amigo

Moving forward responsibly

Amigo Loans Limited

Financial statements for the year ended
31 March 2022

Our purpose

We're here to provide those with few options to borrow the opportunity to achieve financial mobility.

Our vision

To break down the barriers to financial inclusion, creating a community where people are rewarded and empowered to achieve financial mobility.

Our values

1

We put customers first

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

2

We are human

We are welcoming and embrace diversity.
We respect and listen to each other.

3

We act with integrity

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

4

We own the outcome

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

In this report...

Strategic Report

Headlines

Revenue
£88.6m
2021: £168.5m

Net loan book
£137.1m
2021: £338.2m

Profit before tax
£167.5m
2021: (£340.3m) loss

Customer numbers
73,000
2021: 133,000

Impairment: revenue ratio
42.2%
2021: 35.7%

Net debt
£5.2m
2021: £247.2m

Operational headlines

· Throughout the year, the Board pursued a Scheme of Arrangement ("Scheme") to deliver the best possible outcome to Scheme creditors as it sought to address Amigo's historical lending complaints liability. The Board's preferred Scheme, the New Business Scheme ("NBS"), was sanctioned by the High Court, after year end, in May 2022.

· The "preferred" outcome under the NBS is contingent on lending restarting within nine months of the Scheme effective date, 26 May 2022, and Amigo completing a successful equity raise within twelve months.

· Following FCA approval to return to lending on a pilot basis, Amigo has launched a new guarantor loan as well as an unsecured loan product which feature dynamic pricing to encourage and reward on-time payment with lower rates and penalty-free annual payment holidays. The new products have been released under the RewardRate brand, representing a new start for the business.

· Under the terms of the NBS, Amigo will make a cash contribution of at least £97m from internally generated resources, of which £60m was paid into the Scheme fund in June 2022 and £37m is due to be paid by 26 February 2023. A further contribution of at least £15m has been committed, being part of the proceeds from a new equity and capital raise.

· Details of a new capital raise are expected to be announced in the second half of the current calendar year. The NBS requires Amigo to issue at least 19 new shares for every existing share in issue, resulting in a significant dilution for existing shareholders who are unable or do not want to take up their rights entitlements or sell their entitlements in the market.

· Whilst the quantum of the fundraising has not yet been determined, we are cognisant that minimising the equity raised by utilising higher gearing will make it more feasible for existing shareholders to participate in any rights issue. Amigo will publish equity raise specifics as well as detail of its future business plan and new lending performance ahead of a shareholder vote to approve the raise.

· The FCA investigations initiated in 2020 and 2021, into Amigo's creditworthiness assessment and complaints handling respectively, are ongoing.

Strategic Report

Financial headlines

Despite the sanctioning of the Scheme, the Board has concluded that a material uncertainty over going concern remains (see note 1 to the financial statements for further information). However, the Board considers that it is appropriate to prepare these financial statements on a going concern basis, as the sanction of the Scheme and the potential to successfully meet the Scheme conditions provide a realistic alternative to insolvency.

- Reported statutory profit before tax for the year ended 31 March 2022 was £167.5m (FY 2021: loss of £340.3m) driven by a credit of £156.6m from the complaints provision following Scheme sanction.

- Complaints provision down 47.8% at £179.8m (FY 2021: £344.6m). The complaints provision release of £156.6m was reflected as a credit in the income statement (FY 2021: debit in £314.4m).

- Net loan book reduction of 59.5% to £137.1m (FY 2021: £338.2m) due to the run-off of the back book and the continued pause in new lending throughout the period as well as an increase in impairment coverage to 27.3% (FY 2021: 17.8%).

- Revenue reduction of 47.4% to £88.6m (FY 2021: £168.5m) due to the ongoing pause in lending throughout the year.

- Despite an increasing trend in delinquency, overall collections, including early repayments and recoveries from written-off accounts, have remained robust.

- Continued strong focus on controlling costs.

- £124.4m of unrestricted cash and cash equivalents as at 31 March 2022 (FY 2021: £172.6m) reflects continued strong cash generation. Current unrestricted cash balance of over £100m, following payment of £60m initial Scheme contribution to the Scheme fund in June 2022.

- Net assets of £49.9m as at 31 March 2022 (FY 2021: net liabilities £119.0m). Substantially all net assets, excluding £8.0m, are committed to Scheme creditors.

- In September 2021, Amigo's securitisation facility was repaid in full, from internal resources. The facility structure is now closed.

- In January 2022, Amigo redeemed £184.1m of the £234.1m outstanding 7.625% senior secured notes due in 2024. The remaining £50.0m gross principal amount outstanding is due in January 2024. The resulting interest saving will form part of the Scheme contribution.

- While all Covid-19 payment holidays had concluded by July 2021, we continue to assist customers experiencing financial difficulty with alternative payment arrangements.

Focus area:
Scheme of Arrangement update

Why is Amigo using a Scheme of Arrangement ("Scheme")?

A Scheme of Arrangement ("Scheme") is a Court-approved process which allows a company to enter into a compromise or arrangement with its creditors.

Customers have made complaints about Amigo's past lending, including that we did not assess affordability adequately at the time the loan was taken out or when the guarantee was provided. By using a Scheme, Amigo believes it will be able to provide more cash compensation to these customers for their valid claims than they would get in an insolvency process, which is the alternative to the Scheme.

What is now required for the New Business Scheme to deliver?

The New Business Scheme was approved by creditors in a vote on 12 May 2022 and subsequently sanctioned by the High Court, and became effective on 26 May 2022.

There are two important conditions that need to be met for our New Business Scheme to proceed.

The conditions are as follows:

1. Amigo resumes lending within nine months of the Scheme effective date

2. Amigo completes a 19:1 capital raise within twelve months of the Scheme effective date

On 13 October 2022, FCA approval for a return to lending was received. Amigo commenced lending on a pilot basis in October 2022. Following the end of the pilot lending phase, the FCA will consider the impact on consumers of Amigo returning to lending on a wider scale, and whether the results of the outcomes testing demonstrate that Amigo is able to continue to meet FCA expectations.

If these conditions are not met:

In these circumstances, Amigo will revert to a Wind-Down Scheme, in which the Amigo Loans Ltd business will be wound down. Cash payments to creditors will be distributed from the remaining assets after operating costs and repayment of existing debt financing arrangements.

Strategic Report

Business review

The year in review

31 March 2022 was a challenging year with the Company committed to addressing liabilities from historical lending practices. With the Scheme now sanctioned, the Board is confident we can move forward with new systems, policies and procedures in place and innovative new products that meet customer needs and a strong demand in the market.

Overall financial performance

At year end, the Board believed there to be sufficient certainty to account for claims redress on a Scheme basis. This has been confirmed following the High Court decision to sanction the New Business Scheme. This has led to a release of £156.6m in relation to the claims provision in the consolidated statement of comprehensive income. This is the main driver behind the Company showing a return to profitability in the year.

With the pause in lending continuing, revenues have decreased from £168.5m in the prior year to £88.6m. However, management has retained a tight control on costs and, without the release of part of the complaints provision, the Company would have made a small profit in the year.

The continued strong collection of the back book enabled partial repayment of the senior secured notes in January 2022, leading to a reduction in the net debt balance of £5.2m at 31 March 2022, compared to a £247.2m in the prior year.

Although the results show a healthy net assets position at 31 March 2022, in reality the value of the net assets of the business are being delivered to the creditors by way of the Scheme. Once the costs of administering the Scheme are paid (these have not been provided for at the balance sheet date) then substantially all of the value will have been delivered to creditors. The remaining working capital will not be sufficient to support future lending which will be funded, in part, by way of an expected equity raise during the twelve months following the Scheme effective date.

Funding and liquidity

The securitisation facility in place during the year was fully repaid on 24 September 2021and closed in November 2022.

The senior secured notes are presented in the financial statements net of unamortised fees. As at 31 March 2022, the gross principal amount outstanding was £50.0m.

During the current year, on 4 January 2022, Amigo served notice of the early redemption, at par, of £184.1m of the £234.1m outstanding 7.625% senior secured notes due in 2024 with a redemption date of 15 January 2022. The remaining £50.0m gross principal amount outstanding is due in January 2024.

