstanding awards shall be pro-rated as to time and performance.

1.6 Benefits (audited)

Benefits include payments made in relation to life assurance.

1.7 Pension (audited)

Pension payments represent contributions made either to defined contribution pension schemes or as a cash allowance. The CEO and CFO are entitled to receive a contribution of 5% of base salary in alignment with the wider UK employee population, and/or cash in lieu in the event of contributions in excess of agreed HMRC contribution rates or lifetime allowance. The amounts actually received by the CEO and CFO during the year are set out in section 1.4 above.

1.8 Bonus (audited)

Hamish Paton was not eligible to be considered for a bonus, having tendered his resignation in December 2019.

Nayan Kisnadwala was considered for a bonus in accordance with the strategic scorecard set out below. In accordance with the Remuneration Policy, 100% of the bonus awarded to Nayan Kisnadwala will be deferred into shares. Further details of the bonus scheme are set out in Section 2 (Annual Bonus) on page 80.

Bonus – strategic scorecard

Measure	Weighting %
Our strategic priorities	10%
Our customers and conduct	15%
Our people and culture	15%
Our financial performance	50%
Individual	10%
Total	100%

The financial performance measurement metrics for 2019/20 included the following targets: originations of £406m, an impairment ratio of less than 30.4%, maintenance of a cost: income ratio (excluding complaints) of 21.6% and normalised profit after tax of £86.9m.

The Remuneration Committee adjudged Nayan Kisnadwala met, in aggregate, 30% of his performance targets. His scores against the strategic scorecard are detailed in the table below.

Measure	Weighting %	Performance %
Our strategic priorities	10%	10%
- Developed and agreed set of strategic priorities with the Board		
- Delivered improvement in funding options		
- Led the formal sale process and strategic review exercise		
Our customers and conduct	15%	5%
- Prior to changes to lending policy, strong growth in customer numbers		
- Reduced cost of acquisition		
- Some operational challenges that impacted customer experience		
Our people and culture	15%	5%
- Effective leadership of the finance function, building skills and capability		
- Mixed feedback from engagement survey although clear plan to address		
Our financial performance	50%	0%
- Challenging year financially with broad miss against key targets		
Individual	10%	10%
- Completion of development plan and ongoing self-development improvements		
- Ongoing support and coaching for his senior management team		
Total	100%	30%

Director	Maximum bonus (% of salary)	Actual bonus (% of salary)	Actual bonus £	Bonus deferred into shares %
Hamish Paton	150%	0%	—	0%
Nayan Kisnadwala	100%	30%	95,790	100%

1.9 Long-term incentives

Awards made in 2019/20 (audited)

The table below sets out the share awards made to the Executive Directors during 2019/20 under the Company's LTIP:

Director	Grant date	Award type	Basis upon which award was made (% of salary)	Face value[2] of award £	Performance period end date	Shares awarded
Hamish Paton	11 September 2019	Conditional	200% base salary	800,000	31 August 2022	1,103,753
Hamish Paton	26 July 2019[1]	Conditional	250% base salary	1,000,000	31 July 2022	620,645
Nayan Kisnadwala	11 September 2019	Conditional	110% base salary	341,000	31 August 2022	470,475

1 Recruitment share award.

2 The award dated 26 July 2019 was calculated based on a value per share of £1.61, being the average closing mid-price over the 5 trading days preceding the date of the award. The award dated 11 September 2019 was calculated based on a value per share of £0.7248, being the average closing mid-price over the 5 trading days preceding the date of the award.

Corporate governance

Section 1 – Annual Report on Remuneration continued

1.9 Long-term incentives continued

Awards made in 2019/20 (audited) continued

The table below sets out the performance conditions attached to the awards made during the year.

Performance condition	Applicable terms	Performance target range (threshold–max over the performance period)	Weighting (% of award)	Vesting schedule (% vesting, threshold–max)
EPS growth p.a.	EPS is the Company’s earnings divided by the weighted average number of shares. EPS growth p.a. is the percentage change in EPS over the applicable performance period, annualised.	8%–16% p.a.	50%	25%–100%
Absolute TSR	Measures the growth in the potential value of an Amigo share over the performance period – that is, the amount the share price has appreciated plus the dividends paid.	6%–12% p.a.	25%	25%–100%
Relative TSR	Measures the value a shareholder receives from Amigo shares over the performance period relative to FTSE 250 companies.	50th–75th percentile of the peer group	25%	25%– 00%

1.10 Other share awards (audited)

Save As You Earn (SAYE)

Hamish Paton was granted the option to purchase 28,266 shares in the company at an exercise price of £0.6368 under Amigo’s 2019 SAYE plan, with an option exercise date of 1 November 2022. Hamish Paton has indicated that he will leave the SAYE plan as soon as he is eligible to do so when the Company is no longer in a close period. Hamish Paton will cease to be eligible to participate in the 2019 SAYE plan upon his departure from the Company.

Nayan Kisnadwala did not participate in the SAYE during the year.

Share Incentive Plan (SIP)

During the year, Hamish Paton participated in the SIP and purchased 1,754 shares and was granted 1,754 matching shares and 95 dividend shares. Hamish Paton has indicated that he will leave the SIP as soon as he is eligible to do so when the Company is no longer in a close period. Hamish Paton will cease to be eligible to participate in the SIP upon his departure from the Company and will forfeit his matching shares, in accordance with the rules of the SIP.

Nayan Kisnadwala did not participate in the SIP during the year.

Shareholding guidelines

The Committee believes that it is important that Executive Directors’ interests are aligned with those of our shareholders. Executive Directors are encouraged to build up and retain shares with a value equal to 200% of their annual base salary.

Only one year has elapsed since this policy was introduced. Bonuses are not payable in cash until the relevant Director’s shareholding guideline has been met.

	Hamish Paton	Nayan Kisnadwala
Shareholding guideline	200%	200%
Shareholding as at 31 March 2020	53,603	16,973[2]
Current value (based on share price on 29 March 2020[1])	£8,201	£2,597
Current % of salary	2.05%	0.81%

1 This being the last trading day of the financial year 2020. Mid price £0.153 per ordinary share of 0.25p in Amigo Holdings PLC.

2 These 16,973 shares are held in the Deferred Bonus Plan following the conversion of Nayan Kisnadwala’s FY19 bonus into deferred bonus shares.

These figures include those of their spouse or civil partner and infant children, or stepchildren, as required by section 822 of the Companies Act 2006.

1.11 Outside appointments

Amigo recognises that its Executive Directors may be invited to become non-executive directors of other companies. Such non-executive duties can broaden experience and knowledge which can benefit Amigo. Subject to approval by the Board, Executive Directors are allowed to accept non-executive appointments and retain the fees received, provided that these appointments are not likely to lead to conflicts of interest. During the year Nayan Kisnadwala held, and as at the date of this report holds, an external non-executive director role for Kuflink Group PLC.

1.12 Payments to former Directors

No payments were made to former Directors during the year in respect of their employment by the Company except that Glen Crawford worked as a consultant on behalf of the Company from 5 March 2020 to 4 June 2020 in relation to the formal sale process. During this time, he was paid a fee of £10,000 per calendar month.

1.13 Payments for loss of office

No payments have been made for loss of office during the year.

1.14 Executive Director service contracts

Contracts for Directors are designed to clearly lay out the responsibilities of the Directors to the Company, specific areas of expertise required to be demonstrated and the terms of their contractual entitlement.

The service contract for Nayan Kisnadwala, CFO, provides for a notice period of six months, from the Company or the individual. The service contract for Hamish Paton, outgoing CEO, provides for a notice period of twelve months from the Company or the individual.

Executive Directors' service contracts allow for termination with contractual notice from the Company or termination by payment in lieu of notice. Payment in lieu of notice is limited to base salary for the notice period. There is no contractual entitlement to bonus or LTIP awards in respect of the notice period. Copies of service contracts are available for inspection at the registered office.

1.15 Non-Executive Director letters of employment

Non-Executive Director appointments are for three years subject to annual review and notice. All Directors are required to seek annual re-election by shareholders at the Company's AGM.

Non-Executive Directors are not entitled to compensation in relation to leaving the Board of Directors. Copies of service contracts are available for inspection at the registered office.

1.16 Unexpired term of service contract for Directors at AGM re-election

Director	Term of service
Richard Price	3 months
Roger Lovering	3 months
Nayan Kisnadwala	6 months

1.17 Statement of consideration of employment conditions elsewhere in the Company

When making decisions in relation to executive pay the Committee takes into consideration pay and conditions across the wider workforce.

The Group operates different bonus plans with different performance measures and targets across the business for the wider workforce. Bonus payments are made quarterly, half yearly or annually, depending on the job role. The Group is actively working towards a unified bonus plan for all employees.

The LTIP has been extended to some members of the senior management team below the Board.

1.18 Statement of consideration of shareholder views

In the prior year, the Committee consulted with its largest shareholders prior to publication of the Remuneration Policy. The Committee is interested in the views of all of its shareholders and intends to retain an open dialogue with shareholders on remuneration issues. The Committee welcomes any feedback from our shareholders on remuneration matters.

Section 1 – Annual Report on Remuneration continued

1.19 Single total figure of remuneration for Non-Executive Directors

Non-Executive Director single figure comparison (audited)

2019/20	Stephan Wilcke[2]	Richard Price	Roger Lovering[3]	James Benamor[4]	Clare Salmon[5]
Fees[1]	**77,250**	**59,225**	**64,375**	**11,510**	**52,539**
Bonus	—	—	—	—	—
Benefits	—	—	—	—	—
Pension	—	—	—	—	—
Total	**77,250**	**59,225**	**64,375**	**11,510**	**52,539**

2018/19	Stephan Wilcke	Richard Price	Roger Lovering	James Benamor	Clare Salmon
Fees	75,000	51,471	53,542	12,593	23,427
Bonus	—	—	—	—	—
Benefits	—	—	—	—	—
Pension	—	—	—	—	—
Total	75,000	51,471	53,542	12,593	23,427
Legacy shares[6]	44,914,497	1,209,500	1,209,500	—	—
Total	44,989,497	1,260,971	1,263,042	12,593	23,427

1 This represents cash paid or receivable in respect of the period.
2 Stephan Wilcke resigned as a Director of the Company on 18 June 2020.
3 Roger Lovering took up the position of Acting Chair on 18 June 2020.
4 James Benamor was appointed as a Director of the Company on 9 December 2019. He resigned as Director of the Company on 4 March 2020.
5 Clare Salmon was appointed as a Director of the Company on 8 November 2018. She resigned as Director of the Company on 5 February 2020.
6 Stephan Wilcke, Roger Lovering and Richard Price had previously subscribed for C and D ordinary shares in the Company, the terms of which provided for their conversion into 0.25p ordinary shares as part of the IPO on a basis determined by reference to the IPO price. As a result of this conversion, Stephan Wilcke, Roger Lovering and Richard Price held 16,493,879, 460,000 and 460,000 ordinary shares respectively immediately following the IPO.

1.20 Waiver of emoluments

Stephan Wilcke, Chair of the Board until 18 June 2020, waived his Non-Executive Director fee, which was paid to charity on his behalf.

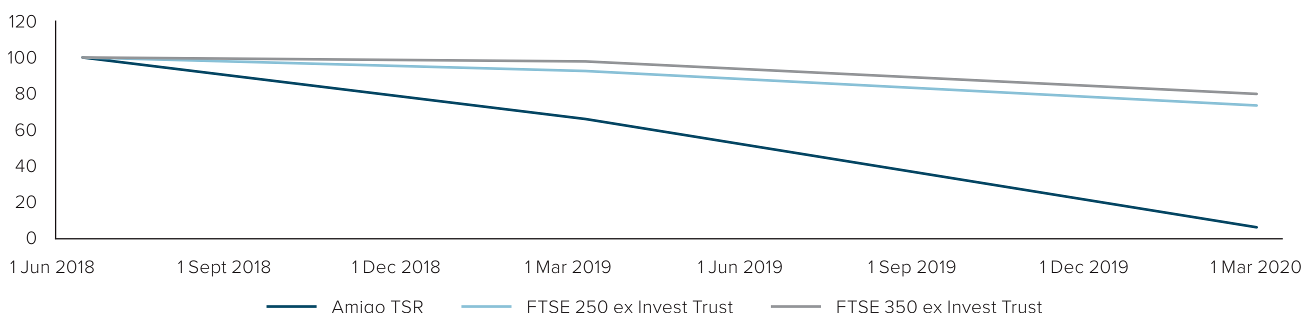
1.21 Non-Executive Director shareholding as at 31 March 2020

	Class of share	2020	2019
Stephan Wilcke	Ordinary share of 0.25p each	**10,155,613**	11,955,613
Roger Lovering	Ordinary share of 0.25p each	**333,431**	333,431
Richard Price	Ordinary share of 0.25p each	**460,000**	333,431

These figures include those of their spouses, civil partners and infant children, or stepchildren, as required by section 822 of the Companies Act 2006. There was no change in these beneficial interests between 31 March 2020 and 15 July 2020. Non-Executive Directors do not have a shareholding guideline but they are encouraged to buy shares in the Company.

1.22 Performance graph and table

The chart below tracks the hypothetical return on a £100 investment in Amigo Holdings PLC made on listing in July 2018 and measured as of 31 March 2020. TSR has been measured against the FTSE 250 excluding Investment Trusts and the FTSE 350 excluding Investment Trusts as the Company is a constituent of both indices.



1.23 Remuneration of the CEO (audited)

The table below sets out the CEO's total remuneration figure over the two years since IPO, valued using the methodology applied to the single total figure of remuneration.

Year	CEO	Total single figure of remuneration (excluding value of legacy shares)	Total single figure of remuneration	Annual bonus outturn as a % of maximum	LTIP outturn as a % of maximum
2018/19	Glen Crawford	£572,083	£106,938,282	41.7%	N/A
2019/20	Glen Crawford	£120,301	£120,301	1.39%	N/A
2019/20	Hamish Paton	£337,174	£337,174	0%	N/A

1.24 Change in CEO remuneration compared to employees (audited)

The table below sets out the percentage change in base salary, bonus and taxable benefits for the CEO compared with the average percentage change for employees. The figures for the CEO compare the 2019/20 combined CEO remuneration for Glen Crawford (for the period 1 April to 14 June 2019) and Hamish Paton (from 29 July 2019 to 31 March 2020) to the CEO remuneration for Glen Crawford in 2018/19. Due to the change of CEO, the Committee considers the percentage change figures in the table below are not representative of the year-on-year change in remuneration that the Committee would expect to set for a single individual. This year, the increases to CEO salary and benefits are due to the remuneration structure, including costs of temporary accommodation, agreed for Hamish Paton in his role as CEO following the earlier-than-expected handover following the resignation of Glen Crawford due to ill health in 2019.

	Annual percentage change from 2018/19		
	Salary	Bonus	Taxable benefits
CEO	27.0%	(98.7)%	33,585.3%[3]
All colleagues	8.0%[1]	(77.0)%[2]	2.6%[4]

1 Calculated based on average wages and salaries expense per employee for the period.

2 Calculated based on average bonus expense per employee for the period. Driven primarily by decrease in Directors' bonuses year on year. Previous CFO Simon Dighton received profit share and share-based payment bonuses totalling £1,906,973 in the prior year which is the main driver of this decrease.

3 The change in CEO taxable benefits is due to an increase from a de-minimis £165 for Glen Crawford in 2018/19, to £55,581 in 2019/20, and is reflective of the agreement to reimburse Hamish Paton's temporary accommodation costs as disclosed at the time of his appointment.

4 Calculated based on average taxable benefits expense per employee for the period. The average cost of colleague benefits has increased slightly over the year, driven predominantly by an increase in benefit provision cost.

1.25 CEO pay ratio (audited)

Table and explanatory notes

The below table sets out the ratio of pay for the role of the CEO in 2019 to the median, 25th and 75th percentile full-time equivalent remuneration of the Group's UK employees. In line with the reporting requirements, the figure for the role of the CEO includes the pay for both Glen Crawford and Hamish Paton in the year.

Year	Method	**25th percentile pay ratio**	Median percentile pay ratio	75th percentile pay ratio
2019/20	Option A (total 2019 pay for role of CEO)	**19:1**	15:1	12:1

Option A under the reporting requirements provides the most accurate method of CEO/colleague pay comparison as it replicates the single figure table calculation for all colleagues, and has therefore been chosen to identify the reference colleagues at the median, 25th and 75th percentiles. The reference colleagues' total pay and benefits has been calculated from their salary, bonus, benefits and pension eligibility (annualised and pro-rated to full time, respectively) over the year, and the business is satisfied that these reference colleagues are representative of the relevant percentiles across the organisation. The reference date for extracting the data was the last day of the financial year, 31 March 2020.

In line with the Regulations, the following table sets out the total pay and benefits for the colleagues undertaking the role of the CEO, and colleagues at each percentile.

	Salary £	Total pay and benefits £
Combined CEO single figure	395,311	457,475
25th percentile	22,255	23,910
50th percentile	27,389	29,906
75th percentile	34,538	38,234

The ratio reflects the goal of attracting, retaining and motivating staff in a competitive, but not excessive, way under Amigo's remuneration policy. This is the first year that the Group has disclosed its pay ratio.

Section 1 – Annual Report on Remuneration continued

1.26 Relative importance of spend on pay (audited)

The table below sets out the total spend on remuneration in the 2018/19 and 2019/20 financial years compared with distributions to shareholders.

These measures are consistent with the disclosure in last year's annual report and accounts, and the Remuneration Committee considers these measures to be relevant and informative indicators of the business' costs

	2018/19	**2019/20**
Total spend on employee remuneration	£13.6m	**£18.0m**
Profit distributed by way of dividends/share buyback	£8.9m	**£50.1m**
Profit/(loss) before tax	£111.0m	**£(37.9)m**
Total employee cost as a % of profit/(loss) before tax	12.25%	**N/A**
Average headcount	303	**405**
Average profit/(loss) before tax per employee	£366,337	**£(93,662)**

1.27 Application of the Remuneration Policy in 2019/20

Throughout the year, Amigo has been working on simplifying remuneration arrangements across the business. In particular, measures were taken to increase the uniformity of payment arrangements across the Group which, when taken in conjunction with the exercise to create clear banding across employees in the Group, has resulted in more transparent measurement for remuneration. The changes are intended to make it easier to retain and recruit employees across the business.

The Committee considered the need to balance retention, performance and risk in the year when making awards under the LTIP to the Executive Directors and other senior managers during the year. The awards were made with the objective of further aligning the attitudes and culture of the awardees with those of shareholders by the introduction of three clear performance targets: growth in EPS, absolute total shareholder return and relative total shareholder return. The targets were intended to provide an interlinking matrix to drive responsible performance and manage risk across the business. The Committee also introduced a mechanism to ensure any vesting of awards would be subject to scrutiny by the Committee before vesting and that all awards are made subject to malus and clawback provisions for poor behaviours.

The year has been extremely challenging for all Directors and employees with factors outlined elsewhere in the Annual Report impacting substantially on the performance of the business generally. Other factors taken into account to measure the success of the changes made to remuneration include the improvement in the staff retention rate over the year and the driving of appropriate business behaviours across the various departments.

The business undertook a major review of its executive remuneration arrangements during Summer 2019, which involved substantial correspondence with shareholders. The Remuneration Committee is satisfied that the Remuneration Policy has performed in line with expectations to date and accordingly there has been no substantive engagement or consultation with shareholders or the wider workforce about executive remuneration.

The Remuneration Committee is able to consider corporate performance on environmental, social and governance ('ESG') issues when setting Executive Directors' remuneration. The Remuneration Committee has ensured that the incentive structure for senior management does not raise ESG risks by inadvertently motivating irresponsible behaviour. Please see pages 42 to 50 for further information on the Group's environmental and social issues.

Clarity, simplicity, and other considerations related to the UK Corporate Governance Code

The Remuneration Committee considers that the scorecard-based approach to setting targets and measuring outcomes provides great clarity in our ability to engage transparently with shareholders and the wider workforce on remuneration arrangements and that this is complemented by retaining the simple structure of our 2019 policy; market aligned fixed pay with annual cash, three-year performance share incentives and post-vesting holding periods.

Risks are managed through a combination of careful setting of performance measures and targets, the ability of the Remuneration Committee to exercise overarching discretion in assessing outcomes, and the robust malus and clawback measures reserved in this Policy.

The Remuneration Committee has sought to introduce some degree of predictability and proportionality by setting complimentary performance targets that work alongside the ethos and ambitions of Amigo.

1.28 Statement of implementation of Remuneration Policy in 2020/21

The table below sets out the detail of how we propose to implement the Executive Director Remuneration Policy in 2020/21:

Unless otherwise stated, the implementation of each element will be in line with the Policy.

Element	Summary of Policy implementation in 2020/21
Base salary	Outgoing CEO: £400,000 CFO: £319,300
Annual bonus	Maximum: • Outgoing CEO: 150% of salary • CFO: 100% of salary Performance measures and weightings: • 50% Group financial • 15% Group customer and conduct • 15% people and culture • 10% Group strategic • 10% individual Bonus pay-outs will be subject to satisfactory Company and regulatory performance over the period. Targets will be disclosed retrospectively.
Long-term incentive	Maximum (in line with Policy): Outgoing CEO: 200% of salary CFO: 110% of salary Performance measures and weightings are as set out on pages 73 and 74. The committee has yet to determine the targets for 2020/21 due to uncertainty in the underlying economic environment.
Pension	5% defined contribution pension and/or cash in lieu.
Benefits	Private medical insurance (individual and family), life insurance (death in service) of 4x basic salary, critical illness cover for £100,000 and income protection, in event of incapacity, up to 66% of base salary, after 13 weeks, for the lesser of five years or state statutory pension age. The CEO received temporary accommodation costs of £54,757. The CFO is also in receipt of a two-year relocation allowance which ceases at the end of 2020/21. £29,400 of this allowance relates to 2019/20.

Other key Policy features: shareholding guidelines and post-exit shareholding requirements will operate in 2020/21 as per the Remuneration Policy.

The table below sets out the detail of how we propose to remunerate the Non-Executive Directors in 2020/21:

NED fees	Non-Executive Chair: £75,000 Basic fee: £45,000 Senior Independent Director fee: £5,000 Audit Committee Chair: £12,500 Remuneration Committee Chair: £12,500 Risk Committee Chair: £12,500

1.29 Statement of voting at the 2019 AGM on the Remuneration Policy

Resolution	Number of votes for	% For	Number of votes against	% Against	Total shares voted	Number of votes withheld
Approve the Remuneration Policy	401,379,017	99.7	1,226,746	0.3	402,605,763	102,332

1.30 Statement of voting at the 2019 AGM on the remuneration report

Resolution	Number of votes for	% For	Number of votes against	% Against	Total shares voted	Number of votes withheld
Approve the Directors' Remuneration Report	390,493,027	97.2	11,361,183	2.8	401,854,210	853,884

Section 2 – Remuneration Policy

This part of the report sets out a summary of the Group's Remuneration Policy for the remuneration of Executive and Non-Executive Directors as approved by shareholders on 12 July 2019 at the AGM. The full Policy can be found on pages 72 to 76 of the Annual Report and Accounts 2019. The Remuneration Policy took effect from this date and may operate for up to three years.

2.1 Policy table for Executive Directors

Element	Summary of Remuneration Policy
Salary	**Operation** Base salaries are set taking into account: • The individual's skills, experience and current remuneration package • The size and scope of the role • Salary and total remuneration levels at similar sized companies • Remuneration of other executives and Group employees. Salary increases will generally be effective from 1 April. **Opportunity** There is no set maximum salary; however, increases will generally be in line with or below the average salary increase awarded to employees. Increases may be made above this level in exceptional circumstances, such as: • Where an individual is brought in on a lower salary with the intention of increasing the salary level gradually dependent on performance in the role • There is a material increase in the size and scope of the role • Market practice has evolved to mean that the salary is no longer considered to be competitive **Performance assessment** Personal performance will be taken into account when considering base salary increases.
Annual bonus	**Operation** Performance is assessed over one year. 100% deferred into Company shares for three years until the shareholding guideline of 200% has been met. Once the shareholding guideline has been met, only 50% of the annual bonus will be deferred into shares for three years with the other 50% paid in cash following year end. **Opportunity** Maximum bonus: • The ongoing maximum annual bonus policy will be limited to 150% of base salary Threshold bonus will pay out from 25% of maximum. On-target bonus will pay out at 50% of maximum. **Performance assessment** Performance measures, weightings and targets will be set annually. At least 50% of the bonus will be based on financial performance measures. The Committee retains discretion to reduce pay-outs (including to nil) based on an assessment of regulatory conduct and general Company performance over the performance period. Clawback and malus conditions apply.

