Amigo Loans Group Limited

Financial statements for the year ended 31 March 2021

amigo
loans.co.uk

Company registration number:
10624393

amigo
loans.co.uk

We have an entirely new Board in place focused on transforming our business, with the customer at its core

In this report...

Strategic report:

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Our Values

Wlith a new team in place, we have refreshed our values to reflect our customer-first culture.

We put Customers First

We are passionate and committed to making borrowing possible. We help each other to thrive.

We are Human

We welcome and embrace diversity. We respect and listen to each other.

We act with Integrity

We are open and honest. We aim to do what is right and fair. Always.

We Own the Outcome

We find solutions and deliver excellence. We question and challenge the status quo.

Headlines

Revenue	Net loan book	Statutory (loss) before tax
£170.8m	**£340.9m**	**£345.9m**
2020: £294.2m	2020: £643.1m	2020: £33.6m
Customer numbers	**Impairment: revenue ratio**	**Net borrowings**
136,000	**35.5%**	**£118.6m**
2020: 222,000	2020: 38.5%	2020: £396.3m

Financial headlines

- Revenue reduction of 41.9% to £170.8m (2020: £294.2m) due to minimal new lending during the year and a £27.2m modification loss arising from Covid-19 related payment holidays.
- Increased complaints provision on the balance sheet of £344.6m as at 31 March 2021 (2020: £117.5m) and an associated cost of complaints of £318.8m (2020: £126.8m). These increases follow high levels of customer participation in the initial Scheme creditor vote and extensive work into planned redress methodology, resulting in both a material increase in expected future volumes of complaints and an uplift in the uphold rate.
- Lower revenues combined with an increase in the cost of customer complaints led to a reported loss before tax of £345.9m (2020: loss of £33.6m).
- Amigo had net borrowings of £118.6m (2020: £396.3m) and £177.9m of unrestricted cash as at 31 March 2021 (2020: £64.3m). Current cash of around £205.0m reflects continued cash generation from our loan book, while lending remains paused.
- Securitisation debt has been reduced to £64.4m as at 31 March 2021 (2020: £230.0m), and has a current outstanding balance of c.£3.8m. After the year end, on 25 June 2021, the securitisation facility was reduced from £250.0m to £100.0m. The company has secured a further three-month extension of the existing waiver, which expires on 24 September 2021.
- Net borrowings/gross loan book decreased from 52.8% to 28.0%
- The Board is continuing to pursue a Scheme and has shared options with the FCA which seek to address its concerns and those of the High Court. Without a Scheme, and with the alternative of insolvency, a managed wind-down of the business is also under consideration.

Operational headlines

- All new lending, except to key workers in exceptional circumstances, was paused in March 2020 in response to Covid-19. Lending was stopped completely in November 2020 to enable Amigo to focus on helping existing customers, reassess its customer proposition in the face of a continuing high level of complaints and engage with the FCA.
- Swift response to Covid-19 to protect customers, employees and liquidity; Covid-19 related payment holidays granted to over 66,000 customers as at 31 March 2021. By the end of July 2020, there were no longer any active Covid-19 related payment holidays. Collections remained robust at 82.0% of pre-Covid-19 expectations.
- During the second half of the year, led by new Chief Executive Officer Gary Jennison, the Board has appointed a new executive team to lead Amigo's turnaround: a new Chief Financial Officer (Mike Corcoran), Chief Risk Officer (Paul Dyer) and Chief Transformation Officer (Shaminder Rai). A new Chief Customer Officer (Jake Ranson) was appointed after the year end.
- A Scheme of Arrangement ("Scheme") process was initiated on 25 January 2021 to provide an equitable outcome to customers with a valid complaint against Amigo and to the Financial Ombudsman Service ("FOS"). More than 95% of creditors who voted, voted in favour of the Scheme. Subsequent to this, the Financial Conduct Authority (FCA), announced its intention to appear in Court to object to the Scheme. Post year end, the Scheme was rejected by the High Court, after the sanction hearing, on 24 May 2021. The Board is continuing to pursue a Scheme which seeks to address the concerns of the FCA and of the High Court. Without a Scheme, the balance sheet is insolvent. Amigo will seek to avoid an insolvent failure of the business by proposing a Scheme of Arrangement, including the option for a managed wind-down of the business.

Strategic Report

Business review
The year in review

This year has represented a period of unparalleled challenge and change for the Amigo Group.

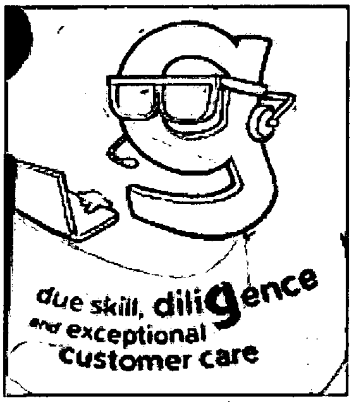
The twelve months ended 31 March 2021 represented a period of unparalleled challenge and transformational change for the Group. The year saw the termination of a formal sale process closely followed by a General Meeting to remove certain Board members, the outcome of which saw the Group's former majority shareholder, Richmond Group Limited ("RGL"), sell the entirety of its shareholding in the business. RGL launched a second General Meeting during the year with similar resolutions. Concurrently, the Group experienced escalating volumes of customer complaints in respect of historic lending decisions driven by claims management companies ("CMCs"). This was coupled with the launch of an FCA investigation into whether Amigo's historical creditworthiness assessment process was compliant with regulatory requirements. These significant operating challenges took place against the backdrop of the global Covid-19 pandemic which required our employees to swiftly adapt to remote working whilst offering unwavering support to our customer base with the rollout of Covid-19 payment holidays.

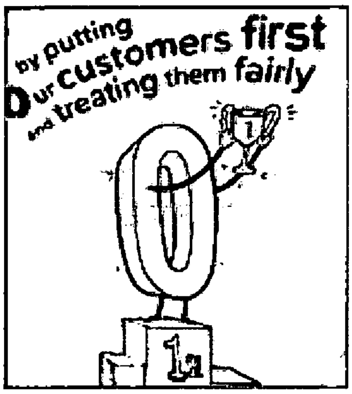
The full economic impact of the pandemic is yet to be felt, while the government furlough support has been extended to September 2021, for some, the economic impact has been severe, and will not be temporary. The pandemic has shown that vulnerability can strike broadly and unexpectedly, with financial exclusion being a major concern. As mainstream banks retrench further away from the sub-prime market, the number of UK adults currently unable to access mainstream lending is likely to increase. Tightening of lending criteria during Covid-19 has exacerbated an already limited supply of non-standard finance. Without regulated consumer credit products, there is the danger that increasingly sophisticated, illegal lenders will try to exploit the financially vulnerable.

Amigo have historically provided guarantor loans, a single mid-cost credit product at a fixed APR of 49.9%. Our interest rate reflects the risk profile of our customers, and the higher cost of servicing, due to having two parties to each loan who may require additional support.

Our future lending proposition, Amigo 2.0, represents an exciting new customer offering, focused on customer needs and positive outcomes, underpinned by robust lending policies and processes. We continue to assist the FCA with its review into our approach to future lending and demonstrate our ability to meet our regulatory obligations and threshold conditions. When we do return to lending, it will be on a prudent basis, funded from existing resources in the short term. We have a new leadership team in place, dedicated people, demonstrated sector expertise, a strong brand and a commitment to our purpose of providing financial inclusion to those unable to access credit through mainstream lenders.

Although challenges still remain, with a full refresh of the Board and a strengthened Executive team, substantial progress has been made since the new board was formed, the Board continues to explore all options following the court denying the original Scheme of Arrangement proposal on 25 May 2021, and as we slowly exit Covid-19 restrictions, the need for financial inclusion is greater than ever.





Strategic Report

> 8%
>
> of the total number of personal loan payment deferrals given by banks and lenders in the UK were arranged by Amigo's employees (data: UK Finance).

Amigo's key performance indicators have been considered below when discussing business performance within the financial year. For detailed definitions of all alternative performance measures (APMs) mentioned, please see the APMs section in the Amigo Holdings PLC's annual report.

Performance

There were three fundamental drivers impacting financial performance in the year.

The first driver had the most immediate impact on the financial position of the business. Pausing lending for the duration of the year resulted in a 43.6% reduction in the gross loan book, which, given the consistent yield of the portfolio owing to the single price of the product, led to a corresponding reduction in revenue year-on-year of 41.9%. Conversely, the shrinking loan book was offset by an improved liquidity position with unrestricted cash held at the year end increasing to £177.9m and net borrowings reducing by £277.7m in the year.

The second driver, Covid-19 payment holidays, which offered customers up to six months relief from monthly instalments combined with a pause in interest for the first three months, not only impacted revenue and collections but also impairment through modification losses. The restructuring of customer contracts to effectively extend the term of loans placed further pressure on revenue. The payment holidays resulted in collections for the year totalling 82.0% of pre-Covid-19 expectations. In the second half, significant volumes of customers exited payment holidays which drove increased delinquency as the impact of the pandemic began to bite. This resulted in increased levels of impairment with the year-end provision representing 19.4% of the gross loan book versus 14.2% in the prior year.

The third and most critical driver is customer complaints in respect of historical lending decisions. In total, redress settled to past and present customers in the year was £91.3m. An expense of £318.8m was recorded in the year increasing the complaints provision to £344.6m. The Board considers that there is not enough certainty that a second Scheme will be sanctioned by the Court to account for future complaints liabilities on the basis that a Scheme proceeds.

Consequently, the provision represents the best estimate of the current cost of settling redress claims in full for all successful current and future customer claims.

From the outset of the pandemic lending was initially restricted to only key workers in specific circumstances before being paused entirely in November 2020. In total, only £0.4m of new loans were originated during the year (2020: £347.4m). This was the primary driver of the 41.9% decline in revenue year-on-year to £170.8m (2020: £294.2m). This decline was mirrored in the customer numbers which fell by 38.7% to 136,000 (2020: 222,000).

> £177.9m
>
> Unrestricted cash as at 31 March 2021

The pause in lending allied to the recognition of modification losses in respect of Covid-19 payment holidays and balance adjustments in respect of upheld customer complaints drove a 43.6% reduction in the gross loan book year-on-year to £422.9m (2020: £749.9m), with an average outstanding loan size of £3,110 (2020: £3,378). The net loan book reduced by 47.0% year-on-year to £340.9m (2020: £643.1m). This reduction is reflective of both the decline in gross loan book and impairment coverage which increased to 19.4% (2020: 14.2%) at the year end.

Scheme of Arrangement

The Group's original proposal for a Scheme of Arrangement was not sanctioned following the High Court hearing held on 19 May 2021 despite receiving support from the majority of Scheme creditors who voted (95% voted in favour).

The Board continues to consider all options including the pursuit of an alternative Scheme of Arrangement to the one which was not approved. The approval of an alternative Scheme of Arrangement remains subject to reaching the key milestones of a second successful creditor vote and High Court sanctioning. Considering both the current progress with an alternative Scheme of Arrangement and the Group's experience with the initial proposal, the Board does not consider there to be enough certainty to account for claims redress on the basis that a Scheme of Arrangement will be sanctioned.

Strategic Report

Complaints provision

In total £93.7m of complaints provision was utilised in the year which included £56.7m in cash redress payments and a further £34.6m in balance write downs for customers with an outstanding balance.

Considering both the current progress with an alternative Scheme of Arrangement and the Group's experience with the initial proposal, the Board does not consider there to be enough certainty to account for claims redress on the basis that a Scheme of Arrangement will be sanctioned.

Consequently, claims redress is accounted for on the basis that known and future complaints are settled in full. This has resulted in a complaints provision of £344.6m as at 31 March 2021, after utilisation of £93.7m in the year. The associated cost of complaints for the full year is £318.8m.

Estimating the potential liability for claims redress is challenging, it involves key assumptions which remain inherently uncertain, in particular the volume of potential future complaints and the expected uphold rate. Our proactive promotion of the Scheme to all customers, including the creditor vote process undertaken in respect of the initial Scheme of Arrangement, which saw almost 79,000 creditors participate in the vote, has contributed to a material increase in the claims provision. Additionally, throughout Amigo's progress towards a Scheme, substantial work has gone into reviewing and enhancing our future claims handling methodologies, aligning with the expectations of our regulator and re-setting expectations of how claims will be assessed moving forward regardless of whether a potential new Scheme is successful.

As at 31 March 2020, the complaints provision was £117.5m; the increase of 193.3% to £344.6m at 31 March 2021 is primarily due to a 104.3% increase in volume of complaints provided for and a 43.2% increase in estimated uphold rate. Also partially contributing to the increase is increased FOS invoice costs from £650 to £750 each. Sensitivity analysis of the key assumptions, including the volume of claims is set out in note 2.3 to these financial statements.

Impairment

The impairment charge for the year was £60.7m (2020: £113.2m) however, the impairment: revenue ratio declined to 35.5% (2020: 38.5%). At 31 March 2021 the impairment provision stood at £82.0m (2020: £106.8m) representing 19.4% of the gross loan book (2020: 14.2%). The pause in originations and consequent reduction in the size of the loan book drove a lower impairment charge owing to the upfront expected credit loss methodology of IFRS 9. Counteracting this, the estimated impact of the pandemic resulted in increased levels of impairment held against the existing loan book. Both the impairment charge and year-end provision are driven by two competing dynamics.

In particular, customers exiting Covid-19 payment holidays have demonstrated increased levels of arrears. This has driven an increase in the proportion of the gross loan book greater than 61 days past due to 11.8% (2020: 5.6%), with a corresponding increase in the stage 2 and stage 3 IFRS 9 provision.

As at 31 March 2021, approximately 10,000 customers remained on Covid-19 payment holidays. Our experience to date shows that customers exiting payment holidays have a higher propensity to fall into arrears. The impairment provision includes a £6.0m overlay in respect of residual credit risk associated with this specific cohort of customers. Significant uncertainty remains in respect of future customer behaviour as payment holidays unwind and government support measures are fully withdrawn in the coming months. Further details on the impairment provision overlay and other key judgements and estimates in the IFRS 9 impairment model are set out in note 2 to the financial statements.

£60.7m

Impairment charge for the year, a 46.4% decline from prior year (2020: £113.2m)

Funding

At the start of the year Amigo had three funding facilities: firstly, senior secured notes of £234.1m with a 7.625% coupon and a maturity date of January 2024; secondly, a £300m revolving securitisation facility; and finally, a £109.5m super senior revolving credit facility.

In response to the significant uncertainty surrounding the Covid-19 pandemic a pause period was negotiated in respect of the securitisation facility in April 2020. This pause period included a waiver from asset performance triggers and placed restrictions on the Group's ability to draw further funds. It was subsequently extended in August 2020, at which point the committed facility was reduced to £250.0m with all collections arising from customer loans held within the securitisation facility restricted and used to reduce the outstanding balance. On 27 November 2020, an extension to the previously agreed waiver period was confirmed to 25 June 2021. On 25 June 2021, the waiver period was further extended from 25 June 2021 to 24 September 2021. Given the current suspension of all new lending activity, the size of the securitisation facility has been reduced from £250.0m to £100.0m, effective 25 June 2021.

Strategic Report

On 27 May 2020 Amigo announced the cancellation of its super senior revolving credit facility (RCF) which remained unutilised and saved an estimated £2.2m in annualised non-utilisation fees. In total the Group's committed funding facilities reduced from £643.6m to £484.1m in the year. As the securitisation facility remains in a pause period with no ability to draw additional funding, the Group had no undrawn available funding facilities at 31 March 2021.

Covid-19

The rapidly changing Covid-19 pandemic presented a number of challenges for the Group, in light of the restrictions we have faced, our employees have adapted swiftly to remote working whilst offering unwavering support to our customer base.

>66,000

Customers granted Covid-19 related payment holidays.

In early 2020, at the start of the pandemic, Amigo paused lending except to key workers in need of urgent financial assistance, in November 2020 all lending was stopped.

Amigo granted Covid-19 related payment holidays to customers for up to six months, to over 66,000 customers, pausing interest on customers' balances for the first three months; from month four to six interest is re-applied, due to Amigo's interest cap the reintroduction of interest does not increase the total interest paid by the customer over the life of the loan.

No capital or interest is forgiven as part of the forbearance despite no interest accruing for payment holidays up to three months in length; the customer is still expected to repay the loan in full. By deferring contractual repayments without increasing the value of future monthly instalments, the present value of the future cash flows for customers with Covid-19 payment holidays is reduced. In accordance with the asset modification and effective interest rate requirements of IFRS 9, total modification losses of £35.5m were recognised during the year, of which £27.2m was recognised in revenue and £8.3m as part of the impairment charge. £2.8m of the initial modification losses was released in the year that related to accounts that had settled, charged off or had a complaint upheld and subsequently no longer required a modification (see note 6 to the financial statements). These losses are based on the estimated change in the present value of contractual cash flows that arises from all Covid-19 payment holidays granted.

Final Covid-19 payment holidays were granted in March 2021. As a result, no material modification losses are expected in future periods.

The safety and wellbeing of our people is paramount, with a digitalised business model we were able to move the entire business to remote working by the end of March 2020. As Covid-19 guidance changed some of our people have been able to return to the office while adhering to government guidance and social distancing rules.

To ensure the Group is providing the right support for each employee, we have provided equipment to create a better home working environment, remote training methods, wellbeing tips, maintaining our Employee Assistance Programme and practical guidance on working from home.

To protect the Group measures were quickly implemented to manage costs and preserve cash. Despite the unprecedented volume of Covid-19 related payment holidays, the level of collections remained robust and our cash position strong.

c.£3.8m

Current outstanding balance of the securitisation facility.

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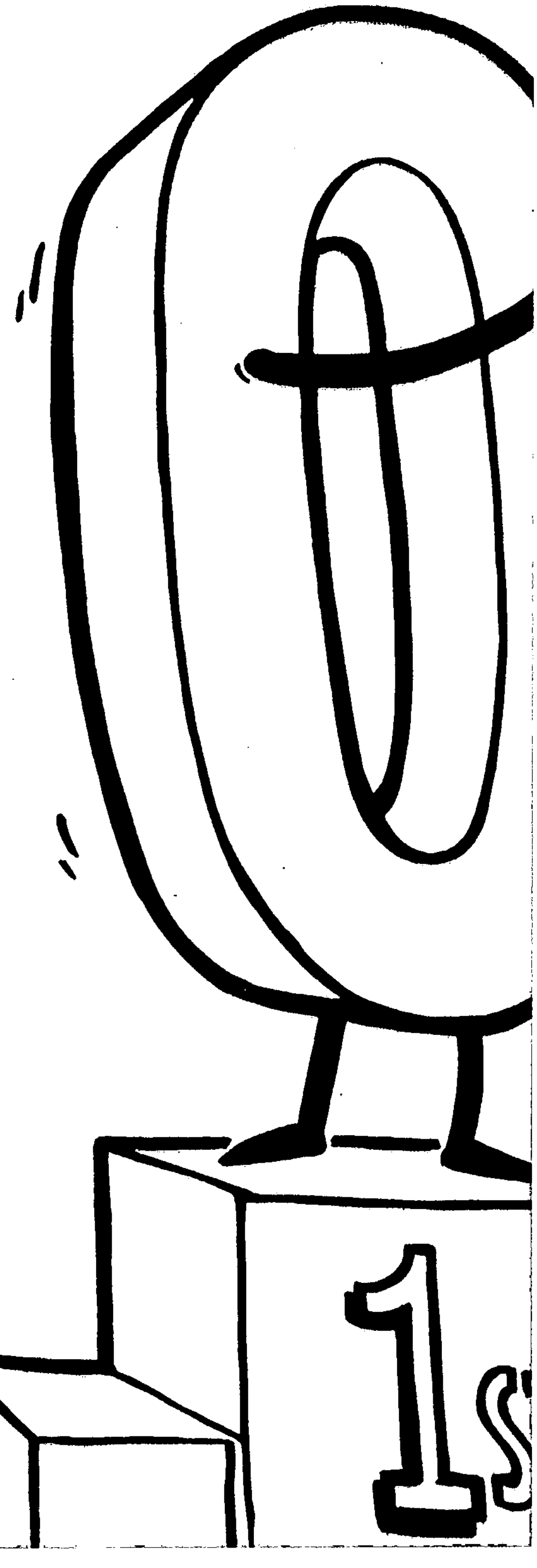
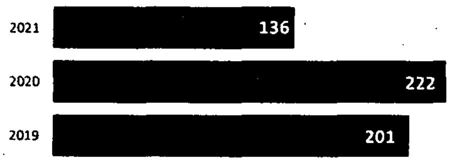


Strategic Report

Financial key performance indicators

Management tracks a range of financial and non-financial measures. The KPIs below show the main measures that the business has used to gauge progress.