The Company's average cost of funds, calculated as interest payable as a percentage of average gross loan book, has decreased to 6.1% compared to 14.7% at the same time last year due to the reducing gross loan book, partially offset by a reduction in finance costs.

Unrestricted cash and cash equivalents as at 31 March 2022 decreased to £124.4m (FY 2021: £172.6m) following the early redemption of £184.1m of the senior secured notes due in 2024.

Complaints provision

At year end, the Board believed there to be sufficient certainty to account for claims redress on a Scheme basis.

This has been confirmed following the High Court decision to sanction the New Business Scheme. This has led to a release of £156.6m in relation to the claims provision in the consolidated statement of comprehensive income.

This has resulted in a complaints provision of £179.8m as at 31 March 2022 (FY 2021: £344.6m), after utilisation of £8.2m in the year. Sensitivity analysis of the key assumptions, including the volume of claims, is set out in note 2.2 to these financial statements.

Impairment

The impairment charge for the year was £37.4m (FY 2021: £60.1m), with the impairment:revenue ratio increasing to 42.2%. At 31 March 2022 the impairment provision stood at £47.1m (FY 2021: £81.0m) representing 25.6% of the gross loan book (FY 2021: 19.3%).

Both the impairment charge and year-end provision are driven by two competing dynamics. The ongoing pause in originations and consequent reduction in the size of the loan book drove a lower impairment charge, partly owing to the upfront expected credit loss methodology of IFRS 9. Counteracting this, reforecast expected credit losses, to reflect the increasing trend in the level of arrears which has persisted through the period, resulted in increased levels of impairment held against the existing loan book.

Whilst unemployment trends are favourable, the cost of living crisis is expected to have an impact on our customer base. Significant uncertainty remains in respect of future customer behaviour and collections as the cost of living increases and the loan book diminishes. Further details on the key judgements and estimates in the IFRS 9 impairment model are set out in note 2 to the financial statements.

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.

	Description	Performance
Numbers of customers ('000)	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.	Customer numbers have fallen by 46.3% to 73,000 (2021: 133,000), driven by two factors. Firstly the pause in lending, with no new lending in the year to 31 March 2022. Secondly continued collections on the back-book.
Revenue (£m)	Revenue comprises interest income on amounts receivable from customers.	As a result of decreased customer numbers revenue has declined by 47.4% to £88.6m from £168.5m.
Net loan book (£m)	Net loan book represents the gross loan book less the IFRS 9 impairment provision and modification loss, excluding deferred broker costs.	Net loan book has reduced by 59.5% to £137.1m (2021: £338.2m); 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 25.6% (2021: 19.3%) driven by reforecast expected credit losses, reflecting an increased trend in the level of arrears.
Impairment:revenue ratio (%)	This ratio represents the Company's impairment charge for the period divided by revenue for the period. This is a key measure for the Company in monitoring risk within the business.	Year-on-year there has been an increase in the impairment:revenue ratio from 35.7% to 42.2%. This is driven by a reforecast of expected credit losses to reflect an increasing trend in the level of arrears in the year, predominantly from customers exiting Covid-19 payment holidays.
Operating cost:income ratio (excluding complaints) (%)	The Company defines operating cost:income ratio as operating expenses excluding complaints and items deemed by the Company to be exceptional, divided by revenue.	Operating cost:income ratio (exclusive of complaints) increased to 25.8% (2021: 22.6%), driven by the reduction in revenue from £168.5m to £88.6m in the year. The Company has a continued strong focus on controlling costs.

Strategic Report

Statutory profit/(loss) 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 profit before tax was £167.5m for the period (2021: loss of £340.3m); this is primarily driven by a decrease in the complaints expense from an increase of £314.4m in 2021 to a release of £156.6m in 2022, with the provision calculated on a Scheme basis in 2022, following the successful High Court sanction hearing.
Statutory profit/(loss) 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 profit after tax was £168.9m (2021: loss of £345.6m). Due to losses bought forward there is no tax charge on profits for the year. The tax credit shown in the year is due to adjustment in respect of prior periods.

Outlook

After a challenging year for Amigo and its stakeholders, the sanctioning of the New Business Scheme by the High Court and FCA approval to return to lending on a pilot basis provides some source of optimism. However, the outcome of the FCA investigations is pending and a significantly dilutive equity issue is needed to fund the Scheme. This will also be used to part recapitalise the ongoing business. The Board believes that the approval of the Scheme delivers the best outcome for creditors, and Amigo's return to lending will allow the Company to play an important role in the specialist lending sector, at a time of unprecedented rising living costs.

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 Amigo's new lending proposition, RewardRate. 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 those with few options to borrow the opportunity to achieve financial mobility.

Strategic Report

Risk Management

Overview

Good risk management is at the core of what we do. Faced with a complex operating environment and significant uncertainty, we have focused upon building a stronger and more adaptable risk management capability. This enables us to better navigate our way forward, making timely decisions that achieve the right outcomes in a controlled and effective way. Our approach is founded upon a risk management framework, articulated risk appetites and supporting policies and procedures that help us manage risks in a resilient manner. Training and awareness is targeted to embed behaviours that support the identification and escalation of risks and issues that threaten the delivery of desired outcomes. The Board is ultimately responsible for our risk management framework and its effectiveness. The Board works together with senior management to promote a responsible culture of risk management by emphasising the importance of balancing risk with profitability and growth in decision making, whilst also ensuring compliance with regulatory requirements and internal policies. At Amigo, every employee is empowered to make risk-aware, purposeful decisions.

This has been a difficult year for Amigo in facing up to existential risks. With the Scheme of Arrangement sanctioned in May 2022, the survival of our business is now dependent upon the restart of lending, the resolution of the outstanding FCA enforcement action and the completion of a successful capital raise.

Three lines of defence

Amigo uses a three lines of defence model to both structure its operational risk management framework and to give oversight of its effectiveness. This helps us define clear priorities, roles and responsibilities.

- Business units and functions
- Self-assurance teams

First line of defence
This is where day-to-day decisions are made. Business teams identify and track risks, managing and resolving any issues found.

- Risk and compliance functions
- Compliance monitoring team

Second line of defence
Amigo's Chief Risk Officer has dedicated teams that monitor and challenge the first line to ensure risks are identified and managed effectively on an ongoing basis.

- Internal Audit function
- Trusted external subject matter experts

Third line of defence
Trusted third parties undertake regular independent assurance on key risks and controls. This gives confidence over first and second line risk management.

Strategic Report

Risk Management

Our risks

Our principal risks

Principal risks are those that can seriously affect performance, future prospects or reputation of the Company. Our risk profile is reviewed regularly at all levels in the organisation to keep us risk aware and decision making aligned to appetite.

Each principal risk has a defined appetite which sets out the baseline level of risk that we are willing to accept. The risk appetite takes into consideration the level of risk exposure and our strategic goals.

Our assessment over this period has remained relatively static with conduct and balancing stakeholder expectations remaining a core focus as we resolve our legacy issues and work to meet regulatory commitments ahead of new lending.

Operational
This relates to the possibility of business operations failing due to inefficiencies or breakdown in internal processes, people and systems.

Conduct
Inappropriate actions taken by individuals or the Company could lead to customer detriment or negatively impact market stability.

Regulatory
If the regulatory environment changes or we don't meet the requirements, it could detrimentally impact our business or ability to lend.

Outcomes
Good outcomes are at the heart of our business objectives. By managing our risks effectively, we support the delivery of good outcomes.

Strategic
The risk that we fail to achieve our objectives, either due to poor decisions or a failure to adapt to changes in the competitive environment.

Credit
Counterparties may fail to meet their debt obligations in full or on time. There may also be exposure to concentrations in credit.

Treasury
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.

Strategic Report

Risk Management

Conduct

Risk appetite

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.

Risk drivers and threats

Amigo recognises that the vulnerability of its target market poses higher than average conduct risks.

We are mindful of the impact of increasing inflation and the cost of living on borrowers which will put additional strain on customer finances and affordability.