Element	Summary of Remuneration Policy
Long-term incentive	**Operation** Annual awards of performance shares. Performance period of three years with a two year post-vesting holding period. **Opportunity** Maximum ongoing award: • 200% of salary The exceptional award limit is 250% of salary. This may be used in one-off exceptional circumstances such as the year in which a new executive is recruited, if the Committee considers it necessary. Awards made under the LTIP will vest at 25% of maximum for threshold performance. **Performance assessment** Performance measures, weightings and targets are set annually. At least 70% of the LTIP will be based on financial and TSR measures. The Committee retains discretion to reduce vesting (including to nil) based on an assessment of regulatory conduct and general Company performance over the performance period. Clawback and malus conditions apply.
Pension	**Operation** Defined contribution scheme or cash award at the Committee's discretion. **Opportunity** Pension contributions aligned to majority of wider UK workforce at 5% of base salary and/or cash in lieu in the event of contribution in excess of agreed HMRC contribution rates or lifetime allowance limits reached.
Benefits	**Operation** Benefits are determined by taking into account the circumstances of the individual and benefits provided to the rest of the executive team and the wider Group. The Committee retains the discretion to add or remove benefits from the current benefits in operation as it considers appropriate (e.g. to include relocation payments). **Opportunity** There is no limit to the value of benefits provided. The value is dependent on the cost to the Company of providing the benefit.
Shareholding guidelines	200% of base salary to be accumulated over a five year period.
Post-exit shareholding requirement	One year post-cessation shareholding requirement of up to 200% of salary for all Executive Directors.

Section 2 – Remuneration Policy continued

2.2 Policy table for Non-Executive Directors

Summary of Remuneration Policy for Non-Executive Directors

Operation

Non-Executive Directors receive a basic fee for their Board services.

Additional fees are paid in relation to additional responsibilities including:

- The role of Senior Independent Director
- Chairing the Audit, Remuneration and Risk Committees

The Chair of the Board receives a separate fee for this role (inclusive).

The fee for the Chair is set by the Remuneration Committee; the Chair is not present when his or her own remuneration is discussed. Fees for Non-Executive Directors are set by the CEO and Chair.

Fees are reviewed annually.

Expenses incurred in the course of duties may be reimbursed by the Company.

Opportunity

Current fee levels are set out in the Annual Report on Remuneration.

Non-Executive Director fees are set taking into account market practice levels.

The fee of the Chair of the Board is set taking into account the individual's circumstances, skills and experience.

Individual Director's fees are limited to an aggregate of £1,000,000 in the Company's Articles of Association.

Performance assessment

N/A

Directors' report

The Directors present their report and audited accounts for the year ended 31 March 2020.

Additional disclosures

The Strategic Report is a requirement of the UK Companies Act 2006 and can be found on pages 1 to 50 of this Annual Report.

The Company has chosen, in accordance with section 414C(11) of the Companies Act 2006, to include details of the following matter in its Strategic Report that would otherwise be disclosed in this Directors' Report:

Detail	Page
Likely future developments in the business	10–20
Stakeholder engagement	42–50
Employment of disabled persons	46
Greenhouse gas emissions	48

The Company is required to disclose certain information under Listing Rule 9.8.4R in the Directors' Report, or advise where such relevant information is contained. Information required to be disclosed by the Listing Rules, and which is not included in this Directors' Report, can be located as follows:

Listing Rule	Detail	Page
LR 9.8.4R	Employee engagement	45 and 46
LR 9.8.4R (1)	Capitalised interest	115
LR 9.8.4R (4)	Long-term incentive schemes	73–74
LR 9.8.4R (5)	Emoluments	76
LR 9.8.4R (10) and (11)	Related party contracts	136

Other information that is relevant to this report, and which is also incorporated by reference, can be located as follows:

Detail	Page
Going Concern and Viability Statement	40
Governance	51-90
Credit, market and liquidity risks	36 and 39

Corporate details

The Company was incorporated and registered in England and Wales on 24 February 2016 as a private company limited by shares under the Companies Act 2006 with the name Amigo Holdings Limited and with the registered number 10024479.

On 8 June 2018, the Company re-registered as a public company under the name Amigo Holdings PLC.

The Company has a Premium Listing on the London Stock Exchange Main Market for listed securities (LON:AMGO).

The principal activity of the Company is to act as a holding company for the Amigo Loans Group of companies.

The Company has no branches outside the UK.

Disclaimer

The purpose of this Annual Report is to provide information to the members of the Company and it has been prepared for, and only for, the members of the Company as a body and no other persons. The Company, its Directors and employees, agents and advisors do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

A cautionary statement in respect of forward-looking statements contained in this Annual Report is set out on page 1.

Results and dividends

The results for the year are set out in the financial statements on pages 99 to 138.

The Company paid a half year dividend of 3.10p per share in January 2020. In light of the material increase in the provision in respect of complaints for the full year results to 31 March 2020, and Covid-19 the Board decided that it is prudent to conserve capital in the business and did not recommend a final dividend, making a total dividend for the year of 3.10p per share.

Dividend policy

The Directors would like to return to a progressive dividend policy when the conditions are more suited to the payment of a dividend.

Events since the balance sheet date

General Meeting

On 29 April 2020, the Board received a requisition notice from its then majority shareholder, Richmond Group Limited, requiring the Board to convene a General Meeting of the Company for the purpose of considering resolutions to remove all of the Company's Directors and appoint two named directors in their place.

The Board is required, as a matter of company law, to convene a General Meeting following requisition notices received from shareholders holding more than 5% of the Company's share capital. Richmond Group Limited was, at the time of the requisition notice, the holder of 288,350,667 ordinary shares in the Company, representing approximately 60.66% of the total voting rights of all members.

The Company gave notice on 20 May 2020 that the General Meeting would be held on 17 June 2020. On 1 June 2020, the Company announced that it had filed an application with the High Court of Justice for an injunction to prevent Richmond Group Limited from voting in favour of the resolutions proposed in the General Meeting to appoint its named candidates as directors of the Company and to remove the Board.

Events since the balance sheet date continued

General meeting continued

On 4 June 2020, the Company announced that Richmond Group Limited had agreed to provide signed written undertakings confirming that it and its associates, as defined in the Relationship Agreement described in more detail on page 87, would not:

(i) vote in favour of the resolutions (whether itself or by proxy) to appoint Sam Wells and Nick Makin as directors of the Company and to remove each of the current members of the Board at the General Meeting; or

(ii) take any steps to procure or facilitate the passage of any of the resolutions at the General Meeting.

On the basis of these undertakings, the Company agreed to stay its injunction application filed against Richmond Group Limited with the High Court of Justice on 1 June 2020.

At the General Meeting on 17 June 2020, over 90% of minority shareholders that voted, voted against the resolutions to remove all of the Company's Directors and appoint two named directors in their place. As a consequence of the resolutions not being passed, Richmond Group Limited notified the Company that it had on 18 June 2020 given irrevocable instructions to its broker to sell 1% of its shareholding in the Company each day until its shareholding is reduced to nil.

As at 17 July 2020, the Company has received notification that Richmond Group Limited's shareholding has reduced to 39.66%

Securitisation waiver period

Due to the potential impact of Covid-19 on asset performance in the securitisation facility we have negotiated a waiver period on asset performance triggers. The deed of amendment was signed on 24 April 2020 which covers a three-month period during the anticipated peak of the Covid-19 pandemic to 24 July 2020.

Revolving credit facility

On 27 May 2020, the Group voluntarily cancelled the revolving credit facility of £109.5m (due to expire in May 2024). As at 31 March 2020, the revolving credit facility was completely undrawn.

Financial Conduct Authority (FCA) investigation

On 29 May 2020, the FCA commenced an investigation into whether or not the Group's creditworthiness assessment process, and the governance and oversight of this, was compliant with regulatory requirements. The FCA investigation is ongoing and will cover the period from 1 November 2018 to date.

Formal sale process

On 8 June 2020, the Company announced that it had concluded the formal sale process announced on 27 January 2020. The formal sale process identified a number of potential acquirers who made indicative offers that were materially above where the Company's shares were trading at the time they were received and the Board considered worthy of further investigation. However, given the market environment, the potential acquirer with whom the Company had been in discussions withdrew from the formal sale process and therefore the Board terminated the process.

Departure of Chair and Chief Executive Officer (CEO)

On 11 June 2020, the Company announced that it had agreed that Stephan Wilcke would step down as Chair of the Board and Non-Executive Director with effect from 18 June 2020. Stephan Wilcke is now assisting the Board on a consultancy basis following his departure as a Director of the Company. Stephan Wilcke is not receiving any fees under these consultancy arrangements which are for a period of six months and which can be terminated by either party on one week's prior written notice. Roger Lovering, the Senior Independent Director, has taken on the role of acting Chair of the Board until such time as a permanent replacement is appointed.

On 11 June 2020, the Company also announced that, further to the announcement on 9 December 2019 that Hamish Paton had resigned from his role as CEO, Hamish Paton will not be putting himself up for re-election at this year's Annual General Meeting, and it has been agreed that he will leave the Company on 31 July 2020.

On 8 July 2020, the Company announced that Glen Crawford will be re-joining the Company as CEO and a member of the Board on 1 August 2020, subject to regulatory approval.

The Company is aware of its obligations under the UK Corporate Governance Code to maintain a balance of Directors to serve on the Board and its Committees. Amigo continues to look for suitable replacements for the Chair of the Board and an additional Non-Executive Director.

Complaints

On 27 May 2020, Amigo announced it had agreed a Voluntary Requirement (VReq) with the FCA to work through a backlog of complaints principally arising in 2020 by the end of June 2020. On 3 July 2020, Amigo announced that the FCA agreed to extend the VReq period to the end of October 2020.

Covid-19 relief measures

On 31 March 2020 our Covid-19 relief measures were formally introduced; for customers that request it, depending on their individual circumstances, a payment holiday between one and six months has been offered. Throughout the first fiscal quarter of 2021, Amigo granted Covid-19 related payment holidays to approximately 47,000 customers; despite this, cash collections remained strong at 87% of pre-Covid-19 forecast projections. High cash collections were driven in part by operational redeployment to the Collections team whilst originations are temporarily paused, and also by an increase in early settlements. The full impact of these payment holidays will be reflected in the financial year ending 31 March 2021.

Directors

The names and biographical details of the current Directors and the Board Committees of which they are members are set out on pages 52 and 53. Hamish Paton succeeded Glen Crawford as a Director and CEO following FCA authorisation on 29 July 2019.

In respect of the period between 31 March 2019 and 9 July 2020, the following persons were Directors of the Company:

Name	Role	Appointment date
Current directors		
Hamish Paton[1]	Chief Executive Officer	29 July 2019
Nayan Vithaldas Kisnadwala	Chief Financial Officer	31 January 2019
Roger Vincent Lovering	Senior Independent Non-Executive Director	20 April 2016
Richard Stanley Price	Independent Non-Executive Director	20 April 2016
Directors resigned in the year		
Glen Paul Crawford[2]	Chief Executive Officer	24 February 2016
Clare Leslie Salmon[3]	Independent Non-Executive Director	8 November 2018
James Rachid Benamor[4]	Non-Executive Director	9 December 2019
Resignations post year end		
Stephan Wilcke[5]	Independent Chair	20 April 2016

1 Hamish Paton will step down as CEO and Director on 31 July 2020.
2 Resigned as a Director on 14 June 2019.
3 Resigned as a Director on 5 February 2020.
4 Resigned as a Director on 4 March 2020.
5 Resigned as a Director on 18 June 2020.

The service agreements of the current Executive Directors and the letters of appointment of the Non-Executive Directors are available for inspection at the Company's registered office.

Appointment and removal of Directors

The appointment and replacement of Directors is governed by the Company's Articles of Association, relevant UK legislation, the UK Corporate Governance Code and the Relationship Agreement entered into between the Company and Richmond Group Limited, as more fully described on page 87. There is no maximum number of Directors who can serve on the Board, but the number of Directors cannot be less than two.

The Board may appoint a Director either to fill a casual vacancy or as an addition to the Board, so long as the total number of Directors does not exceed the limit prescribed in the constitutional documents. An appointed Director must retire and seek election to office at the next AGM of the Company. In addition to any powers of removal conferred by the UK Companies Act 2006, the Company may by ordinary resolution remove any Director before the expiry of his or her period of office and may, subject to the constitutional documents, by ordinary resolution appoint another person who is willing to act as a Director in their place. Richmond Group Limited has the right to appoint two Non-Executive Directors (and remove those Directors) under terms of the Relationship Agreement, subject to the satisfaction of appropriate regulatory and corporate governance requirements.

For so long as the Company has a controlling shareholder, any election or re-election of any Director determined by the Company to be independent under the UK Corporate Governance Code must be approved by separate majority resolutions of the shareholders of the Company and shareholders entitled to vote on the election of Directors who are not a controlling shareholder.

Articles of Association

The Articles of Association of the Company were adopted by special resolution on 28 June 2018.

Any amendment to the Articles of Association may be made in accordance with the provisions of the Companies Act 2006, by way of special resolution.

Whilst preparing the financial statements the Board has become aware that the Group's borrowings may have inadvertently exceeded the borrowing limit permitted under the Articles of Association as a result of an increase in the provision for customer complaints. At the upcoming AGM, the Company proposes to seek approval from its shareholders to increase the borrowing limit to a level appropriate for the current and future needs of the business. The shareholders will also be asked to ratify any prior technical breach of the Articles of Association.

Powers of Directors

The powers of the Directors are described in the formal schedule of matters reserved for the Board which is available on request from the Company Secretary and is summarised in the Corporate Governance Report on pages 56 to 61.

The Board manages the business of the Company under the powers set out in the Articles of Association. These powers include the Directors' ability to issue or buy back shares. Shareholders' authority to empower the Directors to purchase the Company's own ordinary shares is sought at the AGM each year.

Directors' interests

Save as disclosed in the Directors' Remuneration Report, none of the Directors, nor any person connected with them, has any interest in the share or loan capital of the Company or any of its subsidiaries.

At no time during the year ended 31 March 2020 did any Director hold a material interest, directly or indirectly, in any contract of significance with the Company or any subsidiary undertaking other than the Executive Directors in relation to their service agreements.

As disclosed on page 52, Roger Lovering was a Non-Executive Director of Shawbrook Group PLC until 31 August 2019. Shawbrook Bank Limited, part of the Shawbrook group, was one of the original lenders under the revolving credit facility and Roger Lovering has declared the nature and extent of his interest in matters relating to the revolving credit facility in accordance with the requirements of section 177 of the Companies Act 2006 and the Articles of Association. Roger Lovering abstained from voting on such matters.

Directors' indemnities and insurance

The Directors have the benefit of a qualifying third-party indemnity from the Company as permitted by the Company's Articles of Association (the terms of which are in accordance with the Companies Act 2006). During the year ended 31 March 2020, the Company had in place directors' and officers' liability insurance.

Share capital

The Company has share capital which is divided into ordinary shares of nominal value of 0.25p each all ranking pari passu. At 31 March 2020, there were 475,333,760 shares in issue fully paid. The Company also has 41,000 deferred ordinary shares of £0.24 each, which it plans to cancel. Please see note 20 for further details.

Shareholder voting rights, the restrictions on voting rights and the restrictions on the transfer of shares

All of the issued and outstanding ordinary shares of the Company have equal voting rights with one vote per share. The deferred ordinary shares have no voting rights.

Pursuant to an underwriting agreement entered into between the Company, certain Directors, the Richmond Group Limited, (i) J.P. Morgan Securities plc, (ii) RBC Europe Limited and (iii) Macquarie Capital (Europe) Limited (each as underwriters), Glen Crawford, Stephan Wilcke, Nicholas Beal and certain employees of the Company (the "Selling Shareholders") were restricted from the sale or transfer of their shares until the expiry of a 365 day lock-up period which lapsed on 4 July 2019. Richmond Group Limited was subject to a lock-in over its entire shareholding for a period of six months. This lock-in lapsed on 4 January 2019. For a period of three years following the date of admission, the Selling Shareholders (excluding Richmond Group Limited) are restricted from transferring their shares without the consent of the Company, save that after the first anniversary of the date of admission, the Selling Shareholders may elect to transfer up to one-third of their shares by notifying the Company in writing. On any time after the second anniversary, the Selling Shareholders may elect to transfer in aggregate: (i) up to one-third of their shares; and (ii) any of the one-third shares permitted to be but not transferred on or at any time after the first anniversary of the date of admission, in each case, by notifying the Company in writing. On the third anniversary of admission, all restrictions on remaining Selling Shareholders lapse.

The Directors are not aware of any other agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Substantial shareholders

As at 31 March 2020, the Company has been notified under the Disclosure and Transparency Rules (DTR 5) of the following holdings of voting rights in its issued share capital:

Shareholders holding 3% or more of the Company's issued share capital

Shareholder name	Number of ordinary shares	Percentage of total voting rights attaching to issued share capital
Richmond Group Limited	288,350,667	60.66%
Mubadala Investment Company PJSC	38,232,498	8.04%
Aberforth Partners LLP	27,698,380	5.83%
Miton Asset Management Ltd	22,037,402	4.64%
Glen Crawford	22,000,000	4.63%

During the period between 31 March 2020 and 17 July 2020, the Company was notified under DTR 5 of the following changes to holdings of voting rights in its issued share capital:

- Richmond Group Ltd reduced its holding from 60.66% to 39.66%.

In addition, the Company is aware of the following changes to substantial shareholders on its share register between 31 March 2020 and 14 July 2020, being the latest practicable date prior to signing of this report:

- Miton Asset Management Ltd reduced its holding from 4.64% to 0%; and
- Glen Crawford reduced his holding from 4.63% to 4.01%.

Relationship with Richmond Group Limited

On 29 June 2018, in advance of the IPO, the Company entered into a relationship agreement with Richmond Group Limited, its then majority shareholder and a company controlled by James Benamor (the founder of the business) and certain Directors, senior managers and employees (the 'Relationship Agreement') to ensure that the Company was capable of operating and making decisions independently and for the benefit of shareholders as a whole.

Pursuant to the terms of the Relationship Agreement, amongst other things, Richmond Group Limited undertook not to operate in the guarantor loan sector in the UK and/or Ireland or offer products or services which compete with such products or services as are offered or marketed by the Group.

Additionally, Richmond Group Limited is entitled to appoint: one natural person to be a Non-Executive Director of the Company for so long as it and/or its associates hold in aggregate 10% or more of the voting rights attaching to the issued share capital of the Company; and an additional natural person to be a Non-Executive Director for so long as Richmond Group Limited and/or its associates hold 30% or more of the voting rights attaching to the issued share capital of the Company.

The Board confirms that throughout the year, the Company has complied with its independence provisions of the Relationship Agreement.

On 29 April 2020, the Board received a requisition notice from Richmond Group Limited, requiring the Board to convene a General Meeting of the Company for the purpose of considering resolutions to remove all of the Company's Directors and appoint two named directors in their place. The General Meeting was held on 17 June 2020 and the resolutions were not passed. See pages 83 and 84 for further details.

Save for certain provisions, the Relationship Agreement will terminate if Richmond Group Limited or its associates cease to hold 10% or more of the voting rights attaching to the issued share capital of the Company.

In December 2018, Amigo Management Services Ltd and Richmond Group Limited entered into an arm's length services agreement under which Amigo employees are able to use certain cars and properties owned by Richmond Group Limited. During the year the agreement was novated to a subsidiary of Richmond Group Limited, RG Global Properties Limited. Post year end, on 26 June 2020, Richmond Group Limited gave one month's notice of termination of the services agreement.

Shareholder with significant influence

The Company's largest shareholder, Richmond Group Limited, during the year possessed sufficient voting power to have a significant influence over certain matters requiring shareholder approval, including the election of Directors, dividend policy, remuneration policy and approval of significant corporate transactions. The position of the largest shareholder was not always aligned with the opinion and interests of management, the Company or the Company's minority shareholders.

Whilst the Company sought to foster effective engagement with, and encourage participation from, its shareholders and its largest shareholder in particular, it has not always been possible to reach agreement with the largest shareholder.

The Company seeks to engender a culture where it is responsive to views of its shareholders. During the year, the Chair and Senior Independent Director sought regular engagement with the largest shareholder to understand its views on governance and performance against strategy.

The Chair of each of the Board Committees will also seek engagement with shareholders on significant matters related to their areas of responsibility as appropriate.

The Company entered into a Relationship Agreement with Richmond Group Limited as described above.

Restriction on the transfer of shares

Save as outlined above, there are no specific restrictions on the transfer of the Company's shares, although pursuant to the Articles of Association the Board may refuse to register any transfer of shares which is not a fully paid share provided that such discretion may not be exercised in a way which the Financial Conduct Authority or the London Stock Exchange regards as preventing dealings in the shares of the relevant class or classes from taking place on an open and proper basis. The Board may also refuse to register a transfer where the instrument of transfer is: (i) in favour of more than four persons jointly; (ii) not left at the registered office of the Company, or at such other place as the Board may from time to time determine, accompanied by the certificate(s) of the shares to which the instrument relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; and (iii) the instrument of transfer is in respect of more than one class of share.

In addition, pursuant to the Listing Rules, the Directors of the Company and persons discharging managerial responsibility are required to obtain prior approval from the Company to deal in the Company's securities, and are prohibited from dealing during close periods.

Voting rights

On a poll, votes may be given personally or by proxy. Subject to any rights or restrictions attached to any class or classes of shares and to any other provisions of the Articles of Association: if a vote is taken on a show of hands, every member or proxy present in person shall have one vote; and if a vote is taken on a poll, every member present in person or by proxy shall have one vote for each share held by him.

All resolutions put to the members at electronic general meetings will be voted on by a poll. All resolutions put to the members at a physical general meeting will be voted on a show of hands unless a poll is demanded: by the Chair of the meeting; or by at least five members present in person or by proxy and having the right to vote on the resolution; or by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote on the resolution; or by a member or members present in person or by proxy holding shares in the Company conferring a right to vote on the resolution being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

Voting at the General Meeting held on 17 June 2020 took place by way of proxy due to the restrictions on shareholder attendance put in place due to Covid-19.

Authority to purchase its own shares

The Company is permitted pursuant to the terms of its Articles of Association to purchase its own shares subject to shareholder approval. At the AGM on 12 July 2019, the Company was authorised by shareholders to make market purchases of up to 10% of its ordinary shares. This authority will expire at the end of the 2020 AGM. The Company did not repurchase any of its shares during the financial year 2019/2020.

Authority to issue shares

The Company is permitted pursuant to the terms of its Articles of Association to allot, grant options over, offer or otherwise deal with or dispose of shares in the Company to such persons at such times and generally on such terms and conditions as they may determine. At the AGM on 12 July 2019, the Company was given authority to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company:

(i) up to an aggregate nominal amount of £396,072 (such amount to be reduced by the nominal amount of any shares in the Company or rights to subscribe for or convert any security into shares in the Company granted under sub-paragraph (ii) below in excess of such sum); and

(ii) comprising equity securities (as defined in section 560(1) of the United Kingdom Companies Act 2006) up to an aggregate nominal amount of £792,215 (such amount to be reduced by any allotments of any shares in the Company or grants of rights to subscribe for or convert any security into shares in the Company made under sub-paragraph (i) above) in connection with an offer by way of a rights issue.

This authority will expire at the end of the 2020 AGM.

Employee participation in share schemes

In Autumn 2019 the Company implemented a Company-wide Share Incentive Plan (SIP) and a Save as You Earn scheme (SAYE). The Company also has a long-term incentive plan (LTIP) and deferred bonus plan (DBP) for certain employees. Further details of the LTIP and DBP can be found in the Directors’ Remuneration Report on pages 69 to 82.

Share Incentive Plan (SIP): This is an HMRC approved all employee share incentive scheme. Under the SIP, a trustee holds Amigo shares on bare trust for the participants. These Amigo shares are categorised for the purposes of the SIP as either (i) partnership shares; (ii) matching shares; or (iii) dividend shares. The matching shares and dividend shares are subject to a holding period but participants can instruct the trustee to agree to certain transactions.

Save As You Earn (SAYE) 2019: This is an HMRC approved all employee share incentive scheme. Employees can make a monthly subscription to a savings account with, at the end of three years, an option to subscribe for shares at £0.6368 per share, using the funds in the savings account.

Long Term Incentive Plan (LTIP): This is a long-term share incentive plan which seeks to incentivise senior managers to deliver the strategic plans of the wider business in accordance with the requirements of the business. Grant awards are made over shares at nil cost subject to the three key conditions, which are detailed in the Directors’ Remuneration Report on pages 73 and 74.

Deferred bonus plan (DBP): Net proceeds of any annual bonus awards for the Executive Directors are used to purchase Amigo shares, which are held in an employee benefit trust for release over a three year period. There are malus and clawback provisions for the share awards.

Going concern

As described on page 40, the Directors have reviewed the projected cash flow and other relevant information and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern assumption in preparing the consolidated financial statements.

Financial risk management

Details of financial risk management and financial instruments are disclosed in note 14 of the Group financial statements.

Significant agreements and change of control

There are a number of agreements that take effect, alter or terminate upon change of control of the Company following a takeover. Except as disclosed below, none of these are considered significant.

Pursuant to the terms of the 7.625% senior secured notes due 2024, issued by Amigo Luxembourg S.A. (the "Issuer"), a wholly owned subsidiary of the Company, the Issuer is obliged to make an offer to repurchase the senior secured notes at a price of 101%, subject to a one-time exception if the consolidated net leverage ratio of the Group would be less than 3.3:1.0 after giving effect to the change of control.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment or otherwise that occurs specifically because of a takeover.