Numbers of customers ('000)



Description

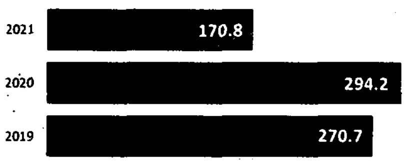
Number of customers represents accounts with a balance greater than zero, exclusive of charged off accounts. It is the key non-financial KPI used within the business to review current performance.

* 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

Customer numbers have fallen by 38.7% to 136,000 (2020: 222,000), driven by two factors. Firstly the pause in lending, with new lending initially restricted to key workers only, in specific circumstances, and then paused entirely in November 2020. Secondly continued collections on the back-book. Originations of £0.4m to key workers contributed to the net loan book. Before restatement, the disclosed figure for customer numbers for 2019 was 224,000.

Revenue (£m)



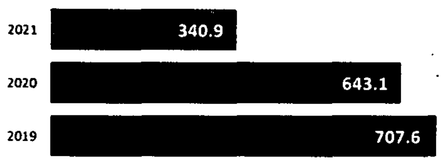
Description

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

As a result of decreased customer numbers revenue has declined by 41.9% to £170.8m from £294.2m, primarily driven by the reduced originations in the year of £0.4m (2020: £347.4m). Revenue yield in the year was 29.1% (2020: 38.4%); the reduction is primarily the result of Covid-19 payment holidays which deferred income recognition into future periods.

Net loan book (£m)



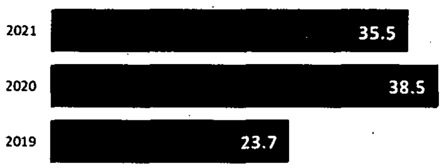
Description

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

Performance

Net loan book has reduced by 47.0% to £340.9m (2020: £643.1m) the decline is due to the pause in lending, recognition of modification losses and balance adjustments for upheld customer complaints. Impairment provision coverage increased year-on-year to 19.4% (2020: 14.2%) primarily due to the impact of the Covid-19 pandemic resulting in increased levels of impairment.

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

Year-on-year there has been a 7.8% decrease in the impairment:revenue ratio from 38.5% to 35.5%, driven by two competing dynamics. The pause in originations and consequent reduction in the size of the loan book drove a lower impairment charge. Counteracting this, the estimated impact of the pandemic resulted in increased levels of impairment held against the existing loan book.

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

Description

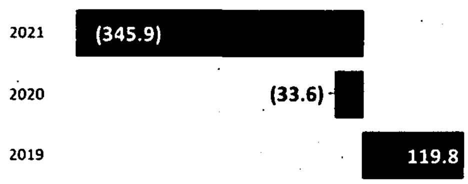
The Group defines operating cost:income ratio as operating expenses excluding complaints and items deemed by the Group to be exceptional, divided by revenue.

Performance

Operating cost:income ratio (exclusive of complaints) increased to 23.4% (2020: 19.4%), driven in part by the reduction in variable costs, which have decreased 25.1%, due to the reduction in marketing activities as a result of the pause on lending. The other driver is the 41.9% reduction in revenue from £294.2m to £170.8m in the year. Including the customer complaints expense the ratio has increased to 210.1% from 62.5%. The complaints expense in the year was £318.8m resulting in a complaints provision of £344.6m as at 31 March 2021 (2020: £117.5m).

Strategic Report

Statutory (loss)/profit before tax (£m)



Description

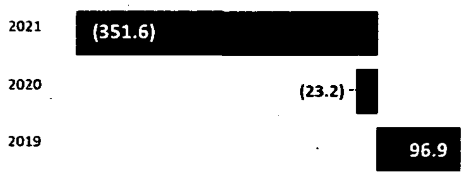
This KPI represents statutory (loss)/profit before tax and is one of the measures used to review performance in the year within the business.

Performance

Statutory loss before tax was £345.9m for the period (2020: £33.6m); this is primarily driven by an increase in the complaints expense from £126.8m to £318.8m year-on-year. Additional drivers include the reduction in revenue to £170.8m versus £294.2m in the prior year, partially offset by a lower impairment charge of £60.7m versus £113.2m in the prior year.

In the year the Group recognised an impairment in respect of the write down of intercompany receivables of £69.8m (2020: £nil). See notes 1.11.1a, 14 and 22 for further details.

Statutory (loss)/profit after tax (£m)



Description

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

Performance

Statutory loss after tax was £351.6m (2020: £23.2m). A tax charge is seen despite the loss-making position; as the Group's future profitability remains uncertain, tax assets have been written off and no deferred tax assets have been recognised in respect of the losses in the current year.

Outlook

This has been a year of unprecedented challenges for Amigo and its stakeholders, with the announcement on 25 May 2021, that the high court did not approve the Scheme, the Board will continue to consider all options including the pursuit of an alternative Scheme of Arrangement to the one which was not approved. While Amigo continues to engage with the FCA, to ensure equal treatment of customers with redress claims, the payment of redress will continue to be stopped.

While the Board continues to consider all options in regard to our redress liability, there is still a material uncertainty over the Group's ability to continue as a going concern. The UKs population is slowly returning to normal following the lifting of restrictions during the Covid-19 pandemic, the true economic toll remains unknown. Government support including furlough remains in place until September 2021, yet the potential for unemployment rising in the next year is high, coupled with the uncertainty surrounding the level of customer balance write downs under a successful Scheme poses a risk to the collectability of the loan book.

Amigo 2.0 has not yet launched or received regulatory approval, and the FCA's investigation into Amigo's creditworthiness assessment process and the governance and oversight of this process covering the period from 1 November 2018 to date remains open with the outcome remaining unquantifiable and unpredictable. Notwithstanding the challenges that remain, substantial progress has been made since the new Board was formed in the second half of the year. Should the FCA investigations conclude positively and a Scheme be sanctioned by the Court, this will provide closure on historical lending issues and we have an exciting new customer proposition waiting in the wings. Though the pandemic has posed a myriad of challenges across society it has also created opportunities. The need for financial inclusion is greater than ever and the dearth of mid-cost lenders in Amigo' s core customer market presents a significant opportunity for the launch of the Amigo 2.0 proposition. It is on this basis that we look to the future with the cautious optimism that Amigo can soon return to its core purpose of providing financial inclusion, and delivering on its future strategy, with the emphasis firmly placed on putting the customer first.

Principal risks and uncertainties

Overview

Amigo's business performance is subject to a number of risks and uncertainties that could materially impact its success. Amigo puts significant effort into continually improving the way that we monitor and act on risks to ensure control, enhance performance and deliver better customer outcomes. We recognise that opportunities and risks go hand in hand and so put time into understanding which ones are the right ones to take or avoid at any given time. This section takes a closer look at the risks that we face on an ongoing basis.

This has been a difficult year for Amigo, with its risk profile increasing as a result of internal and external drivers. Whilst controls continue to operate as intended, the survival of our business is dependent upon the approval of a Scheme of Arrangement by the UK Courts, the restart of lending and the resolution of the outstanding FCA enforcement action.

There are three key aspects to our decision making;

Business line management	Risk management	Internal audit
This is our first line of defence and is where day-to-day decisions are made. Decision makers are trained in risk taking to understand where we are willing to accept risk in the pursuit of objectives and those areas where we actively seek to avoid it. An example of this is financial crime, where we do everything that we can to prevent the acceptance of business that has a criminal element. The business has worked together to articulate a "risk appetite" against each risk, which guides behaviours through supporting policies, standards and controls. Each manager assesses their risks on an ongoing basis according to our corporate risk appetite.	This is our second line of defence and overseen by Amigo's Chief Risk Officer (CRO). The CRO has a dedicated team of staff who provide objective monitoring and challenge to the first line decision makers, ensuring that risks are correctly identified, assessed and managed. This area oversees the framework within which business line management operates. The CRO oversees risk reporting across the organisation, through the use of a centralised taxonomy, assessment methodology and prescribed responsibilities. Reporting takes into account risk type, movement, control performance and appetite. A risk transformation plan has been developed and is in implementation to further improve the firm's approach to risk management.	Amigo uses a trusted third party to undertake ongoing independent assurance on key risks and controls. This is our third line of defence in ensuring that we manage risks in an appropriate manner. Internal audit provides independent assurance that the first and second lines are doing what they should, that the controls are designed effectively and that the relationship between them is functioning well. All audit reviews are shared with the first and second lines of defence, as well as the Audit Committee.

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 Group. Amigo categorises risks using a firm-wide taxonomy that has six categories (as expanded upon within this section), as well as keeping a focus upon new emerging risks that may crystallise in the future.

Our assessment of this period shows that overall our risk exposure has increased over the past year due to both a number of external factors (e.g. economic conditions and the pandemic) as well as Amigo's individual business situation (regulatory intervention, financial resilience, the escalating level of complaints and the decision to stop lending). All principal risks and uncertainties are summarised in this section.

Principal risks and uncertainties	Risk movement	Key drivers
Credit risk	↑	Macroeconomic/Covid-19
Conduct risk	↑	Increased customer vulnerability and forbearance, and an increasing level of complaints
Regulatory and political risk	↑	FCA investigation, increasing regulatory scrutiny and Scheme of Arrangement
Operational risk	↑	Reduction in workforce, new ways of working, significant operational change and business uncertainty
Strategic and competitive risk	↑	Economic uncertainty, growing CMC activity, regulatory change and Covid-19
Treasury risk	↑	Cancellation of RCF and pause in securitisation facility, enhanced forbearance measures and post-pandemic recovery

Principal risks and uncertainties

Covid-19 and risk
Covid-19 and evolving socio-economic conditions have presented a challenge across every risk type, from the number of customers needing forbearance, to our ability to operate safely from our offices in Bournemouth. We have maintained business continuity thanks to our dynamic culture and flexible technical architecture, quickly implementing a sustained remote working approach. We have taken care of customers, maintaining critical services and offering special relief measures. Given the economic disruption and uncertainty around the path to recovery, credit risk has been elevated. More detail on our response to Covid-19 can be found on page 4 of the annual report for Amigo Holdings PLC, 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. The exceptional events within this year have challenged our risk appetite as expressed and necessitated enhanced review and mitigation to bring exposures back in line with perceived tolerances.

Operational resilience
Amigo's operational resilience is defined as "the ability to prevent, adapt and respond to, recover and learn from operational disruption". Amigo constantly monitors and reports upon its resilience to the Executive Committee and Board. Any areas of volatility that have the potential to trigger or challenge our resilience are identified and assessed at the earliest opportunity. The events of the past year, including the move to remote working, reduction in workforce, management attrition, escalating complaint levels, evolving technological threats and change management, have all had the potential to undermine the resilience of Amigo's operations. In response, the organisation has put in place a number of new controls and governance measures to ensure that critical services remain unaffected.

Principal risks and uncertainties

Credit risk

Risk movement: Increase

Risk Description:
The risk that a counterparty fails to meet their debt obligations in full and on time. It includes the calculated risks that Amigo assumes by lending money to a customer and not receiving the owed principal and interest. This includes:

- **Credit acquisition risk:** this risk is inherent to loan origination and is tied to the credit analysis, where the Group verifies the customer's capacity, character, cash flow, collateral (when applies) and conditions to repay the requested loan. A failure in acquisition might result in very high delinquency levels, complaints, regulator fines, etc.
- **Credit operation risk (collections/fraud):** this risk is related to the actions taken after the customer fails to make one or more payments. Our ability and capacity to react to loan delinquency are primarily controlled through customer contact. A failure on collections/fraud actions leads to unexpected credit losses affecting the Company's profitability.
- **Concentration risk:** credit concentrations are viewed as any exposure where the potential losses are large relative to the Company's capital, its total assets or, where adequate measures exist, the Company's overall risk level. Relatively large losses may reflect not only large exposures, but also the potential for unusually high percentage losses when in potential default.

Mitigating activities and other considerations:
Amigo is a mid-cost lender and we take into account customer credit risks within our loan pricing. Core lending, the bulk of our business, is to customer segments we understand well. 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. Amigo stopped new lending to customers during this financial year ended March 2021. Our Collections team works with customers who fall behind on payments to assist them in coming back up to date on their obligations.

The macroeconomic environment during this period has been unprecedented, primarily due to the impact of Covid-19. The low interest rates, reduced business productivity and closures, employee furloughing and redundancy during the period have had the effect of increasing demand for credit whilst tightening lending policies across the financial services sector. This has had a significant impact upon the number of customers requiring forbearance measures and has affected our credit risk profile.

Amigo has offered a number of relief measures to customers suffering this financial distress, both at the Group's initiative and following regulatory guidance. As customers reach the end of payment holidays, we work with them to identify the appropriate next steps given their personal context. Despite some increase in arrears from customers exiting payment holidays, regular cash collections during the period have been at 82% of pre-Covid-19 projections.

Amigo paused new lending, except to key workers in exceptional circumstances, on 24 March 2020, substantially reducing lending and credit risk for the period. All lending was stopped in November 2020.

Principal risks and uncertainties

Principal risks and uncertainties

Conduct risk Risk movement: Increase

Risk Description:
Conduct risks can arise at each stage of the customer journey within the Amigo proposition, from product design through to sales and post-sales servicing. Inappropriate lending practices and decisions may potentially result in unaffordable debt for Amigo customers and poor conduct post-sale, and could potentially lead to vulnerable customers and/or those experiencing financial difficulty not being identified and treated fairly. This includes the risks of unaffordable lending decisions, a lack of clear customer expectations and exacerbating persistent debt.

Mitigating activities and other considerations:
Amigo recognises that the vulnerability of its target market poses higher than average conduct risks. Amigo has a low appetite for action or inaction that leads to customer harm and failure to pay due regard to the particular needs and circumstances of individual customers in our lending decisions and post-sale activities.

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. Measures are in place to identify and work carefully with vulnerable customers.

Covid-19 has prompted conduct risk as customers have had their finances disrupted and the regulator has deployed many changes at short notice in response. Amigo has mitigated this risk by following regulatory guidance, offering payment holidays where needed and seeking to better understand customer circumstances and needs.

Amigo has faced a significant volume of complaints and FOS referrals during this last year, driven by dissatisfaction with historical lending decisions. This has challenged and inhibited both operational and financial resilience in the period. Whilst all complaints have been individually assessed, the firm took the difficult but necessary decision towards the end of this period to propose a Scheme of Arrangement to customers. We believe that this is the best way to ensure that customers receive fair and equitable redress in the circumstances.

Amigo has put significant effort into developing its conduct risk management approach in line with evolving regulation and industry best practice, including improvements to the articulation of customer outcomes, identification of conduct risks and understanding the underlying drivers. Staff training, quality assurance and ongoing monitoring and assurance support continuous improvement in this regard.

Principal risks and uncertainties

Principal risks and uncertainties

Regulatory and political risk Risk movement: ↑ Increase

Risk Description:
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.

Mitigating activities and other considerations:
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 is averse to taking any risks in relation to compliance with regulatory or legislative requirements. We aim to act clearly and effectively to maintain high standards of professional conduct and behaviour in all stakeholder interactions. Amigo seeks to understand political risks, with a view to ensuring that decision making is in line with perceived future direction.

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. Amigo seeks to engage and consult on all relevant regulatory and political developments in representing the needs and views of our stakeholders for the greater good. We scan the horizon for potential changes that may affect our business in order to prepare for them before they are implemented.

There has been a lot of regulatory activity during the period ended 31 March 2021, including an FCA investigation into whether Amigo's creditworthiness assessment process was compliant with regulatory requirements. The investigation scope was subsequently amended in March 2021 to include aspects of complaint handling through this last year. Amigo continues to support the speedy resolution of this intervention. Amigo has entered into two Voluntary Requirements (VReqs) with the FCA during this period:

- The first relates to customer complaints. On 27 May 2020, Amigo announced it had agreed to work through a backlog of complaints principally arising in 2020. Subsequently, on 3 July 2020, we announced that an amended version of the VReq, covering a higher volume of complaints, had been agreed. 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. At 30 October 2020, Amigo had reviewed and reached a decision on all of the complaints included within the VReq but had not issued the final responses to customers on 2,517 of those complaints, primarily for reasons beyond Amigo's control.

- The second VReq relates to the transfer of assets and was announced after the period end, on 19 October 2020. This Asset VReq means that prior approval by the FCA will be required to permit the transfer of assets outside of the Group in certain circumstances, including discretionary cash payments to the Directors of the Company and dividends to shareholders. The Asset VReq does not impact the day-to-day running of Amigo or its ability to continue to pay down debt.

The FCA opposed Amigo's proposed Scheme of Arrangement at the sanction hearing. As a result of regulatory concerns relating to the investigation, Scheme and Vreq, Amigo maintains close and continuous contact with the FCA.

This includes responding to developing standards (including Covid-19 related forbearance), supporting the regulatory investigation and informing the future direction of regulation through feedback and challenge.

Principal risks and uncertainties

Principal risks and uncertainties

Regulatory and political risk

Risk movement: Increase

Mitigating activities and other considerations (Cont.):
Amigo has provided feedback to a number of regulatory consultations, including the Woolard Review at the start of 2021. Amigo is currently working on its response to the FCA's proposed introduction of a new "Consumer Duty" for firms, intended to set higher expectations for standards of care.

Amigo maintains many other positive stakeholder relationships, including among others with the Financial Ombudsman Service, government bodies and trade associations, as well as debt charities and consumer bodies.

Operational risk

Risk movement: Increase

Risk Description:
The risk of a loss or negative impact due to inadequate or failed internal policies, processes or systems or from external events. Major examples include data security and cyber risk, system availability, legal risk and failures of process execution. Other examples can include the risk of financial reporting errors, key supplier failure, internal frau

Amigo's operational risk includes the risk that it does not have the human capacity and capability 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.

Mitigating activities and other considerations:
Amigo takes a proportionate approach to operational risks, balancing the need to provide consistent and reliable operational performance with the need to remain adaptive to customers' needs, refining our operations in a continually changing environment. Amigo has a low appetite for action or inaction that leads to customer harm and failure to pay due regard to the particular needs and circumstances of individual customers in our lending decisions and post-sale activities.

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 processes or systems. First and second line functions monitor process execution and feed back to process owners to continually drive improvement.

While Amigo has adapted well to the challenges of Covid-19 and remote working, the operational risk environment remains elevated, with reduced in-person interaction and greater reliance on individuals' home internet service through the period. The continuing rapid pace of change in the business, driven both by Covid-19 and business model challenges, also heightens the risk environment, though the business has a long history of rapid adaptation. Operational resilience has remained stable despite the significant increase in complaint handling demands through this period. Cyber security and IT resilience threats are constantly evolving and remain under close scrutiny and continuous control improvement, resulting in a stable risk position in this aspect.

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 maintains a suite of policies, procedures and controls to mitigate recognised people risks in line with best practice and regulation. These apply from recruitment and screening, through on-boarding and ongoing training and competence, to succession planning and staff exit.

Continuing changes at Executive Committee and Board level through the first half of the year have kept risk in this area a key focus for the Board. Despite this, Amigo has continued to improve the breadth and depth of its senior management, adding "bench strength" and improving succession planning, including the appointment of a new Executive Committee and Board. Overall staffing levels remain lower at year end as a result of efficiency improvement and the pause on complaint handling brought about by the proposed Scheme of Arrangement.

Principal risks and uncertainties

Principal risks and uncertainties

Strategic and competitive risk

Risk movement: ↑ Increase

Risk Description:
The risk that Amigo fails to achieve its objectives, either due to actively poor decisions or a 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.

Mitigating activities and other considerations:
Amigo maintains a simple strategy, focusing on maintaining its strong brand and leading execution in the guarantor loans space while exploring adjacent niches that can be developed using its specialised capabilities if they prove promising.