While there were concerns around the effect of Covid-19 on customers and their financial circumstances, impact was minimised through Amigo's support of government initiatives.

Key mitigating actions

Amigo continues to put effort into improving its conduct risk management approach in parallel with resolving its legacy lending issues. A new culture framework has been developed and will further drive our customer-oriented mindset. We continue to prepare for the new Consumer Duty requirements.

Any new lending will have a strong focus on affordability and identification of vulnerability. Amigo continues to provide ongoing support to vulnerable customers, including forbearance and access to specialised debt support.

Operational

Risk appetite

Amigo takes a proportionate approach to operational risks, balancing the need to provide resilient operational performance with the need to remain nimble, refining our operations in a continually changing environment. 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.

Risk drivers and threats

Operational resilience has been stable over the last twelve months with no significant disruptions to operations. While approval of the Scheme has increased the certainty of Amigo's future, the people risk and potential for attrition will remain until lending resumes. Third-party risk remains as we have reliance on some key suppliers. The risk of cyber attacks continues to be a threat across all industries.

Key mitigating actions

Amigo partners with trusted third-party cyber experts to manage evolving cyber risks. We continue to build trusted relationships with our suppliers and ensure our resilience capabilities extend across our third-party managed services. We are also engaging with a number of independent specialists to support identification of areas of weakness.

Regulatory

Risk appetite

Amigo is in a sector (financial services) and sub-sector (alternative finance) that are inherently subject to significant regulatory risk, but we take all reasonable steps to reduce that risk as it applies to us.

Risk drivers and threats

Amigo has maintained a constructive and open relationship with the Financial Conduct Authority and other regulators and agencies. During this period, the FCA did not object to the Scheme of Arrangement and has agreed that Amigo could return to lending subject to certain conditions being met. The FCA's enforcement investigations remains open.

Key mitigating actions

Amigo continues to work closely with all regulatory stakeholders to effectively execute the Scheme of Arrangement and restart lending in a responsible fashion.

Strategic Report

Risk Management

Strategic

Risk appetite
Amigo maintains a simple strategy, focusing on maintaining its position and leading execution in the guarantor loans space while exploring adjacent niches which can be developed using our specialised capabilities if they prove promising.

Risk drivers and threats
A number of competitor firms which provide mid-cost finance to retail customers have gone into administration in the past year. This has created a gap in the market that Amigo intends to fill with its new proposition. The introduction of a Consumer Duty for firms by the FCA is a further opportunity for Amigo to differentiate itself.

Key mitigating actions
A return to lending with a continuous focus on conduct and regulatory compliance.

Treasury

Risk appetite
Amigo operates its treasury function to support the growth of its lending business. Treasury is not a profit centre and avoids or hedges any material risk.

Risk drivers and threats
Amigo has paid off a substantial proportion of its outstanding senior secured notes in this period.

Key mitigating actions
Maintaining a liquidity buffer remains a priority as we seek to restart lending.

Credit

Risk appetite
Amigo is a mid-cost lender, and we take a degree of credit risk that is consistent with our pricing. Our lending is to customer segments we understand well. We also engage on a controlled basis in pilot lending, testing new segments that we think are appropriate for our product. Amigo does not have an appetite for material wholesale credit risk or other credit risk outside its lending business.

Risk drivers and threats
The existing loan book continues to perform in line with expectations.

Key mitigating actions
Ongoing monitoring of credit risk and preparation for relending.

Strategic Report

Risk Management

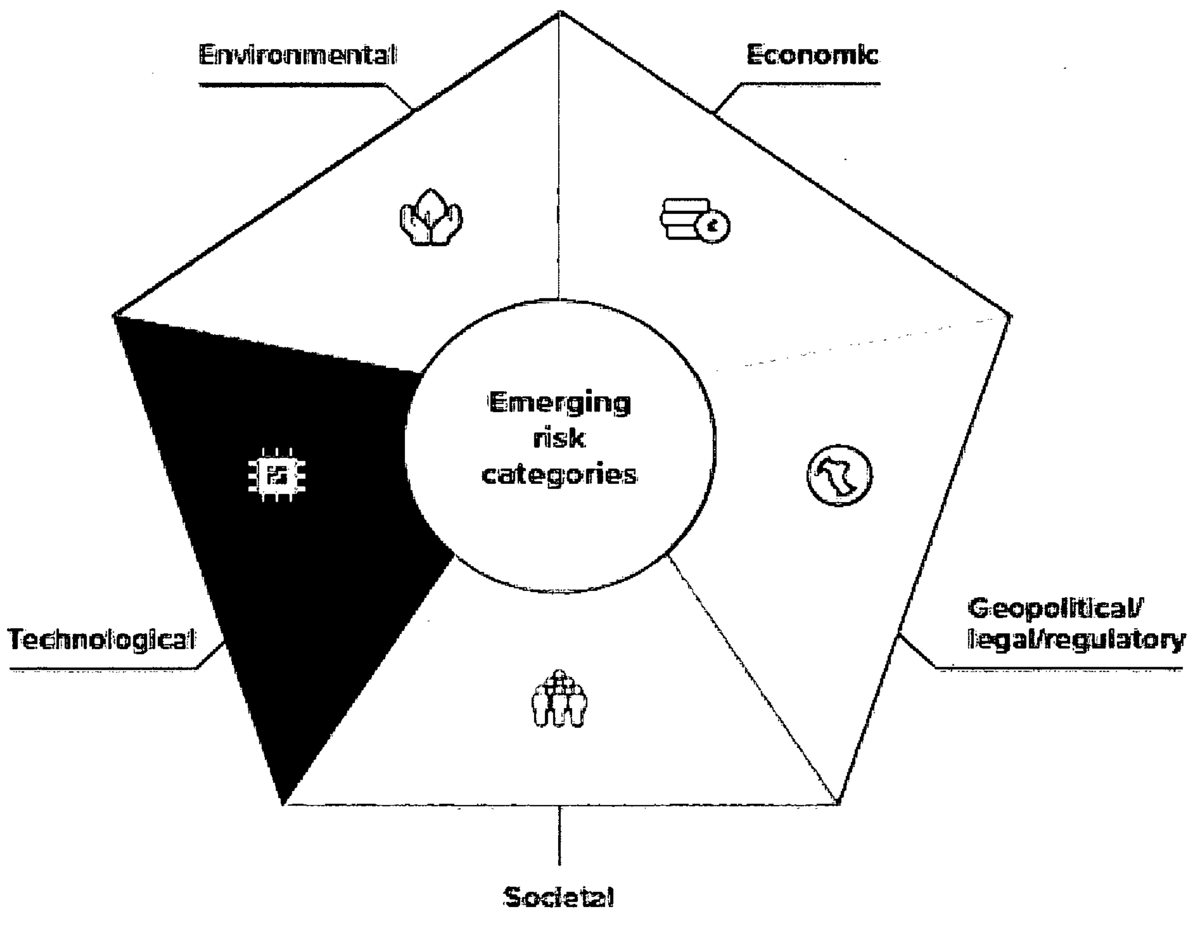
Strategic report

Emerging risks

At Amigo, we constantly monitor our internal and external environment to identify new and evolving risks. Emerging risks are newly developing or evolving risks which are potentially significant but are generally characterised by a high degree of uncertainty and are therefore difficult to quantify. These could be trends, innovations or developments that have the potential to adversely impact the delivery of our strategy.

While some risks emerge slowly, such as changing demography, others may change faster with more severe disruption, for example, the recent Covid-19 experience. To be successful, Amigo understands the importance of monitoring the evolution of risks and continually scans the horizon to identify future risks that could impact our success or opportunities, enabling us to better prepare for the unexpected. Horizon scanning is performed on a six month basis through a process involving scanning and evaluation (which considers both relevance and speed to materialise). Where we identify new risks, we engage with subject matter experts to ensure all aspects are understood. The outputs of horizon scanning are shared with senior managers and the Board for consideration during strategic planning and decision making.

The following section covers the key emerging risk categories.