Political donations

The Group did not make any political donations, or incur any political expenditure (each as defined by the Companies Act 2006) in the EU or elsewhere in the year ended 31 March 2020.

Equal opportunities

The Company has an equal opportunities policy which is followed by all Directors, ExCo members and employees, and which ensures the Company employs a diverse workforce with regards to aspects such as age, gender and educational and professional backgrounds. The objectives of the policy include ensuring that: recruitment criteria and procedures are designed to ensure that individuals are selected solely based on their merits and abilities; employment practices are regularly reviewed in order to avoid unlawful discrimination; and training is provided to ensure compliance with the policy.

Disclosure of information to the auditor

The Directors in office at the date of this report have each confirmed that:

- so far as they are aware, there is no relevant audit information of which the Group's auditor is unaware; and
- they have taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

The Board is recommending to shareholders the appointment of KPMG LLP as auditor of the Company and a resolution authorising the Directors to set KPMG LLP's remuneration will be proposed at the forthcoming AGM.

For the purposes of compliance with DTR 4.1.5 R(2) and DTR 4.1.8R, the required content of the management report can be found in the Strategic Report and these regulatory disclosures including the sections of the Annual Report and Accounts incorporated by reference.

The Directors' Report was approved by the Board on 20 July 2020.

By Order of the Board

Roger Bennett
Company Secretary
Amigo Holdings PLC

10024479

Directors' responsibilities statement

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs as adopted by the EU") and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

1. select suitable accounting policies and then apply them consistently;
2. make judgements and estimates that are reasonable, relevant and reliable;
3. state whether they have been prepared in accordance with IFRSs as adopted by the EU;
4. assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
5. use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the Annual Report

We confirm that to the best of our knowledge:

1. the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Nayan Kisnadwala
Director
20 July 2020

KPMG

Independent auditor's report

to the members of Amigo Holdings plc

1. Our opinion is unmodified

We have audited the financial statements of Amigo Holdings PLC ("the Company") for the year ended 31 March 2020 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows, Company statement of financial position, Company statement of changes in equity, Company statement of cash flows and the related notes, including the accounting policies in note 1 for the Group and 1(a) for the Company.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the Directors on 27 February 2017. The period of total uninterrupted engagement is for the four financial years ended 31 March 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview	
Materiality: Group financial statements as a whole	£2.2m (2019: £4.6m) 0.8% of Group total revenue (2019: 4.0% of Group adjusted profit before tax)
Coverage	100% (2019:100%) of Group loss before tax (2019: Group profit before tax

Key audit matters		vs 2019
Recurring risks	**New:** Going concern	▲
	New: Customer complaints provision	▲
	Expected credit losses on customer loans and receivables	▲
	Recoverability of parent company's investment in Subsidiary	▲
	New: The impact of IT access controls and change management on the effectiveness of the control environment	▲

Financial statements

KPMG

Independent auditor's report continued
To the members of Amigo Holdings PLC

2. Material uncertainty related to going concern

Key audit matter	The risk	Our response
Going concern We draw attention to note 1 to the financial statements which indicates that the ability of the Group and Company to continue as a going concern is significantly impacted by the severity of the complaints position and the possibility of further Financial Conduct Authority action. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter. *Refer to page 40 (Going Concern and Viability statement), page 64 (Audit Committee Report) and page 103 (accounting policy).*	**Disclosure quality:** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent company. That judgement is based on an evaluation of the inherent risks to the Group's and parent Company's business model, and how those risks might affect the Group's and parent Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risk for our audit is whether or not those risks are such that they amount to a material uncertainty that may cast significant doubt about the ability to continue as a going concern. If so, that fact is required to be disclosed (as has been done) and, along with a description of the circumstances, is a key financial statement disclosure.	Our procedures included: – **Enquiry of regulators**: We made enquiries with the regulator with particular focus on the level of customer complaints and the status of the ongoing Financial Conduct Authority investigation. We then challenged the Group to prepare a severe but plausible downside scenarios which incorporated the increased level of complaints upheld and the potential outcomes of the investigation. – **Funding assessment**: We evaluated the Group and parent Company's financing facilities, including the available terms and covenants associated with these facilities; – **Historical comparisons**: We compared the Group's historic forecasts against actual cash flows achieved in previous years to ascertain their historical accuracy; – **Our sector experience**: We challenged the key assumptions used in management's forecasts such as future complaint redress and collections to ensure they were realistic, plausible and consistent with our other audit work; – **Sensitivity analysis**: We challenged the Group's sensitivities over the level of available financial resources indicated by the financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively, in particular we assessed key assumptions such as collections and complaint volumes; – **Key dependency assessmen**t: Our analysis of the Group's model identified future lending volumes, collections and complaint volumes as being key dependencies in the assessment; – **Evaluating Directors' intent**: We evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise; and – **Assessing transparency**: We assessed the completeness and accuracy of the matters covered in the going concern disclosure by critically challenging the level of detail disclosed in the Annual report and financial statements. **Our results** We found the disclosure of the material uncertainty to be acceptable. (2019 result: We found the going concern disclosure without any material uncertainty to be acceptable)

We are required to report to you if the Directors' going concern statement under the Listing Rules set out on page 40 is materially inconsistent with our audit knowledge. We have nothing to report in this respect.

KPMG

3. Other key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. Going concern is a significant key audit matter and is described in section 2 of our report. We summarise below the other key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Key audit matter	The risk	Our response
Customer complaints provision (£117.5 million; 2019: £nil) *Refer to page 64 (Audit Committee Report), page 110, (accounting policy) and page 116 and 130 (financial disclosures).*	**Subjective estimate:** The Group has seen a significant increase in the number of customer complaints in relation to lending practices, redress payments and compensation paid to customers. Given the subjectivity inherent in estimating the expected volume of complaints from customers and the cost of customer redress, the customer complaints provision is highly judgemental. In particular, there is subjectivity in the following key assumptions and estimates: – Volume of expected future complaints; – Uphold rates; and – Average redress amount. The effect of these matters is that, as part of our risk assessment, we determined that the customer complaints provision has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount. The financial statements (note 2) disclose the sensitivity estimated by the Group. **Disclosure quality:** The disclosures relating to the key sources of estimation uncertainty (note 2) are important to explaining the key inputs, assumptions and related uncertainties, including the direction of the estimation uncertainty.	Our procedures included: – **Control design:** We evaluated the processes and controls over the data integrity of the inputs into the complaints provision model, approval of complaint outcomes and the assessment of the reasonableness of key assumptions. Our testing identified weaknesses in the design of these controls. As a result we expanded the extent of our detailed procedures over and above that originally planned. The following procedures reflect our expanded testing: – **Our sector experience**: We critically assessed the methodology and assumptions used by the Group to calculate the customer complaints provision by comparing the assumptions to our knowledge of the Group's recent conduct experience; – **Our regulatory expertise**: We engaged internal regulatory specialists to assist in assessing the appropriateness of management's approach to complaints handling and its impact on the key assumptions in the model; – **Inspection of regulatory correspondence**: We inspected correspondence with the Financial Conduct Authority to identify any regulatory observations which impact the customer complaints provision; – **Test of detail**: We tested the existence and accuracy of a sample of data inputs such redress amounts and uphold status underlying the key assumptions to supporting evidence such as customer response letters and agreed remediation paid in the year to bank statements or customer statements. We repeated these procedures when the calculation was revised as a result of our initial procedures; – **Independent re-performance**: We recalculated the provision based on the key assumptions (volume of expected future complaints, uphold rates and average redress amount per claim) and input data; – **Tracing adjustments**: We traced adjustments made as a consequence of management's re-calculations and our procedures through to final reported numbers; – **Sensitivity analysis**: We evaluated the sensitivity of the model to changes in assumptions, to critically assess the impact of alternative assumptions and the range of reasonably possible outcomes; and – **Assessing transparency**: We considered the adequacy of the Group's disclosures in respect of the estimation uncertainty associated with the customer complaints provision, including that reasonably possible changes in key assumptions could lead to an increase in the provision. **Our results** We found the Group's customer complaints provision to be acceptable, and the disclosures, including the indication that changes in key assumptions could lead to a higher provision to be acceptable (2019 result: acceptable).

Independent auditor's report continued
To the members of Amigo Holdings PLC

3. Other key audit matters: including our assessment of risks of material misstatement (cont.)

Key audit matter	The risk	Our response

Expected credit losses on customer loans and receivables
 	
(£106.8 million; 2019: £75.4 million)
 	
Refer to page 64 (Audit Committee Report), page 107 (accounting policy) and pages 114 and 112 (financial disclosures).
	Subjective estimate:
	
	The estimation of expected credit losses (ECL) on customer loans and receivables, involves significant judgement and estimates.
	
	The key areas where we identified significant management judgement include:
	
	– Macro-economic assumption – IFRS 9 requires the Group to measure ECL's on a forward-looking basis, incorporating future macro-economic variables (MEVs) to reflect a range of future conditions. Significant management judgement is applied to determining the economic scenarios used and the probability weightings applied to its lending portfolio.
	
	– Significant Increase in Credit Risk (SICR) – For the portfolio, the criteria selected to identify a significant increase in credit risk is a key area of significant judgement within the Group's ECL calculation as these criteria determine whether a 12 month or lifetime provision is recorded.
	
	– Complex ECL models – inherently judgemental modelling techniques are used to estimate ECLs which involves determining Probabilities of Default, Loss Given Default and Exposure at Default. A revised ECL model was implemented in the year and the assumptions specifically identified as significant are Probabilities of default and Loss Given Default.
	
	The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 2) disclose the sensitivity estimated by the Group.
		Our procedures included:
		
		– **Test of details:**
		  – Tested the key inputs and assumptions impacting the Group's overall ECL calculation to assess their reasonableness. This included performing a sensitivity analysis to assess the significance of the probability of default and loss given default assumptions and assessing the key assumptions against the Group's historical experience;
		  – Perform recalculations of the ECL measured across the whole population.
		
		– **Our economic expertise**: We involved our own economic specialists to assist us in assessing the appropriateness of the Group's methodology for determining the economic scenarios used and the probability weightings applied to them. We assessed the key economic variable of UK unemployment, which included benchmarking of economic variables to independent external sources. We also assessed the overall reasonableness of the economic forecasts against the anticipated economic uncertainty in the UK.
		
		– **Application of methodology**: We performed the following procedures:
		  – Inspected the Group's papers on technical decisions, including the appropriateness of SICR thresholds
		  – Inspected and challenged management's assessment of SICR monitoring
		  – We challenged the appropriateness of management's qualitative staging criteria, we assessed whether it had been appropriately applied, given the use of status flags as a stage 2 trigger.
		
		– **Our financial risk modelling expertise**: We involved our own financial risk modelling specialists in evaluating the Probabilities of default and Loss Given Default models. We used our knowledge of the Group and our experience of the industry that the Group operates in to independently assess the appropriateness of the Group's IFRS 9 models and key components.
		
		– **Assessing transparency**: We evaluated whether the disclosures appropriately reflect and address the uncertainty which exists when determining the Group's overall ECL. As a part of this, we assessed the sensitivity analysis that is disclosed. In addition, we challenged whether the disclosure of the key judgements and assumptions made was sufficiently clear.
		
		Our results
		
		We found the Group's assessment of the expected credit losses on customer loans and receivables to be acceptable. (2019: acceptable)

KPMG

3. Other key audit matters: including our assessment of risks of material misstatement (cont.)

Key audit matter	The risk	Our response
Recoverability of parent company's investment in Subsidiary (£178.9 million; 2019: £302.0 million) *Refer to page 64 (Audit Committee Report), page 142 (accounting policy and financial disclosures)*	**Forecast-based valuation** The carrying amount of the parent Company's investments in subsidiaries are significant and at risk of irrecoverability. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty in forecasting trading conditions and cash flows used in the budgets. The share price at 31 March 2020 implied a market capitalisation lower than the carrying value of the investments, which was considered an indicator of impairment. The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of the cost of investment in subsidiaries has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 2a) disclose the sensitivity estimated by the Company.	Our procedures included: – **Comparing valuations**: We compared the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cashflows. We also compared these to the carrying value of the investment to assess the level of impairment required; – **Sensitivity analysis**: We evaluated the sensitivity of the model to changes in judgemental assumptions, to critically assess the impact of alternative assumptions and identify those assumptions most significant to the estimate; – **Historical comparisons**: We compared Group's historic forecasts against actual cash flows achieved in the respective years to assess historical accuracy; – **Assessing transparency**: We assessed the adequacy of the parent company's disclosures in respect of the investment in subsidiaries balance, assessing whether the sensitivity disclosures (note 2a) reflected the risks inherent in the estimation of the carrying amount. **Our results** We found the Company's assessment of the recoverability of the investment in subsidiaries and the resulting impairment charge to be acceptable. (2019: acceptable)
The impact of IT access controls and change management on the effectiveness of the control environment	**Data capture:** As with many financial service companies, the Group is highly dependent on IT systems for the processing and recording of significant volumes of transactions. Our planned audit approach placed some reliance on automated controls and therefore on the effectiveness of controls over IT systems. We regard this area as a key audit matter owing to the high level of IT dependency within the Group as well as the associated complexity and the risk that automated controls are not designed and operating effectively. In particular we consider IT change management and the associated user access controls to be critical in ensuring that only approved changes to applications and underlying data are authorised and made appropriately. Moreover, appropriate access controls contribute to mitigating the risk of potential fraud or error as a result of changes to applications and data.	Our procedures included: – **Control operation**: With the assistance of our IT specialists, we evaluated the design and operating effectiveness of the controls over the continued integrity of the IT systems that are relevant to financial reporting, including general IT controls over change management as well as the associated user and privileged access controls. We tested the design, implementation and operating effectiveness of key IT application controls, including the configuration, security and accuracy of end user computing controls. – **Test of detail**: For certain IT systems where general IT controls could not be relied upon we performed additional tests of detail. This work included tracing the allocation of customer payments from cash to the system and additional testing of system records to underlying source documentation such as customer contracts. **Our results** Our testing identified weaknesses in the design and operation of change management and associated user access controls. As a result we expanded the extent of our detailed testing, as set out above, over and above that originally planned, and this work was completed satisfactorily. (2019: Our testing did not identify weaknesses in the design and operation of controls that would have required us to expand the extent of our planned detailed testing).

We continue to perform procedures over the impact of uncertainties due to the UK exiting the European Union on our audit. However, as a result of developments since the prior year report, the relative significance of this matter on our audit work, including in relation to expected credit losses on customer loans and receivables which remains a key audit matter, has reduced. Accordingly, we no longer consider this a key audit matter.

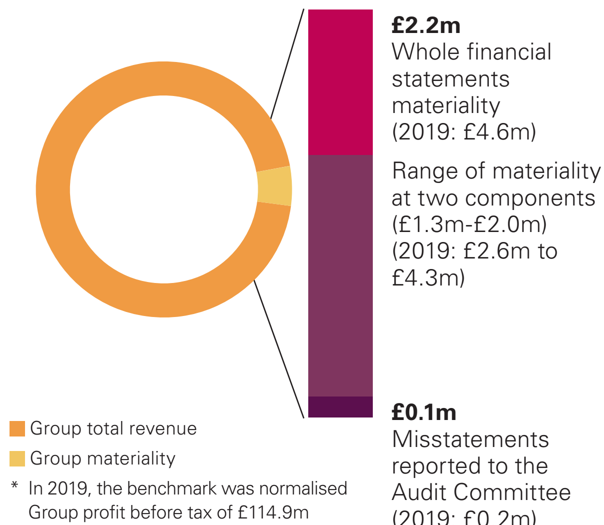
KPMG

Independent auditor's report continued
To the members of Amigo Holdings PLC

4. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £2.2m, determined with reference to a benchmark of Group total revenue (of which it represents 0.8%). In the prior year, materiality for the Group financial statements as a whole was set at £4.6m, determined with reference to a benchmark of Group profit before tax normalised to exclude initial public offering costs as disclosed in note 7 (of which it represents 4%). We revised our evaluation of materiality as the audit progressed, due to a significant increase in the complaints provision which had a significant impact on the original benchmark of Group (loss)/profit before tax. We revised our evaluation of materiality as the audit progressed resulting in a change in benchmark to Group total revenue due to a significant change in the original benchmark. We consider Group total revenue to be the most appropriate benchmark as it provides a more stable measure year-on-year than Group (loss)/profit before tax.

Materiality for the parent company financial statements as a whole was set at £1.3m (2019: £2.6m). We applied component materiality to the audit of the Company and is therefore lower than the materiality we would otherwise have determined by reference to net assets. It represents 0.5% of the Company's net assets (2019: 0.9%).



We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.1m (2019: £0.2m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's nine (2019: nine) reporting components, we subjected eight (2019: six) to full scope audits which were performed by the Group audit team and remaining one entity was subject to specific audit procedures. The latter was not individually financially significant enough to require a full scope audit for Group purposes, but did present specific individual risks that needed to be addressed. The specific risk-focused audit procedures were performed over cash, the senior secured notes and related interest balances. The components within the scope of our work accounted for 100% (2019: 100%) of Group revenue, Group loss before tax and Group net assets.

The Group team applied the following component materialities, having regard to the mix of size and risk profile of the Group across the components:

1. £1.3m (2019: £2.6m) for the Company; and
2. £2.0m (2019: £4.3m) for the remaining entities

The work on all of the components (2019: all), including the audit of the parent company, was performed by the Group team.

5. We have nothing to report on the other information in the Annual report

The Directors are responsible for the other information presented in the Annual report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

KPMG

5. We have nothing to report on the other information in the Annual report (cont.)

Disclosures of emerging and principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, other than the material uncertainty related to going concern referred to above, we have nothing further material to add or draw attention to in relation to:

- the Directors' confirmation within the long-term viability statement (page 40) that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the long-term viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the long-term viability. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the Annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the Annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 90, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an Auditor's Report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report continued
To the members of Amigo Holdings PLC

7. Respective responsibilities (cont.)

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's regulatory permissions. We identified the following areas as those most likely to have such an effect: conduct and regulatory risk, anti-bribery, anti-money laundering and certain aspects of Company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. Further detail in respect of customer complaints provisions are set out in the key audit matter disclosures in section 3 of this report.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Nicholas Edmonds (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15, Canada Square,
Canary Wharf,
London E14 5GL

20 July 2020

KPMG

Consolidated statement of comprehensive income
for the year ended 31 March 2020

	Notes	Year to 31 Mar 20 £m	Year to 31 Mar 19 £m
Revenue	4	**294.2**	270.7
Interest payable and funding facility fees	5	**(30.7)**	(38.2)
Shareholder loan note interest		**—**	(6.0)
Total interest payable		**(30.7)**	(44.2)
Impairment of amounts receivable from customers[1]		**(113.2)**	(64.2)
Administrative and other operating expenses	6	**(59.4)**	(47.4)
Complaints expense	18	**(126.8)**	—
Total operating expenses		**(186.2)**	(47.4)
IPO, strategic review, formal sale process and related financing costs	7	**(2.0)**	(3.9)
(Loss)/profit before tax		**(37.9)**	111.0
Tax credit/(charge) on (loss)/profit	10	**10.7**	(22.4)
(Loss)/profit and total comprehensive income attributable to equity shareholders of the Group[2]		**(27.2)**	88.6

The (loss)/profit is derived from continuing activities.

(Loss)/earnings per share			
Basic (loss)/earnings per share (pence)	12	**(5.7)**	19.4
Diluted (loss)/earnings per share (pence)	12	**(5.7)**	19.4

Dividends per share			
Proposed final dividend (pence)	20	**—**	7.45
Total dividend for the year (pence)	20	**3.10**	9.32
Dividend per share paid in the year[3] (pence)	20	**10.55**	1.87

The accompanying notes form part of these financial statements.

1 This line item includes reversals of impairment losses or impairment gains, determined in accordance with IFRS 9. In the year, this totalled £9.8m (2019: £3.1m) predominantly due to the positive impact of debt sales.

2 There was less than £0.1m of other comprehensive income during any period, and hence no consolidated statement of other comprehensive income is presented.

3 Total cost of dividends paid in the period was £50.1m (FY19: £8.9m). Final dividends are recognised on the earlier of their approval or their payment. Interim dividends are recognised on their payment date. The payments include a final dividend of 7.45p for FY19 approved at the Annual General Meeting (AGM) on 12 July 2019. Dividend per share for the year ended 31 March 2020 includes the prior year final dividend (7.45p), but also the current period interim dividend (3.10p), approved by the Board on 27 November 2019 for payment on 31 January 2020. The Board has decided that it will not propose a final dividend payment for the year ended 31 March 2020.

Consolidated statement of financial position
as at 31 March 2020

	Notes	31 Mar 20 £m	31 Mar 19 £m
Non-current assets			
Customer loans and receivables	13	**296.5**	302.5
Property, plant and equipment		**1.5**	0.7
Right-of-use lease asset	19	**1.1**	—
Intangible assets		**0.1**	0.1
Deferred tax asset	11	**6.6**	6.8
		305.8	310.1
Current assets			
Customer loans and receivables	13	**367.1**	426.0
Other receivables	15	**1.4**	1.2
Current tax assets		**21.7**	—
Derivative asset		**0.1**	0.1
Cash and cash equivalents		**64.3**	15.2
		454.6	442.5
Total assets		**760.4**	752.6
Current liabilities			
Trade and other payables	16	**(13.5)**	(15.4)
Lease liability	19	**(0.3)**	—
Provisions	18	**(105.7)**	—
Current tax liabilities		**—**	(16.0)
		(119.5)	(31.4)
Non-current liabilities			
Borrowings	17	**(460.6)**	(476.7)
Lease liability	19	**(1.1)**	—
Provisions	18	**(11.8)**	—
		(473.5)	(476.7)
Total liabilities		**(593.0)**	(508.1)
Net assets/(liabilities)		**167.4**	244.5
Equity			
Share capital	20	**1.2**	1.2
Share premium		**207.9**	207.9
Merger reserve		**(295.2)**	(295.2)
Retained earnings		**253.5**	330.6
Shareholder equity		**167.4**	244.5

The accompanying notes form part of these financial statements.

The financial statements of Amigo Holdings PLC were approved and authorised for issue by the Board and were signed on its behalf by:

Nayan Kisnadwala
Director
20 July 2020

Company no. 10024479

Consolidated statement of changes in equity
for the year ended 31 March 2020

	Share capital £m	Share premium £m	Merger reserve[1] £m	Retained earnings £m	Total equity £m
At 31 March 2018	1.0	0.9	(295.2)	287.0	(6.3)
IFRS 9 opening balance sheet adjustment[2]	—	—	—	(37.5)	(37.5)
At 1 April 2018	1.0	0.9	(295.2)	249.5	(43.8)
Total comprehensive income	—	—	—	88.6	88.6
Share-based payments	—	—	—	1.4	1.4
IPO[3]	0.2	207.0	—	—	207.2
Dividends paid	—	—	—	(8.9)	(8.9)
At 31 March 2019	1.2	207.9	(295.2)	330.6	244.5
IFRS 16 opening balance sheet adjustment[4]	—	—	—	(0.3)	(0.3)
At 1 April 2019	1.2	207.9	(295.2)	330.3	244.2
Total comprehensive loss	—	—	—	(27.2)	(27.2)
Dividends paid	—	—	—	(50.1)	(50.1)
Share-based payments	—	—	—	0.5	0.5
At 31 March 2020	**1.2**	**207.9**	**(295.2)**	**253.5**	**167.4**

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, shareholder loan notes held were converted to equity upon the listing of the Group.

4 On 1 April 2019, the Group adopted IFRS 16. A right-of-use asset of £0.6m and a lease liability of £0.9m were recognised as a result on 1 April 2019, with the balancing amount being taken to retained earnings.

Consolidated statement of cash flows
for the year ended 31 March 2020

	Year to 31 Mar 20 £m	Year to 31 Mar 19 £m
(Loss)/profit for the period	**(27.2)**	88.6
Adjustments for:		
Impairment expense	**113.2**	64.2
Complaints expense	**126.8**	—
Tax (credit)/charge	**(10.7)**	22.4
Shareholder loan note interest accrued	**—**	6.0
Interest expense	**30.7**	38.2
Interest charged on loan book	**(304.9)**	(286.3)
Profit on senior secured note buyback	**0.7**	—
Share-based payment	**0.5**	1.3
Depreciation of property, plant and equipment	**0.5**	0.3
Operating cash flows before movements in working capital[1]	**(70.4)**	(65.3)
(Decrease) in receivables	**(0.2)**	(2.8)
Increase/(decrease) in payables	**0.8**	(0.4)
Complaints redress	**(9.3)**	—
Tax paid	**(26.8)**	(18.3)
Interest paid	**(28.8)**	(35.8)
Proceeds from parent undertakings	**0.9**	0.4
Repayment of parent undertakings	**(0.9)**	(0.6)
Net cash used in operating activities before loans issued and collections on loans	**(134.7)**	(122.8)
Loans issued	**(347.4)**	(426.1)
Collections	**594.0**	543.5
Post charge-off recoveries and other loan book movements	**9.8**	—
Decrease in deferred broker costs	**0.3**	—
Net cash from/(used in) operating activities	**122.0**	(5.4)
Investing activities		
Purchases of property, plant and equipment	**(1.3)**	(0.4)
Net cash used in investing activities	**(1.3)**	(0.4)
Financing activities		
Purchase of senior secured notes	**(85.9)**	(81.3)
Dividends paid	**(50.1)**	(8.9)
Lease principal payments	**(0.1)**	—
Proceeds from external funding	**174.4**	266.5
Repayment of external funding	**(109.9)**	(167.5)
Net cash (used in)/from financing activities	**(71.6)**	8.8
Net increase in cash and cash equivalents	**49.1**	3.0
Cash and cash equivalents at beginning of period	**15.2**	12.2
Cash and cash equivalents at end of period	**64.3**	15.2

The accompanying notes form part of these financial statements.