Amigo keeps its strategic focus on the alignment of its loan product(s) and customer needs. We closely monitor market, customer and sector developments to ensure Amigo's products and services remain good value for money.

The wider market continues to evolve, with some competitors having left the space and brokers finding their business models disrupted. Socio-economic conditions continue to generate significant demand for responsible consumer credit solutions.

Treasury risk

Risk movement: ↑ Increase

Risk Description:
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.

Mitigating activities and other considerations:
Amigo maintains a cautious approach to treasury, avoiding risk wherever possible. The fundamental purpose of our treasury activity is to support business growth, rather than generate proprietary profit.

We seek to maintain adequate liquidity to fund operations. Our current strategy creates no material interest rate risk or market risk but, if that changes, it will be hedged.

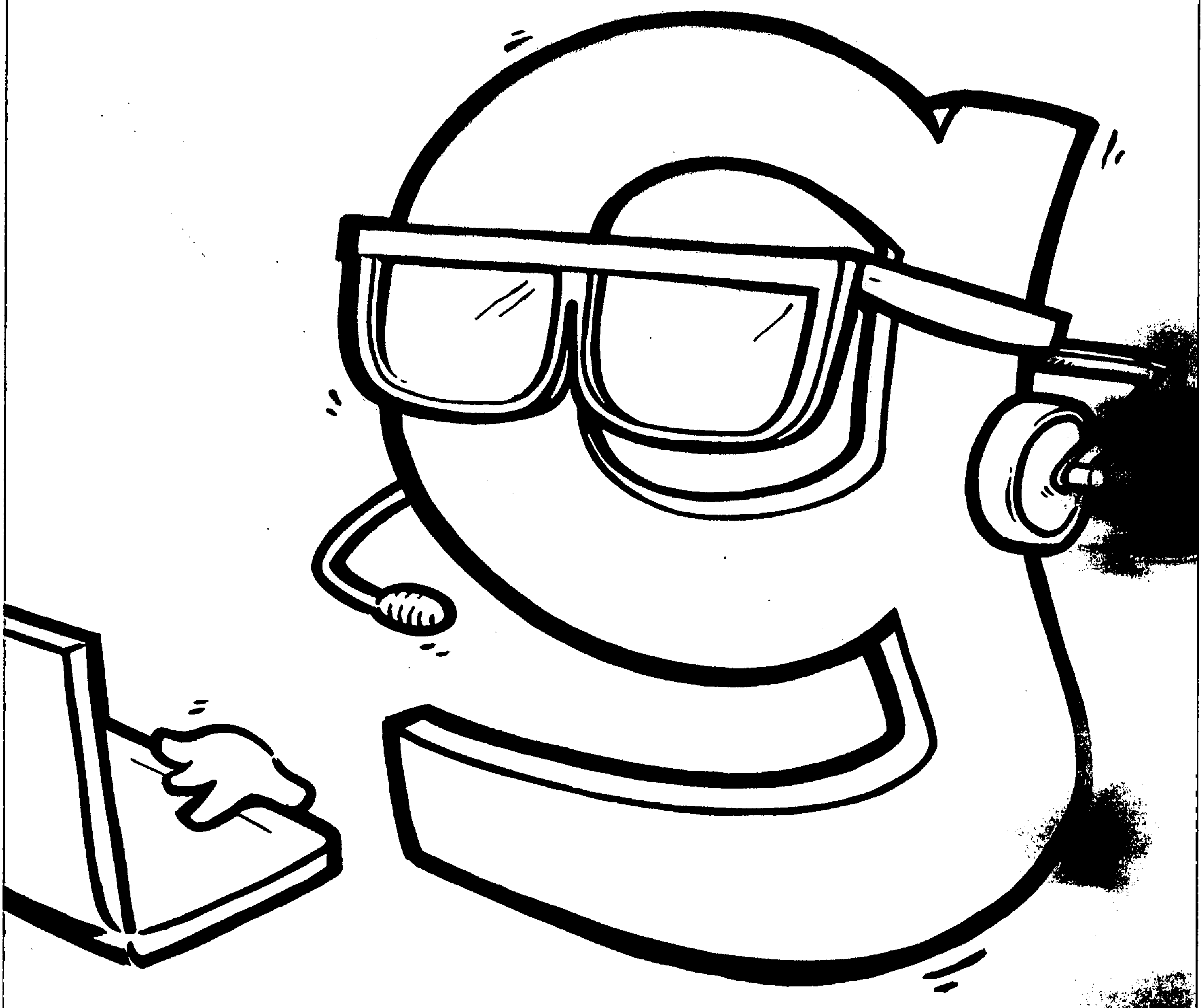
Amigo confirms it has reached agreement for a further extension of the securitisation facility performance trigger waiver period from 25 June 2021 to 24 September 2021. Given the current suspension of all new lending activity at Amigo, the size of the securitisation facility has been reduced from £250m to £100m, effective 25 June 2021. All cash generation arising from customer loans held within the facility is restricted and will continue to be used during the extended waiver period extension to further reduce the outstanding balance of the facility. As of the date of this extension, the facility was drawn at £27m. There is a risk that this facility is not renewed in the future. On 27 May 2020, Amigo announced the cancellation of its super senior revolving credit facility.

As the securitisation facility remains in a pause period with no ability to draw additional funding, the Group had no undrawn available funding facilities at 31 March 2021.

The decision to stop lending has left the business highly cash generative, but this is significantly offset by Covid-19 and the requirement for extensive forbearance measures and compounded by the requirement to pay cash redress on complaints, necessitating a Scheme of Arrangement.

The pause in lending has allowed Amigo to conserve cash on balance, and the liquidity position is robust under baseline forecasts assuming a new Scheme progresses.

Amigo has no material foreign exchange exposure.



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Directors' Report

Going concern

The Directors of Amigo Loans Group Ltd 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. References to the "Amigo Group" below includes Amigo Holdings PLC, the ultimate parent company and its subsidiaries.

In determining the appropriate basis of preparation for these financial statements, the Board has assessed the Group and Company's ability to continue as a going concern for a period of at least twelve months from the date of approval of these financial statements. The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

Following the ruling on 25 May 2021 in which the High Court did not approve the proposed Scheme of Arrangement despite the positive creditors vote, the Board continues to consider all options for the Group. The Board believes that under all reasonably possible scenarios, without an appropriate Scheme of Arrangement to deal with the complaints, the expected volumes of complaints from current and past customers would exhaust, or at least significantly reduce, the Group's available liquid resources; leaving the Group with insufficient liquid resources to repay its non-current borrowings as they fall due in January 2024. Accounting standards require an entity to prepare financial statements on a going concern basis unless the Board either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. At the date of approval of these financial statements, the Board continues to consider a number of options which represent realistic alternatives to liquidation or the cessation of trade. In doing so it has undertaken a rigorous assessment of financial projections, considering the Group's funding position and the scenarios explained below:

- a Scheme scenario in which it is assumed that an alternative Scheme is subsequently approved by the High Court;
- a severe but plausible downside Scheme scenario in which it is assumed an alternative Scheme is subsequently approved by the High Court, but other assumptions are stressed;
- a managed wind down of Amigo Loans Ltd in a Scheme, whereby cash redress is made available to creditors from the residual collections of the existing loan book following repayment of the senior secured notes; and
- a no Scheme scenario, in which an alternative Scheme is not approved by the High Court. As noted above, in such a scenario, the Directors believe the expected volumes of complaints from current and past customers would exhaust, or at least significantly reduce, the Group's available liquid resources; leaving the Group with insufficient liquid resources to repay its non-current secured borrowings as they fall due in January 2024.

Funding

The going concern assessment considers the Group's projected liquidity position from existing committed financing facilities throughout the forecast period. The Group is funded through senior secured notes and a securitisation facility. The Group had an unrestricted cash balance of £177.9m as at 31 March 2021, and current cash is around £205m. The Group also has the following committed sources of funding:

- a £250m securitisation facility, of which £64.4m is drawn as at 31 March 2021. On 25 June 2021, the Group announced it had agreed with its securitisation lenders a further extension of the waiver period end date from 25 June 2021 to 24 September 2021 and a further reduction in the facility size to £100m. The terms of the waiver amendment remove the obligation of the lender to make any further advances to the Group and require collections from securitised assets to be used to repay any outstanding facility balances; and

- senior secured notes of £234.1m which are repayable in January 2024. The notes have no financial maintenance covenants.

Scheme scenario

The Scheme projections prepared for the going concern assessment are derived from the Group's 2021/22 budget as approved by the Board in March 2021 with certain assumptions refined to reflect more recent information. The Scheme scenario assumes that:

- an alternative Scheme of arrangement is approved by the High Court. This would limit the cash redress liability in respect of upheld customer complaints within a Scheme;
- complaints volumes and uphold rates within a Scheme are consistent with the assumptions that underpin the complaints provision reported in the financial statements for the financial year ended 31 March 2021 (see note 2.3.1 of the financial statements);
- write downs of customer balances in respect of upheld customer complaints are also consistent with the redress assumptions in the complaints provision (see note 2.3.1 of the financial statements);
- the FCA grants approval for the Group to recommence lending and lending recommences within the period, albeit at significantly reduced levels compared with pre-Covid-19 originations;

Going concern continued

- the securitisation facility enters early amortisation on the assumption that the Group is unable to restructure the facility to the satisfaction of the lender at the end of the waiver period, being 24 September 2021;
- credit losses, and therefore customer collections, remain within moderately stressed levels; and
- no dividend payments during the forecast period.

This scenario indicates that the Group 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.

Severe but plausible downside scenario

The Directors have prepared a severe but plausible downside Scheme scenario covering the same forecast period, being at least the next twelve months from the date of approval of these financial statements, which assumes an alternative Scheme of Arrangement is approved by the High Court and includes sensitivities that consider the potential impact of:

- a higher volume of future claims and an increased uphold rate in respect of all claims within a Scheme. Whilst this sensitivity does not increase the cash liability which is assumed to be capped in an alternative Scheme, the number of customers receiving balance write downs will increase, thus impairing the recoverability of the loan book, reducing future collections and stressing the Group's liquidity position; and
- increased credit losses as a result of a deterioration in the macroeconomy due to Covid-19 and the inability of an increased number of the Group's customers to continue to make payments.

There are very few remaining actions under direct control of the Group that the Board can introduce to mitigate the impact on liquidity of the above sensitivities. Lending has already been paused for more than a year, no dividends have been paid during that period and none are included in any of the financial projections, and discretionary costs have already been limited, including a restructuring of the cost base executed shortly after 31 March 2021.

This severe but plausible downside Scheme scenario indicates that the Group's available liquidity headroom would reduce but it would still 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.

Managed wind down scenario

The Board's current view remains that a Scheme of Arrangement presents the best outcome for customers. A range of possible Scheme options is currently being considered by the newly established creditors' committee. One of the options under consideration is a Scheme accompanied by a managed wind down of Amigo Loans Ltd.

The structure of a Scheme in a managed wind down would be such that total cash redress is only known and payable once the Amigo Loans Ltd loan book is fully paid down resulting in a delayed payment to redress creditors and greater variability in the total cash redress available.

In a managed wind down of Amigo Loans Ltd, the existing management of the Group would remain in control of decision-making functions. No third party would obtain control of any of the decision-making functions of the companies in the Group. Furthermore, the wind down of the business of Amigo Loans Ltd would not result in a change in the ownership structure within the Group.

The managed wind down projections are consistent with the Scheme scenario save for the following changes in key assumptions which reflect the expected structural and behavioural differences specific to a managed wind down:

- the structure of a Scheme in a wind down is such that the cash redress is only known and payable once the Amigo Loans Ltd loan book is fully paid down;
- customer collections are stressed by 10% from the Scheme scenario on the assumption that customer apathy will increase in a publicised managed wind down; and
- lending recommences within the period, at the same levels as the Scheme scenario, however, owing to the wind down of Amigo Loans Ltd, new lending is launched from new legal entities within the Group.

This scenario indicates that the Group 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.

No Scheme scenario

The Board recognises that an alternative Scheme of Arrangement such as that considered in the Scheme and managed wind down scenarios requires a second positive creditor vote and a High Court sanction. All outcomes remain uncertain and outside the direct control of the Group. In a scenario where this is not achieved and cash redress to customers is not capped by the terms of a Scheme the Board believes the expected volume of complaints from current and past customers would either exhaust, or at least significantly reduce, the Group's available liquid resources; leaving the Group with insufficient liquid resources to repay its non-current borrowings as they fall due in January 2024. This is reflected in the Group's Consolidated Statement of Financial Position, which includes a complaints provision based on the best estimate of the full settlement of all current and future complaints (see note 17 of the financial statements). In such circumstances the Board believes that there would be no realistic alternative other than to enter a formal insolvency process.

Going concern continued

FCA investigation

Additionally, 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 within the next twelve months. The potential impact of the investigation on the business is extremely difficult to predict and quantify, and hence the potential adverse impact of the investigation has been considered separately and not included in the scenarios laid out above. There are a number of potential outcomes which may result from the FCA investigation, including the imposition of a significant fine and/or the requirement to perform a mandatory back-book remediation exercise. The Directors consider that should they be required to perform a back-book remediation exercise it could reasonably be expected to exhaust, or at least significantly reduce, the Group's available liquid resources. Additionally, other lesser but still significant adverse outcomes could significantly reduce the Group's available liquidity headroom and thus the Group would need to source additional financing to maintain adequate liquidity and to continue to operate.

Conclusion

The Board continues to actively pursue options which represent realistic alternatives to liquidation or the cessation of trade, such as the alternative Scheme of Arrangement considered in the Scheme and managed wind down scenarios. The long term viability of the Group is reliant on the Group receiving permission from the FCA to recommence lending, either within Amigo Loans Ltd or other entities within the Group, and originations reaching a level that will sustain a loan book of sufficient size to allow the Group to meet its liabilities as they fall due, and is dependent on the Group's ability to raise further capital to support future lending. However, in each of the Scheme and managed wind down scenarios above the financial projections indicate that the Group 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. Accordingly, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

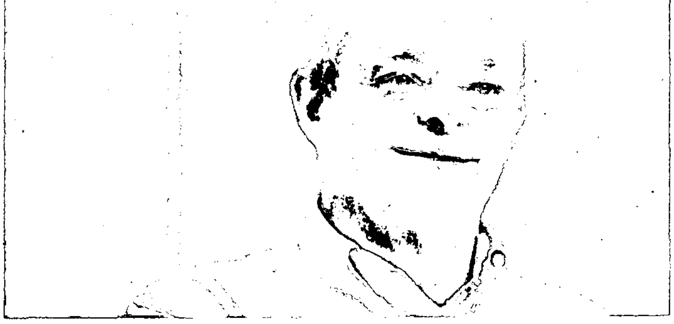
However, the Board also recognises that at the date of approval of these financial statements significant uncertainty remains. An alternative Scheme requires a second positive creditor vote and a High Court sanction which is outside the control of the Group. Additionally, both the final outcome of the FCA investigation and FCA approval of new lending remain highly uncertain. These matters indicate the existence of a material uncertainty related to events or conditions that may cast significant doubt over the Group and Company's ability to continue as a going concern and, therefore, that the Group and Company may be unable to realise their assets and discharge their 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.

Directors' Report

Directors

The directors who served during the year, and up to the date of approval of these financial statements were:

Gary Jennison
CEO



Gary Jennison
Chief Executive Officer
Tenure <1 year

Mike Corcoran
CFO

Mike Corcoran
Chief Financial Officer
Tenure <1 year

Nicholas Beal
Chief Restructuring Officer
Tenure >10 years

Past Directors

During the year three Directors left office, they were H S Paton who resigned 31 July 2020, G Crawford who resigned 23 September 2020 and N V Kisnadwala who resigned 30 November 2020. Gary Jennison joined the Board as a Non-Executive Director on 17 August 2020 but then took up the role of CEO on 23 September 2020. Mike Corcoran joined the Board as CFO on 11 November 2020.

Results and dividends

(Loss) for the period, after taxation, amounted to £351.6m (2020: £(23.2)m).

Going Concern

As described on pages 16 to 18, the Directors have reviewed the projected cash flows and other relevant information and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, despite the Group's net liability balance sheet position as at 31 March 2021. For this reason, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements. The going concern assumption is adopted on the basis that one of the realistic alternatives to insolvency and cessation of trade being considered by the Group comes to fruition, for example, an alternative Scheme of Arrangement being sanctioned. A High Court sanction is outside of the control of the Group. This represents a material uncertainty that may cast significant doubt on the Group'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.

Political Donations

The Group and Company 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 2021 (2020: £nil).

Equal opportunities

The Group and Company have an equal opportunities policy which is followed by all Directors, Executive Committee and employees, and which ensures the Group employs a diverse workforce with regards to aspects such as age, gender, 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.

Employee involvement

The Group and Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year, the policy of providing employees with information about the Company has been continued through the Company's intranet forum and regular meetings between management and employees.

Directors' Report

Employees have also been encouraged to present their suggestions and views on the Company's performance. Employees participate directly in the success of the business through the Company's bonus schemes.

Disabled employees
The Group and Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Matters covered in the strategic report
Key performance indicators and a business review for the year ended 31 March 2021 are disclosed in the Strategic Report as required by s414C(11) of Companies Act 2006.

Disclosure of information to auditor
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.
- There is material uncertainty that may cast significant doubt on Amigo Group's ability to continue as a going concern.

Auditors
The auditor, KPMG LLP, will be automatically reappointed in accordance with section 485 of the Companies Act 2006, subject to reappointment of the auditor for the Amigo Loans PLC group at that entities Annual General Meeting.

Dividends
No dividends were declared or paid in the period (2020: Nil).

Greenhouse gas emissions
The Company has reported its scope 1 and 2 emissions and associated scope 3 emissions which have accounted for a total of 148.19 tonnes of CO_2e for the year ended 31 March 2021. Amigo has also voluntarily reported some of its scope 3 emissions, in particular, our water usage. These figures relate to emissions in the UK only; as Amigo does not currently have data available for Ireland.

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 all its members. In doing this, section 172 requires a Director to have regard, among other matters, to:

(i) the likely consequences of any decision in the long term;
(ii) the interests of the company' s employees;
(iii) the need to foster the company' s business relationships with suppliers, customers and others;
(iv) the need to balance the interests between the requirements of the majority shareholder and minority shareholders;
(v) the impact of the company' s operations on the community and the environment;
(vi) the desirability of the company maintaining a reputation for high standards of business conduct; and
(vii) the need to act fairly with members of the company.

The Directors give careful consideration to the factors set out above in discharging their duties under section 172. Further details of how the Amigo Group considers these factors can be found in the Annual Report of Amigo Holdings Plc.

This report was approved by the Board and signed on its behalf by:

Michael Corcoran
Director
24 August 2021

Directors' Report

Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

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 Company and the Group and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the company' s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the 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 company and to prevent and detect fraud and other irregularities.

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.

This report was approved by the board and signed on its behalf by:

Michael Corcoran
Director
24 August 2021

KPMG

Independent auditor's report

To the members of Amigo Loans Group Limited

Opinion

We have audited the financial statements of Amigo Loans Group Limited ("the company", together with its subsidiaries "the group") for the year ended 31 March 2021 which comprise the consolidated statement of comprehensive income, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidate stated of cash flows and related notes, including the accounting policies in note 1.

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 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of, 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.

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 have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of Matter – Provision for complaints

We draw attention to notes 1 and 17 to the financial statements concerning the provision for customer complaints. As explained in those notes, the complaints provision of £344.6m has been estimated assuming that no scheme is implemented, as there is not sufficient objective evidence that the future approval of an alternative Scheme of Arrangement will occur.

The total amount that will ultimately be paid by the Group in relation to obligations arising from customer complaints is subject to significant uncertainty and the ultimate cost will be dependent on several factors, including whether the Company can implement a Scheme of Arrangement to limit the overall liability to complaints. Note 2.3 discloses the range of reasonably possible outcomes in respect of this uncertainty.

Our opinion is not modified in respect of this matter.