Strategic Report
Risk Management

Technological

Emerging trend	Description
Cyber threats	While Cyber attacks exist and are a recognised risk to Amigo, they are also considered an emerging risk due to their rapid speed of change and nature and potential impact including digital disruption.
Future of data regulation	The organisation operates in a highly regulated market which continues to see a high level of regulatory change.
Adoption of open banking	Open banking is central to a shift to more digital services which better connect financial companies, customers, regulators and technology services. With open banking comes additional risks including integration challenges, privacy concerns and lack of knowledge from consumers.
Business disruption	The pandemic has been a major driver of awareness around the risks associated with business interruption, including supply chain disruption.
Fintech consolidation	Public pressure to address income inequality may be met by use of alternative data sources for evaluating creditworthiness and otherwise assessing eligibility.

Environmental

Emerging trend	Description
Pandemics	With Amigo's hybrid working policy, the impact of Covid and increased remote working has not had a material impact on the organisations ability to operate. The potential for further pandemics, a shifting range of pathogens and antimicrobial resistance, however, remains an emerging risk.
Climate change	With growing awareness of the impacts of climate change, increasing investor and regulatory focus is being placed on environmental, social and governance ("ESG"), including climate-related issues. Amigo is developing its ESG strategy.

Economic

Emerging trend	Description
Increasing inflation risk	Increased rate of inflation and cost of living will likely impact loan affordability and increase the proportion of vulnerable customers.
Economic recovery post-pandemic	There will still be unanticipated impacts to customers and staff as a result of pandemic recovery including tightening of credit options.

Geopolitical/legal/regulatory

Emerging trend	Description
Speed of regulatory change	2022 continues to bring high levels of regulatory supervision and enforcement. Regulatory requirements continue to expand, and regulatory expectations are rapidly increasing.
New political landscape	The potential remains that changes within government policies, business requirements, or other political decisions may have a detrimental impact on business decisions or outcomes.

Societal

Emerging trend	Description
Growing customer indebtedness and wealth gap	Increasing potential for financially vulnerable to become further indebted.
Growing levels of economic abuse	Potential for increasing and undetected prevalence of economic abuse within households.

Directors' Report

Going concern

The Directors of Amigo Loans Ltd have made an assessment in preparing these financial statements as to whether the Company is a going concern. The ability of the Company to continue as a going concern is dependent on the ability of the Group to continue as a going concern. References to the "Amigo Group" below includes Amigo Holdings PLC, the ultimate parent company, and its subsidiaries. The Directors have prepared a going concern assessment for a period of twelve months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period. The financial statements have been prepared on a going concern basis which the Directors believe to be appropriate for the following reasons.

The Amigo Holdings Plc Group year end results as at 31 March 2022 indicate that a material uncertainty exists over its ability to continue as a going concern. This stems from the possibility of Amigo Loans Limited being wound up if either of the conditions under the Scheme of Arrangement are not fulfilled. The following basis of preparation wording has been included in the Group accounts which explains this in more detail:

"In determining the appropriate basis of preparation for these financial statements, the Board has undertaken an assessment of 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. This has taken into account the Group's business plan and the principal risks and uncertainties facing the Group, including the success of the Scheme of Arrangement ("the Scheme"). The financial statements have been prepared on a going concern basis which the Directors believe to be appropriate for the following reasons.

Following the sanctioning by the High Court on 26 May of the Scheme of Arrangement ("the Scheme") the Group now has a clear path to returning to lending over the next twelve months. Failure to meet the conditions of the Scheme however remains a key risk faced by the Group. The relevant conditions are:

- approval before 26 February 2023 by the Financial Conduct Authority for Amigo to resume lending;
- issuance and sale of at least 19 shares for every 1 share in issue before 26 May 2023

On 13 October 2022, FCA approval for a return to lending was received. Amigo commenced lending on a pilot basis in October 2022. Following the end of the pilot lending phase, the FCA will consider the impact on consumers of Amigo returning to lending on a wider scale, and whether the results of the outcomes testing demonstrate that Amigo is able to continue to meet FCA expectations. Amigo is limited to a maximum of £35.0m cumulative net originations until successful completion of the required dilutory share issue and payment of a further £15.0m into the Scheme. Failure to meet the Scheme conditions represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business.

Should either of these conditions remain unsatisfied within the required timeframes, under the terms of the Scheme the business will revert to a managed wind-down and neither the Group nor Company will be a going concern. Projections show the business has sufficient resources for a solvent wind-down in this context.

However, the Directors have a reasonable expectation that these conditions can be met and, therefore, have modelled a 'Base scenario' and 'Severe but plausible downside Scheme scenario' which the Directors believe are realistic alternatives to the managed wind-down scenario.

Base scenario - business plan assumptions

The Base scenario assumes that:

- the conditions of the Scheme (explained above) are met in the required timescales, with FCA approval to commence re-lending being received
- balance adjustments resulting from complaints in the Scheme are consistent with the assumptions that underpin the complaints provision reported as at 31 March 2022 (see note 2.2.2)
- at least the minimum committed amount of £112m is paid out as cash redress in the Scheme, being £97m from existing resources and future collections plus an additional £15m following the equity raise
- new lending originations commence as soon as possible
- collections on the existing loan book continue in line with recent experience

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 Scheme scenario

The Directors have prepared a severe but plausible downside scenario. This assumes the conditions of the Scheme are met and also that the Group is able to successfully obtain new debt financing to enable it to repay its non-current borrowings as they fall due in January 2024, but considers the potential impact of:

Directors' Report

- an increased number of upheld complaints. Whilst this sensitivity does not increase the cash liability, which is capped under the Scheme, the number of customers receiving balance write downs will increase, thus reducing future collections and adversely impacting the Group's liquidity position.
- increased credit losses as a result of the cost of living crisis and the inability of an increased number of the Group's customers to continue to make payments.
- halving of forecast origination volumes, whether arising due to delays in new product launch or market conditions.
- halving of new equity funding raised (whilst still meeting the dilution conditions of the Scheme)

This severe but plausible downside Scheme scenario indicates that the Group's available liquidity headroom would reduce but would be sufficient to enable the Group to continue to settle its liabilities as they fall due for at least the next twelve months.

FCA investigation

The Group is currently under investigation by the FCA in relation to historical lending and complaints management processes. We are hopeful that the outcome of these investigations will be known within the next twelve months. If the enforcement process is not completed within twelve months, then Amigo could fail to comply with one of the Scheme conditions and is likely to revert to the fallback solution or some form of insolvency.

There are a number of avenues of sanction open to the FCA should it deem it appropriate and so the potential impact of the investigation on the business is extremely difficult to predict and quantify, so has not been provided for in the financial statements and is not modelled in the business plan or stress scenario. In mitigation, the FCA has stated that the levying of any fine would be considered in the context of the Scheme and its impact on creditors. However, if the FCA were to impose a significant fine it would significantly reduce the Group's available liquidity headroom and the Group may potentially need to source additional financing to maintain adequate liquidity and to continue to operate.

Conclusion

Approval by the High Court of the Scheme provides the Group with a clear path to return to lending under a business plan which has been the subject of extensive external scrutiny as a result of the Court process. Based on the severe but plausible scenario the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operation for at least the next twelve months. 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. Accordingly, the Board believes 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. The Scheme requires the meeting of conditions, being approval for a return to lending before 26 February 2023 and issuance and sale of at least 19 shares for every 1 share in issue before 26 May 2023. Additionally, the successful delivery of the Group's business plan depends on raising sufficient equity and/or debt funding and the final outcome of the FCA investigations remains highly uncertain. These conditions are outside of the control of the Group. 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. "

Company conclusion

Based on the above situation in the Group, the Directors believe that it remains appropriate to prepare the financial statements of the Company on a going concern basis. However, the Directors also recognise that, at the date of approval of these financial statements, significant uncertainty remains. Subsequent to the signing of the Group accounts, FCA approval for a return to lending on a pilot basis has now been received. Full approval is required before the Scheme deadline of 26 February 2023. The Scheme also requires the issuance and sale of at least 19 shares for every 1 share in issue, by the parent company, Amigo Holdings PLC, before 26 May 2023. If the conditions of the Scheme are not met then the Directors of Amigo Loans Limited would be forced to wind down the entity. Failure to meet the Scheme conditions represents a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Directors' Report

Directors

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

Gary Jennison (resigned on 23 September 2022)
Nicholas Beal
Michael Corcoran (appointed on 19 July 2021, resigned on 19 February 2022)

Results and dividends

Profit for the period, after taxation, amounted to £168.9m (2021: loss of £345.6m).