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 7 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.

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 on the London Stock Exchange (LSE: AMGO). The Company is incorporated and domiciled in England and Wales and its registered office is Nova Building, 118-128 Commercial Road, Bournemouth, United Kingdom BH2 5LT.

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 from £1,000 to £10,000 over one to five years.

The consolidated and Company 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) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention, except for financial instruments measured at amortised cost or fair value.

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

In preparing the financial statements, the Directors are required to use certain critical accounting estimates and are required to exercise judgement in the application of the Group and Company's accounting policies. See note 2 for further details.

The consolidated Group and Company financial statements for the year ended 31 March 2020 were approved by the Board of Directors on 20 July 2020.

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.

Going concern

The Directors have made an assessment in preparing these financial statements as to whether the Group and Company are a going concern. The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Group meets its funding requirements through:

- cash generated from operations and the existing loan book is expected to continue to generate cash inflows in the normal course of business. In response to the Covid-19 pandemic, all new lending, except to key workers, was paused in March 2020;
- a £300m securitisation facility which expires in June 2022, after which the drawn balance will amortise in line with the repayment of the underlying securitised agreements. On 24 April 2020 the Directors negotiated a three month waiver period for the facility. The terms of the waiver period amendment remove the obligation of the lender to make any further advances to the Group but also provide the Group with a waiver from an early amortisation event should an asset performance trigger threshold be breached during the period. The terms of the amendment also require that the facility must be restructured to the satisfaction of the lender by the end of the waiver period (24 July 2020 or such other date agreed to by the lender) or the facility will be placed into early amortisation, after which, the performance covenants no longer apply; and
- senior secured notes of £234.1m which expire in January 2024. The notes have no financial maintenance covenants.

The Group has an unrestricted cash balance of over £135m as at 30 June 2020. The Directors have prepared a base case cash flow forecast which covers a period of more than twelve months from the date of approval of these financial statements. This base case assumes:

- no material new lending for the duration of the forecast period;
- the securitisation facility enters early amortisation on the assumption that Group is unable to restructure the facility to the satisfaction of the lender at the end of the waiver period;
- complaints redress is settled in line with the expectations of the 31 March 2020 balance sheet provision (refer to note 18 to the financial statements);
- credit losses, and therefore customer collections, remain consistent with the expectations of the year-end impairment provision (refer to note 13 to the financial statements);
- a lower cost base than the financial year ended 31 March 2020, which would be achieved through a combination of lower variable costs and targeted cost saving initiatives to re-align the cost base to the re-based business; and
- no dividend payments during the forecast period.

Notes to the consolidated financial statements continued
for the year ended 31 March 2020

1. Accounting policies continued
1.1 Basis of preparation of financial statements continued
Going concern continued
This base case indicates that the Group and Company will have sufficient funds to enable it to operate within its available facilities and settle its liabilities as they fall due for at least the next twelve months.

The Directors have prepared a severe but plausible downside scenario covering the same forecast period, being at least the next twelve months from date of approval of these financial statements, which includes sensitivities that consider the potential impact of:

- increased credit losses as a result of a deterioration in the macroeconomic outlook due to Covid-19 and the inability of an increased number of Amigo's customers to continue to make payments. This sensitivity is broadly aligned to Amigo's worst case IFRS 9 macroeconomic scenario (see note 2.1.3 to the financial statements); and
- a sustained high volume of customer complaints throughout the forecast period coupled with an increase in the uphold rate.

This downside scenario also assumes that new lending remains materially paused throughout the forecast period. The downside scenario indicates that the Group should have sufficient funds to enable it to operate within its available facilities and settle its liabilities as they fall due in the next twelve months, excluding any negative impact from the FCA investigation discussed below.

However, the assumed high level of customer complaints redress throughout the forecast period would significantly reduce available liquidity headroom. If complaints redress were to continue at the same high levels assumed in the downside scenario beyond the next twelve months, the Group would need to source additional financing to maintain adequate liquidity and continue to operate.

In June 2020, the Financial Conduct Authority ("FCA") launched an investigation into the Group's creditworthiness assessment process, and the governance and oversight of this process. This investigation will cover the period from 1 November 2018 to date. Such investigations can take up to two years to finalise but could be concluded on within the next twelve months. There are a number of potential outcomes which may result from this FCA investigation, including the imposition of a significant fine and/or the requirement to perform a mandatory back-book remediation exercise. The Directors consider a mandatory back-book remediation exercise to be a possible outcome, but not the most likely outcome. The Directors consider should they be required to perform a back-book remediation exercise it could reasonably be expected to exhaust the Group's available liquid resources.

Based on these indications the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Basis of consolidation
The consolidated income statement, consolidated statement of comprehensive income, balance sheet, statement of changes in shareholders' equity, statement of cash flows and notes to the financial statements include the financial statements of the Company and all of its subsidiary undertakings inclusive of structured entities (SEs); see note 27 for full list of subsidiaries and SEs. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns through its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group's securitisation facility was established in November 2018 and was subsequently upsized to a £200m facility in December 2018 and then to £300m in June 2019. The structured entity AMGO Funding (No. 1) Ltd was set up in this process; the Group has both power and control over that structured entity, as well as exposure to variable returns from the special purpose vehicle (SPV); hence, this is included in the consolidated financial statements. SEs are fully consolidated based on the power of the Group to direct relevant activities, and its exposure to the variable returns of the SE. In assessing whether the Group controls a SE, judgement is exercised to determine the following: whether the activities of the SE are being conducted on behalf of the Group to obtain benefits from the SE's operation; whether the Group has the decision-making powers to control or to obtain control of the SE or its assets; whether the Group is exposed to the variable returns from the SE's activities; and whether the Group is able to use its power to affect the amount of returns. The Group's involvement with SEs is detailed in note 24.

Intra-group sales and profits are eliminated fully on consolidation. The financial statements of the Group's subsidiaries (including SEs that the Group consolidates) are prepared for the same reporting period as the Company using consistent accounting policies.

1. Accounting policies continued

1.2 New and amended standards adopted by the Group and Company

IFRS 8 Operating Segments

This is the first year the Group has made disclosures under IFRS 8 Operating Segments due to its Irish operations being immaterial in the prior year. An operating segment, as defined by IFRS 8 Operating Segments, is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker as required by IFRS 8 Operating Segments. The chief operating decision maker responsible for allocating resources and assessing performance of the operating segments has been identified as the Group Executive Committee (ExCo). The accounting policies of the reportable segments are consistent with the accounting policies of the Group as a whole. An operating segment's operating results are reviewed regularly by the ExCo to make decisions about resources to be allocated to the segment and assess its performance. When assessing segment performance and considering the allocation of resources, the ExCo reviews information about segment assets and liabilities (with particular focus on segment net loan book and borrowings), as well as segment revenues and profits. See note 3 for more details.

IFRS 16 Leases

During the period IFRS 16 Leases, a new accounting standard introducing a single lessee accounting model (replacing IAS 17 Leases), was adopted by the Group. It became effective on 1 January 2019 and therefore is mandatory for the first time for the year ended 31 March 2020. The change did not have a material impact on the Group's net cash flows, financial position, total comprehensive income or earnings per share; however, the 2020 and 2019 results are not strictly comparable as from 1 April 2019 the Group adopted the standard. As permitted by IFRS 16, the Group has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information.

It introduces significant changes to lessee accounting, removing the distinction between operating and finance leases, replacing it with a model where a right-of-use asset and a corresponding liability are recognised for all leases where the Group is the lessee, except for short-term assets and leases of low-value assets. The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- the right to obtain substantially all of the economic benefits from the use of an identified asset; and
- the right to direct the use of that asset.

The new definition in IFRS 16 does not change the scope of contracts that meet the definition of a lease for the Group or have a material impact on the consolidated financial statements of the Group. IFRS 16 changed how the Group accounted for leases previously classified as operating leases under IAS 17, which were off balance sheet.

The key changes to the Group's accounting policies resulting from the adoption of IFRS 16 are summarised below.

i) Lease liability

All leases for a lessee, other than those that are less than twelve months in duration or are low value which the Group has elected to treat as exempt, require a lease liability to be recognised on the balance sheet on origination of the lease. The lease liability is initially measured as the present value of the contractual lease payments payable over the lease term discounted at the rate implicit in the lease if that can be readily determined or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Subsequently settled lease payments reduce the lease liability and an interest expense is recognised in the income statement as the discount is unwound. The lease liability is also adjusted for the impact of lease modifications. Each lease payment is allocated between payments of the principal element of the lease liability and interest payments within the consolidated statement of cash flows.

ii) Right-of-use asset

For each lease liability a corresponding right-of-use asset is recorded in the balance sheet.

The right-of-use asset is initially measured at cost and subsequently measured at cost less accumulated amortisation and impairment losses, adjusted for any remeasurement of the lease liability. The right-of-use asset is subsequently depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis and recorded as an expense in other operating expenses. All of the Group's right-of-use assets at transition relate to the property lease of the main Amigo office in Bournemouth, the useful life on transition of which was between four and five years. Following transition, a second office was opened in Bournemouth which has also been accounted for under IFRS 16.

Under IFRS 16 interest expense on the lease liability is to be presented as a finance cost and the depreciation charge for the right-of-use asset is presented under administrative expenses. The classification of cash flows is affected as under IAS 17 operating lease payments were presented as operating cash flows, whereas under IFRS 16, the lease payments will be split into principal and interest portions which are presented as operating and financing cash flows respectively. Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. For short-term leases (lease term of twelve months or less), the Group opts to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

Notes to the consolidated financial statements continued
for the year ended 31 March 2020

1. Accounting policies continued
1.2 New and amended standards adopted by the Group and Company continued
Transition to IFRS 16
On transition to IFRS 16 the Group elected to apply the modified retrospective approach and has adopted the following permitted practical expedients:

- not to reassess whether a contract is or contains a lease. The definition of a lease in accordance with IAS 17 will continue to be applied to those contracts entered or modified before 1 January 2019;
- exclusion of initial direct costs from the measurement of the right-of-use asset at the date of adoption;
- for short-term and low value leases, lease payments continue to be recognised in the consolidated statement of comprehensive income on a straight-line basis over the lease term;
- the use of hindsight in determining the lease term if the contract contains an option to extend or terminate the lease; and
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to its property leases which had previously been classified as operating leases under IAS 17. These lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average incremental borrowing rate applied to the Group's leases on transition was 4.25%. In line with the transition options of IFRS 16, the associated right-of-use assets were measured as if IFRS 16 had always been applied to the lease but adjusted for accrued or prepaid lease-related expenses recognised on the balance sheet as at 31 March 2019. The Group's transition to IFRS 16 resulted in an opening reserves adjustment of £0.3m which has been recognised in retained earnings as at 1 April 2019. The following table shows the impact of transition to IFRS 16 on the balance sheet position as at 1 April 2019.

Financial impact
The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of a right-of-use asset and lease liability. The Group has chosen to use the table below to set out the adjustments recognised at the date of initial application of IFRS 16:

	1 April 2019 Restated under IFRS 16 £m	IFRS 16 adjustment £m	31 March 2019 As originally presented under IAS 17 £m
Non-current asset			
Right-of-use asset	0.6	0.6	—
Total increase in assets	0.6	0.6	—
Current liabilities			
Lease liabilities	(0.2)	(0.2)	—
Non-current liabilities			
Lease liabilities	(0.7)	(0.7)	—
Total increase in liabilities	(0.9)	(0.9)	—
Equity			
Retained earnings	(0.3)	(0.3)	—

The table below presents a reconciliation from operating lease commitments disclosed at 31 March 2019 to lease liabilities recognised at 1 April 2019:

	£m
Operating lease commitments disclosed under IAS 17 as at 31 March 2019	0.7
Discounted using the lessee's incremental borrowing rate of 4.25% as at the date of initial application	(0.1)
Add: adjustments as a result of a different treatment of extension and termination options	0.3
Lease liabilities at 1 April 2019	0.9

Following transition, an additional Amigo office has been opened in Bournemouth, with a right-of-use asset and lease liability of £0.7m (see note 19) being recognised respectively in November 2019.

There have been no other new or amended standards adopted in the financial year beginning 1 April 2019 which had a material impact on the Group or Company.

1. Accounting policies continued

1.3 Amounts receivable from customers

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). Note, the Group does not hold any financial assets that are equity investments; hence the below considerations of classification and measurement only apply to financial assets that are debt instruments. 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.

Business model assessment

In the assessment of the objective of a business model, the information considered includes:

- the stated policies and objectives for the loan book and the operation of those policies in practice, in particular whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the loan book is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of debt sales in prior periods, the reasons for such sales and the Group's expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Group's business comprises primarily loans to customers that are held for collecting contractual cash flows. Debt sales of charged off assets are not indicative of the overall business model of the Group. The business model's main objective is to hold assets to collect contractual cash flows.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time, as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI), the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group has deemed that the contractual cash flows are SPPI and hence, 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 financial asset. Under IFRS 9, a provision is made against all stage 1 (defined below) financial assets to reflect the expected credit losses from default events within the next twelve months. The application of lifetime expected credit losses to assets which have experienced a significant increase in credit risk results in an uplift to the impairment provision.

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; and

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

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.

Notes to the consolidated financial statements continued
for the year ended 31 March 2020

1. Accounting policies continued
1.3 Amounts receivable from customers continued
iii) Measurement of ECLs continued
In substance the borrower and the guarantor of each financial asset have 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 an asset.

The Group performs separate credit and affordability assessments on both the borrower and guarantor. After having passed an initial credit assessment, 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 performing.

The Covid-19 pandemic presents significant economic uncertainty. The Group assessed that its key sensitivity was in relation to expected credit losses on customer loans and receivables. Given the significant uncertainty around the duration and severity of the impact of the pandemic on the macroeconomy and in particular unemployment, a matrix of nine scenarios consisting of three durations (three, six and twelve months) and three severities (moderate, high and extremely high) has been modelled. Refer to note 2.1.1 for further detail on the judgements and estimates used in the measurement of the ECL.

iv) Assessment of significant increase in credit risk (SICR)
In determining whether the credit risk (i.e. risk of default) of 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 used in this assessment is payment status flags, which occur in specific circumstances such as a short-term payment plan, breathing space 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 to staging, and judgements on what signifies a significant increase in credit risk.

The Group has offered payment holidays to customers in response to Covid-19. These measures were introduced on 31 March 2020. The granting of a payment holiday does not automatically trigger a significant increase in credit risk. Customers granted payment holidays are assessed for other indicators of SICR and their loans are classified as stage 2 if other indicators of a SICR are present. This is in line with guidance issued by the International Accounting Standards Board (IASB) and Prudential Regulation Authority (PRA) which noted that the extension of government-endorsed payment holidays to all borrowers in particular classes of financial instruments should not automatically result in all those instruments being considered to have suffered a significant increase in credit risk. See note 2.1.2 for further detail.

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.

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; there are no changes to the customer's contract and the measures do not meet derecognition or modification requirements.

vii) Definition of default
The Group considers an account to be 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 in IFRS 9 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. Accounting policies continued

1.3 Amounts receivable from customers continued

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 customer's contract at any stage. Therefore, these changes are neither modification nor derecognition events.

Depending on the forbearance measure offered, an operational flag will be added to the customer's account, which may indicate significant increase in credit risk and trigger movement of this balance from stage 1 to stage 2 in impairment calculation. See note 2.1.2 for further details.

1.4 Revenue

Revenue comprises interest income on amounts receivable from customers. Loans are initially measured at fair value (which is equal to cost at inception) plus directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Revenue is presented net of amortised broker fees which are spread over the expected behavioural lifetime of the loan as part of the effective interest rate method (see note 2.2 for further details).

The effective interest rate (EIR) is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument (or a shorter period where appropriate) to the net carrying value of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument, but not future credit losses.

1.5 Operating expenses

Operating expenses include all direct and indirect costs. Where loan origination and acquisition costs can be referenced directly back to individual transactions (e.g. broker costs), they are included in the effective interest rate in revenue and amortised over the behavioural life of the loan rather than recognised in full at the time of acquisition.

1.6 Interest payable and funding facilities

Interest payable and funding facility fees are charged to the consolidated statement of comprehensive income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instruments and recognised over the behavioural life of the liability. Amortised facility fees are charged to the consolidated statement of comprehensive income over the term of the facility using the effective interest rate method. Non-utilisation fees are charged to the consolidated statement of comprehensive income as incurred.

Senior secured note premiums and discounts are part of the instrument's carrying amount and therefore are amortised over the expected life of the notes. Where senior secured notes are repurchased in the open market resulting in debt extinguishment, the difference between the carrying amount of the liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the consolidated statement of comprehensive income.

Shareholder loan note interest is charged to the consolidated statement of comprehensive income as accrued and is shown separately on the face of the consolidated statement of comprehensive income due to its nature and size. The Directors feel that this presentation gives the user of these financial statements a clearer view of the different interest balances charged to the consolidated statement of comprehensive income. On 4 July 2018 the shareholder loan notes were converted to equity upon listing of the Group.

1.7 Dividends

Equity dividends payable are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised on the earlier of their approval or payment date.

1.8 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

1.8.1 Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the consolidated statement of financial position date, and any adjustment to tax payable in respect of previous years. Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Notes to the consolidated financial statements continued
for the year ended 31 March 2020

1. Accounting policies continued
1.8 Taxation continued
1.8.2 Deferred tax
Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

1.9 Property, plant and equipment (PPE)
PPE is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where parts of an item of PPE have different useful lives, they are accounted for as separate items of property, plant and equipment. Repairs and maintenance are charged to the consolidated statement of comprehensive income during the period in which they are incurred.

Depreciation is charged to the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- Leasehold improvements 10% straight line
- Fixtures and fittings 25% straight line
- Computer equipment 50% straight line

Depreciation methods, useful lives and residual values are reviewed, and adjusted if appropriate, at each consolidated statement of financial position date.

1.10 Intangible assets
Intangible assets are recognised at historical cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised from the date they are available for use. Amortisation is charged to the consolidated statement of comprehensive income.

Acquired software costs incurred are capitalised and amortised on a straight-line basis over the anticipated useful life, which is normally four years.

Amortisation methods, useful lives and residual values are reviewed at each consolidated statement of financial position date.

1.11 Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. For more details see note 2.3 and note 18.

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised in the balance sheet but information about them is disclosed unless the possibility of any economic outflow in relation to settlement is remote.

1.12 Financial instruments
The Group primarily enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities, the most significant being amounts receivable from customers, senior secured notes in the form of high yield bonds, loans from banks and other third parties, and loans to related parties.

1. Accounting policies continued

1.12 Financial instruments continued

1.12.1 Financial assets

a) Other receivables

Other receivables relating to loans and amounts owed by parent and subsidiary undertakings are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value plus transaction costs and are measured subsequently at amortised cost using the effective interest method, less any impairment. Loans and amounts owed by parent and subsidiary undertakings are unsecured, have no fixed repayment date and are repayable on demand and interest on such balances is accrued on an arm's length basis. The impact of ECLs on other receivables has been evaluated and it is immaterial.

b) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. The impact of ECLs on cash has been evaluated and it is immaterial.

c) Derivative assets

Derivative assets held for risk management purposes are recognised on a fair value through profit and loss (FVTPL) basis, with movement in fair value being included under interest expenses in the consolidated statement of comprehensive income.

d) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and either:
  - the Group has transferred substantially all the risks and rewards of the asset; or
  - the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

e) Write-off

Loans are written off the balance sheet when an account is six contractual payments past due, as at this point it is deemed that there is no reasonable expectation of recovery. When there is recovery on written-off debts or when cash is received from the third-party purchaser on the legal purchase date, recoveries are recognised in the income statement within the impairment charge.

For charged-off debts that are placed with a third party in exchange for a commission on recoveries, but are still legally owned by the Group, an asset has been recognised within other receivables, being the net present value of expected future cash flows, discounted at the effective interest rate of the initial loans. A corresponding liability for commission payments due to the third party is also recognised. The recognition of assets for post charge-off recoveries is recognised in the income statement within the impairment charge.

1.12.2 Financial liabilities

Debt instruments (other than those wholly repayable or receivable within one year), i.e. borrowings, are initially measured at fair value less transaction costs and subsequently at amortised cost using the effective interest method.

Debt instruments that are payable within one year, typically trade payables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. See note 1.6 for details of treatment of premiums/discounts on borrowings.

Short-term payables are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements continued
for the year ended 31 March 2020

1. Accounting policies continued

1.13 Shareholder loan notes

Shareholder loan note interest is charged to the consolidated statement of comprehensive income as accrued and is shown separately on the face of the consolidated statement of comprehensive income due to its nature and size.

Shareholder loan notes are initially measured at fair value less attributable transaction costs and subsequently at amortised cost using the effective interest method.

The financial liability of the shareholder loan notes is derecognised when the obligation under the liability is discharged. 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 by 75,333,760 to 475,333,760 ordinary shares and increasing net assets by £207.2m.

1.14 Securitisation

The Group securitises its financial assets via the sale of these assets to a special purpose entity, which in turn issues 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. Securitised loans are not derecognised for the purposes of IFRS 9 on the basis that the Group retains substantially all the risks and rewards of ownership. The Group benefits to the extent that the surplus income generated by the transferred assets exceeds the administration costs of the special purpose vehicle (SPV), the cost of funding the assets and the cost of any losses associated with the assets and the administration costs of servicing the assets. Risks retained include credit risk, repayment risk and late payment risk. See note 14 for further details.

1.15 Merger reserve

The merger reserve was created as a result of a Group reorganisation in 2017 to create an appropriate holding company structure. With the merger accounting method, the carrying values of the assets and liabilities of the parties to the combination are not required to be adjusted to fair value, although appropriate adjustments shall be made through equity to achieve uniformity of accounting policies in the combining entities. The restructure was within a wholly owned group, constituting a common control transaction.

1.16 Leases

The Group and Company assesses whether a contract contains a lease at inception of a contract. A right-of-use asset and a corresponding liability are recognised with respect to all lease arrangements where it is a lessee, except for short-term leases (leases with a lease term of twelve months or less) and leases of low-value assets. The right-of-use asset comprises the initial measurement of the corresponding lease liability and is subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

For these leases, the lease payment is recognised within administrative and operating expenses on a straight-line basis over the lease term. The lease liability is initially measured at the present value of the lease payments at the commencement date, discounted using the incremental borrowing rate, as there is no rate implicit in the lease. This is defined as the rate of interest that the lessee would have to pay to borrow, over a similar term, and with similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease, using the effective interest rate method, and reducing the carrying amount to reflect the lease payments made. The lease liability is remeasured whenever:

- the lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; and
- the lease contract is modified and the modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group and Company did not make any material adjustments during the year.

The lease liability and right-of-use asset are presented as separate line items on the balance sheet. The interest on the lease and depreciation are charged to the income statement and presented within finance costs and administrative and operating costs respectively.

In the prior year under IAS 17 Leases, rental costs under operating leases were charged to the consolidated statement of comprehensive income on a straight-line basis over the term of the lease.

1. Accounting policies continued

1.17 Foreign currency translation

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the functional currency). The Group's subsidiaries primarily operate in the UK and Republic of Ireland, with Amigo Loans Ireland Limited's first loans paid out in February 2019. The consolidated and the Company financial statements are presented in Sterling, which is the Group and Company's presentational currency.

Transactions that are not denominated in the Group's presentational currency are recorded at an average exchange rate for the month. Monetary assets and liabilities denominated in foreign currencies are translated into the relevant presentational currency at the exchange rates prevailing at the balance sheet date. Differences arising on translation are charged or credited to the income statement.

1.18 Defined contribution pension scheme

The Group operates a defined contribution pension scheme. Contributions payable to the Group's pension scheme are charged to the income statement on an accruals basis.

1.19 Share-based payments

The Company grants options under employee savings-related share option schemes (typically referred to as Save As You Earn schemes (SAYE)) and makes awards under the Share Incentive Plans (SIP) and the Long Term Incentive Plans (LTIP). All of these plans are equity settled.