Going concern

We draw attention to note 1 of the financial statements which indicates that the ability of the 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 Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and other executive committee minutes.
- Considering remuneration incentive schemes and performance targets for management and Directors including share-based payments for management remuneration.
- Using analytical procedures to identify We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and recent revisions to guidance, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that Group management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as Conduct provision, IFRS 9 expected credit losses and Going Concern.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Group-wide fraud risk management

We also performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included assessing the appropriateness of journal users, searching for high risk descriptions or lack there of, those linked to specific accounts and duplicate entries.
- Assessing significant accounting estimates for bias.

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 , through discussion with the directors and other management (as required by auditing standards), from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.
As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

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 Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation , 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 Company 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 Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated] nature of the Company's activities. 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.

Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

For the FCA complaints matter discussed in note 1 we assessed disclosures against our understanding from legal correspondence.

Context of the ability of the audit to detect fraud or breaches of law or regulation

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 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 fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report 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 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.

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 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.

Directors' responsibilities

As explained more fully in their statement set out on page 21, the directors are responsible for: the preparation of the financial statements and for 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 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 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.

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.

Nick Edmonds (Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15, Canada Square,
Canary Wharf
London
E14 5GL

24 August 2021

Consolidated Statement of Comprehensive Income

	Notes	Year to 31 Mar 21 £m	Year to 31 Mar 20 £m
Revenue	4	**170.8**	294.2
Interest payable and funding facility fees	5	**(27.5)**	(30.7)
Interest receivable		**0.1**	-
Impairment of amounts receivable from customers[1]		**(60.7)**	(113.2)
Impairment of an intercompany receivable[2]	22	**(69.8)**	-
Administrative and other operating expenses	7	**(40.0)**	(57.1)
Complaints expense	17	**(318.8)**	(126.8)
Total operating expenses		**(358.8)**	(183.9)
(Loss) before tax		**(345.9)**	(33.6)
Tax (charge)/credit on (loss)/profit	10	**(5.7)**	10.4
(Loss) and total comprehensive (loss) attributable to equity shareholders of the Group[3]		**(351.6)**	(23.2)

1 This line item includes reversals of impairment losses or impairment gains, determined in accordance with IFRS 9. In the year, £3.2m of previously recognised impairment gains were reversed primarily due to the recognition of the expected cost to repurchase charged off loans previously sold to a third party – see note 17 for further details (2020: £9.8m reversal of impairment losses).

2 Following an impairment assessment by the Group, the intercompany balance between Amigo Loans Group Limited and Amigo Holdings PLC has been deemed irrecoverable and has been fully impaired. See notes 22, 14 and 1.11.1a for further details. .

3 There was less than £0.1m of other comprehensive income during any other period, and hence no consolidated statement of other comprehensive income is presented.

The (loss) is derived from continuing activities.

The accompanying notes form part of these financial statements

Consolidated Statement of financial position

	Notes	Year to 31 Mar 21 £m	Year to 31 Mar 20 £m
Non-current assets			
Customer loans and receivables	12	**125.5**	296.5
Property, plant and equipment		**1.1**	1.5
Right-of-use lease assets	18	**1.0**	1.1
Intangible assets		**-**	0.1
Deferred tax asset		**-**	6.6
		127.6	305.8
Current assets			
Customer loans and receivables	12	**225.1**	367.1
Other receivables	14	**1.6**	63.5
Current tax asset		**-**	21.4
Derivative asset		**0.1**	0.1
Cash and cash equivalents (restricted)[1]		**6.3**	-
Cash and cash equivalents		**177.9**	64.3
		411.0	516.4
Total Assets		**538.6**	822.2
Current liabilities			
Trade and other payables	15	**(15.7)**	(12.6)
Borrowings	16	**(64.4)**	-
Lease liabilities	18	**(0.3)**	(0.3)
Complaints provisions	17	**(344.6)**	(105.7)
Restructuring provision	17	**(1.0)**	-
Current tax liabilities		**(0.8)**	-
		(426.8)	(118.6)
Non-current liabilities			
Borrowings	16	**(232.1)**	(460.6)
Lease Liabilities	18	**(0.9)**	(1.1)
Provisions		**-**	(11.8)
		(233.0)	(473.5)
Total liabilities		**(659.8)**	(592.1)
Net assets		**(121.2)**	230.1
Equity			
Share capital	19	**-**	-
Share premium		**302.0**	302.0
Merger reserve		**(300.0)**	(300.0)
Retained earnings		**(123.2)**	228.1
Shareholder equity		**(121.2)**	230.1

1 Cash and cash equivalents (restricted) of £6.3m materially relates to restricted cash held in the AMGO Funding (No.1) Ltd bank account due to the requirement under the waiver on the securitisation facility to use collections from securitised assets to reduce the outstanding facility balance.

The accompanying notes form part of these financial statements.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:

Michael Corcoran
Director
Company no. 10624393

24 August 2021

Consolidated Statement of Changes in Equity

	Share capital £m	Share premium £m	Merger reserve[1] £m	Retained earnings £m	**Total equity £m**
At 31 March 2019	-	302.0	(300.0)	251.1	**253.1**
IFRS 16 Adjustment opening balance sheet adjustment[2]	-	-	-	(0.3)	**(0.3)**
At 1 April 2019	-	302.0	(300.0)	250.8	**252.8**
Total comprehensive loss	-	-	-	(23.2)	**(23.2)**
Share-based payments	-	-	-	0.5	**0.5**
At 31 March 2020	-	302.0	(300.0)	228.1	**230.1**
Total comprehensive loss	-	-	-	(351.6)	**(351.6)**
Share-based payments	-	-	-	0.3	**0.3**
At 31 March 2021	**-**	**302.0**	**(300.0)**	**(123.2)**	**(121.2)**

The accompanying notes form part of these financial statements.

1 The merger reserve was created as a result of a Group reorganisation in 2017 to create an appropriate holding company structure. The restructure was within a wholly owned group, constituting a common control transaction.

2 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

	Year to 31 Mar 21 £m	Year to 31 Mar 20 £m
(Loss) for the period	**(351.6)**	(23.2)
Adjustments for:		
Impairment expense	**60.7**	113.2
Impairments of intercompany receivable	**69.8**	-
Complaints expense	**318.8**	126.8
Restructuring provision	**1.0**	-
Tax charge/(credit)	**5.7**	(10.4)
Interest expense	**27.5**	30.7
Interest receivable	**(0.1)**	-
Interest recognised on loan book	**(185.3)**	(304.9)
Profit on senior secured note buyback	**-**	0.7
Share-based payment	**0.3**	0.5
Depreciation of property, plant and equipment	**1.1**	0.5
Operating cash flows before movements in working capital	**(52.1)**	(66.1)
(Increase) in receivables	**(1.5)**	(0.2)
Increase in payables	**0.4**	-
Complaints cash expense	**(64.6)**	(9.3)
Tax refunds/(tax paid)	**23.6**	(26.8)
Interest paid	**(22.8)**	(28.8)
Net cash (used in) operating activities before loans issued and collections on loans	**(117.0)**	(131.2)
Loans issued	**(0.4)**	(347.4)
Collections	**402.5**	594.0
Other loan book movements	**(0.6)**	9.8
Decrease in deferred brokers costs	**10.8**	0.3
Net cash from operating activities	**295.3**	125.5
Investing activities		
Purchases of property, plant and equipment	**(0.5)**	(1.3)
Repayments from Group undertakings	**3.0**	1.2
Advances to Group undertakings	**(10.6)**	(54.7)
Net cash from/(used in) investing activities	**(8.1)**	(54.8)
Financing activities		
Purchases of senior secured notes	**-**	(85.9)
Lease principle payments	**(0.2)**	(0.1)
Proceeds from external funding	**-**	174.4
Repayment of external funding	**(167.2)**	(109.9)
Net cash (used in)/from financing activities	**(167.4)**	(21.5)
Net increase in cash and cash equivalents	**119.8**	49.2
Effects of movement in foreign exchange	**0.1**	-
Cash and cash equivalents at beginning of period	**64.3**	15.1
Cash and cash equivalents at end of period	**184.2**[1]	64.3

The accompanying notes form part of these financial statements.

1. Current year total cash is inclusive of £6.3m restricted cash

Notes to the Consolidated financial statements

1. Accounting policies

1.1 Basis of preparation of financial statements

Amigo Loans Group Limited (the "Company") is a private company limited by shares. The principal activity of the Company is to act as a holding company for the Amigo Loans Group of companies (the "Group").

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 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.

These consolidated Group and Company financial statements have been prepared on a going concern basis and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and these Group and Company financial statements were also in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002. There has been no departure from the required IFRS standards.

The presentation 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 financial statements have been prepared under the historical cost convention, except for financial instruments measured at amortised cost or fair value.

The consolidated Group and Company financial statements for the year ending 31 March 2021 were approved by the Board of Directors on 24 August 2021.

Going concern

The Directors of Amigo Loans Group Ltd 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. References to the "Amigo Group" below includes Amigo Holdings PLC, the ultimate parent company and its subsidiaries.

In determining the appropriate basis of preparation for these financial statements, the Board has assessed the Group and Company's ability to continue as a going concern for a period of at least twelve months from the date of approval of these financial statements. The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

Following the ruling on 25 May 2021 in which the High Court did not approve the proposed Scheme of Arrangement despite the positive creditors vote, the Board continues to consider all options for the Group. The Board believes that under all reasonably possible scenarios, without an appropriate Scheme of Arrangement to deal with the complaints, the expected volumes of complaints from current and past customers would exhaust, or at least significantly reduce, the Group's available liquid resources; leaving the Group with insufficient liquid resources to repay its non-current borrowings as they fall due in January 2024. Accounting standards require an entity to prepare financial statements on a going concern basis unless the Board either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. At the date of approval of these financial statements, the Board continues to consider a number of options which represent realistic alternatives to liquidation or the cessation of trade. In doing so it has undertaken a rigorous assessment of financial projections, considering the Group's funding position and the scenarios explained below:

- a Scheme scenario in which it is assumed that an alternative Scheme is subsequently approved by the High Court;
- a severe but plausible downside Scheme scenario in which it is assumed an alternative Scheme is subsequently approved by the High Court, but other assumptions are stressed;
- a managed wind down of Amigo Loans Ltd in a Scheme, whereby cash redress is made available to creditors from the residual collections of the existing loan book following repayment of the senior secured notes; and

Notes to the Consolidated financial statements

- a no Scheme scenario, in which an alternative Scheme is not approved by the High Court. As noted above, in such a scenario, the Directors believe the expected volumes of complaints from current and past customers would exhaust, or at least significantly reduce, the Group's available liquid resources; leaving the Group with insufficient liquid resources to repay its non-current secured borrowings as they fall due in January 2024.

Funding

The going concern assessment considers the Group's projected liquidity position from existing committed financing facilities throughout the forecast period. The Group is funded through senior secured notes and a securitisation facility. The Group had an unrestricted cash balance of £177.9m as at 31 March 2021, and current cash is around £205m. The Group also has the following committed sources of funding:

- a £250m securitisation facility, of which £64.4m is drawn as at 31 March 2021. On 25 June 2021, the Group announced it had agreed with its securitisation lenders a further extension of the waiver period end date from 25 June 2021 to 24 September 2021 and a further reduction in the facility size to £100m. The terms of the waiver amendment remove the obligation of the lender to make any further advances to the Group and require collections from securitised assets to be used to repay any outstanding facility balances; and
- senior secured notes of £234.1m which are repayable in January 2024. The notes have no financial maintenance covenants.

Scheme scenario

The Scheme projections prepared for the going concern assessment are derived from the Group's 2021/22 budget as approved by the Board in March 2021 with certain assumptions refined to reflect more recent information. The Scheme scenario assumes that:

- an alternative Scheme of arrangement is approved by the High Court. This would limit the cash redress liability in respect of upheld customer complaints within a Scheme;
- complaints volumes and uphold rates within a Scheme are consistent with the assumptions that underpin the complaints provision reported in the financial statements for the financial year ended 31 March 2021 (see note 2.3.1 of the financial statements);
- write downs of customer balances in respect of upheld customer complaints are also consistent with the redress assumptions in the complaints provision (see note 2.3.1 of the financial statements);
- the FCA grants approval for the Group to recommence lending and lending recommences within the period, albeit at significantly reduced levels compared with pre-Covid-19 originations;
- the securitisation facility enters early amortisation on the assumption that the Group is unable to restructure the facility to the satisfaction of the lender at the end of the waiver period, being 24 September 2021;
- credit losses, and therefore customer collections, remain within moderately stressed levels; and
- no dividend payments during the forecast period.

This scenario indicates that the Group 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.

Severe but plausible downside scenario

The Directors have prepared a severe but plausible downside Scheme scenario covering the same forecast period, being at least the next twelve months from the date of approval of these financial statements, which assumes an alternative Scheme of Arrangement is approved by the High Court and includes sensitivities that consider the potential impact of:

- a higher volume of future claims and an increased uphold rate in respect of all claims within a Scheme. Whilst this sensitivity does not increase the cash liability which is assumed to be capped in an alternative Scheme, the number of customers receiving balance write downs will increase, thus impairing the recoverability of the loan book, reducing future collections and stressing the Group's liquidity position; and
- increased credit losses as a result of a deterioration in the macroeconomy due to Covid-19 and the inability of an increased number of the Group's customers to continue to make payments.

There are very few remaining actions under direct control of the Group that the Board can introduce to mitigate the impact on liquidity of the above sensitivities. Lending has already been paused for more than a year, no dividends have been paid during that period and none are included in any of the financial projections, and discretionary costs have already been limited, including a restructuring of the cost base executed shortly after 31 March 2021.

Notes to the Consolidated financial statements

This severe but plausible downside Scheme scenario indicates that the Group's available liquidity headroom would reduce but it would still 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.

Managed wind down scenario

The Board's current view remains that a Scheme of Arrangement presents the best outcome for customers. A range of possible Scheme options is currently being considered by the newly established creditors' committee. One of the options under consideration is a Scheme accompanied by a managed wind down of Amigo Loans Ltd. The structure of a Scheme in a managed wind down would be such that total cash redress is only known and payable once the Amigo Loans Ltd loan book is fully paid down resulting in a delayed payment to redress creditors and greater variability in the total cash redress available.

In a managed wind down of Amigo Loans Ltd, the existing management of the Group would remain in control of decision-making functions. No third party would obtain control of any of the decision-making functions of the companies in the Group. Furthermore, the wind down of the business of Amigo Loans Ltd would not result in a change in the ownership structure within the Group.

The managed wind down projections are consistent with the Scheme scenario save for the following changes in key assumptions which reflect the expected structural and behavioural differences specific to a managed wind down:

- the structure of a Scheme in a wind down is such that the cash redress is only known and payable once the Amigo Loans Ltd loan book is fully paid down;
- customer collections are stressed by 10% from the Scheme scenario on the assumption that customer apathy will increase in a publicised managed wind down; and
- lending recommences within the period, at the same levels as the Scheme scenario, however, owing to the wind down of Amigo Loans Ltd, new lending is launched from new legal entities within the Group.

This scenario indicates that the Group 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.

No Scheme scenario

The Board recognises that an alternative Scheme of Arrangement such as that considered in the Scheme and managed wind down scenarios requires a second positive creditor vote and a High Court sanction. All outcomes remain uncertain and outside the direct control of the Group. In a scenario where this is not achieved and cash redress to customers is not capped by the terms of a Scheme the Board believes the expected volume of complaints from current and past customers would either exhaust, or at least significantly reduce, the Group's available liquid resources; leaving the Group with insufficient liquid resources to repay its non-current borrowings as they fall due in January 2024. This is reflected in the Group's Consolidated Statement of Financial Position, which includes a complaints provision based on the best estimate of the full settlement of all current and future complaints (see note 17 of the financial statements). In such circumstances the Board believes that there would be no realistic alternative other than to enter a formal insolvency process.

FCA investigation

Additionally, 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 within the next twelve months. The potential impact of the investigation on the business is extremely difficult to predict and quantify, and hence the potential adverse impact of the investigation has been considered separately and not included in the scenarios laid out above. There are a number of potential outcomes which may result from the FCA investigation, including the imposition of a significant fine and/or the requirement to perform a mandatory back-book remediation exercise. The Directors consider that should they be required to perform a back-book remediation exercise it could reasonably be expected to exhaust, or at least significantly reduce, the Group's available liquid resources. Additionally, other lesser but still significant adverse outcomes could significantly reduce the Group's available liquidity headroom and thus the Group would need to source additional financing to maintain adequate liquidity and to continue to operate.

Notes to the Consolidated financial statements

Conclusion

The Board continues to actively pursue options which represent realistic alternatives to liquidation or the cessation of trade, such as the alternative Scheme of Arrangement considered in the Scheme and managed wind down scenarios. The long term viability of the Group is reliant on the Group receiving permission from the FCA to recommence lending, either within Amigo Loans Ltd or other entities within the Group, and originations reaching a level that will sustain a loan book of sufficient size to allow the Group to meet its liabilities as they fall due, and is dependent on the Group's ability to raise further capital to support future lending. However, in each of the Scheme and managed wind down scenarios above the financial projections indicate that the Group 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. Accordingly, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

However, the Board also recognises that at the date of approval of these financial statements significant uncertainty remains. An alternative Scheme requires a second positive creditor vote and a High Court sanction which is outside the control of the Group. Additionally, both the final outcome of the FCA investigation and FCA approval of new lending remain highly uncertain. These matters indicate the existence of a material uncertainty related to events or conditions that may cast significant doubt over the Group and Company's ability to continue as a going concern and, therefore, that the Group and Company may be unable to realise their assets and discharge their 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 Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Shareholders' Equity, Consolidated 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 26 for a 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 (see note 16 for further details on the facility). 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 23.

All intercompany balances and transactions 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 Group and Company, using consistent accounting policies.

Notes to the Consolidated financial statements

1.2 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.

Notes to the Consolidated financial statements

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 default events over the expected life of a financial instrument.

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 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 ECLs and note 2.1.3 for detail on impact of forward-looking information on the measurement of ECLs.

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 plans, 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, or the extension of a payment holiday at the customer's request, does not automatically trigger a significant increase in credit risk. Customers granted payment holidays are assessed for other indicators of SICR and 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.

Notes to the Consolidated financial statements

At the time a customer requests an extension to a payment holiday, the Group has no additional information available than was present at the original grant date for which to make an alternative assessment over whether there has been a significant increase in credit risk; extensions are granted on request. See note 2.1.2 for further detail on SICR considerations for Covid-19 payment holidays and note 2.4 for judgements and estimates applied by the Group on the calculation of a modification loss resulting from the granting of these payment holidays. As at 31 March 2021, the Group has been able to analyse data relating to customer behaviour and payment patterns when these payment holidays finish; this has resulted in the application of a management overlay to the impairment provision calculation (see notes 1.2 and 2.1.4 for further details).

v) Derecognition
Historically, the Group offered, to certain borrowers, the option to top up existing loans subject to internal eligibility criteria and customer affordability. 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 and Covid-19 payment holidays, 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. See policy 1.11 for more details on the Group's accounting policies for modification of financial assets.

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 immediately cured and transitions back from stage 3 within the Group's impairment model.

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, with the exception of Covid-19 payment holidays, 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.

Throughout the Covid-19 pandemic, payment holidays have been offered to all customers who indicated to the Group they were experiencing potential payment difficulties. The granting of these payment holidays has been treated as non-substantial modification events. See note 2.4 for more details.

1.3 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). Revenue is also presented net of modification losses recognised in the period, where no historic event suggesting a significant increase in credit risk has occurred on that asset (see notes 1.11.1.e and 2.4 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 incremental costs that are directly attributable to the instrument, but not future credit losses.

1.4 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.

Notes to the Consolidated financial statements

1.5 Interest payable and funding facilities

Interest expense and income is recognised as it accrues in the consolidated statement of comprehensive income 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.

Where an existing debt instrument 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. All capitalised fees relating to the prior debt instrument are written off to the consolidated statement of comprehensive income at the date of derecognition.

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.

1.6 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.

1.7 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.

1.7.1 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/loss differs from profit/loss 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.

1.7.2 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. Should circumstances arise where the Group concludes it is no longer considered probable that future taxable profits will be available against which temporary differences can be utilised, deferred tax assets will be written-off and charged to the consolidated statement of comprehensive income.