The Company did not pay a half year dividend in the period (2021: nil). In light of the continued solvency issues facing the Company given the costs of resolving the complaints issues over the full year results to 31 March 2022, the Board decided that it is prudent to conserve capital in the business and did not recommend a final dividend.

Dividend policy

Under the terms of a Voluntary Requirement agreed between the regulated companies within the Amigo Group and the FCA, Amigo has agreed not to pay a dividend to shareholders unless permission has been obtained. In addition, given the scale of the costs and contribution incurred to resolve the complaints situation, the Directors are of the view that no dividend can be paid in the short to medium term.

Going concern

As described on pages 13 to 14, the Board has undertaken an appropriate review of the 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. This has taken into account the Company's business plan and the principal risks and uncertainties facing the Company, including the success of the Scheme of Arrangement (Scheme).

Political donations

The Company did not make any political donations or incur any political expenditure (each as defined by the Companies Act 2006) in the UK or elsewhere in the year ended 31 March 2022 (2021: £nil).

Equal opportunities

The Company have an equal opportunities policy which is followed by all Directors, Executive Committee and employees, and which ensures the Company 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.

Matters covered in the strategic report

Key performance indicators and a business review for the year ended 31 March 2022 are disclosed in the Strategic Report as required by s414C(11) of Companies Act 2006.

Directors' indemnities and insurance

The Directors have the benefit of a qualifying third-party indemnity from the Company as permitted by the Company's Articles of Association (the terms of which are in accordance with the Companies Act 2006). At the year ended 31 March 2022, the Company had in place directors' and officers' liability insurance.

Directors' Report

Disclosure of information to auditor

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

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have 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.

Auditors

Given the changes to the business since the original tender and appointment, it is appropriate for both KPMG and the Company to reconsider the audit of the Company. KPMG will not be offering themselves for re-election at the AGM of Amigo Holdings plc due to be held on 28 September 2022.

The auditor, MHA MacIntyre Hudson, has been appointed in accordance with section 485 of the Companies Act 2006 as the statutory auditor for financial periods commencing on or after 1 April 2022.

Greenhouse gas emissions

This is the third year Amigo has reported on emissions in compliance with the Streamlined Energy and Carbon Reporting ("SECR") requirement. For the year ended 31 March 2022 our total emissions for scope 1 and 2 have accounted for 65.45 tonnes of CO_2e.

The total quantity of energy used during the year ended 31 March 2022 resulting from the purchase of electricity and fuels from Company-owned vehicles was 308,185 kWh.

All figures relate to emissions in the UK only; we do not have the data available for Amigo Ireland. Energy from our second office in our Bournemouth location was provided to us under a service charge, as this is a leased office space.

Section 172 Statement

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

(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 impact of the Company's operations on the community and the environment;
(v) the desirability of the Company maintaining a reputation for high standards of business conduct; and
(vi) the need to act fairly as between members of the Company.

The Directors consider these factors in discharging their duties under section 172. The Board recognises that building strong relationships with our stakeholders will help us to deliver our strategy in line with our long-term values and operate the business in a sustainable way. 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:

Nicholas Beal
Director
21 December 2022

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 UK -adopted International Financial Reporting Standards ("IFRS").

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 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;
- 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:

Nicholas Beal
Director
21 December 2022

KPMG

Independent auditor's report

To the members of Amigo Loans Ltd

Opinion

We have audited the financial statements of Amigo Loans Limited ("the Company") for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, Statement of financial position, Statement of Changes in Equity and Statement 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 Company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- 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 Company 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.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the ability of Amigo Holdings PLC, the ultimate parent company, and its subsidiaries ("the Group") and the Company to continue as a going concern is dependent on the FCA granting the Group permission to commence relending before 26 February 2023, the ultimate parent company completing a successful 19:1 share issue before 26 May 2023, the Group raising sufficient equity and/or debt funding in order to successfully deliver its business plan, and the severity of any sanction arising from the ongoing FCA investigation. These events and conditions along with the other matters explained in note 1, constitute a material uncertainty that may cast a significant doubt on the Company's and Group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern

The directors have prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Our conclusion based on our financial statements audit work: we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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, reviewing internal audit reporting 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 meeting minutes.
- considering remuneration incentive schemes and performance targets for management and Directors including share-based payments for management remuneration.
- using analytical procedures to identify any unusual or unexpected relationships.
- using our own forensic specialists to assist us in identifying fraud risks based on discussions of the circumstances of the Group.
- Inspecting correspondence with regulators to identify instances or suspected instances of fraud.
- Reviewing the audit misstatements from prior period to identify fraud risk factors.

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 our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular 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 provision for expected credit loss and customer complaints.

On this audit we do not believe there is a fraud risk related to revenue recognition because of the nature of the Company's revenue streams i.e., the revenue transactions are non-complex in nature involving minimal management judgement.

We also identified a fraud risk related to:

- the expected credit losses on customer loans and receivables due to the significant judgement in this estimate.
- the complaints provision due to the high degree of estimation uncertainty and the significant judgement required by management over uncertain future outcomes of this provision.

In order to address the risk of fraud on the above we challenged management in relation to the selection of assumptions to assess if there are indications of management basis.

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

We also performed procedures including:

- identifying journal entries to test for 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 thereof, those linked to specific accounts and duplicate entries; and
- assessing whether the judgements made in making significant accounting estimates for the complaint provision and the provision for expected credit loss are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

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), and from inspection of the Group's regulatory correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

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, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the 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: conduct and regulatory risk, anti-bribery, anti-money laundering 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 ongoing FCA investigation matters discussed in Note 1 we assessed disclosures against our understanding from regulatory correspondence and discussions with the Board and management.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 17, 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 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 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.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Nicholas Edmonds

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15, Canada Square,

Canary Wharf

London

E14 5GL

21 December 2022

Statement of Comprehensive Income

	Notes	Year to 31 Mar 22 £m	Year to 31 Mar 21 £m
Revenue	3	**88.6**	168.5
Interest payable and funding facility fees	4	**(18.4)**	(86.6)
Interest receivable and other income	6	**0.1**	56.1
Impairment of intercompany balances[2]	23	**0.9**	(65.8)
Impairment of amounts receivable from customers[1]		**(37.4)**	(60.1)
Administrative and other operating expenses	7	**(22.9)**	(38.0)
Complaints release/(expense)	18	**156.6**	(314.4)
Total operating income/(expense)		**133.7**	(352.4)
Profit/(Loss) before tax		**167.5**	(340.3)
Tax credit/(charge) on profit/(loss)	9	**1.4**	(5.3)
Profit/(Loss) and total comprehensive profit/(loss) attributable to equity shareholders of the Company[3]		**168.9**	(345.6)

1) This line item includes reversals of impairment losses or impairment gains, determined in accordance with IFRS 9. In the year, £nil m 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 18 for further details (2021: £3.2m reversal of impairment losses).

2) In the prior year, following an impairment assessment, the intercompany balance between Amigo Loans Ltd and Amigo Holdings PLC has been deemed irrecoverable and has been fully impaired. In the current year a portion of this, of £3.5m, was written back to reflect expected future intercompany dividends receivable in the parent and due to be repaid to ALL as part of its obligation to maximise the return to creditors under the Scheme. The above amount in the comprehensive income statement also includes the impairment of investment in the subsidiary, Amigo Loans Ireland Ltd of £2.5m impaired during the year. See note 14, 23 and 1.9.1a for further details.