The fair value of the share plans is recognised as an expense over the expected vesting period with a corresponding entry to retained earnings, net of deferred tax. The fair value of the share plans is determined at the date of grant. Non-market-based vesting conditions (i.e. earnings per share and absolute total shareholder return targets) are taken into account in estimating the number of awards likely to vest, which is reviewed at each accounting date up to the vesting date, at which point the estimate is adjusted to reflect the actual awards issued.

The grant by the Company of options and awards over its equity instruments to the employees of subsidiary undertakings is treated as an investment in the Company's financial statements.

1.20 Items presented separately within the consolidated statement of comprehensive income

Complaints expense, shareholder loan notes and IPO, strategic review, formal sale process and related financing costs are presented separately on the face of the consolidated statement of comprehensive income. These are items that are unusual because of their size, nature or incidence and which the Directors consider should be disclosed separately to enable a full understanding of the Group's results.

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

The preparation of the consolidated Group and Company financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period. The most significant uses of judgements and estimates 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).
  - Multiple economic scenarios – the probability weighting of nine scenarios to the ECL calculation (note 2.1.3).
- Provisions (note 2.3)
  - Judgement is involved in determining whether a present constructive obligation exists and in estimating the probability, timing and amount of any outflows.
- Going concern
  - Judgement is applied in determining if there is a reasonable expectation that the Group adopts the going concern basis in preparing these financial statements (note 1.1).

Notes to the consolidated financial statements continued
for the year ended 31 March 2020

2. Critical accounting assumptions and key sources of estimation uncertainty continued

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).
  - Probability of default (PD), exposure at default (EAD) and loss given default (LGD) (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).
- Provisions (note 2.3)
  - Calculation of provisions involves management's best estimate of expected future outflows, the calculation of which evaluates current and historical data, and assumptions and expectations of future outcomes.
- Effective interest rate (note 2.2)
  - Calculation of the effective interest rate includes estimation of the average behavioural life of the loans and the profile of the loan payments over this period (note 2.2).

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 including whether the loan is new business, repeat lending or part of a lending pilot as well as considering if the customer is a homeowner or not. These portfolios of assets are further divided by contractual term and monthly origination vintages.

During the year, the Group updated the IFRS 9 methodology to incorporate the additional historic loss experience and refined the approach to calculating ECLs. The updated methodology represents a change in accounting estimate. The allowance for ECLs is calculated using three components: a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD). The ECL is calculated by multiplying the PD (twelve month or lifetime depending on the staging of the loan), LGD and EAD.

The twelve month and lifetime PDs represent the probability of a default occurring over the next twelve months or the lifetime of the financial instruments, respectively, based on historical data and assumptions and expectations of future economic conditions.

EAD represents the expected balance at default, considering the repayment of principal and interest from the balance sheet date to the default date. LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group expects to receive.

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. Given the significant uncertainty around the duration and severity of the Covid-19 pandemic on the macroeconomy and in particular unemployment a matrix of nine scenarios consisting of three durations (three, six and twelve months) and three severities (moderate, high and extremely high) has been modelled and probability weighted to determine the ECL provision (see note 2.1.3).

2.1.2 Assessment of significant increase in credit risk (SICR)

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 is determined by considering the presence of certain payment status flags on the account, which is the Group's primary qualitative criteria considered in the assessment of whether there has been a significant increase in credit risk. If a relevant operational flag 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. Examples of this include operational flags for specific circumstances such as a short-term payment plans and breathing space granted to customers.

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. This is the primary quantitative information considered by the Group in significant increase in credit risk assessments.

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 a significant increase in credit risk.

2. Critical accounting assumptions and key sources of estimation uncertainty continued

2.1 Credit impairment continued

2.1.2 Assessment of significant increase in credit risk (SICR) continued

The Group has offered payment holidays to customers in response to Covid-19. In normal circumstances, a customer request for a payment holiday (i.e. breathing space) would trigger a SICR in line with the Group's payment status flag approach to staging. The granting of exceptional payment holidays in response to Covid-19 does not automatically trigger a significant increase in credit risk. As such, these customers are not being automatically moved to stage 2 and lifetime ECLs. Customers granted Covid-19 payment holidays are assessed for other potential indicators of SICR, which are incremental to the Group's existing staging flags. This assessment includes a historical review of the customer's payment performance and behaviours. Following this review, those customers that have been granted a Covid-19 payment holiday and are judged to have otherwise experienced a SICR are transitioned to stage 2.

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.

The Group has modelled a range of economic shock scenarios to estimate the impact of a spike in unemployment as a result of the Covid-19 pandemic. In doing so, consideration has also been given to the potential impact of deep fiscal and monetary support measures that have been implemented by the government to support the economy during this time. This is aligned to the forecast of the Office of Budget Responsibility (OBR) which forecasts that a three month lockdown scenario where economic activity would gradually return to normal over the subsequent three months. Given the lack of reliable external information the range of scenarios will include a variety of both severities and durations which can then be probability weighted.

In response to the significant uncertainty around the duration and severity of Covid-19 on the macroeconomy a matrix of nine scenarios has been modelled. The probability weightings allocated to the nine scenarios are included in the table below. These scenarios are weighted according to management's judgement of each scenario's likelihood.

The severity of the economic shock has been estimated with reference to underlying expectations for customer payment behaviour for accounts which are up to date or one contractual payment past due. The moderate, high and extremely high severities represent increases of 25%, 50% and 100% respectively, in the propensity for these accounts to miss payments and fall into arrears for the full duration of the economic shock.

	Moderate (75%)	High (20%)	Extremely high (5%)
Three month duration (33%)	Moderately severe impact of an initial three month spike in the rate of unemployment	High severity of an initial three month spike in the rate of unemployment	Extremely high severity of an initial three month spike in the rate of unemployment
Six month duration (33%)	Moderately severe impact of the increase in unemployment but with an extended duration of six months	High severity of the increase in unemployment but with an extended duration of six months	Extremely high severity of the increase in unemployment but with an extended duration of six months
Twelve month duration (33%)	Moderately severe impact of the increase in unemployment and assuming that the deterioration in unemployment continues to increase for a full year	High severity of the increase in unemployment and assuming that the deterioration in unemployment continues to increase for a full year	Extremely high severity of the increase in unemployment and assuming that the deterioration in unemployment continues to increase for a full year

The following table details the absolute impact on the current ECL provision of £106.8m if each of the nine scenarios are given a probability weighting of 100%.

	Moderate	High	Extremely high
Three month duration	-£8.6m	-£4.4m	+£4.1m
Six month duration	-£4.1.m	+£4.7m	+£22.2m
Twelve month duration	+£2.8m	+£17.6m	+£47.4m

The table above demonstrates that in the first scenario with a moderate severity and an impact of an initial three month spike in the unemployment rate, the ECL provision would decrease by £8.6m. In the worst case scenario with the greatest severity of the increase in unemployment and assuming this deterioration continues for a duration of twelve months the ECL provision would increase by £47.4m. The scenarios above demonstrate a range of ECL provisions from £98.2m to £154.2m.

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 consolidated financial statements continued
for the year ended 31 March 2020

2. Critical accounting assumptions and key sources of estimation uncertainty continued

2.2 Effective interest rates

Revenue comprises interest income on amounts receivable from customers. Loans are initially measured at fair value (which is equal to cost at inception) plus directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method. Revenue is presented net of amortised broker fees which are capitalised and recognised over the expected behavioural life of the loan as part of the effective interest rate method. The key judgement applied in the effective interest rate calculation is the behavioural life of the loan.

The historical settlement profile of loans, which were initially acquired through third-party brokers, is used to estimate the average behavioural life of each monthly cohort of loans. Settlements include both early settlements and top-ups as they are considered derecognition events (see note 1.3v). The average behavioural life is then used to estimate the effective interest on broker originations and thus the amortisation profile of the deferred costs.

Broker costs are largely incurred as a percentage of amounts paid out and not as a fixed fee per loan. Therefore, in determining the settlement profile of historical cohorts, settlement rates are pay-out weighted to accurately match the value of deferred costs with the settlement of loans.

The following table details the movement in the year-end EIR asset when sensitivity analysis is performed. In the analysis, it has been assumed that the amortisation profile of the most recent origination vintages is applicable to all cohorts. These cohorts were largely originated following lending policy changes implemented from July 2019 onwards, leading to a reduction in repeat lending and therefore early settlement. Using this profile for all cohorts therefore leads to an increase in the year-end EIR asset value based on slower amortisation of amounts receivable from customers.

Group	31 Mar 20 £m
Latest amortisation profile applied to all cohorts	**0.9**

2.3 Provisions

Provisions included in the statement of financial position refers to a provision recognised for customer complaints. The provision represents an accounting estimate of the expected future outflows arising from customer-initiated complaints, using information available as at the date of signing these financial statements (see note 18 for further detail).

Identifying whether a present obligation exists and estimating the probability, timing, nature and quantum of the redress payments that may arise from past events requires judgements to be made on the specific facts and circumstances relating to the individual complaints. Management evaluates on an ongoing basis whether complaints provisions should be recognised, revising previous judgements and estimates as appropriate; however, there can remain a wide range of possible outcomes and uncertainties.

The key assumptions in these calculations which involve significant, complex management judgement and estimation relate primarily to the projected costs of potential future complaints where it is considered likely that customer redress will be appropriate. These key assumptions are:

- Future estimated volumes – estimates of future volumes of customer-initiated and claims management company (CMC) raised complaints.
- Uphold rate (%) – the expected average uphold rate applied to future estimated volumes where it is considered more likely than not that customer redress will be appropriate.
- Average redress (£) – the estimated compensation, inclusive of balance adjustments and cash payments, for future upheld complaints included in the provision.

These assumptions remain subjective due to the uncertainty associated with future complaint volumes and the magnitude of redress which may be required. Complaint volumes may include complaints under review by the Financial Ombudsman Service, cases received from CMCs or cases directly from customers.

The provision is very sensitive to these assumptions, which means that the potential range of estimates is large. The selection of these assumptions is a significant estimate. Sensitivity analysis has therefore been performed on the complaints provision considering incremental changes in the key assumptions, should current estimates prove too high or too low. Sensitivities are modelled individually and not in combination.

Assumption	Sensitivity £m
Complaint volumes[1]	**+/- 16.5**
Average uphold rate per complaint[2]	**+/- 20.6**
Average redress per valid complaint[3]	**+/- 7.9**

1 Future estimated volumes. Sensitivity analysis shows the impact of a 20% change in the number of complaints on the provision.
2 Uphold rate. Sensitivity analysis shows the impact of a 10 percentage point change in the applied uphold rate on the provision.
3 Average redress. Sensitivity analysis shows the impact of a £500 change in average redress on the provision.

2. Critical accounting assumptions and key sources of estimation uncertainty continued

2.3 Provisions continued

It is possible that the eventual outcome may differ materially from the current estimate (and the sensitivities provided above) and this could materially impact the financial statements as a whole, given the Group's only activity is guarantor-backed consumer credit. This is due to the risks and inherent uncertainties surrounding the assumptions used in the provision calculation. In particular, in the current estimate there is significant uncertainty around the impact of regulatory intervention, Financial Ombudsman actions and potential changes to remediation arising from continuous improvement of the Group's operational practices, which may have a material impact on the eventual volume and outcome of complaints. Therefore, although the directors believe the sensitivities presented above, both positive and negative, represent reasonably possible changes; there is a greater risk of a less favourable outcome to the Group.

The Group has disclosed a contingent liability with respect to the FCA investigation announced on the 29 May 2020. The investigation is with regards to Amigo's creditworthiness assessment process, and the governance and oversight of this, was compliant with regulatory requirements. The FCA investigation will cover lending for the period from 1 November 2018 to date. There is significant uncertainty around the impact of this on the business, the assumptions underlying the complaints provision and any future regulatory intervention. See note 18 for further details.

3. Segment reporting

At the beginning of 2019, the Group set up an operation in Ireland in order to lend to Irish customers. Prior to this, the Group did not have more than one operating segment. The Group now has two operating segments based on the geographical location of its operations, being the UK and Ireland. IFRS 8 requires segment reporting to be based on the internal financial information reported to the chief operating decision maker. The Group's chief operating decision maker is deemed to be the Group's Executive Committee (ExCo) whose primary responsibility is to support the Chief Executive Officer (CEO) in managing the Group's day-to-day operations and analyse trading performance. The Group's segments comprise Ireland (Amigo Loans Ireland Limited) and UK businesses (the rest of the Group). Below illustrates the segments reported in the Group's management accounts used by ExCo as the primary means for analysing trading performance. ExCo assesses net loan book and revenue performance.

The table below presents the Group's performance on a segmental basis for the year ended 31 March 2020 in line with reporting to the chief operating decision maker:

	Year to 31 Mar 20 £m UK	Year to 31 Mar 20 £m Ireland	**Year to 31 Mar 20 £m Total**
Revenue	292.7	1.5	**294.2**
Interest payable and funding facility fees	(30.7)	—	**(30.7)**
Shareholder loan note interest	—	—	**—**
Total interest payable	(30.7)	—	**(30.7)**
Impairment of amounts receivable from customers	(111.8)	(1.4)	**(113.2)**
Administrative and other operating expenses	(57.1)	(2.3)	**(59.4)**
Complaints expense	(126.8)	—	**(126.8)**
Total operating expenses	(183.9)	(2.3)	**(186.2)**
IPO, strategic review, formal sale process and related financing costs	(2.0)	—	**(2.0)**
(Loss) before tax	(35.7)	(2.2)	**(37.9)**
Tax credit on (loss)	10.4	0.3	**10.7**
(Loss) and total comprehensive income attributable to equity shareholders of the Group	(25.3)	(1.9)	**(27.2)**

	31 Mar 20 £m UK	31 Mar 20 £m Ireland	**31 Mar 20 £m Total**
Gross loan book	742.7	7.2	**749.9**
Less impairment provision	(105.4)	(1.4)	**(106.8)**
Net loan book	637.3	5.8	**643.1**

The carrying value of property, plant and equipment and intangible assets included in the statement of financial position materially all relates to the UK.

The results of each segment have been prepared using accounting policies consistent with those of the Group as a whole.

Notes to the consolidated financial statements continued
for the year ended 31 March 2020

4. Revenue
Revenue consists of interest income and is derived primarily from a single segment in the UK, but also from Irish entity Amigo Loans Ireland Limited.

	Year to 31 Mar 20 £m	Year to 31 Mar 19 £m
Interest under amortised cost method	**294.2**	270.0
Other revenue	**—**	0.7
	294.2	270.7

Other income includes non-complaints related refunds and income from courts.

5. Interest payable and funding facility fees

	Year to 31 Mar 20 £m	Year to 31 Mar 19 £m
Bank interest payable	**5.1**	3.8
Senior secured notes interest payable	**18.2**	29.1
Securitisation interest payable	**6.1**	1.8
Funding facility fees	**1.3**	3.5
	30.7	38.2
Shareholder loan note interest	**—**	6.0
Total interest payable	**30.7**	44.2

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 period 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 £0.7m were capitalised in relation to the modified facility. The revolving credit facility was cancelled in May 2020; hence, these fees will be written off to the consolidated statement of comprehensive income in the first quarter of the financial year ending 31 March 2021. Also included are the amortisation of the initial costs of the Group's securitisation and revolving credit facilities and their respective non-utilisation fees.

Funding facility fees include non-utilisation fees and amortisation of initial costs of the Group's senior secured notes.

6. Operating expenses

	Year to 31 Mar 20 £m	Year to 31 Mar 19 £m
Advertising and marketing	**14.5**	17.3
Employee costs (note 8)	**18.0**	13.6
Print, post and stationery	**3.5**	4.4
Credit scoring costs	**3.2**	2.3
Communication costs	**2.6**	2.4
Legal and professional fees	**7.0**	—
Other[1]	**10.6**	7.4
	59.4	47.4

6. Operating expenses continued

Other operating expenses include:	Year to 31 Mar 20 £m	Year to 31 Mar 19 £m
Fees payable to the Company's auditor and its associates for:		
– audit of these financial statements	**0.1**	0.1
– audit of financial statements of subsidiaries	**0.5**	0.2
– audit-related assurance services[2]	**0.2**	0.1
– corporate finance transactions[3]	**—**	0.1
Depreciation of PPE	**0.5**	0.3
Depreciation and interest expense on leased assets[4]	**0.3**	0.3
Defined contribution pension cost	**0.6**	0.2

1 Other costs have increased largely due to a reduction in the effective interest rate (EIR) broker cost adjustment, and also increased licensing, IT, charitable donation and outsourced call centre costs.

2 Other assurance services include interim reviews of quarterly financial statements.

3 Services relating to corporate finance transactions include fees incurred as part of the IPO process.

4 Note: current year figures are in accordance with IFRS 16 Leases. Prior year figure under IAS 17 Leases have not been restated.

7. IPO, strategic review, formal sale process and related financing costs

IPO, strategic review, formal sale process 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.

	Year to 31 Mar 20 £m	Year to 31 Mar 19 £m
IPO and related financing costs	**—**	3.9
Strategic review and formal sale process costs	**2.0**	—
	2.0	3.9

IPO and related financing costs relate to advisor, legal 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. Strategic review and formal sale process costs relate to advisor and legal fees in respect of the strategic review and formal sale process announced on 27 January 2020.

8. Employees

	Year to 31 Mar 20 £m	Year to 31 Mar 19 £m
Employee costs		
Wages and salaries	**15.2**	12.2
Social security costs	**1.7**	1.2
Cost of defined contribution pension scheme (note 22)	**0.6**	0.2
Share-based payments (note 21)	**0.5**	—
	18.0	13.6

The average monthly number of employees employed by the Group (including the Directors) during the year, analysed by category, was as follows:

	Year to 31 Mar 20 UK	Year to 31 Mar 20 Ireland	Year to 31 Mar 20 Total	Year to 31 Mar 19 UK	Year to 31 Mar 19 Ireland	Year to 31 Mar 19 Total
Employee numbers						
Sales	**266**	**14**	**280**	198	8	206
Administration	**121**	**4**	**125**	94	3	97
	387	**18**	**405**	292	11	303

Average headcount increased by 102 reflecting the Group's focus on both collections and complaints, as well as increasing the size of support teams to support operations of the business.

Notes to the consolidated financial statements continued
for the year ended 31 March 2020

9. Key management remuneration

The remuneration of the Executive and Non-Executive Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Details of the remuneration, shareholdings and pension contributions of the Executive Directors are included in the Directors' Remuneration Report on pages 69 to 82.

	Year to 31 Mar 20 £m	Year to 31 Mar 19 £m
Key management emoluments including social security costs	**1.4**	2.2
Company contributions to defined contribution pension schemes	**—**	—
Share-based payments	**—**	1.3
	1.4	3.5

During the year retirement benefits were accruing for two Directors (2019: three) in respect of defined contribution pension schemes. The share-based payment charge reflects the expected vesting of the Group's share-based incentives.

The highest paid Director in the current year received remuneration of £520,704 inclusive of national insurance payments (2019: £2,457,115 inclusive of national insurance payments).

In the prior year, the highest paid Director received remuneration of £2,457,115 inclusive of national insurance payments. Of this, £21,241 was in relation to payment in lieu of notice. £30,000 is in relation to payment for loss of office. This Director was in receipt of an equity settled share-based payment award in the year. In total the award amounted to £1.4m including social security costs.

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £2,580 due to an election being made for payment in lieu of pension (2019: £nil).

10. Taxation

The applicable corporation tax rate for the period to 31 March 2020 was 19.0% (2019: 19.0%) and the effective tax rate is (28.2)% (2019: 20.2%).

	Year to 31 Mar 20 £m	Year to 31 Mar 19 £m
Corporation tax		
Current tax on (loss)/profit for the year	**(7.4)**	21.4
Adjustments in respect of previous periods	**(3.4)**	—
Total current tax (credit)/charge	**(10.8)**	21.4
Deferred tax		
Origination and reversal of temporary differences	**0.9**	1.0
Adjustments in respect of prior periods	**(0.1)**	—
Effect of change in tax rate	**(0.7)**	—
Taxation on (loss)/profit	**(10.7)**	22.4

A reconciliation of the actual tax (credit)/charge, shown above, and the (loss)/profit before tax multiplied by the standard rate of tax, is as follows:

	Year to 31 Mar 20 £m	Year to 31 Mar 19 £m
(Loss)/profit before tax	**(37.9)**	111.0
(Loss)/profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	**(7.2)**	21.1
Effects of:		
Expenses not deductible for tax purposes	**0.6**	0.4
Transfer pricing adjustments	**0.1**	0.8
Adjustments to tax charge in respect of prior periods	**(3.5)**	0.1
Effect of change in tax rate	**(0.7)**	—
Total tax (credit)/charge for the year	**(10.7)**	22.4
Effective tax charge	**(28.2)%**	20.2%

The UK corporation tax rate will remain at 19%.

11. Deferred tax

A deferred tax asset is recognised to the extent that it is expected that it will be recovered in the form of economic benefits that will flow to the Group in future periods. In recognising the asset, management judgement on the future profitability and any uncertainties surrounding the profitability is required to determine that future economic benefits will flow to the Group in which to recover the deferred tax asset that has been recognised. Further details of the assessment performed by management and the key factors included in this assessment can be found under the going concern considerations in note 1.1.

	31 Mar 20 £m	31 Mar 19 £m
At 1 April 2019/1 April 2018	**6.8**	(0.2)
Credit to equity re IFRS 9 transitional adjustment[1]	**—**	7.9
Adjustments in respect of prior periods	**0.1**	—
Restated opening at 1 April 2019/1 April 2018	**6.9**	7.7
(Charge)/credit to the consolidated statement of comprehensive income	**(0.3)**	(0.9)
At 31 March 2020/31 March 2019	**6.6**	6.8

The deferred tax (liability)/asset is made up as follows:

	31 Mar 20 £m	31 Mar 19 £m
Short-term timing differences	**(0.1)**	—
Previous FRS 102 transitional adjustments	**—**	(0.3)
IFRS 9 transitional adjustments	**6.7**	7.1
	6.6	6.8

1 The deferred tax asset arises from balance sheet adjustments to restate the IAS 39 balance sheet onto an IFRS 9 basis, for which tax deductions are available over ten years.

12. Loss/earnings per share

Basic loss/earnings per share is calculated by dividing the loss/profit for the year attributable to equity shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted loss/profit per share calculates the effect on loss/profit per share assuming conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares are calculated as follows:

i) For share awards outstanding under performance-related share incentive plans such as the Share Incentive Plan (SIP) and the Long Term Incentive Plans (LTIPs), the number of dilutive potential ordinary shares is calculated based on the number of shares which would be issuable if: (i) the end of the reporting period is assumed to be the end of the schemes' performance period; and (ii) the performance targets have been met as at that date.

ii) For share options outstanding under non-performance-related schemes such as the Save As You Earn scheme (SAYE), a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of share options outstanding, with the difference being the dilutive potential ordinary shares.

Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share.

	31 Mar 20 Pence	31 Mar 19 Pence
Basic (loss)/earnings per share	**(5.7)**	19.4
Diluted (loss)/earnings per share	**(5.7)**	19.4
Adjusted (loss)/earnings per share[1]	**(5.7)**	22.0

1 Adjusted basic (loss)/earnings per share and earnings for adjusted basic (loss)/earnings per share are non-GAAP measures.

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

Notes to the consolidated financial statements continued
for the year ended 31 March 2020

12. Loss/Earnings per share continued

Reconciliations of the loss/earnings used in the calculations are set out below. Note figures are presented net of tax:

	31 Mar 20 £m	31 Mar 19 £m
(Loss)/earnings for basic EPS	**(27.2)**	88.6
Senior secured note buyback	**(0.3)**	2.5
Shareholder loan note interest	**—**	6.0
IPO, strategic review, formal sale process and related financing costs	**2.0**	3.9
Write-off of revolving credit facility (RCF) fees	**2.2**	—
Tax provision release	**(2.9)**	—
Less tax impact	**(0.7)**	(0.9)
(Loss)/earnings for adjusted basic EPS[1]	**(26.9)**	100.1
Basic weighted average number of shares (m)	**475.3**	455.9
Dilutive potential ordinary shares (m)	**2.2**	—
Diluted weighted average number of shares (m)	**477.5**	455.9

1 Adjusted basic (loss)/earnings per share and earnings for adjusted basic (loss)/earnings per share are non-GAAP measures.

13. Customer loans and receivables

The table shows the gross loan book and deferred broker costs by stage, within the scope of the IFRS 9 ECL framework.

	31 Mar 20 £m	1 Apr 19 £m
Stage 1	**601.1**	683.4
Stage 2	**106.8**	70.0
Stage 3	**42.0**	29.6
Gross loan book	**749.9**	783.0
Deferred broker costs[1] – stage 1	**16.5**	18.2
Deferred broker costs[1] – stage 2	**2.9**	1.9
Deferred broker costs[1] – stage 3	**1.1**	0.8
Loan book inclusive of deferred broker costs	**770.4**	803.9
Provision	**(106.8)**	(75.4)
Customer loans and receivables	**663.6**	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.