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 are unlikely to 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.

1.8 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.

Notes to the Consolidated financial statements

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
• Office equipment	50% straight line
• Motor vehicles	25% straight line

Depreciation methods, useful lives and residual values are reviewed, and adjusted if appropriate, at each consolidated statement of financial position date.

1.9 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.

1.10 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 consolidated statement of financial position 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 17.

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. See note 17 for further details.

1.11 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 and the Group's securitisation facility.

1.11.1 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 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 Group assesses the recoverability of its intercompany balances when there is an indication of impairment. Where necessary the Group will recognise an impairment to reduce the carrying amount of the receivable to the recoverable amount.

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) Cash and cash equivalents (restricted)

Cash and cash equivalents (restricted) represents restricted cash held in the structured entity AMGO Funding (No. 1) Ltd bank account which will be used to reduce the outstanding securitisation facility balance. The Group has agreed with its securitisation lenders a waiver period to 24 September 2021.

Notes to the Consolidated financial statements

Given the current suspension of all new lending activity at Amigo, the size of the securitisation facility has been reduced from £250m to £100m, effective 25 June 2021. The terms of the waiver remove the obligation of the lender to make any further advances to the Group and require collections from securitised assets to be used to repay any outstanding note balances. The impact of ECLs on restricted cash has been evaluated and it is immaterial.

d) 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.

e) Modification of financial assets
Where modifications to financial asset terms occur, for example, modified payment terms following granting of a Covid-19 payment holiday to customers, the Group evaluates from both quantitative and qualitative perspectives whether the modifications are deemed substantial. If the cash flows are deemed substantially different, then the contractual rights to cash flows from the original asset are deemed to have expired and the asset is derecognised (see 1.11.1.f) and a new asset is recognised at fair value plus eligible transaction costs.

For non-substantial modifications the Group recalculates the gross carrying amount of a financial asset based on the revised cash flows and recognises a modification loss in the consolidated statement of comprehensive income. The modified gross carrying amount is calculated by discounting the modified cash flows at the original effective interest rate. For customer loans and receivables, where the modification event is deemed to be a trigger for a significant increase in credit risk, or occurs on an asset where there were already indicators of significant increase in credit risk, the modification loss is presented together with impairment losses. In other cases, it is presented within revenue.

f) 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.

g) Write-off
Customer loans and receivables 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 of the assets, recoveries are recognised in the consolidated statement of comprehensive income within the impairment charge.

1.11.2 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. These include liabilities recognised for the expected cost of repurchasing customer loans and receivables previously sold to third parties, where a lending decision complaint has since been upheld in the customer's favour. 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 1.5 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.

Notes to the Consolidated financial statements

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.

1.12 Securitisation

The Group securitises certain 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 statement of financial position, 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 22 for further details.

Due to the potential impact of Covid-19 on asset performance in the securitisation facility, the group negotiated a waiver period on asset performance triggers, the deed of amendment was signed on 24 April 2020 which covered a three month period during the anticipated peak of the Covid-19 pandemic to 24 July 2020. On 17 August 2020 Amigo announced the further extension of the securitisation facility performance trigger waiver period to 18 December 2020. The facility size was reduced from £300m to £250m reflecting the lower funding requirement due to the pause on lending. On 27 November 2020, the Group announced it had agreed with its securitisation lenders a further extension of the waiver period end date from 18 December 2020 to 25 June 2021 to permit time for both parties to fully understand and assess the impact of Covid-19 on the business, whilst maintaining the facility. On 25 June 2021, the Group confirmed a further extension to the waiver period end date from 25 June 2021 to 24 September 2021. Given the current suspension of all new lending activity at Amigo, the size of the securitisation facility has been reduced from £250m to £100m, effective 25 June 2021. All cash generation arising from customer loans held within the facility is restricted and will continue to be used during the extended waiver period extension to further reduce the outstanding balance of the facility.

1.13 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.

1.14 Leases

IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the Group. Control is considered to exist if the Group 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.

Where control, and therefore a lease, exists, 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. Short-term assets and leases of low-value assets are expensed to the consolidated statement of comprehensive income as incurred.

i) Lease liability

All leases for which the Group is 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 consolidated statement of financial position on origination of the lease. 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 interest expense on the lease liability is to be presented as a finance cost.

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:

Notes to the Consolidated financial statements

- 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.

ii) Right-of-use asset
For each lease liability a corresponding right-of-use asset is recorded in the consolidated statement of financial position.

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. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset, with the depreciation charge presented under administrative and operating expenses. The Group's right-of-use assets relate to two property leases for offices in Bournemouth.

The Group and Company did not make any material adjustments during the year.

1.15 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 consolidated statement of financial position date. Non-monetary items carried at historical cost are translated using the exchange rate at the date of the transaction. Differences arising on translation are charged or credited to the consolidated statement of comprehensive income.

1.16 Defined contribution pension scheme
The Group operates a defined contribution pension scheme. Contributions payable to the Group's pension scheme are charged to the consolidated statement of comprehensive income on an accruals basis.

1.17 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..

1.18 Items presented separately within the consolidated statement of comprehensive income
Complaints expense and 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.

Notes to the Consolidated financial statements

2. Critical accounting assumptions and key sources of estimation uncertainty
Preparation of the financial statements requires management to make significant judgements and estimates.

Judgements
The preparation of the consolidated Group 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 consolidated statement of financial position 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 1.2.vii).
  - Multiple economic scenarios – the probability weighting of nine scenarios to the ECL calculation (note 2.1.3).
  - Application of a management overlay – due to wide scale take up of Covid-19 payment holidays, the emergence of delinquent assets (stage 2 and 3) has been temporarily delayed. A judgemental overlay has been applied to the impairment provision to approximate the potential short-term impact on the ageing of the loan book (note 2.1.4).
- IFRS 9 – modification of financial assets:
  - Assessment of Covid-19 payment holidays as a non-substantial modification (note 2.4.1).
  - Assessment of whether a modification loss is an indicator of a significant increase in credit risk (note 2.4.2).
- Complaints provisions:
  - Judgement is involved in determining whether a present constructive obligation exists and in estimating the probability, timing and amount of any outflows (note 2.3.2).
  - Following the ruling on 24 May 2021 in which the High Court did not approve the proposed Scheme of Arrangement despite the positive creditors' vote, the Board continues to consider all options for the Group, including a potential alternative Scheme of Arrangement. Significant judgement is applied in determining if there is sufficient certainty over the potential outcome of the Scheme to estimate the future complaints redress liabilities on the basis of a successful Scheme outcome (note 2.3.1).
- 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).
  - IAS 1 requires the preparation of financial statements on a going concern basis unless the Board either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. At the date of approval of these financial statements, the Board continues to consider a number of options, including a potential other Scheme of Arrangement, which represent realistic alternatives to liquidation or the cessation of trade. Hence, it has been deemed there is a reasonable expectation that the Group is a going concern. However, due to significant uncertainty around terms of a potential new Scheme and whether it would be sanctioned by the High Court, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

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).
  - Calculation of the management overlay which has been applied to the impairment provision (note 2.1.4).
- IFRS 9 – modification of financial assets:
  - Estimating the change in net present value of the projected future cashflows arising from Covid-19 payment holidays on a cohort basis (note 2.4.2).
  - Estimating expected Covid-19 payment holiday duration (note 2.4.2).
  - Estimating the change in net present value of projected future cash flows arising upon payment holiday extensions (note 2.4.2).

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- Complaints provisions:
  - 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 (note 2.3.2).
- 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).
- Valuation of the investment in subsidiaries held by parent company Amigo Holdings PLC (note 2a of Company financial statements).
- Carrying amount of current and deferred taxation assets and liabilities
  - The Group's current loss-making position and the current uncertainty over the Group's future profitability means that it is no longer considered probable that future taxable profits will be available against which to recognise deferred tax assets. No tax assets have been recognised in respect of losses in the current period (notes 10 and 11).

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.

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 and the result is discounted to the reporting date at the original EIR.

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 a customer's account. This 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 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 a 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.

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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.

The Group has offered payment holidays to customers in response to Covid-19; at the date a payment holiday is granted, the arrears status of the loan is paused for the duration of the payment holiday, up to a maximum of six months. In normal circumstances, a customer's 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 within the Group's impairment model. 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.

Covid-19 payment holidays were granted to certain customers from 31 March 2020 onwards; at the date a payment holiday is granted, the arrears status of the loan is paused for the duration of the payment holiday, up to a maximum of six months. The total population of stage 1 assets for which a Covid-19 payment holiday has been granted has been assessed from a staging perspective to determine whether there has been an indication of a significant increase in credit risk (see note 2.1.2). Where it is determined that customers applying for Covid-19 payment holidays have experienced a significant increase in credit risk the assets have been transitioned from stage 1 to stage 2 via a staging overlay.

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. Given the lack of reliable external information the range of scenarios include a variety of both severities and durations which are probability weighted. In response to the significant uncertainty around the duration and severity of the pandemic 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 (33%)	High (33%)	Extremely high (33%)
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 £82.0m if each of the nine scenarios are given a probability weighting of 100%.

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	Moderate	High	Extremely high
Three month duration	-6.2m	-4.4m	-0.9m
Six month duration	-4.7m	-1.3m	+5.3m
Twelve month duration	-2.9m	+2.4m	+12.7m

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 £6.2m. In the worst case scenario with the greatest severity assuming this deterioration continues for a duration of twelve months the ECL provision would increase by £12.7m. The scenarios above demonstrate a range of ECL provisions from £75.8m to £94.7m.

In the financial statements for the year-ended 31 March 2021 severity weightings used were 33% for moderate, high and extremely high scenarios (2020: 75%, 20% and 5%).

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.

2.1.4 Application of a management overlay to the impairment provision calculation

A significant proportion of customers have taken up Covid-19 payment holidays, many of them for the maximum duration of six months. Notwithstanding the staging overlay, the effective pause in payments and arrears status for a material cohort of customers for this duration resulted in a short-term reduction in the ageing of the loan book with fewer assets hitting the stage 2 backstop (two contractual payments past due) and stage 3 status. At 31 March 2021, the majority of payment holidays granted had concluded and, as expected, this cohort of customers has driven a material increase in the number of loans hitting the stage 2 backstop and stage 3 status. The cohorts of customers that have exited Covid-19 payment holidays to date have demonstrated a higher propensity to hit the stage 2 backstop than the cohorts of customers that have not applied for a Covid-19 payment holiday. At 31 March 2021 there remains a material cohort of customers with active Covid-19 payment holidays, for which there remains a short-term reduction in the ageing of the loan book. To address this temporary shortfall in the ageing a management overlay has been applied to uplift the stage 2 and 3 components of the provision. The management overlay estimates the possible incremental provision which required had the remaining population of active Covid-19 payment holidays demonstrated the same arrears levels as the cohort of customers that have exited payment holidays at the reporting date. As at 31 March 2021, the management overlay increased the impairment provision by £6.0m.

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 early settlements and historically have also included top-ups as they are considered derecognition events (see note 1.2v). 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 predominantly calculated 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.

2.3 Complaints provisions

2.3.1 Key judgements - Scheme of Arrangement

On 21 December 2020, the Group announced its intention to agree a Scheme of Arrangement to address customer redress claims with the aim that all customers are treated equitably. The vehicle ALL Scheme Ltd ("SchemeCo") was incorporated on 6 January 2021 and is a wholly owned subsidiary through which the Group intends to review claims and, where appropriate, pay redress to customers that have been affected as a result of historical issues in the UK business. The Group's original proposal for a Scheme of Arrangement was not sanctioned at the High Court hearing held on 24 May 2021 despite receiving support from the majority of Scheme creditors who voted.

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Subsequently the Board continues to consider all options including the pursuit of an alternative Scheme of Arrangement to the one which was not approved. It is the Board's view, in light of the anticipated alternative - a possible insolvency in which customers due redress are likely to receive no cash - that subject to further regulatory discussions, a successful alternative Scheme is achievable. However, the Directors acknowledge that the ultimate success of the Scheme is not wholly within their control not least because at the reporting date the approval of an alternative Scheme of Arrangement remains subject to reaching the key milestones of a second successful creditor vote, and a High Court sanction.

IAS 37 – Provisions, Contingent Liabilities and Contingent Assets requires that the measurement of provisions are not adjusted for future events, such as the approval of an alternative Scheme of Arrangement, unless there is sufficient objective evidence that the future event will occur. Each of the aforementioned factors are ultimately outside of the Group's control and represent a significant source of uncertainty with regard to the ultimate success of an alternative Scheme. Hence, in line with IAS 37, it has been determined that the complaints provision will be measured by calculating a total redress liability assuming that there is no scheme in place, as there is not sufficient objective evidence that the future approval of an alternative Scheme of Arrangement will occur.

2.3.2 Complaints provision – estimation uncertainty

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 certain customer-initiated complaints, using information available as at the date of signing these financial statements and the assumption that there is no Court approved Scheme of Arrangement (see note 17 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 is a wide range of possible outcomes.

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 more likely than not that customer redress will be appropriate. These key assumptions are:

- Future estimated volumes – estimates of future volumes of 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, complaints received from CMCs or complaints received directly from customers.

Following the announcement of the proposed Scheme of Arrangement on 21 December 2020 these assumptions became more challenging to estimate as customer and CMC behaviour was temporarily influenced by the proposed Scheme of Arrangement. Whilst the proposed Scheme was not sanctioned by the High Court on 19 May 2021, the creditor meeting on 12 May 2021, in which the Group received a total of 78,732 votes, provides some indication of the potential future propensity for past and present customers to raise a complaint. Whilst the vote provides a useful reference point for the potential population of future claims, this estimate remains highly uncertain. If an alternative Scheme is not successfully approved, it is unclear to what extent future complaint volumes would be impacted by increased customer awareness generated by the engagement with customers as part of the creditor vote process and increased publicity connected to the unsuccessful outcome of the first proposed Scheme, as well as any additional publicity relating to any potential future Scheme. Additionally, throughout Amigo's progress towards a Scheme, substantial work has gone into reviewing and enhancing our future claims handling methodologies, aligning with the expectations of our regulator and re-setting expectations of how claims will be assessed moving forward regardless of whether a potential new Scheme is successful.

As at 31 March 2020, the complaints provision was £117.5m; the increase of 193.3% to £344.6m at 31 March 2021 is primarily due to a 104.3% increase in volume of complaints provided for and a 43.2% increase in estimated uphold rate. Also partially contributing to the increase in FOS invoice costs from £650 to £750 each.

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The following table details the effect on the complaints provision considering incremental changes on key assumptions, should current estimates prove too high or too low. Sensitivities are modelled individually and not in combination.

	Assumption used	Sensitivity applied	Sensitivity	
Future complaint volumes[1]	88,069	+/- 5%	+57.1m	-57.1m
Average uphold rate per customer[2]	65%	+/- 20 ppts	+91.4m	-91.4m
Average redress per valid complaint[3]	£4,451	+/- £1,000	+81.1m	-81.1m

1. Future estimated volumes. Sensitivity analysis shows the impact of a 5% change in the number of complaints estimated in the provision.
2. Uphold rate. Sensitivity analysis shows the impact of a 10 percentage point change in the applied uphold rate on both the current and forward-looking elements of the provision.
3. Average redress. Sensitivity analysis shows the impact of a £1,000 change in average redress on the provision.

The table above shows the increase or decrease in total provision charge resulting from reasonably possible changes in each of the key underlying assumptions. The Board considers that this sensitivity analysis covers the full range of reasonably possible alternatives assumptions.

It is possible that the eventual outcome may differ materially from the current estimate and 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.

The complaints provision has been estimated assuming that there is no Scheme in place, as there is not sufficient objective evidence that the future approval of an alternative Scheme will occur. However, a potential future Scheme remains a plausible outcome. In this scenario, it is likely that the total redress liability would be materially lower than the amount recognised under IAS 37 because cash redress would be capped at a level approved by the Scheme creditors, which is expected to be substantially lower than the total cash liability of £240.0m included in the £344.6m provision. For example, the cash element contribution proposed under the terms of the original Scheme proposal, which was not sanctioned by the High Court, was £15.0m. The component of customer redress relating to the write down of existing loan balances would not be impacted by any potential Scheme of Arrangement. Amigo is still considering all options, of which one option is a potential alternative Scheme. The final proposed terms of a potential alternative Scheme remain unknown.

The Group has disclosed a contingent liability with respect to the FCA investigation announced on 29 May 2020. The investigation is with regards to the Group's creditworthiness assessment process, the governance and oversight of this, and compliance with regulatory requirements. The FCA investigation is covering lending for the period from 1 November 2018 to date. The Group was informed on 15 March 2021 that the FCA had decided to extend the scope of its current investigation so that it can investigate whether the Group appropriately handled complaints after 20 May 2020 and whether the Group deployed sufficient resource to address complaints in accordance with the Voluntary Requirement ("VReq") announced on 27 May 2020 and the subsequent variation announced on 3 July 2020. The FCA investigation will consider whether those complaints have been handled appropriately and whether customers have been treated fairly in accordance with Principle 6 of the FCA's Principles for Business. The Group will continue to co-operate fully with the FCA. There is significant uncertainty around the impact of this investigation on the business, the assumptions underlying the complaints provision and any future regulatory intervention. See note 17 for further details.

2.4 Modification of financial assets

2.4.1 Assessment of Covid-19 payment holidays as a non-substantial modification

From 31 March 2020, Covid-19 relief measures were formally introduced; on request, depending on their individual circumstances, initial payment holidays with durations of one, two or three months were offered. At the end of the payment holiday the customer's monthly instalments revert to the contractual instalment with the term of the loan effectively extended by the duration of the payment holiday. Following the FCA's announcement of the extension to customer payment holidays for personal loans for up to six months, the Group's payment holiday policy was revised. If a customer applied for a payment holiday extension, the payment holiday automatically renewed on a monthly basis, up to a maximum of six months.

The customer had the option to opt out and end the payment holiday at any time. For the first three months of the payment holiday no interest accruals were applied to customer balances; from four to six months interest began to accrue again on the loan. As a result of the Group's interest cap, the reintroduction of interest accruals between months four and six of a payment holiday does not increase the total interest payable by the customer over the life of the loan. Rolling monthly extensions were predominantly granted from 1 July 2020 onwards.

No capital or interest is forgiven as part of the payment holiday despite no interest accruing during the first three months of the payment holiday; the customer is still expected to repay the loan in full.

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The Group has assessed Covid-19 payment holidays from both a qualitative and quantitative perspective; the Group is not originating new assets with substantially different terms and the original asset' s contractual cash flows are deferred, leading to what is deemed a non-substantial estimated reduction in loan carrying amounts. Hence, the initial granting of a Covid-19 payment holidays is accounted for as non-substantial modification of financial assets under IFRS 9. When a customer is offered an extension to their original payment holiday up to a total of six months in length, this is considered a second non-substantial modification event. Assets have not been derecognised; instead, modification losses have been recognised in the period. The impact of Covid-19 payment holiday modifications is discussed in note 6.

2.4.2 Measurement of modification losses

The Group has estimated modification losses arising from Covid-19 payment holidays on a cohort basis. Future contractual cash flows are forecast collectively in cohorts based on the remaining contractual term. The cash flow forecasts are then further segmented by month of modification (being payment holiday start date or date of extension) and payment holiday duration.

Following the introduction of automatic rolling extension of payment holidays up to a maximum of six months, a key judgement is the expected payment holiday duration. Customers on payment holidays of one and two month initial durations can first extend to a backstop of a three month payment holiday. Should the customer apply for an extension to their original payment holiday beyond the three month backstop, the payment holiday will automatically extend on a monthly basis up to a maximum of six months unless the customer opts out. As at 31 March 2021, it has been assumed that one and two month payment holidays will extend to the three month backstop and all customer payment holidays three months and over will continue to extend to six months.

Forecast cash flows are lagged by the relevant payment holiday duration and discounted using the original effective interest rate to calculate net present value of each cohort. The difference between the net present value of the revised cash flows and the carrying value of the assets is recognised in the consolidated statement of comprehensive income as a modification loss.