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

The accompanying notes form part of these financial statements

Statement of Financial Position

	Notes	Year to 31 Mar 22 £m	Year to 31 Mar 21 £m
Non-current assets			
Customer loans and receivables	12	**114.0**	124.6
		114.0	124.6
Current assets			
Customer loans and receivables	12	**25.3**	223.3
Other receivables	14	**84.5**	132.2
Intercompany other receivables		**14.2**	-
Current tax asset		**0.8**	-
Cash and cash equivalents (restricted)		**6.9**	-
Cash at bank and in hand	15	**124.4**	172.6
		256.1	528.1
Total Assets		**370.1**	652.7
Current liabilities			
Trade and other payables	16	**(3.9)**	(6.5)
Borrowings	17	**(82.5)**	(180.3)
Provisions	18	**(82.8)**	(344.6)
Current tax liabilities		**-**	(0.8)
		(169.2)	(532.2)
Non-current liabilities			
Borrowings	17	**(54.0)**	(239.5)
Provisions	18	**(97.0)**	-
		(151.0)	(239.5)
Total liabilities		**(320.2)**	(771.7)
Net assets/(liabilities)		**49.9**	(119.0)
Equity			
Share capital	20	**-**	-
Retained earnings		**49.9**	(119.0)
Shareholder equity		**49.9**	(119.0)

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:

Nicholas Beal
Director
Company no. 04841153

21 December 2022

Statement of Changes in Equity

	Share capital £m	Retained earnings £m	**Total equity £m**
At 31 March 2020	-	226.6	**226.6**
Total comprehensive loss	-	(345.6)	**(345.6)**
At 31 March 2021	-	(119.0)	**(119.0)**
Total comprehensive profit	-	168.9	**168.9**
At 31 March 2022	**-**	**49.9**	**49.9**

The accompanying notes form part of these financial statements.

Statement of Cash Flows

	Year to 31 Mar 22 £m	Year to 31 Mar 21 £m
Profit/(loss) for the period	**168.9**	(345.6)
Adjustments for:		
Impairment expense	**37.4**	60.1
Impairment of operating intercompany balances	**0.9**	65.8
Complaints (release)/expense	**(156.6)**	314.4
Tax (credit)/charge	**(1.4)**	5.3
Interest expense	**18.4**	86.6
Interest receivable	**(0.1)**	(56.1)
Interest recognised on loan book	**(96.1)**	(182.9)
Operating cash flows before movements in working capital	**(28.6)**	(52.4)
Increase/(decrease) in receivables	**35.5**	(32.1)
Increase in payables	**(1.7)**	(5.1)
Complaints cash expense	**(8.1)**	(58.7)
Tax refunds	**0.2**	23.6
Interest paid	**(16.8)**	(24.7)
Proceeds from intercompany undertakings	**3.1**	59.7
Repayment of intercompany undertakings	**(3.9)**	(64.6)
Net cash (used in) operating activities before loans issued and collections on loans	**(20.3)**	(154.3)
Loans issued	**-**	(0.4)
Collections	**260.0**	397.7
Other loan book movements	**(0.4)**	(0.8)
Decrease in deferred brokers costs	**7.5**	10.8
Net cash from operating activities	**246.8**	253.0
Investing activities		
Repayments from Group undertakings	**0.9**	3.5
Advances to Group undertakings	**(3.8)**	(7.7)
Net cash (used in) investing activities	**(2.9)**	(4.2)
Financing activities		
Proceeds from intercompany undertakings	**12.2**	18.4
Repayment of intercompany undertakings	**(199.6)**	(18.0)
Repayment of external funding	**(97.8)**	(129.0)
Net cash (used in) financing activities	**(285.2)**	(128.6)
Net (decrease)/increase in cash and cash equivalents	**(41.3)**	120.2
Cash and cash equivalents at beginning of period	**172.6**	52.4
Cash and cash equivalents at end of period	**131.3**	172.6

The accompanying notes form part of these financial statements.

1. Current year total cash is inclusive of £6.9m restricted cash.

Notes to the financial statements

1. Accounting policies

1.1 Basis of preparation of financial statements

Amigo Loans Ltd (the "Company") is a company limited by shares, incorporated and domiciled in the England and Wales and its registered office is Nova Building, 118-128 Commercial Road, Bournemouth, United Kingdom BH2 5LT.

The 'principal' activity of Amigo Loans Ltd is to provide individuals with guarantor loans of £2,000 to £10,000 over 1 to 5 years.

These financial statements have been prepared on a going concern basis and approved by the Directors in accordance with UK-adopted International Financial Reporting Standards ("IFRS"). There has been no departure from the required IFRS standards.

The presentation currency of the Company 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 Company's accounting policies. See note 2 for further details.

The financial statements have been prepared under the historical cost convention, except for financial instruments measured at amortised cost or fair value. The Company's principal accounting policies under IFRS, which have been consistently applied to all years presented, unless otherwise stated, are set out below.

The Company financial statements for the year ending 31 March 2022 were approved by the Board of Directors on 21 December 2022.

Going concern

The Directors of Amigo Loans Ltd have made an assessment in preparing these financial statements as to whether the Company is a going concern. The ability of the Company to continue as a going concern is dependent on the ability of the group to continue as a going concern. References to the "Amigo Group" below includes Amigo Holdings PLC, the ultimate parent company, and its subsidiaries. The Directors have prepared a going concern assessment for a period of twelve months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period. The financial statements have been prepared on a going concern basis which the Directors believe to be appropriate for the following reasons:

The Amigo Holdings Plc Group year end results as at 31 March 2022 indicate that a material uncertainty exists over its ability to continue as a going concern. This stems from the possibility of Amigo Loans Limited being wound up if either of the conditions under the Scheme of Arrangement are not fulfilled. The following basis of preparation wording has been included in the Group accounts which explains this in more detail:

"In determining the appropriate basis of preparation for these financial statements, the Board has undertaken an assessment of 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. This has taken into account the Group's business plan and the principal risks and uncertainties facing the Group, including the success of the Scheme of Arrangement ("the Scheme"). The financial statements have been prepared on a going concern basis which the Directors believe to be appropriate for the following reasons.

Following the sanctioning by the High Court on 26 May of the Scheme of Arrangement ("the Scheme") the Group now has a clear path to returning to lending over the next twelve months. Failure to meet the conditions of the Scheme however remains a key risk faced by the Group. The relevant conditions are:

- approval before 26 February 2023 by the Financial Conduct Authority for Amigo to resume lending;
- issuance and sale of at least 19 shares for every 1 share in issue before 26 May 2023

Should either of these conditions remain unsatisfied within the required timeframes, under the terms of the Scheme the business will revert to a managed wind-down and neither the Group nor Company will be a going concern. Projections show the business has sufficient resources for a solvent wind-down in this context.

However, the Directors have a reasonable expectation that these conditions can be met and, therefore, have modelled a 'Base scenario' and 'Severe but plausible downside Scheme scenario' which the Directors believe are realistic alternatives to the managed wind-down scenario.

Notes to the financial statements

Base scenario - business plan assumptions

The Base scenario assumes that:

- the conditions of the Scheme (explained above) are met in the required timescales, with FCA approval to commence re-lending being received
- balance adjustments resulting from complaints in the Scheme are consistent with the assumptions that underpin the complaints provision reported as at 31 March 2022 (see note 2.2.2)
- at least the minimum committed amount of £112m is paid out as cash redress in the Scheme, being £97m from existing resources and future collections plus an additional £15m following the equity raise
- new lending originations commence as soon as possible
- collections on the existing loan book continue in line with recent experience

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 Scheme scenario

The Directors have prepared a severe but plausible downside scenario. This assumes the conditions of the Scheme are met and also that the Group is able to successfully obtain new debt financing to enable it to repay its non-current borrowings as they fall due in January 2024, but considers the potential impact of:

- an increased number of upheld complaints. Whilst this sensitivity does not increase the cash liability, which is capped under the Scheme, the number of customers receiving balance write downs will increase, thus reducing future collections and adversely impacting the Group's liquidity position.
- increased credit losses as a result of the cost of living crisis and the inability of an increased number of the Group's customers to continue to make payments.
- halving of forecast origination volumes, whether arising due to delays in new product launch or market conditions.
- halving of new equity funding raised (whilst still meeting the dilution conditions of the Scheme)

This severe but plausible downside Scheme scenario indicates that the Group's available liquidity headroom would reduce but would be sufficient to enable the Group to continue to settle its liabilities as they fall due for at least the next twelve months.