As at 31 March 2020, £309.2m of loans to customers had their beneficial interest assigned to the Group's special purpose vehicle (SPV) entity, namely AMGO Funding (No. 1) Ltd, as collateral for securitisation transactions (2019: £197.0m). See note 24 for further details of this structured entity.

Ageing of gross loan book (excluding deferred brokers fees and provision) by days overdue:

	31 Mar 20 £m	31 Mar 19 £m
Current	**606.8**	680.7
1–30 days	**83.5**	59.8
31–60 days	**17.6**	12.7
>61 days	**42.0**	29.8
Gross loan book	**749.9**	783.0

13. Customer loans and receivables continued

The following table further explains changes in the gross carrying amount of loans receivable from customers to explain their significance to the changes in the loss allowance for the same portfolios.

Year ended 31 March 2020	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross carrying amount	683.4	70.0	29.6	783.0
Deferred broker fees	18.2	1.9	0.8	20.9
Loan book inclusive of deferred broker costs at 1 April 2019	701.6	71.9	30.4	803.9
Changes in gross carrying amount attributable to:				
Transfer to stage 1	10.1	(9.9)	(0.2)	—
Transfer to stage 2	(57.7)	57.9	(0.2)	—
Transfer to stage 3	(22.4)	(5.2)	27.6	—
Passage of time	(75.5)	(11.2)	(0.7)	(87.4)
Customer settlements	(101.3)	(8.9)	(1.0)	(111.2)
Loans charged off	(37.7)	(24.1)	(27.4)	(89.2)
Net new receivables originated	202.2	38.2	14.3	254.7
Net movement in deferred broker fees	(1.7)	1.0	0.3	(0.4)
Loan book inclusive of deferred broker costs as at 31 March 2020	**617.6**	**109.7**	**43.1**	**770.4**

Year ended 31 March 2019	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross carrying amount as at 1 April 2018	607.2	46.4	14.5	668.1
Deferred broker fees	16.4	1.3	0.3	18.0
Loan book inclusive of deferred broker costs at 1 April 2018	623.6	47.7	14.8	686.1
Changes in gross carrying amount attributable to:				
Transfer to stage 1	5.6	(5.5)	(0.1)	—
Transfer to stage 2	(32.7)	32.9	(0.2)	—
Transfer to stage 3	(15.5)	(2.3)	17.8	—
Passage of time	(60.6)	(7.4)	0.1	(67.9)
Customer settlements	(87.6)	(7.0)	(1.0)	(95.6)
Loans charged off	(28.6)	(14.8)	(12.8)	(56.2)
Net new receivables originated	295.6	27.7	11.3	334.6
Net movement in deferred broker fees	1.8	0.6	0.5	2.9
Loan book inclusive of deferred broker costs as at 31 March 2019	701.6	71.9	30.4	803.9

As shown in the table above, the loan book inclusive of deferred broker cost decreased from £803.9m to £770.4m. This was primarily driven by the effect of passage of time, customer settlements and loans charged off being greater than net new receivables originated.

Upon revising the ECL model, the distribution between stages has changed significantly. The prior model used the collective estimated cash shortfalls for each credit risk portfolio based on forecast loss curves. Forecast loss curves were prepared on a risk segment basis for annual vintages and combine the Group's historical trends, current credit loss behaviour and management judgements. Recoveries were not factored into these loss curves.

The new probability of default (PD) methodology has increased the stage 1 provision as a result of the refined PD forecasting methodology. This is offset by a lower stage 2 and stage 3 provision owing to the inclusion of discounted recoveries factored into the LGD working.

The following tables explain the changes in the loan loss provision between the beginning and the end of the period:

Year ended 31 March 2020	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Loan loss provision as at 31 March 2019	29.3	17.4	28.7	75.4
Changes in loan loss provision attributable to:				
Transfer to stage 1	0.4	(2.5)	(0.2)	(2.3)
Transfer to stage 2	(2.5)	14.3	(0.2)	11.6
Transfer to stage 3	(0.9)	(1.3)	26.8	24.6
Passage of time	(3.3)	(2.8)	(0.7)	(6.8)
Customer settlements	(4.5)	(2.2)	(1.0)	(7.7)
Loans charged off	(1.6)	(6.0)	(26.6)	(34.2)
Net new receivables originated	24.9	7.2	10.8	42.9
Remeasurement of ECLs	13.3	(4.0)	(6.0)	3.3
Loan loss provision as at 31 March 2020	**55.1**	**20.1**	**31.6**	**106.8**

Notes to the consolidated financial statements continued
for the year ended 31 March 2020

13. Customer loans and receivables continued

Year ended 31 March 2019	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
IAS 39 gross provision as at 31 March 2018				21.2
Adjustment on initial application of IFRS 9				44.2
Loan loss provision as at 1 April 2018	39.3	11.9	14.2	65.4
Changes in loan loss provision attributable to:				
Transfer to stage 1	0.4	(1.4)	(0.1)	(1.1)
Transfer to stage 2	(2.1)	8.4	(0.2)	6.1
Transfer to stage 3	(1.0)	(0.6)	17.3	15.7
Passage of time	(3.9)	(1.9)	0.1	(5.7)
Customer settlements	(5.6)	(1.8)	(1.0)	(8.4)
Loans charged off	(1.8)	(3.8)	(12.5)	(18.1)
Net new receivables originated	9.6	6.9	11.0	27.5
Remeasurement of ECLs	(5.6)	(0.3)	(0.1)	(6.0)
Loan loss provision as at 31 March 2019	29.3	17.4	28.7	75.4

As shown in the above tables, the allowance for ECL increased from £75.4m at 31 March 2019 to £106.8m at 31 March 2020.

The increase in the impairment provision was driven in part by the anticipated increase in future credit losses as a result of the Covid-19 pandemic and the deterioration in the macroeconomic outlook.

The following table splits the gross loan book by arrears status, and then by stage respectively for the year ended 31 March 2020.

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Up to date	568.3	38.5	—	606.8
1–30 days	32.8	50.7	—	83.5
31–60 days	—	17.6	—	17.6
>60 days	—	—	42.0	42.0
	601.1	**106.8**	**42.0**	**749.9**

The following table splits the gross loan book by arrears status, and then by stage respectively for the year ended 31 March 2019.

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Up to date	650.1	30.8	—	680.9
1–30 days	33.3	26.5	—	59.8
31–60 days	—	12.7	—	12.7
>60 days	—	—	29.6	29.6
	683.4	70.0	29.6	783.0

The following table further explains changes in the gross carrying amount of loans receivable from customers to explain their significance to the changes in the loss allowance for the same portfolios.

Customer loans and receivables	**31 Mar 20 £m**	31 Mar 19 £m
Due within one year	**353.8**	412.9
Due in more than one year	**289.3**	294.7
Net loan book	**643.1**	707.6
Deferred broker costs[1]		
Due within one year	**13.3**	13.1
Due in more than one year	**7.2**	7.8
Customer loans and receivables	**663.6**	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.

14. Financial instruments

The below tables show the carrying amounts and fair values of financial assets and financial liabilities, including the levels in the fair value hierarchy. All financial assets fall within the IFRS 9 category of amortised cost. The tables analyse financial instruments into a fair value hierarchy based on the valuation technique used to determine fair value:

a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		31 Mar 20		31 Mar 19	
	Fair value hierarchy	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets not measured at fair value[1]					
Amounts receivable from customers[2]	Level 3	**663.6**	**620.7**	728.5	758.2
Other receivables	Level 3	**1.4**	**1.4**	1.2	1.2
Cash and cash equivalents	Level 1	**64.3**	**64.3**	15.2	15.2
		729.3	**686.4**	744.9	774.6
Financial assets measured at fair value					
Derivative asset	Level 2	**0.1**	**0.1**	0.1	0.1
		0.1	**0.1**	0.1	0.1
Financial liabilities not measured at fair value[1]					
Amounts owed to Group entities	Level 3	**—**	**—**	(0.2)	(0.2)
Other liabilities	Level 3	**(13.5)**	**(13.5)**	(15.2)	(15.2)
Senior secured notes	Level 1	**(231.3)**	**(165.7)**	(315.3)	(316.8)
Securitisation facility	Level 2	**(230.0)**	**(238.6)**	(158.6)	(160.5)
Bank loans	Level 2	**0.7**	**0.7**	(2.8)	(2.8)
		(474.1)	**(417.1)**	(492.1)	(495.5)

1 The Group has disclosed the fair values of financial instruments such as short-term trade receivables and payables at their carrying value because it considers this a reasonable approximation of fair value.

2 The unobservable inputs in the fair value calculation of amounts receivable from customers are expected credit losses, forecast cash flows and discount rates.

3 Senior secured notes are presented in the financial statements net of unamortised fees. As at 31 March 2020, the gross principal amount outstanding was £234.1m.

Financial instruments not measured at fair value

The fair value of amounts receivable from customers has been estimated using a net present value calculation using discount rates derived from the blended effective interest rate of the instruments. As these loans are not traded on an active market and the fair value is therefore determined through future cash flows, they are classed as Level 3 under IFRS 13 Fair Value Measurement. The fair value of senior secured notes has been taken at the Bloomberg Valuation Service (BVAL) market price.

All financial instruments are held at amortised cost, with the exception of the derivative asset which is held at FVTPL.

The fair value of the securitisation facility is estimated using a net present value calculation using discount rates derived from contractual interest rates, with cash flows assuming no principal repayments until maturity date.

The Group's activities expose it to a variety of financial risks, which can be categorised as credit risk, liquidity risk, interest rate risk, foreign exchange rate risk and market risk. The objective of the Group's risk management framework is to identify and assess the risks facing the Group and to minimise the potential adverse effects of these risks on the Group's financial performance. Financial risk management is overseen by the Group Risk Committee.

Credit risk

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

a) Amounts receivable from customers

There is a limited concentration of risk to individual customers with an average customer balance outstanding of £3,378 (2019: £3,896). The carrying amount of the loans represents the Group's maximum exposure to credit risk.

The Group carries out an affordability assessment on both borrower and guarantor before a loan (or top-up) can be paid out. As a separate exercise using the knowledge and data from its 15 year presence in the guarantor loan sector, each potential loan undergoes a creditworthiness assessment based on the applicant's and guarantor's credit history. No formal collateral or guarantees are held against loans on the basis that the borrower and guarantor are technically and in substance joint borrowers.

Notes to the consolidated financial statements continued
for the year ended 31 March 2020

14. Financial instruments continued
Credit risk continued
a) Amounts receivable from customers continued
The Group manages credit risk by actively managing the blend of risk in its portfolio to achieve the desired impairment rates in the long term. The Group aims to achieve the desired risk in the portfolio by managing its scorecards and the maximum amount borrowers are able to borrow depending on their circumstance and credit history. Factors considered in monitoring the overall impairment rates include the total value of the loan, the homeowner status of the guarantor, whether loans are new or repeat loans and whether these are lending pilot loans. Using the data and expected loss curves for the different scorecards the business can vary its origination levels to target an expected loss rate and impairment level and manage the consolidated statement of financial position risk.

Credit risk is also managed post origination via ongoing monitoring and collection activities. When payments are missed, regular communication with both the borrower and guarantor commences. After three days, a collection agent will engage with the borrower. The guarantor has the opportunity to pay from day one, but is actively approached for payment after 14 days. Should Amigo be unable to work with either the borrower or guarantor in considering potential payment plans, the account will then be passed onto the Group's Litigation team. Throughout this whole process, operational flags will be added to the account to allow monitoring of the status of the account. Operational flags are used within the Group's impairment model in the assessment of whether there has been a significant increase in credit risk on an account (see note 2.1.2 for further details).

Lending pilots are designed to test new criteria and relationships that allow the Group to lend to applicants who would have been rejected under the core scorecards. By their nature, credit loss history for each lending pilot is limited. The Group monitors performance to determine which pilots perform at an acceptable risk level over time, with a view to integrating successful pilots into core lending or alternatively rejecting them where performance of lending pilots is below the level required for the Group to meet its internal risk appetite.

The business monitors the proportion of the consolidated statement of financial position within the homeowner guarantor, non-homeowner guarantor and lending pilot categories. At 31 March 2020 and 31 March 2019, the mix of business within the categories was as follows:

Consolidated statement of financial position	31 Mar 20 £m	31 Mar 19 £m
Gross book value arising from originations with homeowner	**305.2**	348.7
Gross book value arising from originations with non-homeowner	**342.4**	330.2
Gross book value arising from originations from lending pilots	**102.3**	104.1
	749.9	783.0

In addition, should a customer enter into a repayment plan, the Group does not reschedule the terms for its internal reporting. Instead the business calculates the arrears level with reference to the original terms. At 31 March 2020, on a volume basis 0.86%, 4.27% and 0.16% of the gross loan book were on breathing space, long-term and short-term payment plans respectively (2019: 0.19%, 3.95% and 0.74%).

Originations relating to the circumstances monitored are as follows:

Lending originations	31 Mar 20 £m	31 Mar 19 £m
New origination with homeowner guarantor	**81.6**	99.0
New origination with non-homeowner guarantor	**136.4**	145.1
Repeat origination with homeowner guarantor	**35.0**	64.0
Repeat origination with non-homeowner guarantor	**47.6**	80.0
Lending pilots	**46.8**	38.0
	347.4	426.1

b) Bank counterparties
Counterparty credit risk arises as a result of cash deposits placed with banks and the use of derivative financial instruments with banks and other financial institutions which are used to hedge against interest rate risk.

This risk is managed by the Group's key management personnel. The Group is continually looking to diversify its sources of funding and obtains funding from high quality sources such as tier 1 bank institutions. Funding diversification has been demonstrated by the introduction of the securitisation facility in the prior financial year. Funding is from a variety of sources, so exposure to credit risk on bank counterparties is deemed to be low.

14. Financial instruments continued
Credit risk continued
b) Bank counterparties continued
Securitisation vehicles
In the ordinary course of business, the Group enters into transactions that result in the transfer of the right to receive repayments in respect of loans and advances to customers to a securitisation vehicle. In accordance with the accounting policy set out in note 1.14, the transferred loans and advances to customers continue to be recognised in their entirety.

The Group transfers loans and advances to customers to a securitisation vehicle but retains substantially all the risks and rewards of ownership. The Group benefits to the extent that the surplus income generated by the transferred assets exceeds the administration costs of the special purpose vehicle (SPV), the cost of funding the assets and the cost of any losses associated with the assets and the administration costs of servicing the assets. Refer to note 24 for further details on the structure. Risks retained include credit risk, repayment risk and late payment risk.

The Group controls an entity when it is exposed to, or has rights to, variable returns through its involvement with the entity and has the ability to affect those returns through its power over the entity. The securitisation entity is an orphaned SPV under full control of the Group – returns are impacted by Group funding decisions, and variable returns are impacted by changes in the amount of receivables transferred to the orphaned entity, the amount borrowed, etc. Hence, control is held over the entity and the results are consolidated into the Group in full.

The following table shows the carrying value and fair value of the assets transferred to securitisation vehicles and the related carrying value and fair value of the associated liability. The difference between the value of assets and associated liabilities is primarliy due to subordinated funding provided to the SPV. The collateral is not able to be sold or repurposed by the SPV; it can only be utilised to offset losses.

Amigo Funding (No. 1) Ltd	Carrying value of transferred assets not derecognised £m	Carrying value of associated liabilities £m	Fair value of transferred assets not derecognised £m	Fair value of associated liabilities £m	Net fair value £m
As at 31 March 2019	197.0	160.0	197.4	160.5	36.9
As at 31 March 2020	**309.2**	**231.7**	**276.7**	**238.6**	**38.1**

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk – interest rate risk, currency risk and other prices risk. The Group's exposure is primarily to the risk of changes in interest rates.

Interest rate risk
Interest rate risk is the risk of a change in external interest rates which leads to an increase in the Group's cost of borrowing. The Group seeks to limit the net exposure to changes in interest rates. This is achieved through a combination of issuing fixed-rate debt and by the use of derivative financial instruments.

The senior secured loan note liability is set at a fixed interest rate of 7.625%.

The bank facility interest rate is set at a margin of 2.9% plus LIBOR for utilised funds and a total charge of 1.16% for non-utilised funds. In the prior year margin was 3.5% and the non-utilisation fee was 1.4%; the terms were renegotiated on 17 May 2019. No funds were utilised at year end; hence, a 1% movement in LIBOR based on the funds utilised at the year end equates to an annual charge of £nil (2019: £50,000). On 27 May 2020, the RCF was cancelled.

The securitisation facility is comprised of two notes with interest rates of 1.55% and 2.55% respectively over LIBOR. These blend to a rate of 1.6% over LIBOR (2019: 1.6% over LIBOR). A 1% increase in LIBOR based on the funds utilised at the year end (£231.7m) equates to an annual charge of £2.3m (2019: £1.6m).

In aggregate, a 1% increase in LIBOR would equate to an annual charge of £2.3m based on year-end borrowings (2019: £1.6m).

Whilst variable rates are subject to change without notice, the Group has managed this risk through the use of a derivative asset which caps the LIBOR at 4.222%. This remains significantly below the remainder of the Group's borrowings which are at a fixed rate of 7.625%. Therefore, the Group considers there is no significant risk to the Group at 31 March 2020.

Amounts receivable from customers are charged at 49.9% APR over a period of one to five years.

Notes to the consolidated financial statements continued
for the year ended 31 March 2020

14. Financial instruments continued
Credit risk continued
b) Bank counterparties continued
Foreign exchange risk

Foreign exchange rate risk is the risk of a change in foreign currency exchange rates leading to a reduction in profits or equity. There is no significant foreign exchange risk to the Group. The Group does incur some operating costs in USD and Euro, which it does not hedge as there would be minimal impact on reported profits and equity. Amigo Luxembourg S.A. is a GBP functional currency entity and gives no foreign exchange exposure upon consolidation. Amigo Ireland first lent to customers in February 2019; whilst its functional currency is Euro, operations are not material to the Group. At 31 March 2020, the Irish net loan book represents 0.9% of the Group's consolidated net loan book (2019: 0.02%). A 5% movement in the Sterling to Euro exchange rate would have led to a +/-£0.3m movement in customer receivables. Hence, foreign exchange risk is deemed immaterial.

Liquidity risk

Liquidity risk is the risk that the Group will have insufficient liquid resources to fulfil its operational plans and/or meet its financial obligations as they fall due. Liquidity risk is managed by the Group's central finance department through daily monitoring of expected cash flows and ensuring sufficient funds are drawn against the Group's finance facilities to meet obligations as they fall due.

The Group's forecasts and projections, which cover a period of more than twelve months from the approval of these financial statements, take into account expected originations, collections and payments and allow the Group to plan for future liquidity needs.

	31 Mar 20 £m	31 Mar 19 £m
Maturity analysis of financial liabilities		
Analysed as:		
– due within one year		
Amounts owed to Group entities	**—**	(0.2)
Other liabilities	**(13.5)**	(15.2)
– due in two to three years		
Securitisation facility	**(230.0)**	—
– due in three to four years		
Securitisation facility	**—**	(158.6)
Bank loans	**—**	(2.8)
Senior secured notes	**(231.3)**	—
– due in four to five years		
Bank loans	**0.7**	—
Senior secured notes	**—**	(315.3)
	(474.1)	(492.1)

Maturity analysis of contractual cash flows of financial liabilities

As at 31 March 2020	**0–1 year £m**	**2–5 years £m**	**Greater than 5 years £m**	**Total £m**	**Carrying amount £m**
Other liabilities	**13.5**	**—**	**—**	**13.5**	**13.5**
Bank loans	**—**	**—**	**—**	**—**	**(0.7)**
Senior secured notes	**17.9**	**287.7**	**—**	**305.6**	**231.3**
Securitisation facility	**—**	**231.7**	**—**	**231.7**	**230.0**
	31.4	**519.4**	**—**	**550.8**	**474.1**

As at 31 March 2019	0–1 year £m	2–5 years £m	Greater than 5 years £m	Total £m	Carrying amount £m
Amounts owed to:					
Group entities	0.2	—	—	0.2	0.2
Other liabilities	15.2	—	—	15.2	15.2
Bank loans	—	5.0	—	5.0	2.8
Senior secured notes	24.4	73.2	344.4	442.0	315.3
Securitisation facility	—	160.0	—	160.0	158.6
	39.8	238.2	344.4	622.4	492.1

14. Financial instruments continued

Credit risk continued

Brexit

The economic outlook post-Brexit remains uncertain and has led to a significant amount of instability in the UK economy and capital markets. There has not been any significant impact on the Group's businesses to date.

Covid-19

The Covid-19 pandemic has created significant economic uncertainty in the UK and the rest of the world, which has increased the credit risk for the Group's customer loans and receivables. Whilst it is difficult to precisely predict the impact that Covid-19 will have on credit risk, the Group has estimated its impact on expected credit losses. Further details can be found in note 2.1 and note 13.

Capital management

The Board seeks to maintain a strong capital base in order to maintain investor, customer and creditor confidence and to sustain future development of the business. The Group has no minimum capital requirements imposed on it by regulation.

15. Other receivables

	31 Mar 20 £m	31 Mar 19 £m
Current		
Other receivables	**0.1**	—
Prepayments and accrued income	**1.3**	1.2
	1.4	1.2

16. Trade and other payables

	31 Mar 20 £m	31 Mar 19 £m
Current		
Accrued senior secured note interest	**3.7**	5.0
Trade payables	**0.8**	1.2
Amounts owed to Group undertakings	**—**	0.2
Taxation and social security	**0.7**	0.6
Other creditors	**0.8**	2.0
Accruals and deferred income	**7.5**	6.4
	13.5	15.4

17. Bank and other borrowings

	31 Mar 20 £m	31 Mar 19 £m
Non-current liabilities		
Amounts falling due 2–3 years		
Securitisation facility	**230.0**	—
Amounts falling due 3–4 years		
Senior secured notes	**231.3**	—
Bank loan	**—**	2.8
Securitisation facility	**—**	158.6
Amounts falling due 4–5 years		
Senior secured notes	**—**	315.3
Bank loan	**(0.7)**	—
	460.6	476.7

Notes to the consolidated financial statements continued
for the year ended 31 March 2020

17. Bank and other borrowings continued

The Group's facilities are:

- A £300m revolving securitisation facility, of which £230.0m was drawn down (net of amortised fees) at 31 March 2020 (2019: £158.6m). The facility has a blended margin of 1.6% over LIBOR, being a proportionate blend of notes at 1.55% and notes at 2.55%. The facility was to mature in June 2022 and has a 0.7% charge on non-utilised funds. It is a three year revolving term with a four year amortisation period to June 2026. The relevant floating interest rate is LIBOR, which was 0.25% at 31 March 2020 (2019: 0.84%). This relates to the structured entity discussed in note 24.
- A £109.5m bank loan (Sterling revolving credit facility), of which £nil had been drawn down ((£0.7m) net of unamortised fees) at 31 March 2020 (2019: £2.8m). The facility matures in May 2024. The bank facility interest rate is set at a margin of 2.9% plus LIBOR for utilised funds and a charge of 1.16% for non-utilised funds (being 40% of the 2.9% margin). These terms were renegotiated on 17 May 2019. £2.2m of unamortised fees relating to the facility were released to the consolidated statement of comprehensive income as the renegotiation was deemed a substantial modification. The relevant floating interest rate is LIBOR, which at year end was 0.25% (2019: 0.84%). The RCF was cancelled on 27 May 2020.
- Senior secured notes in the form of £231.3m high yield bonds with a coupon rate of 7.625% which expire in January 2024. It is presented in the financial statements net of unamortised fees. As at 31 March 2020, the gross principal amount outstanding was £234.1m. On 20 January 2017, £275m of notes were issued at an interest rate of 7.625%. The high yield bond was tapped for £50m in May 2017 and again for £75m in September 2017 at a premium of 3.8%. £85.9m of notes have been repurchased in the open market in the financial year (2019: £80m) – this debt was extinguished in line with the accounting policy set out in note 1.12.

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 – see note 27 for detail of subsidiaries.

18. Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, which can be reliably estimated.

	31 Mar 20 £m
Balance as at 31 March 2019	—
Provisions made during year	**126.8**
Utilised during the year	**(9.3)**
Balance at 31 March 2020	**117.5**
2020	
Non-current	**11.8**
Current	**105.7**
	117.5

Customer complaints redress

As at 31 March 2020, the Group has recognised cumulative provisions totalling £126.8m, all of which were recognised in the financial year to 31 March 2020 against customer complaints redress and associated costs. Utilisation to date is £9.3m, leaving a residual provision of £117.5m. Our lending practices have been subject to significant shareholder, regulatory and customer attention and this combined with FOS' evolving interpretation of appropriate lending decisions during the period, has resulted in an increase in the number of complaints received. The charge in the financial year to 31 March 2020 was recognised following increased complaint volumes, and an increase in the uphold rate for valid complaints following a change of approach in the year by the Financial Ombudsman Service.