Customers granted Covid-19 payment holidays are assessed for other potential indicators of SICR. 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 within the Group's impairment model (note 1.2.iii). Where the modification loss relates to customers that have been transitioned from stage 1 to stage 2 as a result of this assessment, the modification loss has been recognised as an impairment in the consolidated statement of comprehensive income.

If the customer was already in arrears, suggesting a significant increase in credit risk event prior to them being granted a payment holiday; the modification loss relating to these customers is also recognised in impairment. The remainder of the modification loss has been recognised in revenue (see note 6 for further details).

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3. Segment reporting

The Group 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 Amigo Loans International Limited) and UK businesses (the rest of the Group). The table below illustrates the segments reported in the Group's management accounts used by ExCo as the primary means for analysing trading performance. The table below presents the Group's performance on a segmental basis for the year to 31 March 2021 in line with reporting to the chief operating decision maker:

	Year to 31 Mar 21 £m UK	**Year to 31 Mar 21 £m Ireland**	**Year to 31 Mar 21 £m Total**
Revenue	**168.5**	**2.3**	**170.8**
Interest payable and funding facility fees	**(27.5)**	**-**	**(27.5)**
Interest receivable	**0.1**	**-**	**0.1**
Impairment of amounts receivable from customers	**(60.1)**	**(0.6)**	**(60.7)**
Impairment of an intercompany receivable	**(69.8)**	**-**	**(69.8)**
Administrative and other operating expenses	**(38.7)**	**(1.3)**	**(40.0)**
Complaints expense	**(318.8)**	**-**	**(318.8)**
Total operating expenses	**(357.5)**	**(1.3)**	**(358.8)**
(Loss)/profit before tax	**(346.3)**	**0.4**	**(345.9)**
Tax credit on (loss)/profit[1]	**(5.5)**	**(0.2)**	**(5.7)**
(Loss)/profit and total comprehensive (loss)/income attributable to equity shareholders of the Group	**(351.8)**	**0.2**	**(351.6)**

	31 Mar 21 £m UK	**31 Mar 21 £m Ireland**	**31 Mar 21 £m Total**
Gross loan book[2]	**419.2**	**3.7**	**422.9**
Less impairment provision	**(81.0)**	**(1.0)**	**(82.0)**
Net loan book[3]	**338.2**	**2.7**	**340.9**

1. The tax charge for Ireland is primarily reflective of the write-off of a corporation tax asset in the period. The tax charge for the UK primarily relates to the write-off of tax assets net with impact of the release of a tax provision no longer required.
2. Gross loan book represents total outstanding loans and excludes deferred broker costs.
3. Net loan book represents gross loan book less provision for impairment.

The carrying value of property, plant and equipment and intangible assets included in the consolidated statement of financial position materially all relates to the UK; hence the split between UK and Ireland has not been presented. The results of each segment have been prepared using accounting policies consistent with those of the Group as a whole.

	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)
Impairment of amounts receivable from customers	(111.8)	(1.4)	(113.2)
Administrative and other operating expenses	(54.8)	(2.3)	(57.1)
Complaints expense	(126.8)	-	(126.8)
Total operating expenses	(181.6)	(2.3)	(183.9)
(Loss) before tax	(31.4)	(2.2)	(33.6)
Tax credit on (loss)	10.1	0.3	10.4
(Loss) and total comprehensive income attributable to equity shareholders of the Group	(21.3)	(1.9)	(23.2)

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	31 Mar 20 £m UK	31 Mar 20 £m Ireland	31 Mar 20 £m Total
Gross loan book[1]	742.7	7.2	749.9
Less impairment provision	(105.4)	(1.4)	(106.8)
Net loan book[2]	637.3	5.8	643.1

1 Gross loan book represents total outstanding loans and excludes deferred broker costs.
2 Net loan book represents gross loan book less provision for impairment.

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 (see note 3 for further details).

	Year to 31 Mar 21 £m	Year to 31 Mar 20 £m
Interest under amortised cost method	**197.7**	294.2
Modification of financial assets (note 6)	**(27.2)**	-
Other income	**0.3**	-
	170.8	294.2

Other income primarily relates to income obtained following Court action in Amigo's favour.

5. Interest payable and funding facility fees

	Year to 31 Mar 21 £m	Year to 31 Mar 20 £m
Senior secured notes interest payable	**17.8**	18.2
Funding facility fees	**0.4**	1.3
Securitisation interest payable	**2.8**	6.1
Complaints provision discount unwind (note 17)	**2.0**	-
Other finance costs	**4.5**	5.1
	27.5	30.7

Non-utilisation fees within the £27.5m are £0.9m. No interest was capitalised by the Group during the period.

Funding facility fees include non-utilisation fees and amortisation of initial costs of the Group's senior secured notes.

Included within other finance costs for the period is £0.7m of written-off fees in relation to the Group's prior revolving credit facility (RCF) (31 March 2020: £2.2m). These were previously capitalised and were being spread over the expected life of the Group's RCF. The facility was cancelled in May 2020. Also included are fees relating to the Group's securitisation facility; following renegotiation of the waiver period in place over the facility on 14 August 2020 it was deemed a substantial modification of the terms of the facility occurred. Hence, all previously capitalised fees of £1.2m, relating to the facility have been written off, and subsequent fees have been charged to the consolidated statement of comprehensive income. Non-utilisation fees of the securitisation facility are also included in other finance costs.

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6. Modification of financial assets

Covid-19 payment holidays and any subsequent extensions have been assessed as non-substantial financial asset modifications under IFRS 9 (see note 2.4 for further details).

The amortised cost of loan balances pre-modification for all payment holidays granted in the year to 31 March 2021 was £268.5m. Total modification losses of £38.3m were recognised during the period, of which £30.0m was recognised in revenue and £8.3m as part of the impairment charge. £2.8m of the initial modification losses were released in the period relating to accounts that had settled, charged off or had a complaint upheld and subsequently no longer required a modification. Hence, total modification losses as at 31 March 2021 recognised within the consolidated statement of comprehensive income are £35.5m the remaining loss applied to the gross loan book at the year-end is £14.0m (see note 12).

The majority of payment holidays were granted in the first half of the year, with modification losses recognised for current payment holiday extensions and new payment holidays granted in each subsequent quarter. The modification losses represent the change in the gross carrying amounts (i.e. before impairment allowance) of the financial assets. The net impact of modification on the ECL allowances associated with these assets as at 31 March 2021 was a charge of £6.8m being modification losses of £8.3m offset with a £1.5m decrease in impairment caused by reduced post-modification carrying amounts (see note 12 for loan loss provision reconciliation).

Of the £268.5m amortised cost of loan balances that were non-substantially modified in the year, the gross carrying amount for which twelve month ECLs were applied and calculated was £205.7m whilst the carrying amount where lifetime ECLs were applied was £62.8m. Where the modification losses relate to customer loans that have been transitioned from stage 1 to stage 2 within the Group's impairment model (see note 1.2.iii for staging criteria), the modification losses have been recognised as an impairment in the consolidated statement of comprehensive income. The remainder of the modification losses have been recognised in revenue.

	Year to 31 Mar 21 £m	Year to 31 Mar 20 £m
Modification (loss) recognised in revenue	**(27.2)**	-
Modification (loss) recognised in impairment	**(8.3)**	-
Total modification (loss)	**(35.5)**	-

7. Operating expenses

	Year to 31 Mar 21 £m	Year to 31 Mar 20 £m
Advertising and marketing	**0.4**	14.5
Credit scoring costs	**1.7**	3.2
Communication costs	**1.1**	2.6
Employee costs (note 8)	**21.1**	18.0
Legal and professional fees	**8.9**	4.7
Print, post and stationery	**0.8**	3.5
Non-interest related bank charges	**1.2**	2.0
Other[1]	**4.8**	8.6
	40.0	57.1

Other operating expenses include:	**Year to 31 Mar 21 £m**	Year to 31 Mar 20 £m
Fees payable to the Company's auditor and its associates for:		
– audit of these financial statements	**-**	-
– audit of financial statements of subsidiaries	**0.7**	0.3
– audit-related assurance services[2]	**-**	0.2
Depreciation of PPE	**1.1**	0.5
Depreciation and interest expense on leased assets	**0.3**	0.3
Defined contribution pension cost	**0.6**	0.6

1. Other costs have decreased largely due to a reduction in all operations throughout the year as lending has been paused throughout the Covid-19 pandemic.
2. Other assurance services include interim reviews of quarterly financial statements.

Notes to the Consolidated financial statements

8. Employees

	Year to 31 Mar 21 £m	Year to 31 Mar 20 £m
Wages and salaries	**16.6**	15.2
Social security costs	**2.0**	1.7
Cost of defined contribution pension scheme/salary in lieu of pension (note 21)	**0.6**	0.6
Share-based payments (note 20)	**0.3**	0.5
Restructuring provision[1] (note 17)	**1.0**	-
Other (termination payments)	**0.6**	-
	21.1	18.0

1 The restructuring provision relates to expected costs of staff redundancies – see note 17 for further details.

The average monthly number of employees employed by the Group (including the Directors) during the year, analysed by category, was as follows:

Employee numbers	**Year to 31 Mar 21 UK**	**Year to 31 Mar 21 Ireland**	**Year to 31 Mar 21 Total**	Year to 31 Mar 20 UK	Year to 31 Mar 20 Ireland	Year to 31 Mar 20 Total
Operations	**305**	**13**	**318**	266	14	280
Support	**103**	**6**	**109**	121	4	125
	408	**19**	**427**	387	18	405

Operations roles are customer supporting roles such as pay-out, collections and complaints handling teams. Support teams include but are not limited to: IT, HR, finance and legal.

Average headcount increased by 22 reflecting the Group's focus on collections, Covid-19 payment holiday support and complaints handling throughout the year. Amigo's customer loans and receivables balance has reduced from £663.6m to £350.6m year-on-year (note 12). This decline has led to changes in resource requirements across several areas of the business; hence, a restructuring provision has been recognised for the expected cost of redundancies announced on both the 25 February 2021 and 31 March 2021.

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, and reasons explaining the year-on-year increase in remuneration are included in the Directors' Remuneration Report within the Amigo Holdings PLC's annual report.

	Year to 31 Mar 21 £m	Year to 31 Mar 20 £m
Key management emoluments including social security costs	**1.8**	1.4
Company contributions to defined contribution pension schemes/salary in lieu of pension	**-**	-
Termination payments	**0.4**	-
	2.2	1.4

During the year retirement benefits were accruing for three Directors (2020: two) in respect of defined contribution pension schemes.

The highest paid Director in the current year received remuneration of £766,691 inclusive of national insurance payments, of which £319,350 related to loss of office payments (2020: £520,704 inclusive of national insurance payments).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £nil due to an election being made for payment in lieu of pension (2020: £2,580).

Notes to the Consolidated financial statements

10. Taxation

The applicable corporation tax rate for the period to 31 March 2021 was 19.0% (2020: 19.0%) and the effective tax rate is negative 1.6% (2020: (31.0)%). The Group previously recognised a deferred tax asset in respect of the transition from IAS 39 to IFRS 9 relating to tax deductions available against future taxable profits for a period of 10 years from transition. The Group's current loss-making position and the current uncertainty over the Group's future profitability means that it is no longer considered probable that future taxable profits will be available against which to recognise deferred tax assets. Consequently, no tax assets have been recognised in respect of losses in the current period and a tax charge has been recognised in the period primarily relating to the write-off of the existing deferred tax asset.

Amigo received tax refunds totalling £23.6m from HMRC during the period increasing the cash position and reducing net borrowings respectively. £7.1m of the refund relates to loss relief for carried back losses, and the remainder relates to repayment of prior payments on account.

	Year to 31 Mar 21 £m	Year to 31 Mar 20 £m
Corporation tax		
Current tax on (loss) for the year	**0.5**	(7.1)
Adjustments in respect of previous periods	**(1.2)**	(3.4)
Total current tax charge/(credit)	**(0.7)**	(10.5)
Deferred Tax		
Origination and reversal of temporary differences	**(0.1)**	0.9
Adjustments in respect of prior periods	**6.5**	(0.1)
Effect of change in tax rate	**-**	(0.7)
Taxation on charge/(credit on (loss)	**5.7**	(10.4)

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 21 £m	Year to 31 Mar 20 £m
(Loss) before tax	**(345.9)**	(33.6)
(Loss) before tax multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	**(65.8)**	(6.4)
Effects of:		
Expenses not deductible for tax purposes	**13.2**	0.1
Transfer pricing adjustments	**0.1**	0.1
Adjustments to tax charge in respect of prior periods	**5.3**	(3.6)
Effect of tax rate change	**-**	(0.7)
Current-year losses for which no deferred tax asset is recognised	**52.9**	-
Total tax charge/(credit) for the year	**5.7**	(10.4)
Effective tax charge	**(1.6)%**	(31.0)%

The UK corporation tax rate was proposed in the Budget announcement on 31 March 2021 to increase from 19.0% to 25.0% by 1 April 2023. This change has not been enacted at the date of signing.

It was also announced that it will be possible to carry back losses against profits incurred in the three years leading up to the period in which the loss was incurred, rather than the current one year; there will be a £2.0m cap on the amount that can be carried back more than one year for each relevant accounting period in which a loss is made, which will apply on a Group basis. Therefore, once this change in legislation is enacted, the Group will recognise a current tax asset of approximately £0.4m relating to carrying back current year losses against FY18/19 profits.

Notes to the Consolidated financial statements

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. The Group's current loss-making position and the current uncertainty over the Group' s future profitability means that it is no longer considered probable that future taxable profits will be available against which to recognise deferred tax assets. 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.

	Year to 31 Mar 21 £m	Year to 31 Mar 20 £m
At 31 March 2020 / 31 March 2019	**6.6**	6.7
Adjustments in respect of prior periods	**-**	0.1
Restated opening at 1 April 2019	**6.6**	6.8
Charge) to the Consolidated Statement of Comprehensive Income	**(6.6)**	(0.2)
At 31 March 2021 / 31 March 2020	**-**	6.6

The deferred tax (liability)/asset is made up as follows:

	Year to 31 Mar 21 £m	Year to 31 Mar 20 £m
Short-term timing differences	**-**	(0.1)
IFRS 9 transitional adjustments	**-**	6.7
	-	6.6

1 The deferred tax asset in the prior year arose 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.

Notes to the Consolidated financial statements

12. 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.

Customer loans and receivables	**Year to 31 Mar 21 £m**	Year to 31 Mar 20 £m
Stage 1	**311.5**	601.1
Stage 2	**61.4**	106.8
Stage 3	**50.0**	42.0
Gross loan book	**422.9**	749.9
Deferred broker costs[1] – stage 1	**7.2**	16.5
Deferred broker costs[1] – stage 2	**1.4**	2.9
Deferred broker costs[1] – stage 3	**1.1**	1.1
Loan book inclusive of deferred broker costs	**432.6**	770.4
Provision[2]	**(82.0)**	(106.8)
Customer loans and receivables	**350.6**	663.6

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.
2. Included within the provision is a judgemental management overlay of £6.0m (see note 2.1.4 for further details).

As at 31 March 2021, £180.3m 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 (2020: £309.2m). See note 23 for further details of this structured entity.

Ageing of gross loan book (excluding deferred brokers fees and provision) by days overdue:

	Year to 31 Mar 21 £m	Year to 31 Mar 20 £m
Current	**315.5**	606.8
1-30 days	**41.4**	83.5
31-60 days	**16.0**	17.6
>61 days	**50.0**	42.0
Gross loan book	**422.9**	749.9

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 ending 31 March 2021	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**
Gross Carrying amount as at 1 April 2020	**601.1**	**106.8**	**42.0**	**749.9**
Deferred brokers fees	**16.5**	**2.9**	**1.1**	**20.5**
Loan book inclusive of deferred broker costs as at 1 April 2020	**617.6**	**109.7**	**43.1**	**770.4**
Changes in gross carrying amount attributable to:				
Transfer of loans receivable to stage 1	16.0	(15.6)	(0.4)	-
Transfer of loans receivable to stage 2	(31.2)	32.1	(0.9)	-
Transfer of loans receivable to stage 3	(34.7)	(11.0)	45.7	-
Passage of time[1]	(82.9)	(12.9)	2.0	(93.8)
Customer settlements	(121.6)	(13.0)	(2.7)	(137.3)
Loans charged off	(21.9)	(24.7)	(35.5)	(82.1)
Modification loss relating to Covid-19 payment holidays (note 6)	(13.5)	(0.3)	(0.2)	(14.0)
Net new receivables originated	0.2	-	-	0.2
Net movement in deferred broker fees	(9.3)	(1.5)	-	(10.8)
Loan book inclusive of deferred broker costs as at 31 March 2021	**318.7**	**62.8**	**51.1**	**432.6**

Notes to the Consolidated financial statements

Year ending 31 March 2020	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross carrying amount as at 1 April 2019	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 as at 1 April 2019	701.6	71.9	30.4	803.9
Changes in gross carrying amount attributable to:				
Transfer of loans receivable to Stage 1	10.1	(9.9)	(0.2)	-
Transfer of loans receivable to Stage 2	(57.7)	57.9	(0.2)	-
Transfer of loans receivable to Stage 3	(22.4)	(5.2)	27.6	-
Passage of time[1]	(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 at 31 March 2020	617.6	109.7	43.1	770.4

1. Passage of time relates to amortisation of loan balances over the course of the financial year, due to cash payments partially offset by interest accruals.

As shown in the table above, the loan book inclusive of deferred broker cost decreased from £770.4m to £432.6m at 31 March 2021. This was primarily driven by the effect of passage of time (loan balances amortising throughout the period), customer settlements and minimal originations in the year.

The following tables explain the changes in the loan loss provision between the beginning and the end of the period:

Year ending 31 March 2021	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Loan loss provision as at 31 March 2020	**55.1**	**20.1**	**31.6**	**106.8**
Changes in loan loss provision attributable to:				
Transfer of loans receivable to stage 1	1.4	(2.3)	(0.3)	(1.2)
Transfer of loans receivable to stage 2	(2.8)	10.6	(0.7)	7.1
Transfer of loans receivable to stage 3	(3.1)	(2.3)	34.4	29.0
Passage of time[1]	(7.6)	(1.7)	1.5	(7.8)
Customer settlements	(11.1)	(2.4)	(2.2)	(15.7)
Loans charged off	(2.2)	(7.6)	(26.4)	(36.2)
Management overlay (note 2.1.4)	(0.5)	1.3	5.2	6.0
Modification loss relating to Covid-19 payment holidays (note 6)	(1.2)	(0.2)	(0.1)	(1.5)
Net new receivables originated	-	-	-	-
Remeasurement of ECLs	(7.0)	(1.4)	3.9	(4.5)
Loan loss provision as at 31 March 2021	21.0	14.1	46.9	82.0

Year ending 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 of loans receivable to stage 1	0.4	(2.5)	(0.2)	(2.3)
Transfer of loans receivable to stage 2	(2.5)	14.3	(0.2)	11.6
Transfer of loans receivable to stage 3	(0.9)	(1.3)	26.8	24.6
Passage of time[1]	(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

1. Passage of time relates to amortisation of loan balances over the course of the financial year, due to cash payments partially offset by interest accruals.

Notes to the Consolidated financial statements

As shown in the above tables, the allowance for ECL decreased from £106.8m at 31 March 2020 to £82.0m at 31 March 2021. The overall provision has reduced in line with the amortisation of the loan book in the absence of any meaningful originations.

The following table splits the gross loan book by arrears status, and then by stage respectively for the year ended 31 March 2021.

	Stage 1 £m	**Stage 2 £m**	**Stage 3 £m**	**Total £m**
Up to date	289.2	26.3	-	315.5
1-30 days	22.3	19.1	-	41.4
31-60 days	-	16.0	-	16.0
>60 days	-	-	50.0	50.0
	311.5	61.4	50.0	422.9

Net modification losses of £35.5m have been recognised in the year due to the impact of granting Covid-19 payment holidays (see notes 2.4 and 6 for further details). As at 31 March 2021, £14.0m of the recognised losses remain. £10.5m of this relates to up to date accounts, £3.0m to 1-30 days, £0.3m to 31-60 days and £0.2m to >60 days.