FCA investigation

The Group is currently under investigation by the FCA in relation to historical lending and complaints management processes. We are hopeful that the outcome of these investigations will be known within the next twelve months. If the enforcement process is not completed within twelve months, then Amigo could fail to comply with one of the Scheme conditions and is likely to revert to the fallback solution or some form of insolvency.

There are a number of avenues of sanction open to the FCA should it deem it appropriate and so the potential impact of the investigation on the business is extremely difficult to predict and quantify, so has not been provided for in the financial statements and is not modelled in the business plan or stress scenario. In mitigation, the FCA has stated that the levying of any fine would be considered in the context of the Scheme and its impact on creditors. However, if the FCA were to impose a significant fine it would significantly reduce the Group's available liquidity headroom and the Group may potentially need to source additional financing to maintain adequate liquidity and to continue to operate.

Conclusion

Approval by the High Court of the Scheme provides the Group with a clear path to return to lending under a business plan which has been the subject of extensive external scrutiny as a result of the Court process. Based on the severe but plausible scenario the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operation for at least the next twelve months. 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. Accordingly, the Board believes 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. The Scheme requires the meeting of conditions, being approval for a return to lending before 26 February 2023 and issuance and sale of at least 19 shares for every 1 share in issue before 26 May 2023. Additionally, the successful delivery of the Group's business plan depends on raising sufficient equity and/or debt funding and the final outcome of the FCA investigations remains highly uncertain. These conditions are outside of the control of the Group. 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. "

Notes to the financial statements

Company conclusion

Based on the above situation in the Group, the Directors believe that it remains appropriate to prepare the financial statements of the Company on a going concern basis. However, the Directors also recognise that, at the date of approval of these financial statements, significant uncertainty remains. Subsequent to the signing of the Group accounts, FCA approval for a return to lending on a pilot basis has now been received. Full approval is required before the Scheme deadline of 26 February 2023. The Scheme also requires the issuance and sale of at least 19 shares for every 1 share in issue, by the parent company, Amigo Holdings PLC, before 26 May 2023. If the conditions of the Scheme are not met then the Directors of Amigo Loans Limited would be forced to wind down the entity. Failure to meet the Scheme conditions represents a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Notes to the 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 Company 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 Company'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 Company'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 Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Company'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 Company. 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 Company 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 Company 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 with 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 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 Company 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 Company assessed that its key sensitivity was in relation to expected credit losses on customer loans and receivables. In prior years nine macroeconomic scenarios were applied and weighted. However, given the impact of the Covid-19 pandemic is better known and already to an extent has been realised, this methodology was reviewed and simplified down to three scenarios – a base, downside and severe downside scenario, to determine the ECL provision (see note 2.1.3).

Previously the IFRS 9 provision was segmented into the Company's seven legacy risk segments. Due to the impact of Covid-19 these segments no longer have discernible credit risk profiles. Instead, and in line with information used by management in internal decision making and review, the book is bifurcated into customers who have had a Covid-19 forbearance plan and those who have not. Refer to note 2.1.1 for further detail of 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 Company 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 Company has offered payment holidays to customers in response to Covid-19. These measures were introduced on 31 March 2020 and last granted by 31 March 2021, although some customers continued in their existing payment holidays into the 2022 financial year. 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 See note 2.1.2 for further detail on SICR considerations for Covid-19 payment holidays.

Notes to the financial statements

v) Derecognition

Historically, the Company offered, to certain borrowers, the option to top up existing loans subject to internal eligibility criteria and customer affordability. The Company pays out the difference between the customer's remaining outstanding balance and the new loan amount at the date of top-up. The Company 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 Company's accounting policies for modification of financial assets.

vii) Definition of default

The Company 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 Company 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 Company's impairment model.

viii) Forbearance

Where the borrower indicates to the Company 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. Depending on the forbearance measure offered, an operational flag will be added to the customer's account, which may indicate significant increase in credit risk and trigger movement of this balance from stage 1 to stage 2 in impairment calculation. See note 2.1.2 for further details.

1.3 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 financial statements

1.5 Interest payable and funding facilities

Interest expense and income, excluding bond premium, is recognised as it accrues in the 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. The bond premium is amortised over the life of the bond. Amortised facility fees are charged to the statement of comprehensive income over the term of the facility using the effective interest rate method. Non-utilisation fees are charged to the 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 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 statement of comprehensive income.

1.6 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the 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.

1.6.1 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 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.

1.6.2 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 Company 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 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 statement of financial position date.

1.7 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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 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 2.2 and note 18.

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised in the balance sheet but information about them is disclosed unless the possibility of any economic outflow in relation to settlement is remote. See note 18 for further details.

Notes to the financial statements

1.8 Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The Company financial statements are presented in Sterling, which is the Company's functional and presentational currency.

Transactions that are not denominated in the Company's functional currency are recorded at average exchange rate for the month. Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at the exchange rates ruling at the balance sheet date. Differences arising on translation are charged or credited to the income statement.

If a foreign operation were to be disposed of, the cumulative amount of the differences arising on translation recognised in other comprehensive income would be recognised in the income statement when the gain or loss on disposal is recognised.

1.9 Financial instruments

The Company 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 and intercompany balances.

1.9.1 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 Company assesses the recoverability of its intercompany balances when there is an indication of impairment. Where necessary the Company 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) materially relates to restricted cash held in a Trust Account for the benefit of those customers with an open complaint, who may later have their complaints upheld in the Scheme, who continued to make payments on their loan from 1 December 2021 to the Scheme effective date.

In the prior year, restricted cash and cash equivalents represented restricted cash held in the structured entity AMGO Funding (No. 1) Ltd bank account due to contractual obligations at that time. During the year the size of the securitisation facility decreased from £250m, to £100m in June 2021 before being fully repaid on 24th September 2021. Although the structure exists at the period end all rights, obligations and liabilities of the Noteholders and Lead Arranger have been novated to ALL Scheme Limited and there is consequently no comparable cash restriction.

d) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company 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 Company has transferred substantially all the risks and rewards of the asset; or
    - the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

e) 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 statement of comprehensive income within the impairment charge.

Notes to the financial statements

f) 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 Company 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 Company 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.

1.9.2 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.

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 statement of comprehensive income.

1.10 Securitisation

The Company 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 Company'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 Company retains substantially all the risks and rewards of ownership. Since the novation of the securitisation structure to Amigo in September 2021, and the elimination of Noteholders, no additional risks are considered to arise from the remaining structure.

1.10 Leases

The below accounting policies relates to expenses borne by Amigo Management Services Limited, but ultimately paid by Amigo Loan Ltd, by way of a serving fee. Although not explicitly accounted for in Amigo Loans Ltd.

IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the Company. Control is considered to exist if the Company 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 Company 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 statement of comprehensive income as incurred.

Notes to the financial statements

i) Lease liability

All leases for which the Company is a lessee, other than those that are less than twelve months in duration or are low value which the Company has elected to treat as exempt, require a lease liability to be recognised on the 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:

- 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 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 Company's right-of-use assets relate to two property leases for offices in Bournemouth.

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

1.11 Share-based payments

Share-based payment expenses are borne by Amigo Management Services but are ultimately paid by Amigo Loans Ltd by way of a servicing fee. Share-based payments are equity settled by Amigo Holdings PLC.

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.

1.12 Defined contribution pension scheme

AMS operates a defined contribution pension scheme, of which the cost is ultimately borne by Amigo Loans Ltd. Contributions payable to the pension scheme are charged to the income statement on an accruals basis.

Notes to the 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 Company financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the 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 Company to be when an account is three contractual payments past due (note 1.2.vii).
  - Multiple economic scenarios – the probability weighting of base, downside and severe downside scenarios to the ECL calculation (note 2.1.3). These scenarios replaced the nine different economic scenarios used in the prior year.
  - Application of a management overlay – 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)
- Complaints provisions:
  - Judgement is involved in calculating the balance adjustments and in estimating the probability, timing and amount of any outflows (note 2.2.2).
- Going concern:
  - Judgement is applied in determining if there is a reasonable expectation that the Company adopts the going concern basis in preparing these financial statements (note 1.1).