The current provision reflects the estimate of cost of redress relating to customer-initiated complaints and complaints raised by claims management companies (CMCs) for which it has been concluded that a present constructive obligation exists, based on the latest information available. The provision has two components, firstly a provision for complaints received but not yet processed, and secondly a provision for the projected costs of potential future complaints where it is considered likely that customer redress will be appropriate, based on the available data on the type and volume of complaints received to date. The provision is not intended to cover the eventual cost of all future complaints; such cost remains unquantifiable and unpredictable. There is significant uncertainty around: the emergence period for complaints; the activities of claims management companies; and the developing view of the FOS on individual affordability complaints, all of which could significantly affect complaint volumes, uphold rates and redress costs.

18. Provisions continued

Customer complaints redress continued

It is possible that the eventual outcome may differ materially from the current estimates and this could materially impact the financial statements as a whole, given the Group's only activity is guarantor-backed consumer credit. This is due to the risks and inherent uncertainties surrounding the assumptions used in the provision calculation. In particular there is significant uncertainty around impact of Financial Ombudsman actions and potential changes to remediation arising from continuous improvement of the Group's operational practices, which may have a material impact on the eventual volume and outcome of complaints.

The Group continues to monitor its policies and processes to ensure that it responds appropriately to customer complaints. The Group will continue to assess both the underlying assumptions in the calculation and the adequacy of this provision periodically using actual experience and other relevant evidence to adjust the provisions where appropriate.

See note 2.3 for details of the key assumptions that involve significant management judgement and estimation in the provision calculation, and also for sensitivity analysis.

Contingent liability

On 29 May 2020 the FCA commenced an investigation into whether or not Amigo's creditworthiness assessment process, and the governance and oversight of this, was compliant with regulatory requirements. The FCA investigation will cover lending for the period from 1 November 2018 to date. There is significant uncertainty around the impact of this on the business, the assumptions underlying the complaints provision and any future regulatory intervention.

Such investigations take an average of two years to conclude but the investigation could be concluded within the next twelve months. There are a number of different outcomes which may result from this FCA investigation, including the imposition of a significant fine and/or the requirement to perform a back-book remediation exercise. Should the FCA mandate this review it is possible that the cost of such an exercise will exceed the Group's available liquid resources. The potential impact of the investigation on the business is unpredictable and unquantifiable.

19. Leases

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of a right-of-use asset and a lease liability. The addition in the year relates to a new second office in Bournemouth. All right-of-use assets relate to property leases. For short-term and low-value leases, lease payments are recognised in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Right-of-use assets	£m
Cost	
At 1 April 2019 – recognised on adoption of IFRS 16	0.7
Additions	0.7
At 31 March 2020	**1.4**
Accumulated depreciation and impairment	
At 1 April 2019 – recognised on adoption of IFRS 16	(0.1)
Charged to income statement	(0.2)
At 31 March 2020	**(0.3)**
Net book value at 31 March 2020	**1.1**
Net book value at 1 April 2019	0.6

Lease liabilities

	2020 £m
Current	**(0.3)**
Non-current	**(1.1)**
Total	**(1.4)**

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19. Leases continued

A maturity analysis of the lease liabilities is shown below:

	2020 £m
Due within one year	(0.3)
Due between one and five years	(0.9)
Due in more than five years	(0.4)
Total	**(1.6)**
Unearned finance cost	0.2
Total lease liabilities	**(1.4)**

In the year £0.3m (£0.2m in relation to depreciation and impairment and £0.1m in relation to interest expense) was charged to the consolidated statement of comprehensive income in relation to leases (2019: £0.3m).

20. Share capital

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.

Allotted and called up shares at par value

	31 Mar 20 £'000 Paid	31 Mar 20 £'000 Unpaid	31 Mar 20 £'000 Total
41,000 deferred ordinary shares of £0.24 each	10	—	10
475,333,760 ordinary shares of 0.25p each	1,188	—	1,188
	1,198	—	1,198

	31 Mar 19 £'000 Paid	31 Mar 19 £'000 Unpaid	31 Mar 19 £'000 Total
41,000 deferred ordinary shares of £0.24 each	10	—	10
475,333,760 ordinary shares of 0.25p each	1,188	—	1,188
	1,198	—	1,198

	Ordinary A Number	Ordinary B Number	Ordinary C Number	Ordinary D Number	Ordinary Number	Total Number
At 31 March 2017	801,000	41,000	100,000	58,000	—	1,000,000
Share reclassifications	2,574	—	(2,500)	(74)	—	—
At 31 March 2018	803,574	41,000	97,500	57,926	—	1,000,000
Subdivision	(803,574)	(41,000)	(97,500)	(57,926)	400,000,000	399,000,000
SLN conversion	—	—	—	—	75,333,760	75,333,760
At 31 March 2019	—	—	—	—	475,333,760	475,333,760
At 31 March 2020	**—**	**—**	**—**	**—**	**475,333,760**	**475,333,760**

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. Each ordinary share in the capital of the Company ranks equally in all respects and no shareholder holds shares carrying special rights relating to the control of the Company. The nominal value of shares in issue is shown in share capital, with any additional consideration for those shares shown in share premium.

Deferred shares

At the time of the IPO and subdivision the 41,000 ordinary B shares were split into 16,400,000 ordinary shares of 0.25p and 41,000 deferred shares of £0.24.

The deferred shares do not carry any rights to receive any profits of the Company or any rights to vote at a general meeting. Prior to the subdivision the ordinary B shares had 1.24 votes per share; all other shares had one vote per share.

20. Share capital continued

Dividends

Dividends are recognised through equity, on the earlier of their approval by the Company's shareholders or their payment.

	31 Mar 20 £m	31 Mar 19 £m
Interim dividend for twelve months ended 31 March 2020 of 3.10p per share	**14.7**	—
Final dividend for twelve months ended 31 March 2019 of 7.45p per share	**35.4**	—
Interim dividend for twelve months ended 31 March 2019 of 1.87p per share	**—**	8.9
Total dividends paid	**50.1**	8.9

In light of the uncertainty caused by the Covid-19 pandemic, the FCA investigation announced on 29 May 2020, the Voluntary Requirement entered into with the FCA to address a backlog of complaints, and the potential financial impact on our customers and on our business, the Board is taking steps to conserve cash and maximise financial flexibility. The Board has decided that it will not propose a final dividend payment for the year ended 31 March 2020 (2019: 7.45p). Total cost of dividends paid in the period was £50.1m (FY19: £8.9m).

21. Share-based payment

The Group issues share options and awards to employees as part of its employee remuneration packages. The Group operates three equity settled share schemes: the Long Term Incentive Plan (LTIP), employees' savings-related share option schemes typically referred to as Save As You Earn (SAYE), and the Share Incentive Plan (SIP).

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.

When an equity settled share option or award is granted, a fair value is calculated based on the share price at grant date, the probability of the option/award vesting, the Group's recent share price volatility, and the risk associated with the option/award. A fair value is calculated based on the value of awards granted and adjusted at each balance sheet date for the probability of vesting against performance conditions. The fair value of all options/awards are charged to the income statement on a straight-line basis over the vesting period of the underlying option/award.

The charge to the income statement for 2020 was £0.5m (2019: £1.4m) for the Group and Company.

A summary of the awards under each scheme is set out below:

Equity settled	Performance condition	Method of settlement accounting	Number of instruments	Vesting period	Contractual life of options	Exercise price
2019 – LTIP	Y	Equity	3,836,406	3 years	July 2019 – August 2022,	—
				3 years	September 2019 – October 2022	—
2019 – SIP	N	Equity	249,356	3 years rolling	—	—
2019 – SAYE	N	Equity	1,049,535	3.3 years	September 2022	£0.6368

Long Term Incentive Plans (LTIPs)

The Long Term Incentive Plans (LTIPs) were established on 26 July 2019 and 11 September 2019. The LTIP awards were granted to eligible employees in the form of nil-cost share options and are subject to performance conditions and continuity of employment. The 2019 LTIPs criteria are set out below.

Relative TSR growth compared to the comparator group	Proportion of awards subject to TSR condition that vest
Below median	0%
Median	25%
Upper quartile	100%

Absolute TSR growth	Proportion of awards subject to absolute TSR condition that vest
Below 6% p.a.	0%
6% p.a.	25%
12% p.a.	100%

EPS growth	Proportion of awards subject to EPS condition that vest
Below 8% p.a.	0%
8% p.a.	25%
16% p.a.	100%

Notes to the consolidated financial statements continued for the year ended 31 March 2020

21. Share-based payment continued

Share awards outstanding under the LTIPs at 31 March 2020 had an exercise price of £nil (2019: N/A) and a weighted average remaining contractual life of 2.3 years (July scheme) and 2.5 years (September scheme) (2019: N/A). The following information is relevant in the determination of the fair value.

	26 July 2019	11 September 2019
Valuation method	Monte Carlo model	Monte Carlo model
Shares price at grant date (£)	1.606	0.732
Exercise price (£)	nil	nil
Shares awarded/under option (number)	620,645	3,215,761
Expected volatility[1] (%)	50.0	50.0
Vesting period (years)	3	3
Expected dividend yield (%)	nil	nil
Risk-free rate[2] (%)	0.47	0.47
Fair value per award/option (£)	2.801	1.187

1 The expected volatility is normally based on historic share price volatility; however, as the Company has only been listed since June 2018, the historic volatility has been calculated for the longest period for which trading activity is available.

2 The risk-free rate of return is based on the implied yield available on zero-coupon government issues at the grant date.

Share Incentive Plan (SIP)

The Company gives participating employees one matching share for each partnership share acquired on behalf of the employee using the participating employees' gross salaries. The shares vest at the end of three years on a rolling basis as they are purchased, with employees required to stay in employment for the vesting period to receive the matching shares.

Share awards outstanding under the SIP schemes at 31 March 2020 had an exercise price of £nil (2019: N/A) and a weighted average remaining contractual life of three years (2019: N/A). The following information is relevant in the determination of the fair value.

Share price at grant date (£)	0.24
Shares awarded (number)	61,572
Vesting period (years)	3 years rolling
Fair value per award/option (£)	0.24

Save As You Earn option plan (SAYE)

The initial options were granted under the SAYE plan on 23 September 2019.

The Company offers a savings contract that gives participating employees an opportunity to save a set amount using the participating employees' net salaries. The shares vest at the end of three years where the employee has the opportunity to purchase the shares at the fixed option price, take the funds saved or buy a portion of shares and take the remaining funds, with the employees required to stay in employment for the vesting period to receive the shares; however, the funds can be withdrawn at any point.

The SAYE awards are treated as vesting after three and a quarter years; the participants will have a window of six months in which to exercise their options. Due to the short nature of the exercise window it is reasonable to assume the participants will exercise, on average, at the mid-point of the exercise window. The SAYE awards are not subject to the achievement of any performance conditions.

Share options outstanding under the SAYE schemes at 31 March 2020 had exercise prices of £0.6368 (2019: N/A) and a weighted average remaining contractual life of 2.8 years (2019: N/A). The following information is relevant in the determination of the fair value.

	23 September 2019
Valuation method	Black Scholes model
Share price at grant date (£)	0.691
Exercise price (£)	0.6368
Shares awarded/under option (number)	1,049,535
Expected volatility[1] (%)	50.0
Vesting period (years)	3.3
Expected dividend yield (%)	13.49
Risk-free rate[2] (%)	0.42
Fair value per award/option (£)	0.108

1 The expected volatility is normally based on historic share price volatility; however, as the Company has only been listed since June 2018, the historic volatility has been calculated for the longest period for which trading activity is available.

2 The risk-free rate of return is based on the implied yield available on zero-coupon government issues at the grant date.

21. Share-based payment continued

Information for the period

The fair value of the equity settled share-based payments has been estimated as at the date of grant using both the Black Scholes and Monte Carlo models. The inputs to the models used to determine the valuations fell within the following ranges:

A reconciliation of weighted average exercise prices (WAEP) and award/share option movements during the year is shown below:

	LTIP Number	WAEP £	LTIP Number	WAEP £	SIP Number	WAEP £	SAYE Number	2020 WAEP £
Outstanding at 1 April 2019	—	—	—	—	—	—	—	—
Awarded/granted	620,645	—	3,215,761	—	61,572	0.24	1,049,535	0.64
Lapsed	—	—	—	—	—	—	—	—
Exercised	—	—	—	—	—	—	—	—
Outstanding at 31 March 2020	**620,645**	**—**	**3,215,761**	**—**	**61,572**	**—**	**1,049,535**	**—**
Exercisable at 31 March 2019	—	—	—	—	—	—	—	—

Prior year share-based payments

In the prior year, there was a single share-based payment exercised. The share-based payment relates to a call option agreement being exercised following the IPO in June 2018.

Analysis of awards

	Date of grant	Exercise date	Exercise price £	Number of shares 2019
At 31 March 2019	13 June 2018	4 July 2018	0.83	666,800

The WAEP over the year were as follows:

	Number of shares	WAEP £
At 1 April 2018		
Granted during the year	666,800	0.83
Exercised during the year	(666,800)	0.83
At 31 March 2019	—	0.83

The fair value per award, calculated based on initial price of shares at the IPO in June 2018, in the year was as follows:

Date of grant	Exercise price £	Nominal value £	Fair value per award £
13 June 2018	0.83	0.25	2.75

The total value of the option at exercise was £1,833,700, being the fair value of the award at exercise date multiplied by number of shares held. The cost of this option exercise to the individual was £550,110. Hence, the total share-based payment equalled £1,283,590 net of national insurance payments.

22. Pension commitments

The Group operates defined contribution pension schemes for the benefit of its employees. The assets of the scheme are administered by trustees in funds independent from those of the Group.

The total contributions charged during the year amounted to £0.6m (2019: £0.2m).

Notes to the consolidated financial statements continued
for the year ended 31 March 2020

23. Related party transactions

The Group had no related party transactions during the twelve month period to 31 March 2020 that would materially affect the performance of the Group.

During the year the Group traded with the ultimate parent company, Richmond Group Limited, and its subsidiaries.

The Group receives charges from and makes charges to these related parties in relation to catering services, shared costs, staff costs and other costs incurred on their behalf. Also included are cash transfers between entities. Balances related to corporation tax and VAT in relation to Group-wide registrations and payment arrangements are also passed through these related party balances. The charges and the outstanding balances at the year end are as below:

	Charged to £m	Charged from £m	Balance outstanding £m
Year to 31 March 2019			
Richmond Group Limited	0.4	—	—
Year to 31 March 2020			
Richmond Group Limited	**0.9**	**(0.9)**	**—**

Intra-group transactions between the Company and the fully consolidated subsidiaries or between fully consolidated subsidiaries are eliminated on consolidation.

Key management of the Group, being the Executive and Non-Executive Directors of the Board, and the Executive Committee controlled 2.93% of the voting shares of the Company as at 31 March 2020 (2019: 8.59%). The remuneration of key management is disclosed in note 9.

24. Structured entities

AMGO Funding (No. 1) Ltd is a special purpose vehicle (SPV) formed as part of a securitisation to fund the Group. The securitisation has issued two funding notes to a major bank which acts as a revolving facility.

The consolidated subsidiary and structured entities table in note 27 has further details of the structured entities consolidated into the Group's financial statements for the year ended 31 March 2020. This is determined on the basis that the Group has the power to direct relevant activities, is exposed to variable returns of the entities and is able to use its power to affect those returns. The results of the securitisation vehicle are consolidated by the Group at year end per the Group accounting policy (see note 1.1).

25. New standards and interpretations

The following standards, amendments to standards and interpretations have been issued in the year in addition to the ones covered in note 1.1. There has been no significant impact to the Group as a result of their issue.

- Definition of a Business (Amendments to IFRS 3)
- IFRIC 23 Uncertainty over Income Tax Treatments
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards

EU endorsed IFRS and interpretations with effective dates after 31 December 2019 relevant to the Group will be implemented in the financial year when the standards become effective.

Other standards

The IASB has also issued the following standards, amendments to standards and interpretations that will be effective for the Group from 1 April 2020. These have not been early adopted by the Group. The Group does not expect any significant impact on its consolidated financial statements from these amendments.

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

26. Immediate and ultimate parent undertaking

As at 31 March 2020, the immediate and ultimate parent undertaking and controlling party of the Company was Richmond Group Limited, a company incorporated in England and Wales.

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.

27. Investment in subsidiaries and structured entities

Amigo Loans Group Ltd (ALGL) is a wholly owned subsidiary of the Company and a reconciliation to its consolidated results is included in the presentation pack on the Company's website as part of ALGL's senior secured note reporting requirements.

The following are subsidiary undertakings of the Company at 31 March 2020 and include undertakings registered or incorporated up to the date of the Directors' Report as indicated. Unless otherwise indicated all Group owned shares are ordinary. All entities are subsidiaries on the basis of 100% ownership and shareholding, aside from AMGO Funding (No. 1) Ltd which is an orphaned structured entity (see note 24).

Name	Country of incorporation	Class of shares held	Ownership 2020	Ownership 2019	Principal activity
Direct holding					
Amigo Loans Group Ltd[1]	United Kingdom	Ordinary	100%	100%	Trading company
Indirect holdings					
Amigo Loans Holdings Ltd[1]	United Kingdom	Ordinary	100%	100%	Holding company
Amigo Loans Ltd[1]	United Kingdom	Ordinary	100%	100%	Trading company
Amigo Management Services Ltd[1]	United Kingdom	Ordinary	100%	100%	Trading company
Amigo Canteen Limited[1*]	United Kingdom	Ordinary	100%	100%	To be liquidated
Amigo Luxembourg S.A.[2]	Luxembourg	Ordinary	100%	100%	Financing company
AMGO Funding (No.1) Ltd[4**]	United Kingdom	N/A	SE	SE	Securitisation vehicle
Amigo Car Loans Limited[1]	United Kingdom	Ordinary	100%	100%	Dormant company
Amigo Motor Finance Limited[1]	United Kingdom	Ordinary	100%	100%	Dormant company
Amigo Car Finance Limited[1]	United Kingdom	Ordinary	100%	100%	Dormant company
Amigo Store Limited[1]	United Kingdom	Ordinary	100%	100%	Dormant company
Amigo Group Limited[1]	United Kingdom	Ordinary	100%	100%	Dormant company
Amigo Finance Limited[1]	United Kingdom	Ordinary	100%	100%	Dormant company
Amigo Loans International Limited[3]	Ireland	Ordinary	100%	100%	Holding company
Amigo Loans Ireland Limited[3]	Ireland	Ordinary	100%	100%	Trading company

1 Registered at Nova Building, 118-128 Commercial Road, Bournemouth BH2 5LT, England

2 Registered at 19, Rue de Bitbourg, L-1273 Luxembourg.

3 Registered at Suite 3, One Earlsfort Centre, Lower Hatch Street, Dublin 2.

4 Registered at Level 37, 25 Canada Square, London E14 5LQ.

* Previously RG Catering Services Limited.

** Incorporated on 4 October 2018.

28. Post balance sheet events

General Meeting

On 29 April 2020, the Board received a requisition notice from its then majority shareholder, Richmond Group Limited, requiring the Board to convene a General Meeting of the Company for the purpose of considering resolutions to remove all of the Company's Directors and appoint two named directors in their place.

The Board is required, as a matter of company law, to convene a General Meeting following requisition notices received from shareholders holding more than 5% of the Company's share capital. Richmond Group Limited was, at the time of the requisition notice, the holder of 288,350,667 ordinary shares in the Company, representing approximately 60.66% of the total voting rights of all members.

The Company gave notice on 20 May 2020 that the General Meeting would be held on 17 June 2020. On 1 June 2020, the Company announced that it had filed an application with the High Court of Justice for an injunction to prevent Richmond Group Limited from voting in favour of the resolutions proposed in the General Meeting to appoint its named candidates as directors of the Company and to remove the Board.

On 4 June 2020, the Company announced that Richmond Group Limited had agreed to provide signed written undertakings confirming that it and its associates, as defined in the Relationship Agreement described in more detail on page 87, would not:

(i) vote in favour of the resolutions (whether itself or by proxy) to appoint Sam Wells and Nick Makin as directors of the Company and to remove each of the current members of the Board at the General Meeting; or

(ii) take any steps to procure or facilitate the passage of any of the resolutions at the General Meeting.

Notes to the consolidated financial statements continued
for the year ended 31 March 2020

28. Post balance sheet events continued

General Meeting continued

On the basis of these undertakings, the Company agreed to stay its injunction application filed against Richmond Group Limited with the High Court of Justice on 1 June 2020.

At the General Meeting on 17 June 2020, over 90% of minority shareholders that voted, voted against the resolutions to remove all of the Company's Directors and appoint two named directors in their place. As a consequence of the resolutions not being passed, Richmond Group Limited notified the Company that it had on 18 June 2020 given irrevocable instructions to its broker to sell 1% of its shareholding in the Company each day until its shareholding is reduced to nil.

As at 17 July 2020, the Company has received notification that Richmond Group Limited's shareholding has reduced to 39.66%.

Securitisation waiver period

Due to the potential impact of Covid-19 on asset performance in the securitisation facility we have negotiated a waiver period on asset performance triggers. The deed of amendment was signed on 24 April 2020 which covers a three month period during the anticipated peak of the Covid-19 pandemic to 24 July 2020.

Revolving credit facility

On 27 May 2020, the Group voluntarily cancelled the revolving credit facility of £109.5m (due to expire in May 2024). As at 31 March 2020, the revolving credit facility was completely undrawn.

Financial Conduct Authority (FCA) investigation

On 29 May 2020 the FCA commenced an investigation into whether or not the Group's creditworthiness assessment process, and the governance and oversight of this, was compliant with regulatory requirements. The FCA investigation is ongoing and will cover the period from 1 November 2018 to date.

Formal sale process

On 8 June 2020, the Company announced that it had concluded the formal sale process announced on 27 January 2020. The formal sale process identified a number of potential acquirers who made indicative offers that were materially above where the Company's shares were trading at the time they were received, and the Board considered worthy of further investigation. However, given the market environment, the potential acquirer with whom the Company had been in discussions withdrew from the formal sale process and therefore the Board terminated the process.

Departure of Chair and Chief Executive Officer (CEO)

On 11 June 2020, the Company announced that it had agreed that Stephan Wilcke would step down as Chair of the Board and Non-Executive Director with effect from 18 June 2020. Stephan Wilcke is now assisting the Board on a consultancy basis following his departure as a Director of the Company. Stephan Wilcke is not receiving any fees under these consultancy arrangements which are for a period of six months and which can be terminated by either party on one week's prior written notice. Roger Lovering, the Senior Independent Director, has taken on the role of acting Chair of the Board until such time as a permanent replacement is appointed.

On 11 June 2020, the Company also announced that, further to the announcement on 9 December 2019 that Hamish Paton had resigned from his role as CEO, Hamish Paton will not be putting himself up for re-election at this year's Annual General Meeting, and it has been agreed that he will leave the Company on 31 July 2020.

On 8 July 2020 the Company announced Glen Crawford will be re-joining the Company as CEO and a member of the board on 1 August 2020, subject to regulatory approval.

The Company is aware of its obligations under the UK Corporate Governance Code to maintain a balance of Directors to serve on the Board and its Committees. Amigo continues to look for suitable replacements for the Chair of the Board and an additional Non-Executive Director.

Complaints

On 27 May 2020 Amigo announced it agreed a Voluntary Requirement (VReq) with the FCA to work through a backlog of complaints principally arising in 2020 by the end of June 2020. On 3 July 2020 Amigo announced that the FCA agreed to extend the VReq period to the end of October 2020.

Covid-19 relief measures

On 31 March 2020 our Covid-19 relief measures were formally introduced; for customers that request it, depending on their individual circumstances, a payment holiday between one and six months has been offered. Throughout the first fiscal quarter of 2021, Amigo granted Covid-19 related payment holidays to approximately 47,000 customers; despite this, cash collections remained strong at 87% of pre-Covid-19 forecast projections. High cash collections were driven in part by operational redeployment to the Collections team whilst originations are temporarily paused, and also by an increase in early settlements. The full impact of these payment holidays will be reflected in the financial year ending 31 March 2021.

Company statement of financial position
as at 31 March 2020

	Notes	31 Mar 20 £m	31 Mar 19 £m
Non-current assets			
Investments	2a	**178.9**	302.0
		178.9	302.0
Current assets			
Other receivables	3a	**—**	1.1
Current tax asset		**0.3**	0.5
Cash and cash equivalents		**—**	0.1
		0.3	1.7
Total assets		**179.2**	303.7
Current liabilities			
Other payables	4a	**(63.0)**	(9.0)
Total liabilities		**(63.0)**	(9.0)
Net assets		**116.2**	294.7
Equity			
Share capital	5a	**1.2**	1.2
Share premium		**207.9**	207.9
Merger reserve		**4.7**	4.7
Retained earnings		**(97.6)**	80.9
		116.2	294.7

The parent company financial statements were approved and authorised for issue by the Board and were signed on its behalf by:

Nayan Kisnadwala
Director
20 July 2020

Company no. 10024479

The accompanying notes form part of these financial statements.