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 further explains changes in the net carrying amount of loans receivable from customers to explain their significance to the changes in the loss allowance for the same portfolios.

	Year to 31 Mar 21 £m	Year to 31 Mar 20 £m
Customer loans and receivables		
Due within one year	**218.9**	353.8
Due in more than one year	**122.0**	289.3
Net loan book	**340.9**	643.1
Deferred broker costs[1]		
Due within one year	**6.2**	13.3
Due in more than one year	**3.5**	7.2
Customer loans and receivables	**350.6**	663.6

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

Notes to the Consolidated financial statements

13. 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. 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-21		31-Mar-20	
	Fair value hierarchy	**Carrying amount £m**	**Fair Value £m**	Carrying amount £m	Fair Value £m
Financial assets not measured at fair value1					
Amounts receivable from customers[2]	Level 3	**350.6**	**340.6**	663.6	620.7
Amounts owed by Group entities	Level 3	**-**	**-**	1.3	1.3
Other receivables	Level 3	**1.6**	**1.6**	62.2	62.2
Other financial assets	Level 1	**6.3**	**6.3**	-	-
Cash and cash equivalents	Level 1	**177.9**	**177.9**	64.3	64.3
		536.4	**526.4**	791.4	748.5
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]		**31-Mar-21**		31-Mar-20	
Other liabilities	Level 3	**(15.7)**	**(15.7)**	(12.6)	(12.6)
Senior secured notes[3]	Level 1	**(232.1)**	**(187.6)**	(231.3)	(165.7)
Securitisation facility	Level 2	**(64.4)**	**(64.5)**	(230.0)	(238.6)
Bank loans	Level 2	**-**	**-**	0.7	0.7
		(312.2)	**(267.8)**	(473.2)	(416.2)

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. As expected credit losses are embedded in the calculation, this results in a fair value lower than the carrying amount.
3. Senior secured notes are presented in the financial statements net of unamortised fees. As at 31 March 2021, the gross principal amount outstanding was £234.1m. The fair value reflects the market price of the notes at the financial year end.

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 fair value through profit or loss (FVTPL).

The fair value of the securitisation facility is estimated in the current year using a net present value calculation using discount rates derived from contractual interest rates, with cash flows assuming weekly principal repayments in line with the terms of the waiver on the facility, until the date the facility is forecasted to be repaid in full. The prior year calculation assumed no principal repayments occurred until the maturity date.

Notes to the Consolidated financial statements

The Group's activities expose it to a variety of financial risks, which can be categorised as credit risk, conduct 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 or a bank counterparty. A default occurs when the customer or bank fails to honour repayments as they fall due.

a) Amounts receivable from customers
Whilst Amigo currently has only a single product in a single market, there is a limited concentration of risk to individual customers with an average customer balance outstanding of £3,110 (2020: £3,378). 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 can be paid out. As a separate exercise using the knowledge and data from its 16 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.

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 exposure at origination has been minimal in the year due to a pause on new lending due to the uncertainty surrounding the Covid-19 pandemic being in place for the majority of the financial year.

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. We will contact the borrower and guarantor from day one to advise them of the missed payment and seek to agree a resolution with the borrower. If we're unable to resolve with the borrower, then we will turn to the guarantor for payment after 14 days. Should Amigo be unable to work with either the borrower or guarantor in considering potential payment plans. 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 have historically been designed to test new criteria and relationships that allow the Group to lend to applicants who would have been rejected under the core scorecards, thereby increasing the scope of individuals that the Group can help access affordable finance, who otherwise would be unable to access credit from mainstream providers. The credit loss history for each lending pilot is intrinsically 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 2021 and 31 March 2020, the mix of business within the categories was as follows:

Consolidated Statement of Financial Position	**Year to 31 Mar 21 £m**	Year to 31 Mar 20 £m
Gross book value arising from originations with homeowner	**172.7**	305.2
Gross book value arising from originations with non-homeowner	**195.7**	342.4
Gross book value arising from originations from lending pilots	**54.5**	102.3
	422.9	749.9

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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 2021, on a volume basis 7.3%, 0.3%, 8.5% and 0.3% of the gross loan book were on Covid-19 payment holidays, breathing space, long-term and short-term payment plans respectively (2020: 0%, 1.7%, 4.8% and 0.4%).

Originations were minimal in the year due to a pause in all new lending, except to key workers (all stopped in November 2020), driven by uncertainty surrounding the Covid-19 pandemic and increased focus on resolving complaints related issues. Originations relating to the circumstances monitored are as follows:

Lending originations	**Year to 31 Mar 21 £m**	Year to 31 Mar 20 £m
New origination with homeowner guarantor	**0.1**	81.6
New origination with non-homeowner guarantor	**0.1**	136.4
Repeat origination with homeowner guarantor	**0.1**	35.0
Repeat origination with non-homeowner guarantor	**0.1**	47.6
Lending pilots	**-**	46.8
	0.4	347.4

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. Covid-19 payment holidays were granted to certain customers from 31 March 2020 onwards; at the date a payment holiday is granted, the arrears status of the loan is paused for the duration of the payment holiday, up to a maximum of six months. In the year, Covid-19 payment holidays were granted to a total of over 66,000 customers, with around 10,000 active payment holidays as at 31 March 2021. The cohorts of customers that have exited Covid-19 payment holidays to date have demonstrated a higher propensity to experience a significant increase in credit risk event than the cohorts of customers that have not applied for a Covid-19 payment holiday. Further details can be found in notes 2.1.4, 2.4 and 12.

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. This risk is deemed to be low; derivative financial instruments held are immaterial to the Group, and cash deposits are only placed with high quality counterparties such as tier 1 bank institutions.

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 certain customer loans and receivables to a securitisation vehicle. In accordance with the accounting policy set out in note 1.12, the transferred customer loans and receivables continue to be recognised in their entirety as Amigo 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 23 for further details on the structure. Risks retained include credit risk, repayment risk and late payment risk.

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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, where 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 facility size reduced from £300m to £250m on 14 August 2020. Due to the potential impact of Covid-19 on asset performance in the securitisation facility, the group negotiated a waiver period on asset performance triggers, the deed of amendment was signed on 24 April 2020 which covered a three month period during the anticipated peak of the Covid-19 pandemic to 24 July 2020. On 17 August 2020 Amigo announced the further extension of the securitisation facility performance trigger waiver period to 18 December 2020. The facility size was reduced from £300m to £250m reflecting the lower funding requirement due to the pause on lending. On 27 November 2020, the Group announced it had agreed with its securitisation lenders a further extension of the waiver period end date from 18 December 2020 to 25 June 2021 to permit time for both parties to fully understand and assess the impact of Covid-19 on the business, whilst maintaining the facility. On 25 June 2021, the Group confirmed a further extension to the waiver period end date from 25 June 2021 to 24 September 2021. Given the current suspension of all new lending activity at Amigo, the size of the securitisation facility has been reduced from £250m to £100m, effective 25 June 2021. All cash generation arising from customer loans held within the facility is restricted and will continue to be used during the extended waiver period extension to further reduce the outstanding balance of the facility. At the period end, the Group had £6.3m of restricted cash which was subsequently used to reduce the drawn down balance. Any customer loan agreement with an upheld complaint held within the securitisation vehicle is repurchased for cash of equivalent value. The amount drawn on the facility has fallen from £230.0m net of unamortised fees to £64.4m at 31 March 2021.

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 primarily 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.

AMGO 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 2021	**180.3**	**64.4**	**161.6**	**64.5**	**97.1**
As at 31 March 2020	309.2	231.7	276.7	238.6	38.1

Conduct risk
Conduct risk is the risk that inappropriate lending practices and decisions may potentially result in unaffordable debt for Amigo customers, with the potential for vulnerable customers or those facing financial difficulty to not be identified correctly and treated fairly. Amigo recognises that the potential for vulnerability of its target market poses higher than average risk but believes that the most effective mitigation is based in corporate culture, instilling a customer oriented mindset in all employees, with measures put in place to identify and work carefully with vulnerable customers. Amigo's culture is customer focused with risk management that continues to develop in line with evolving regulation and industry best practice. See the principal risks and uncertainties section in Amigo Holdings PLC's annual report for further details. See note 17 for further details on the Group's complaints provision.

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, for example, due to inflation. 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 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 (2020: 1.6% over LIBOR). A 1% increase in LIBOR based on the funds utilised at the year end equates to an annual charge of £0.6m (2020: £2.3m).

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In aggregate, a 1% increase in LIBOR would equate to an annual charge of £0.6m based on year-end borrowings (2020: £2.3m). The move from LIBOR to SONYA is not expected to be material to the financial statements; once the securitisation facility is fully paid down there will be no impact of this change.

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 as at 31 March 2021.

Amounts receivable from customers are charged at 49.9% APR over a period of one to five years.

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 US Dollar 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 2021, the Irish net loan book represents 0.8% of the Group's consolidated net loan book (2020: 0.9%). A 5% movement in the Sterling to Euro exchange rate would have led to a +/-£0.2m movement in customer receivables (2020: +/- £0.3m). 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 unrestricted cash and cash equivalents balance at 31 March 2021 was £177.9m, indicating low liquidity risk in the short to medium term.

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.

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. Amigo announced on 19 October 2020, that the Group had entered into an Asset Voluntary Requirement ("Asset VReq") with the FCA. The Asset VReq does not impact the day to day running of Amigo or its ability to continue to pay down debt. The Asset VReq means that prior approval by the FCA will be required to permit the transfer of assets outside of the Group in certain circumstances, including discretionary cash payments to the Directors of the Company and dividends to shareholders. The Board continues to be focused on addressing Amigo's legacy issues, restoring confidence in its corporate governance and building a sustainable business for the long term.

Maturity analysis of financial liabilities

	Year to 31 Mar 21 £m	Year to 31 Mar 20 £m
Analysed as:		
- due within one year		
Other liabilities	**(15.7)**	(12.6)
Securitisation facility	**(64.4)**	-
- due in two to three years		
Securitisation facility	**-**	(230.0)
Senior secured notes	**(232.1)**	
- due in three to four years		
Senior secured notes	**-**	(231.3)
- due in five or more years		
Bank loans	**-**	0.7
	(312.2)	(473.2)

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Maturity analysis of contractual cash flows of financial liabilities

	0-1 year	2-5 years	Total	Carrying amount
As at 31 March 2021	**£m**	**£m**	**£m**	**£m**
Other liabilities	**15.7**	**-**	**15.7**	**15.7**
Securitisation facility	**64.4**	**-**	**64.4**	**64.4**
Senior secured notes	**17.9**	**269.8**	**287.7**	**232.1**
	98.0	**269.8**	**367.8**	**312.2**

	0-1 year	2-5 years	Total	Carrying amount
As at 31 March 2020	**£m**	**£m**	**£m**	**£m**
Other liabilities	12.6	-	12.6	12.6
Senior secured notes	17.9	287.7	305.6	231.3
Securitisation facility	-	231.7	231.7	230.0
	30.5	519.4	549.9	473.9

14. Other receivables

	Year to 31 Mar 21	Year to 31 Mar 20
Current	**£m**	£m
Amounts owed by Group undertakings	**-**	62.2
Prepayments and accrued income	**1.1**	1.3
Other receivables	**0.5**	-
	1.6	63.5

Amounts owed by Group undertaking relates to an intercompany balance with Amigo Holdings PLC, which has been fully impaired in the year.

15. Trade and other payables

	Year to 31 Mar 21	Year to 31 Mar 20
Current	**£m**	£m
Accrued senior secured note interest	**3.7**	3.7
Trade payables	**0.5**	0.8
Taxation and social security	**0.8**	0.7
Accruals and deferred income	**8.9**	7.4
Other creditors	**1.8**	-
	15.7	12.6

Notes to the Consolidated financial statements

16. Bank and other borrowings

	Year to 31 Mar 21 £m	Year to 31 Mar 20 £m
Current and non-current liabilities		
Amount falling due in less than 2 years		
Securitisation facility	**64.4**	-
Amounts falling due 2-3 years		
Senior secured notes	**232.1**	-
Securitisation facility	-	230.0
Amounts falling due 3-4 years		
Senior secured notes	-	231.3
Amounts falling due >5 years		
Bank loan	-	(0.7)
	296.5	460.6

Below is a reconciliation of the Groups borrowing liabilities from 31 March 2021:

	£m
As at 31 March 2020	460.6
Repayment of external funding	(167.2)
Interest expense relating to Group borrowings	22.2
Interest paid relating to Group borrowings	(19.1)
As at 31 March 2021	**296.5**

The Group's facilities are:

- A £250m revolving securitisation facility, of which £64.4m was drawn down at 31 March 2021 (2020: £230.0m net of unamortised fees). 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 relevant floating interest rate is LIBOR, which was 0.05% at 31 March 2021 (2020: 0.25%). This relates to the structured entity discussed in note 23.

- The facility size reduced from £300m to £250m on 14 August 2020. The facility renegotiations were deemed to cause a substantial modification of the facility, meaning £1.2m of previously capitalised fees and all subsequent fees have been charged to the consolidated statement of comprehensive income (see note 5). On 27 November 2020 the Group announced an agreement had been reached to extend the securitisation facilities performance trigger waiver period to 25 June 2021. On 25 June 2021, the Group confirmed the waiver period had been extended from 25 June 2021 to 24 September 2021. Given the current suspension of all new lending activity at Amigo, the size of the securitisation facility has been reduced from £250m to £100m, effective 25 June 2021. All cash generation arising from customer loans held within the facility is restricted and will continue to be used during the extended waiver period extension to further reduce the outstanding balance of the facility. As at 31 March 2021, £6.3m restricted cash on the consolidated statement of financial position materially relates to the cash which has subsequently been used to reduce the drawn down balance. Any agreement with an upheld complaint within the securitisation vehicle is repurchased for cash of equivalent value.

- Senior secured notes in the form of £232.1m high yield bonds with a coupon rate of 7.625% which expire in January 2024 (2020: £231.3m). The senior secured notes are presented in the financial statements net of unamortised fees. As at 31 March 2021, 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 £50.0m in May 2017 and again for £75m in September 2017 at a premium of 3.8%. £165.9m of notes have been repurchased in the open market in prior financial years (2020: £85.9m; 2019: £80.0m) – this debt was extinguished in line with the accounting policy set out in note 1.11.2.

- The bank loan relates to the Group's prior revolving credit facility, which was cancelled on 27 May 2020; this resulted in £0.7m of capitalised fees being charged to the consolidated statement of comprehensive income (see note 5).

- 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 26 for detail of subsidiaries.

Notes to the Consolidated financial statements

17. Provisions

Provisions are recognised for present obligations arising as the consequence 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.

	2021			2020		
	Complaints £m	**Restructuring £m**	**Total £m**	Complaints £m	Restructuring £m	Total £m
Balance as at 31 March 2020	**117.5**	**-**	**117.5**	-	-	-
Provisions made during year	**318.8**	**1.0**	**319.8**	126.8	-	126.8
Discount unwind (note 5)	**2.0**	**-**	**2.0**	-	-	-
Utilised during the year	**(93.7)**	**-**	**(93.7)**	(9.3)	-	(9.3)
Closing provision	**344.6**	**1.0**	**345.6**	117.5	-	117.5
Non-current	**-**	**-**	**-**	11.8	-	11.8
Current	**344.6**	**1.0**	**345.6**	105.7	-	105.7
	344.6	**1.0**	**345.6**	117.5	-	117.5

Customer complaints redress

As at 31 March 2021, the Group has recognised a complaints provision totalling £344.6m in respect of customer complaints redress and associated costs. Utilisation in the period totalled £93.7m. Our lending practices have been subject to significant shareholder, regulatory and customer attention, which, combined with the pursuit of a Scheme, has resulted in an increase in the number of complaints received. A charge of £318.8m was recognised in the year to 31 March 2021.

The current provision reflects the estimate of the 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 at the reporting date, and secondly a provision for the projected costs of potential future complaints where it is considered more likely than not that customer redress will be appropriate. The engagement with customers and increased publicity of complaints in connection the proposed Scheme and the accompanying creditor vote process, as well as ongoing publicity relating to any potential future Scheme, is expected to result in an acceleration in the timing of claims versus our prior year assumptions. Consequently, in the current year, the complaints provision is classified as a current liability.

There is significant uncertainty around the emergence period for complaints, in particular the impact of customer communications in connection with the unsuccessful Scheme of Arrangement and any potential alternative Scheme of Arrangement and the activities of claims management companies; both of which could significantly affect complaint volumes, uphold rates and redress costs. It is possible that the eventual outcome may differ materially from current estimates which could materially impact the financial statements as a whole, given the Group's only activity is guarantor-backed consumer credit. 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.

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.

Restructuring provision

As at 31 March 2021, the Group recognised a restructuring provision totalling £1.0m in respect of the expected cost of staff redundancies. Prior to the end of the year, the Group had announced the expected redundancies to those affected and started to implement the redundancy process.

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Contingent liability

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 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.

The Group was informed on 15 March 2021 that the FCA has decided to extend the scope of its current investigation so that it can investigate whether the Group appropriately handled complaints after 20 May 2020 and whether the Group deployed sufficient resource to address complaints in accordance with the Voluntary Requirement ("VReq") announced on 27 May 2020 and the subsequent variation announced on 3 July 2020.

The FCA investigation will consider whether those complaints have been handled appropriately and whether customers have been treated fairly in accordance with Principle 6 of the FCA's Principles for Business. The Group will continue to co-operate fully with the FCA.

Such investigations take an average of two years to conclude from the commencement date. 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 in the absence of a successful Scheme of Arrangement. Should the FCA mandate this review it is possible that the cost of such an exercise will exceed the Group's available resources. The potential impact of the investigation on the business is unpredictable and unquantifiable.

18. Leases

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. Short-term and low-value leases are immaterial to the Group.

	2021 £m	2020 £m
Right of use assets		
Cost		
At 1 April 2020/ 1 April 2019 (on IFRS 16 adoption)	**1.4**	0.7
Additions	**-**	0.7
At 31 March 2021/2020	**1.4**	1.4
Accumulated depreciation and impairment		
As at 1 April 2020/2019	**(0.3)**	(0.1)
Charged to consolidated statement of other comprehensive income	**(0.1)**	(0.2)
At 31 March 2021/2020	**(0.4)**	(0.3)
Net book value at 31 March 2021/2020	**1.0**	1.1

Lease liabilities	**Year to 31 Mar 21 £m**	Year to 31 Mar 20 £m
Current	**0.3**	0.3
Non-current	**0.9**	1.1
Total[1]	**1.2**	1.4

1 Lease liabilities following 31 March 2021 have been re-estimated in the year, giving an immaterial increase in the liability from £1.1m to £1.2m.

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A maturity analysis of the lease liabilities is shown below:

	Year to 31 Mar 21 £m	Year to 31 Mar 20 £m
Due within one year	**0.3**	0.3
Due between one and five years	**0.8**	0.9
Due in more than five years	**0.3**	0.4
Total	**1.4**	1.6
Unrecognised finance cost	**(0.2)**	(0.2)
Total	**1.2**	1.4

In the year £0.3m (£0.1m in relation to depreciation and impairment and £0.2m in relation to interest expense) was charged to the consolidated statement of comprehensive income in relation to leases (2020: £0.3m). Lease liabilities relate to Amigo's offices in Bournemouth.

19. Share capital

	Year to 31 Mar 21 £'000	Year to 31 Mar 20 £'000
Allotted and called up shares at par value		
1,000 Ordinary shares of £1 each	**1**	1

During the current and prior year the Company issued no shares.

20. Share-based payment

The Group issues share options and awards to employees as part of its employee remuneration packages. The Group operates three types of equity settled share scheme: Long Term Incentive Plan (LTIP), employee savings-related share option schemes 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 by the Group as an 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 is charged to the consolidated statement of comprehensive income on a straight-line basis over the vesting period of the underlying option/award.

During the year a second SAYE scheme was launched and an additional five individuals received LTIP awards over three dates (two individuals on 1 December 2020, two individuals on 26 February 2021 and one individual on 1 March 2021). Two LTIPs were awarded in the prior year.

The charge to the consolidated statement of comprehensive income for the year to 31 March 2021 was £0.3m (2020: £0.5m) for the Group and Company.

A summary of the awards under each scheme is set out below:

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A summary of the awards under each scheme is set out below:

	31 March 2021				31 March 2020	
	February/March 2021 LTIP	**December 2020 LTIP**	**September 2019 LTIP**	**July 2019 LTIP**	September 2019 LTIP	July 2019 LTIP
Performance condition	**Y**	**Y**	**Y**	**Y**	Y	Y
Method of settlement accounting	**Equity**	**Equity**	**Equity**	**Equity**	Equity	Equity
Number of instruments	**4,000,000**	**14,250,000**	**1,364,397**[1]	**-**[1]	3,217,761[2]	620,655[2]
Vesting period	**3 years**	**3 years**	**3 years**	**3 years**	3 years	3 years
Exercise price	**-**	**-**	**-**	**-**	-	-

	31 March 2021		31 March 2020
	October 2020 SAYE	**September 2019 SAYE**	2019 SIP
Performance condition	**N**	**N**	N
Method of settlement accounting	**Equity**	**Equity**	Equity
Number of instruments	**4,812,846**	**107,959**[3]	1,049,535
Vesting period	**3.3 years**	**3.3 years**	3.3 years
Exercise price	**0.097**	**0.6368**	0.6368

	31 March 2021	31 March 2020
	2019 SIP	2019 SIP
Performance condition	**N**	N
Method of settlement accounting	**Equity**	Equity
Number of instruments	**1,577,758**[4]	269,004[2]
Vesting period	**3 years rolling**	3 years rolling
Exercise price	**-**	-

1 Number of instruments has reduced since the prior year as a result of share scheme forfeiture in respect of leavers, including the former Chief Executive Officer and Chief Financial Officer.
2 Number of instruments for prior year have been restated. 2019 September LTIP figure has been updated from 3,215,761 to 3,217,761, 2019 July LTIP from 620,645 to 620,655 and 2019 SIP from 249,356 to 269,004.
3 As at the reporting date, adjusted for known leavers.
4 This figure includes both matching and partnership shares.

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Long Term Incentive Plans (LTIPs)

The LTIPs awards were made on 1 March 2021, 26 February 2021, 1 December 2020, 11 September 2019 and 26 July 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. These options are nil-cost to the employee only. The fair value of the share plans is recognised by the Group as an expense over the expected vesting period with a corresponding entry to retained earnings, net of deferred tax. The participants are required to hold any shares arising at vesting, for a period of 2 years following the end of the performance period. The FY21 LTIPs criteria are set out below:

Performance condition	Applicable terms	Performance target over the applicable performance period	Weighting (% of award)	Vesting schedule (% vesting, threshold - max)
EPS growth	Statutory EPS adjusted, at the discretion of the Remuneration Committee, to remove the impact of provisions for complaints that are not fulfilled over the period of measurement and for any other non-standard distortions.	Growth of 300% over the EPS hurdle over the performance period. EPS hurdle is 1p. Target for full vesting is 4p.	30%	0% - 100% straight line above hurdle
Absolute total shareholder return (ATSR)	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.	Growth of ATSR over the ATSR hurdle over the performance period. ATSR hurdles are 12p, 14p and 16p for awards on 1 December 2020, 26 February 2021 and 1 March 2021 respectively. Target for full vesting for all is 40p.	40%	0% - 100% Straight line above ATSR hurdle
Non-financial measures	Measures the effectiveness of the steps taken by the awardees to ensure Amigo adheres to the standards expected by all stakeholders.	Test against internal targets for corporate culture, conduct risk matters, diversity and inclusiveness and other ESG measures. Benchmarked against external expectations over period.	30%	0% - 100%

The FY2020 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%

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	1 March 2021	26 February 2021	01 December 2020	11 September 2019	26 July 2019
Valuation method	Monte Carlo model	Monte Carlo model	Monte Carlo model	Monte Carlo model	Monte Carlo model
Shares price at grant date (£)	0.1630	0.1204	0.097	0.732	1.606
Exercise price (£)	nil	nil	nil	nil	nil
Shares awarded/under option (number)	1,500,000	2,500,000	14,250,000	1,364,397	-
Expected volatility[1] (%)	80.0	80.0	80.0	50.0	50.0
Vesting period (years)	3	3	3	3	3
Weighted average remaining contractual life (years)	2.9	2.9	2.7	1.5	1.3
Expected dividend yield (%)	nil	nil	nil	nil	Nil
Risk-free rate[2] (%)	0.169	0.171	0.004	0.47	0.47
Fair value per award/option (£)	0.1112	0.0792	0.0624	0.4453[3]	1.0214[3]

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.
3 Prior year numbers have been restated. Fair value per award/option for 11 September 2019 has been restated from 1.187 to 0.4453, and for 26 July 2019 from 2.801 to 1.0214.

Share Incentive Plan (SIP)

The Company gives participating employees one matching share for each partnership share acquired on behalf of the employee using deductions from 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 2021 had an exercise price of £nil (2020: £nil) and a total vesting period of 3.0 years (2020: 3.0 years). The following information is relevant in the determination of the fair value.

	1 August 2019
Share price at grant date (£)[1]	0.159
Share awarded (number)[2]	1,577,758
Vesting period (years)	3 years rolling
Fair value per award/option (£)	0.159

1. Based on weighted average share price at grant date, for all grants since SIP inception; shares are granted once a month following deduction from participating employee's gross salaries.
2. This figure includes both matching and partnership shares

Save As You Earn option plan (SAYE)

Options under the 2020 scheme were granted on 9 October 2020 (2019 scheme: 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 2021 had exercise prices £0.0970 per share and £0.6368 per share for 2020 and 2019 schemes respectively. The schemes have a remaining contractual life of 2.8 years and 1.8 years (2020: 2.8 years). The following information is relevant in the determination of the fair value.

Notes to the Consolidated financial statements

	9 October 2020	23 September 2019
Valuation method	Black Scholes model	Black Scholes model
Share price at grant date (£)	0.1018	0.691
Exercise price (£)	0.097	0.6368
Shares awarded/under option (number)3	4,812,846	107,959
Expected volatility[1] (%)	80.0	50.0
Vesting period (years)	3.3	3.3
Expected dividend yield (%)	nil	13.49
Risk-free rate[2] (%)	0.42	0.42
Fair value per award/option (£)	0.046	0.108

4 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.
5 The risk-free rate of return is based on the implied yield available on zero-coupon government issues at the grant date.
6 As at the reporting date, adjusted for known leavers

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.

A reconciliation of weighted average exercise prices per share (WAEP) and award/share option movements during the year is shown below:

	July 2019–March 2021 LTIPs		**October 2020 SAYE**		**September 2019 SAYE**		**2019 SIP**	
	Number	WAEP	Number	WAEP	Number	WAEP	Number	WAEP
Outstanding at 1 April 2019	-	-	-	-	-	-	-	-
Awarded/granted	3,838,416	-	-	-	1,049,535	0.6368	269,004	-
Outstanding at 31 March 2020	3,838,416	-	-	-	1,049,535	0.6368	269,004	-
Awarded/granted	18,250,000	-	5,496,845	0.097	-	-	1,308,754	-
Forfeited	(2,474,019)	-	(683,999)	-	(941,576)	-	-	-
Outstanding at 31 March 2021	**19,614,397**	**-**	**4,812,846**	**0.097**	**107,959**	**0.6368**	**1,577,758**	**-**
Exercisable at 31 March 2021	-	-	-	-	-	-	-	-

21. 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 (2020: £0.6m).

Notes to the Consolidated financial statements

22. Related party transactions

At 31 March 2021, the Company was a 100% owned subsidiary of the immediate and ultimate parent undertaking Amigo Holdings PLC.

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	Gross balance £m	Impairment charge £m	Carrying value £m
Year to 31 March 2021					
Amigo Holdings PLC	3.0	(10.6)	69.8	(69.8)	-
Year to 31 March 2020					
Amigo Holdings PLC	1.2	(54.2)	62.2	-	62.2
Richmond Group Limited	0.9	(0.9)	-	-	-

As at 31 March 2021, the Amigo Group completed an assessment of the recoverability of its intercompany balances following an indication of impairment. Amigo Holdings PLC is a holding company and does not independently generate income. Therefore, the company can only repay intercompany balances in the normal course of business after receiving dividend income from a trading subsidiary e.g. Amigo Loans Ltd. Due to the recognition of a £344.6m complaints provision, Amigo Loans Ltd has negative equity and no distributable reserves from which to settle the intercompany balance. Therefore, the Group's receivable with Amigo Holdings PLC has been fully impaired.

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 0.65% of the voting shares of the Company as at 31 March 2021 (2020: 2.93%). The remuneration of key management is disclosed in note 9.

23. Structured entities

AMGO Funding (No. 1) Ltd is a special purpose vehicle (SPV) formed as part of a securitisation facility to fund the Group. The securitisation has issued two funding notes to conduit funding.

The consolidated subsidiary and structured entities table in note 26 has further details of the structured entities consolidated into the Group's financial statements for the year ended 31 March 2021. 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).

24. The New standards and interpretations

The following standards, amendments to standards and interpretations are newly effective 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.

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)

IFRS and interpretations with effective dates after 31 March 2021 relevant to the Group will be implemented in the financial year when the standards become effective.

Notes to the Consolidated financial statements

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 2021. 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.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16)
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- IFRS 17 - Insurance Contracts amendments
- Classification of liabilities as current or non-current (Amendments to IAS 1)
  Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

25. Immediate and ultimate parent undertaking

During the period the immediate and ultimate parent undertaking changed. As at 31 March 2020, the immediate and ultimate parent undertaking was Richmond Group Limited. Following 31 March 2020, Richmond Group Limited sold holdings in Amigo and therefore there has been a change in immediate and ultimate parent undertakings in the period. There has been no declaration of holding from Richmond Group Limited since the sale. The immediate and ultimate parent undertaking as at 31 March 2021 is Amigo Holdings PLC, a company incorporated in England and Wales.

26. Investment in subsidiaries and structured entities

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 23).

Name	Country of incorporation	Class of shares held	Ownership 2020	Ownership 2019	Principal activity
Direct holding					
Amigo Loans Holdings Ltd[1]	United Kingdom	Ordinary	100%	100%	Holding company
Indirect holdings					
Amigo Loans Ltd[1]	United Kingdom	Ordinary	100%	100%	Trading company
Amigo Management Services Ltd1	United Kingdom	Ordinary	100%	100%	Trading company
Amigo Canteen Limited[1*]	United Kingdom	Ordinary	100%	100%	To be liquidated
Amigo Luxembourg SA[2]	Luxembourg	Ordinary	100%	100%	Financing company
AMGO Funding (No.1) Ltd[4**]	United Kingdom	N/A	SE	SE	Special purpose 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.

Notes to the Consolidated financial statements

27. Post balance sheet events

Scheme of Arrangement

On 12 May 2021, the Company announced that of the creditors who chose to vote, 95.09% by number, representing 95.72% by value, voted in favour of the Scheme. In total, the Company received 74,877 votes in favour of the Scheme and 3,863 votes against the Scheme. The Scheme required more than 50% of all creditors who voted to vote in favour, and the total value of their claims to represent at least 75% of the value of the claims of all creditors who voted.

On 19 May 2021, the Company announced in light of the limited capacity of attendees at the public hearing, there was the possibility for asymmetric information in the market should significant market sensitive information be released during the Court hearing, before the Company had time to update the whole market. Accordingly, the Board requested the listing in it's ordinary shares be suspended and as such trading in the Company's ordinary shares on the London Stock Exchange was suspended with immediate effect. On the same day the second Court hearing took place; the Judge presiding over the hearing did not give judgement until 24 May 2021.

The Company announced on 20 May 2021, that it had applied to lift the temporary suspension of it's listing and as such the trading in the Company's ordinary shares; the suspension lift was agreed by the FCA.

On 25 May 2021, the Company announced the result of the second Court hearing, with the High Court not approving the Scheme despite the positive creditors' vote. The Board started the process of reviewing all options' available to it, including an appeal. During this time, to ensure equal treatment of customers with redress claims, the Company announced on 21 December 2020 that it was stopping the ongoing payment of redress claims as set out in the announcement of that date, and that position continues.

On 1 June 2021, the Company updated the market on progress following the Court judgment announced on 25 May 2021 where the Scheme was not approved; Amigo confirmed that ALL Scheme Ltd (SchemeCo) will not be pursuing an appeal and the Board of Amigo continues to consider all options, which included insolvency, and whether it might be possible and appropriate, given the cost of a Scheme, to promote another Scheme of Arrangement to avoid insolvency.

On 4 August the first meeting of the Independent Customer Committee took place, which was set up in response to the recommendations of the Judge at Amigo's High Court Scheme sanction hearing in May, to ensure the voice of creditors is heard. The Committee is made up of eight customers, past and present borrowers and guarantors and is independently chaired. Customers have the opportunity to consider the various options, including new Scheme of Arrangement proposals, to negotiate terms or put forward alternative options. The Board is committed to finding a solution that addresses the complaints liability and provides an equitable resolution for all customers.

The issues and challenges facing Company are complex and Company will continue to liaise with its regulator, the Financial Conduct Authority (FCA), to seek to address its concerns as quickly as possible.

Securitisation waiver period

Amigo confirmed it reached agreement for a further extension of the securitisation facility performance trigger waiver period from 25 June 2021 to 24 September 2021. Given the current suspension of all new lending activity at Amigo, the size of the securitisation facility has been reduced from £250m to £100m, effective 25 June 2021. All cash generation arising from customer loans held within the facility is restricted and will continue to be used during the extended waiver period extension to further reduce the outstanding balance of the facility. As of the date of this extension, the facility was drawn at £27m.

FCA Director approval

On 19 July 2021, Amigo announced that under the senior managers and certification regime, the FCA have approved Mike Corcoran as Chief Financial Officer and Michael Bartholomeusz as Chair of the Risk Committee.

FCA correspondence

On 28 July 2021 Amigo informed the market on correspondence received from the Financial Conduct Authority ('FCA') in relation to Amigo's plans to seek approval for a new Scheme of Arrangement to address the current and potential redress creditors. The letter raised some issues which would impact forward looking statements contained within the annual report covering the results for the year ended 31 March 2021. Consequentially, causing a delay in the issuance of the Groups annual report and results.

Amigo explained that the delay in publishing annual results constitutes a breach of one of the covenants for the 7.625% Senior Secured Notes due 2024, which requires the publication of the annual results for the Amigo Loans Group bondholder group, within 120 days of the financial year end. The breach is not an automatic event of default and is remediable by the publication of the annual results, within a 30 day grace period after notification by the Trustee of the Notes or by holders of 25% of the principal amount of the outstanding Notes.

Notes to the Consolidated financial statements

The FCA has also confirmed that it would not expect to authorise a return to lending by Amigo until after the sanctioning of a new Scheme, by the High Court, including on the grounds that Amigo would need to demonstrate its financial viability and ability to meet its regulatory obligations, including, for example, the appropriate resources threshold condition, in order to return to lending.

Bond covenants breach

On 4 August 2021 Amigo announced to the market that a group representing in excess of the requisite 25% in principal amount of the outstanding Senior Secured Notes had sent a letter constituting written notice of the breach referred to in the 28 July 2021 announcement. Accordingly, to avoid an Event of Default occurring, the financial results for the year ended 31 March 2021 must be published within a 30-day period, on or before 2 September 2021.

Company statement of financial position

	Notes	31 Mar 21 £m	31 Mar 20 £m
Non-current assets			
Investments	2a	**72.0**	177.1
		72.0	177.1
Total assets		**72.0**	177.1
Current liabilities			
Trade and other payables	3a	**(0.2)**	(0.1)
		(0.2)	(0.1)
Total liabilities		**(0.2)**	(0.1)
Net assets		**71.8**	177.0
Equity			
Share capital	4a	**-**	-
Share premium		**302.0**	302.0
Retained earnings		**(230.2)**	(125.0)
Shareholder equity		**71.8**	177.0

The parent company financial statements were approved and authorised for issue by the Board and were signed on its behalf by:

Michael Corcoran
Director
24 August 2021
Company no. 10624393

The accompanying notes form part of these financial statements

Company statement of changes in equity

	Share Capital £m	Share Premium £m	Retained Earnings £m	**Total equity £m**
At 31 March 2019	-	302.0	(0.1)	**301.9**
Total comprehensive (loss)	-	-	(124.9)	**(124.9)**
At 31 March 2020	-	302.0	(125.0)	**177.0**
Total comprehensive (loss)	-	-	(105.2)	**(105.2)**
At 31 March 2021	**-**	**302.0**	**(230.2)**	**71.8**

The accompanying notes form part of these financial statements.

Company statement of cash flows

	31 Mar 21	31 Mar 20
	£m	£m
(Loss) for the period	**(105.2)**	(124.9)

This Company has no bank account and thus no cash transactions in the year. Therefore, a Company statement of cash flows is not presented.

Notes to the financial statements

1a. Accounting policies

i) Basis of preparation of financial statements

Amigo Loans Group Limited (the "Company") is a company limited by shares and incorporated and domiciled in the 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 of £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 accounting standards in conformity with the requirements of 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.

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 units fair value less costs of disposal and its value in use.

2a Investments

At cost or valuation	**£m**
At 31 March 2020	177.1
Impairment of investment	(105.1)
As at 31 March 2021	72.0

At 31 March 2021 the share price of Amigo Holdings PLC implied a fair value 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.

Based on the recognition of the full claims provision in the Amigo Holdings PLC Group and the going concern analysis performed by the Directors', the continued pursuit of a Scheme of Arrangement remains the Board's primary goal for resolving the customer complaints liability and represents a realistic alternative to insolvency and thus the investment still retains value.

The share price at the measurement date 31 March 2021 is a readily available indication of the price for an orderly transaction between market participants. A share price of 15.94p and market capitalisation of £75.8m therefore represents the fair value of the investment in subsidiary at 31 March 2021. It has been estimated that costs to sell would represent 5% of the fair value.

Estimating the present value of future cash flows is extremely challenging not least because of the uncertain outcomes surrounding the proposed Scheme of Arrangement. The approach for estimating value in use includes consideration of three principal scenarios: relending, wind down of the loan book and insolvency. Each scenario was assigned probability weightings to arrive at a expected value. The insolvency scenario generates a no value and wind down scenarios generate minimal residual value. As a consequence, estimated value in use for the investment is lower than the fair value and hence the investment in subsidiary has been measured using fair value less expected costs to sell as at 31 March 2021. As such an impairment charge of £105.1m was charged as a result (2020: £124.9m).

Post year end, a significant reduction in share price has occurred (see note 7a). The table below demonstrates the sensitivity of the valuation of the investment in subsidiary to a change in the share price at 31 March 2021.

Notes to the financial statements

Assumption	Sensitivity £m
+20%[1]	+14.4m
-20%[2]	-14.4m

1. Sensitivity analysis shows the impact of a 20% increase in Amigo Holdings PLC share price.
2. Sensitivity analysis shows the impact of a 20% decrease in Amigo Holdings PLC share price.

For details of investments in Group companies, refer to the list of subsidiary companies within note 26 to the consolidated financial statements.

3a Other payables

	31 Mar 21 £m	31 Mar 20 £m
Amounts owed to Group undertakings	**0.2**	0.1
	0.2	0.1

4a Share capital

For details of share capital, see note 19 to the consolidated financial statements.

5a Capital Commitments

The Company had no capital commitments as at 31 March 2021 (31 March 2020: none).

6a Related party transactions

The Company had no transactions with or amounts due to or from subsidiary undertakings that are not 100 per cent owned either by the Company or by its subsidiaries.

For details of key management compensation see note 9 to the consolidated financial statements.

7a. Post balance sheet events

On 25 May 2021 - the Company announced the result of the second Court hearing for the proposed Scheme of Arrangement. The High Court did not sanction the Scheme, despite support from the majority of Scheme creditors who voted. Following the outcome of the second hearing, Amigo's share price dropped significantly from 15.94p closing price as at 31 March 2021, to 8.32p closing price on 25 May 2021. Whilst this has not impacted the year end valuation of the Company's investment in subsidiary, as this is based on the higher of fair value less cost to sell or value in use as at 31 March 2021, this may impact the valuation in future periods.