Company statement of changes in equity
for the year ended 31 March 2020

	Share capital £m	Share premium £m	Merger reserve[1] £m	Retained earnings £m	Total equity £m
At 31 March 2018	1.0	0.9	4.7	96.9	103.5
Total comprehensive (loss)/income	—	—	—	(8.5)	(8.5)
Share-based payments	—	—	—	1.4	1.4
IPO[2]	0.2	207.0	—	—	207.2
Dividends paid	—	—	—	(8.9)	(8.9)
At 31 March 2019	1.2	207.9	4.7	80.9	294.7
Total comprehensive (loss)/income	—	—	—	(128.9)	(128.9)
Dividends paid	—	—	—	(50.1)	(50.1)
Share-based payments	—	—	—	0.5	0.5
At 31 March 2020	**1.2**	**207.9**	**4.7**	**(97.6)**	**116.2**

1 The merger reserve was created as a result of a Group reorganisation to create an appropriate holding company structure. The restructure was within a wholly owned group and so merger accounting applied under group reconstruction relief.

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

The accompanying notes form part of these financial statements.

Company statement of cash flows
for the year ended 31 March 2020

	Year to 31 Mar 20 £m	Year to 31 Mar 19 Restated[1] £m
(Loss) for the period	**(128.9)**	(8.5)
Adjustments for:		
Impairment of investment in subsidiaries	**124.9**	—
Income tax (credit)	**(0.3)**	(0.4)
Shareholder loan note interest accrued	**—**	6.0
Share-based payment	**0.5**	1.3
Operating cash flows before movements in working capital	**(3.8)**	(1.6)
(Increase)/decrease in receivables	**(1.8)**	1.9
Increase/(decrease) in payables	**0.8**	(1.7)
Net cash (used in) operating activities	**(4.8)**	(1.4)
Financing activities		
Proceeds from intercompany funding[1]	**55.0**	11.4
Repayment of intercompany funding[1]	**(0.2)**	(1.1)
Dividends paid	**(50.1)**	(8.9)
Net cash from financing activities	**4.7**	1.4
Net (decrease)/increase in cash and cash equivalents	**(0.1)**	—
Cash and cash equivalents at beginning of period	**0.1**	0.1
Cash and cash equivalents at end of period	**—**	0.1

The accompanying notes form part of these financial statements.

1 The prior year inflow of cash arising from proceeds from intercompany funding of £11.4m and the cash outflow relating to the repayment of intercompany funding of £1.1m (net impact of £10.3 cash inflow) were disclosed as part of operating activities instead of financing activities. These financial statements have been restated. The effect of the restatement results in a net decrease in cash from operating activities of £10.3m with a corresponding net cash increase in financing activities. There is no impact on the net increase in cash and cash equivalents at 31 March 2019.

Notes to the financial statements – Company
for the year ended 31 March 2020

1a. Accounting policies

i) Basis of preparation of financial statements

Amigo Holdings PLC (the "Company") is a company limited by shares and incorporated and domiciled in England and Wales.

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 from £1,000 to £10,000 over one to five years.

The 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.

In accordance with the exemption allowed by section 408 of the Companies Act 2006, the Company has not presented its own income statement or statement of other comprehensive income.

The functional currency of the Company is GBP. These financial statements are presented in GBP.

The following principal accounting policies have been applied:

ii) Going concern

See note 1.1 to the Group financial statements for further details.

iii) Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. Impairment is calculated by comparing the carrying value of the investment with the higher of an asset's cash-generating unit's fair value less costs of disposal and its value in use.

iv) Financial instruments

See the Group accounting policy in note 1.12.

iv.i) Financial assets

Debtors and loans receivable

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value and are measured subsequently at amortised cost using the effective interest method, less any impairment. Loans and amounts owed by parent and subsidiary undertakings are unsecured, have no fixed repayment date and are repayable on demand and interest on such balances is accrued on an arm's length basis.

2a. Investments

	£m
At 31 March 2019	302.0
Impairment of investment	(124.9)
Share-based payment investment	1.8
At 31 March 2020	**178.9**

At 31 March 2020 the share price of Amigo Holdings PLC implied a market capitalisation lower than the carrying value of net assets on the Group balance sheet. This was considered an indicator of impairment and hence an impairment review to calculate the recoverable amount of the investment in subsidiaries held by the Company was performed. The higher of the fair value less costs of disposal and the value in use was compared to the carrying value of the investment in subsidiaries; an impairment charge of £124.9m was charged as a result.

The key judgements and estimates in the value in use calculation for the investment are:

- Discount rate used to calculate the net present value of projected future cash flows; a rate of 12.2% was used.
- Estimated operating cash flows generated from the run-off 31 March 2020 loan book and the value of front book originations. These have been projected using the Group's integrated financial model and have been risk adjusted to take into account the inherent uncertainty surrounding the timing and extent of the impact of customer complaints redress throughout the forecast period. Should further cashflows not meet the forecast levels then the recoverable amount will reduce.

Assumption	Sensitivity £m
Discount rate +1%	- 7.9
Discount rate -1%	+ 9.6

For details of investments in Group companies, refer to the list of subsidiary companies within note 27 to the consolidated financial statements. The share-based payment investment relates to share schemes introduced in the year, investing in our employees and thus the increasing the value of investment in subsidiaries. For more details of schemes introduced see note 21.

3a. Other receivables

	31 Mar 20 £m	31 Mar 19 £m
Due within one year		
Amounts owed by Group undertakings	—	1.1
	—	1.1

4a. Other payables

	31 Mar 20 £m	31 Mar 19 £m
Amounts owed to Group undertakings	**62.1**	9.0
Accruals and deferred income	**0.9**	—
	63.0	9.0

5a. Share capital

For details of share capital, see note 20 to the consolidated financial statements. This also has details of the £50.1m of dividends paid.

6a. Share-based payment

For details of share-based payments in the year, see note 21 to the consolidated financial statements.

7a. Capital commitments

The Company had no capital commitments as at 31 March 2020.

8a. Related party transactions

The Company had no transactions with or amounts due to or from subsidiary undertakings that are not 100% owned either by the Company or by its subsidiaries. For details of transactions with Richmond Group Limited and its subsidiaries, see note 23 to the consolidated financial statements. No related party transactions in the year were through Amigo Holdings PLC itself.

For details of key management compensation, see note 9 to the consolidated financial statements.

Appendix: alternative performance measures (unaudited)

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

Other financial data

Figures in £m, unless otherwise stated	**Year to 31 Mar 20**	Year to 31 Mar 19	Year to 31 Mar 18
Net loan book	**643.1**	707.6	602.7
Net borrowings	**396.3**	461.5	442.8
Net borrowings/gross loan book	**52.8%**	58.9%	66.3%
Borrowings/loan book	**61.4%**	60.9%	68.1%
Net borrowings/adjusted tangible equity	**2.4x**	1.9x	2.3x
Risk adjusted revenue	**181.0**	206.5	166.0
Risk adjusted margin	**23.6%**	28.5%	30.8%
Average gross loan book	**766.5**	725.5	539.3
Net interest margin	**32.7%**	31.4%	32.9%
Cost:income ratio	**63.3%**	17.5%	21.9%
Operating cost:income ratio (ex. complaints)	**20.2%**	17.5%	21.9%
Impairment:revenue ratio	**38.5%**	23.7%	21.3%
Impairment charge as a percentage of loan book	**15.1%**	8.2%	6.7%
Cost of funds percentage	**4.0%**	5.3%	5.6%
Adjusted return on average adjusted tangible equity	**(13.1)%**	45.6%	45.6%
Adjusted free cash flow excluding loan originations	**554.5**	515.7	383.1
Adjusted (loss)/profit after tax	**(26.9)**	100.1	72.4
Adjusted return on average assets	**(3.7)%**	14.0%	13.1%
Revenue yield	**38.4%**	37.3%	39.1%
Gross loan book	**749.9**	783.0	668.1
Originations	**347.4**	426.1	470.1
Adjusted tangible equity	**167.3**	244.4	194.7
Adjusted tangible equity/total assets	**0.23x**	0.33x	0.29x
Percentage of book <31 days past due	**92.1%**	94.6%	96.7%

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

Key performance indicators continued
Other financial data continued

	31 Mar 20 £m	31 Mar 19 £m	31 Mar 18 £m
Gross loan book[1]	**749.9**	783.0	668.1
Provision[2]	**(106.8)**	(75.4)	(21.2)
Net loan book[3]	**643.1**	707.6	646.9
On 1 April 2018, IFRS 9 transitional adjustment			(44.2)
1 April 2018 net loan book, rebased under IFRS 9			602.7

1 Gross loan book represents total outstanding loans and excludes deferred broker costs.

2 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.

3 Net loan book represents gross loan book less provision for impairment.

2. "Net borrowings" is comprised of:

	31 Mar 20 £m	31 Mar 19 £m	31 Mar 18 £m
Borrowings	**(460.6)**	(476.7)	(455.0)
Cash at bank and in hand	**64.3**	15.2	12.2
Net borrowings	**(396.3)**	(461.5)	(442.8)

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

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

	31 Mar 20 £m	31 Mar 19 £m	31 Mar 18 £m
Net borrowings (£m)	**(396.3)**	(461.5)	(442.8)
Gross loan book (£m)	**749.9**	783.0	668.1
Net borrowings/gross loan book	**52.8%**	58.9%	66.3%

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

	31 Mar 20 £m	31 Mar 19 £m	31 Mar 18 £m
Borrowings (£m)	**(460.6)**	(476.7)	(455.0)
Gross loan book (£m)	**749.9**	783.0	668.1
Borrowings/gross loan book	**61.4%**	60.9%	68.1%

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

4. The Group defines "adjusted tangible equity" as shareholder equity less intangible assets plus shareholder loan notes. The following table presents a reconciliation of adjusted tangible equity to shareholder equity at 31 March 2020, 2019 and 2018.

	31 Mar 20 £m	31 Mar 19 £m	31 Mar 18 £m
Shareholder equity	**167.4**	244.5	(6.3)
Intangible assets	**(0.1)**	(0.1)	(0.1)
Shareholder loan notes	**—**	—	201.1
Adjusted tangible equity	**167.3**	244.4	194.7
Net borrowings/adjusted tangible equity	**2.4**	1.9	2.3

Appendix: alternative performance measures (unaudited) continued

Key performance indicators continued

Other financial data continued

	31 Mar 18 £m	Adjustment £m	1 Apr 18 £m
Opening balance adjustment on IFRS 9 adoption			
Shareholder equity	**(6.3)**	(37.5)	(43.8)
Intangible assets	**(0.1)**	—	(0.1)
Shareholder loan notes	**201.1**	—	201.1
Adjusted tangible equity	**194.7**	(37.5)	157.2
Net borrowings/adjusted tangible equity	**2.3**	0.5	2.8

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 years to 31 March 2020, 2019 and 2018.

	31 Mar 20 £m	31 Mar 19 £m	31 Mar 18 £m
Revenue	**294.2**	270.7	210.8
Impairment charge	**(113.2)**	(64.2)	(44.8)
Risk adjusted revenue	**181.0**	206.5	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 loss/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 as any other measure of performance under IFRS.

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

	31 Mar 20 £m	31 Mar 19 £m	31 Mar 18 £m
Risk adjusted revenue	**181.0**	206.5	166.0
Average gross loan book	**766.5**	725.5	539.3
Risk adjusted margin	**23.6%**	28.5%	30.8%

Average gross loan book

	31 Mar 20 £m	31 Mar 19 £m	31 Mar 18 £m
Opening gross loan book	**783.0**	668.1	410.4
Closing gross loan book	**749.9**	783.0	668.1
Average gross loan book	**766.5**	725.5	539.3

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.

	31 Mar 20 £m	31 Mar 19 £m	31 Mar 18 £m
Revenue	**294.2**	270.7	210.8
Interest payable and funding facility fees	**(30.7)**	(38.2)	(30.4)
Net interest income	**263.5**	232.5	180.4
Average interest-bearing assets (customer loans and receivables plus cash)	**806.2**	739.3	548.3
Net interest margin	**32.7%**	31.4%	32.9%
IFRS 9 stage 3 revenue adjustment	**17.0**	12.7	
Adjusted net interest margin	**34.8%**	33.2%	

Key performance indicators continued

Other financial data continued

8. The Group defines "cost:income ratio" as operating expenses excluding strategic review and formal sale process costs, IPO costs and related financing divided by revenue.

	31 Mar 20 £m	31 Mar 19 £m	31 Mar 18 £m
Revenue	**294.2**	270.7	210.8
Operating expenses	**186.2**	47.4	46.2
Cost:income ratio	**63.3%**	17.5%	21.9%

This measure allows review of cost management.

Operating cost:income ratio, defined as the cost:income ratio excluding the complaints provision, is:

	31 Mar 20 £m	31 Mar 19 £m	31 Mar 18 £m
Revenue	**294.2**	270.7	210.8
Operating expenses	**59.4**	47.3	46.2
Operating cost:income ratio	**20.2%**	17.5%	21.9%

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.

	31 Mar 20 £m	31 Mar 19 £m	31 Mar 18 £m
Revenue	**294.2**	270.7	210.8
Impairment of amounts receivable from customers	**113.2**	64.2	44.8
Impairment charge as a percentage of revenue	**38.5%**	23.7%	21.3%

This is 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.

	31 Mar 20 £m	31 Mar 19 £m	31 Mar 18 £m
Impairment charge	**113.2**	64.2	44.8
Closing gross loan book	**749.9**	783.0	668.1
Impairment charge as a percentage of loan book	**15.1%**	8.2%	6.7%

This allows review of impairment level movements year on year.

11. The Group defines "cost of funds" as interest payable divided by the average of gross loan book at the beginning and end of the period.

	31 Mar 20 £m	31 Mar 19 £m	31 Mar 18 £m
Interest payable	**30.7**	44.2	51.6
Less shareholder loan note interest	**—**	(6.0)	(21.2)
Cost of funds	**30.7**	38.2	30.4
Average gross loan book (see APM number 6)	**766.5**	725.5	539.3
Cost of funds percentage	**4.0%**	5.3%	5.6%

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

Financial statements

Appendix: alternative performance measures (unaudited) continued

Key performance indicators continued

Other financial data continued

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

	31 Mar 20 £m	31 Mar 19 £m	31 Mar 18 £m
Adjusted (loss)/profit after tax	**(26.9)**	100.1	72.4
Adjusted tangible equity	**167.3**	244.4	194.7
Average adjusted tangible equity	**205.9**	219.6	158.8
Adjusted return on average adjusted tangible equity	**(13.1)%**	45.6%	45.6%

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

13. The Group defines "free cash flow" as cash collections less non-direct costs (operating expenses excluding advertising, credit score costs and complaint expenses). The following table sets forth the calculation of adjusted free cash flow excluding loan originations for the years ended 31 March 2018, 2019 and 2020.

	31 Mar 20 £m	31 Mar 19 £m	31 Mar 18 £m
Collections	**594.0**	543.5	404.4
Non-direct costs	**(39.5)**	(27.8)	(21.3)
Adjusted free cash flow excluding loan originations	**554.5**	515.7	383.1

This is used internally to review cash generation.

14. Loss/profit after tax excluding complaints costs

	31 Mar 20 £m	31 Mar 19 £m	31 Mar 18 £m
(Loss)/profit after tax	**(27.2)**	88.6	50.6
Complaints expense	**126.8**	0.1	—
Less tax impact	**(24.1)**	—	—
(Loss)/profit after tax excluding complaints costs	**75.5**	88.7	50.6

15. Adjusted loss/profit after tax excluding complaints costs

	31 Mar 20 £m	31 Mar 19 £m	31 Mar 18 £m
Adjusted (loss)/profit after tax	**(26.9)**	100.1	72.4
Complaints expense	**126.8**	0.1	—
Less tax impact	**(24.1)**	—	—
Adjusted (loss)/profit after tax excluding complaints costs	**75.8**	100.2	72.4

16. The Group defines "adjusted loss/profit after tax" as loss/profit after tax plus shareholder loan note interest, IPO costs and related financing, senior secured note buyback-related costs, strategic review and formal sale process costs, less incremental tax expense. The following table sets forth a reconciliation of loss/profit after tax to adjusted loss/profit after tax for the years ended 31 March 2018, 2019 and 2020.

	31 Mar 20 £m	31 Mar 19 £m	31 Mar 18 £m
Reported (loss)/profit after tax	**(27.2)**	88.6	50.6
Senior secured note buyback	**(0.3)**	2.5	—
RCF fees	**2.2**	—	—
Shareholder loan note interest	**—**	6.0	21.2
IPO and related financing costs	**—**	3.9	2.1
Strategic review and formal sale process costs	**2.0**	—	—
Tax provision release	**(2.9)**	—	—
Less tax impact	**(0.7)**	(0.9)	(1.5)
Adjusted (loss)/profit after tax	**(26.9)**	100.1	72.4

The above items were all excluded due to their exceptional nature. IPO and related financing costs are related to the Group becoming a public listed company. The Directors' believe that adjusting for these items is useful in making year on year comparisons. 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.

Key performance indicators continued

Other financial data continued

RCF fees relate to fees written-off following the modification and extension of the revolving credit facility. The tax provision release refers to the release of a tax provision no longer required. Strategic review and formal sale process costs relate to the strategic review and formal sale processes both announced in January 2020. None are business-as-usual transactions. Hence, removing these items is deemed to give a view of underlying (loss)/profit adjusting for non-business-as-usual items within the financial year.

17. Adjusted return on assets (ROA) refers to annualised adjusted loss/profit over tax as a percentage of average assets.

Adjusted return on assets	31 Mar 20	31 Mar 19	31 Mar 18
Adjusted (loss)/profit after tax	**(26.9)**	100.1	72.4
Customer loans	**643.1**	707.6	646.9
Other receivables and deferred broker costs	**21.9**	22.1	21.7
Cash	**64.3**	15.2	12.2
Total	**729.3**	744.9	680.8
Average assets	**737.1**	712.9	551.0
Adjusted return on assets	**(3.6)%**	14.0%	13.1%

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

Revenue yield	31 Mar 20 £m	31 Mar 19 £m	31 Mar 18 £m
Revenue	**294.2**	270.7	210.8
Opening loan book	**783.0**	668.1	410.4
Closing loan book	**749.9**	783.0	668.1
Average loan book	**766.5**	725.5	539.3
Revenue yield	**38.4%**	37.3%	39.1%
IFRS 9 stage 3 revenue adjustment	**17.0**	12.7	
Adjusted revenue yield	**40.6%**	39.1%	

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

19. 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:	31 Mar 20 £m	31 Mar 19 £m	31 Mar 18 £m
Current	**606.8**	680.7	605.6
1–30 days	**83.5**	59.8	40.3
31–60 days	**17.6**	12.7	7.7
>61 days	**42.0**	29.8	14.5
Gross loan book	**749.9**	783.0	668.1
Percentage of book <31 days past due	**92.1%**	94.6%	96.7%

Glossary

The following definitions apply throughout this Annual Report unless the context requires otherwise:

Adjusted free cash flow excluding loan originations	cash collections less non-direct costs (expenses excluding advertising and credit score costs)
Adjusted profit after tax	profit after tax plus shareholder loan note interest and IPO costs and related financing and senior secured note buyback-related costs, strategic review costs, less incremental tax expense
Adjusted tangible equity	shareholder equity less intangible assets plus shareholder loan notes
AGM	the Annual General Meeting of the Company
AMGO Funding (No.1) Ltd	A private company limited by shares incorporated under the laws of England and Wales, registered under company number 11605869. AMGO Funding (No.1) Ltd is a special purpose vehicle formed as part of a securitisation to fund the Group.
Amigo Loans Ireland Ltd	the Group's subsidiary in Ireland, registered in Ireland under company number 609066
Amigo Loans Ltd	a private company limited by shares incorporated under the laws of England and Wales, registered under company number 04841153
Amigo Loans Group Ltd	a private company limited by shares incorporated under the laws of England and Wales, registered under company number 10624393
Amigo Loans Holdings Ltd	a private company limited by shares incorporated under the laws of England and Wales, registered under company number 10624542
Amigo Luxembourg S.A.	a wholly owned subsidiary of Amigo Loans Holdings, incorporated as a public limited liability company (société anonyme) under the laws of the Grand Duchy of Luxembourg, registered under company number B210134
Amigo Management Services Ltd	a private company limited by shares incorporated under the laws of England and Wales, registered under company number 05391984
APR	annual percentage rate of charge
Articles of Association	the Articles of Association of the Company
Board	the Board of Directors of the Company
Breathing space	the period of time offered to customers during which payments, arrears, contact and interest are paused
Charged off loans	loans for which the customers are at least six contractual payments past due that have been fully charged off of the Group's statement of financial position
Company	Amigo Holdings PLC, a public company limited by shares incorporated under the laws of England and Wales with company number 10024479
Cost:income ratio	operating expenses excluding strategic review costs, IPO costs and related financing divided by revenue
Directors	the Executive Directors and the Non-Executive Directors
Disclosure Guidance and Transparency Rules	the Disclosure Guidance and Transparency Rules produced by the FCA and forming part of the FCA's handbook of rules and guidance as amended from time to time
ECL	expected credit losses. This is the expected loss recognised, on origination of loan assets, as an impairment provision. 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
Executive Directors	the Executive Directors of the Company
FCA	the UK Financial Conduct Authority, a regulatory body that regulates financial services in the United Kingdom
FOS	the UK Financial Ombudsman Service, a statutory dispute resolution scheme, set up under FSMA, to adjudicate complaints about financial services
FSMA	the UK Financial Services and Markets Act 2000 (as amended) and related secondary legislation
General Meeting	The General Meeting of the company held on 17 June 2020, having been requisitioned by Richmond Group Limited

Group	Amigo Holdings PLC and each of its consolidated subsidiaries and subsidiary undertakings from time to time
HMRC	HM Revenue and Customs
IFRS/EU-IFRS	International Financial Reporting Standards, as adopted by the European Union
Independent Non-Executive Directors	Non-Executive Directors determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the Directors' judgement, and each an "Independent Non-Executive Director"
IT	information technology
KPIs	key performance indicators
Loan book	total outstanding loans in the Company's statement of financial position
Loans issued	total originations for the period; for loans made to borrowers where they are increasing an existing loan, only the incremental value is included
London Stock Exchange	London Stock Exchange plc
Long-term payment plan	a revised payment schedule drawn up for customers in general financial difficulty. Offered where the customer is considered able to meet the minimum acceptable payment, but with the account left in arrears until such time as the loan balance has been paid in full. Routine communications and guarantor collections are paused whilst the plan is in place
Net interest margin	net interest income divided by average interest-bearing assets being both gross loan book and cash at the beginning of the period and the end of the period
Net loan book	loan book less provision for impairment
Non-Executive Directors	the Non-Executive Directors of the Company
Operating cost: income ratio	operating expenses excluding complaints, strategic review costs, IPO costs and related financing divided by revenue
Relationship Agreement	the relationship agreement entered into between the Company and Richmond Group Limited
Revolving credit facility (RCF)	a £109.5m bank loan (revolving credit facility), made available to the Company for working capital purposes, maturing in May 2024, cancelled by the company on 27 May 2020
Richmond Group Limited	Richmond Group Limited, a private company limited by shares, incorporated under the laws of England and Wales, with company number 05230353
Risk adjusted revenue	revenue less impairment charge
Risk adjusted margin	risk adjusted revenue divided by the average of loan book at the beginning of the period and the end of the period
Senior secured notes	Amigo Luxembourg's currently outstanding £234,100,000 aggregate principal amount of 7.625% senior secured notes due 2024. The initial bond had an aggregate value of £400,000,000, including £275,000,000 issued on 20 January 2017, £50,000,000 issued as additional notes on 10 May 2017 and £75,000,000 issued as additional notes on 18 September 2017 pursuant to the indenture. £80,000,000 worth of bonds were opportunistically bought back in the prior financial year, and £85,900,000 in the current financial year
Shareholders	the holders of shares in the capital of the Company
Shares	the ordinary shares of the Company, having the rights set out in the Articles of Association
Short-term payment plan	a revised payment schedule drawn up for customers in financial difficulty as a result of a "one-off" event. Offered where it is considered that for the customer to restore their account to the position expected immediately prior to the plan being put in place, they would require no more than 40 days (if already in arrears) or 60 days (when not in arrears). Routine communications and guarantor collections are paused for so long as the plan is in place, unless otherwise agreed under the terms of the plan
SLN	Shareholder loan notes
SMCR	the FCA's Senior Managers and Certification Regime which applied to the Company from 9 December 2019
UK Corporate Governance Code	the 2018 UK Corporate Governance Code issued by the Financial Reporting Council

Information for shareholders

Financial calendar
The Company's Annual General Meeting is expected to be held before the end of September 2020 – please see our website for further details in due course.

Share price
The Company's shares are listed on the London Stock Exchange under share code "AMGO".

Registrars
The Company's registrars are:

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(Calls cost 12p per minute, plus your phone company's access charge.)

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Amigo Holdings PLC's commitment to environmental issues is reflected in this Annual Report, which has been printed on Arcoprint, an FSC® certified material. This document was printed by Park Communications using its environmental print technology, which minimises the impact of printing on the environment, with 99% of dry waste diverted from landfill. Both the printer and the paper mill are registered to ISO 14001.

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