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).
- Complaints provisions:
  - Calculation of balance adjustments involve management's best estimate of Scheme uptake, uphold rate and average redress. The calculation of these evaluates current and historical data, and assumptions and expectations of future outcomes (note 2.2.2).

Notes to the financial statements

2.1 Credit impairment

2.1.1 Measurement of ECLs

The Company has adopted a collective basis of measurement for calculating ECLs. In the current year the loan book is bifurcated into those customers who have had a Covid-19 forbearance plan and those who have not. In the prior year, the loan book was divided into portfolios of assets with shared risk characteristics including whether the loan was new business, repeat lending or part of a lending pilot as well as considering if the customer was a homeowner or not. These portfolios of assets were further divided by contractual term and monthly origination vintages. These portfolios are no longer considered to have discernible credit risk profiles due to the impact of Covid-19.

The allowance for ECLs is calculated using three components: PD, LGD and 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 Company expects to receive.

The Company assesses the impact of forward-looking information on its measurement of ECLs. The Company 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 and the rate of inflation.

In prior years nine macroeconomic scenarios were applied and weighted. However, given the impact of the Covid-19 pandemic is better known and already to an extent has been realised, this methodology was reviewed and simplified down to three scenarios – a base, downside and severe downside scenario, 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 Company'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 Company 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 Company 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 Company in a significant increase in credit risk assessments.

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

Notes to the financial statements

2.1.3 Forward-looking information

The Company assesses the impact of forward-looking information on its measurement of ECLs. The Company 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 Company has modelled and weighted three different macroeconomic scenarios – a base, a downside and a severe downside scenario.

- The base scenario broadly represents probability of defaults whereby there is no significant deviation of delinquency beyond the current run-rate. The base scenario captures an element of stress to reflect current inflationary pressures. A weighting of 25% has been applied to reflect the Company's assumption that the current macroeconomic environment is more likely than not due to worsen, given the inflationary pressures facing the Company's customer base. Historical trends of prior inflationary increases showed no statistical relationship to the Company's customers propensity to make payments, so the base scenario appears reasonable.
- The downside scenario uplifts the base scenario probability of default by approximately 50%. Based on recent Office for Budgetary Reporting ("OBR") forecasts, inflation rates are expected to rise to 40-year highs. Although there are no historical indications of a statistical relationship between inflationary rises and customers' propensity to make payments, a weighting of 50% has been applied to reflect a prudent approach and expectation that customers will be, in some form, adversely impacted.
- The severe downside applies a further uplift of 25% to the probability of default in the downside scenario, reflecting a significant impact from macroeconomic factors. Whilst the economic outlook is not set to return to more normal levels in the near term, the Company's loan book does not have significant time left to run off. Judgement has been made to weight this scenario at 25%. Given the lack of statistical relationship and level of uncertainty around the impact on customers' payment behaviour, the Company believes this weighting is fair and reasonable, but will evolve over time as the cost of living crisis plays out.

The following table details the absolute impact on the current ECL provision of £47.4m if each of the three scenarios are given a probability weighting of 100%.

	Impact
Base	-2.7m
Downside	+0.6m
Severe downside	+1.5m

The scenarios above demonstrate a range of ECL provisions from £44.7m to £48.9m.

In prior years nine macroeconomic scenarios were applied and weighted. However, given the impact of the Covid-19 pandemic is better known and already to an extent has been realised, this methodology was reviewed and simplified down to three scenarios – a base, downside and severe downside scenario, to determine the ECL provision.

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

In the prior year management overlay was used to enhance the modelled outcome to take account of increasing credit risk indicators that were potentially masked by payment holidays granted due to Covid-19. This is no longer relevant as all impacted accounts have reverted to a tailored collections approach captured by status flag.

As noted in 2.1.3, the Board notes that forward looking information carries a degree of uncertainty, particularly in relation to the impact of the forecast cost of living crisis. However, in the view of the Board, the use of a sufficiently severe downside scenario in the modelled approach negates the requirement for further management overlay in the impairment estimation.

Notes to the financial statements

2.2 Complaints provisions

2.2.1 Key judgements - Scheme of Arrangement

On 21 December 2020, the Company announced its intention to agree a Scheme of Arrangement to address customer redress claims with the aim that all customers are treated equitably.

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.

Following the sanctioning by the High Court of the new business scheme and considering that the subsequent conditions precedent for return to lending and capital raise will be satisfied, Amigo believes that the IAS 37 conditions for recognising a provision will be met. As a result, the complaints provision has been calculated on a Scheme basis. This means that the provision will be reduced to the level of estimated balance adjustments plus the cash redress promised in the Scheme.

2.2.2 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.

Identifying whether a present obligation exists and estimating the probability, timing, nature and quantum of the redress payments that may arise from past events require 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 balance adjustment (£) – the estimated balance adjustments for future upheld complaints included in the provision; and
- portion of complaints on gross loan book (%) - whether these are customers on the existing loan book remediated via balance adjustment or whether redress is achieved via the Scheme cash pot.

The calculation of the complaints provision as at 31 March 2022 is based on Amigo's best estimate of the future obligation at the Scheme effective date.

The revised complaints cash redress provision will be £97m post Scheme. There is an additional £15m payable resulting from the contingent equity raise, plus a top-up if net collections exceed those forecast in the Scheme scenarios. The capital raise is a critical component of the preferred solution under the New Business Scheme succeeding, and while the provision is being accounted for on the basis that the Scheme is successful, it is currently determined that the equity raise contribution component cannot be accrued as it cannot be justified as more likely than not to occur at today's date.

Notes to the financial statements

As at 31 March 2022, the Company has recognised a complaints provision totalling £179.8m in respect of customer complaints redress and associated costs. Utilisation in the period totalled £8.2m. The liability has decreased by £164.8m compared to prior year. £126.5m of the decrease is due to the cash redress liability being reduced to the £97.0m contribution as per the Scheme. The other main component of the reduction is a decrease in the balance adjustments on the loan book of £47.3m. The level of balance adjustments has declined due to customers paying down their loan and customers charging off the loan book. This has been partly offset by an increase in the assumed volume of customers coming forward in the Scheme.

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]	115,321	+/- 5%	+6.6	-6.6
Average uphold rate per customer[2]	65%	+/- 20 ppts	+15.6	-15.6
Average balance adjustment per valid complaint[3]	£2,600	+/- £500	+8.8	-8.8
Portion of complaints on gross loan book[4]	21%	+/- 10 ppts	+21.3	-21.3

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 20 percentage point change in the applied uphold rate on both the current and forward-looking elements of the provision.
3. Average balance adjustment. Sensitivity analysis shows the impact of a £500 change in average balance adjustment on the provision. In prior years, average redress was used as a key assumption, but average balance adjustment is now considered more appropriate with the provision being calculated on a Scheme basis.
4. Portion of complaints on gross loan book. Sensitivity analysis shows the impact of a 10 percentage point change in the portion of total current and future upheld complaints on the Gross Loan Book.

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 Company'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.

Notes to the financial statements

3. Revenue

Revenue consists of interest accrued on loans to customers.

	Year to 31 Mar 22 £m	Year to 31 Mar 21 £m
Interest under amortised cost method	**87.3**	195.4
Modification of financial assets (note 5)	**1.2**	(27.2)
Other income	**0.1**	(0.3)
	88.6	167.9

4. Interest payable and funding facility fees

	Year to 31 Mar 22 £m	Year to 31 Mar 21 £m
Bank interest payable	**0.5**	4.5
Senior secured notes interest payable	**14.9**	17.8
Funding facility fees	**(1.0)**	(0.6)
Securitisation interest payable	**0.2**	58.9
Complaints provision discount unwind (note 18)	**-**	2.0
Other finance costs	**3.8**	4.0
	18.4	86.6

No interest was capitalised by the Company during the period. Funding facility fees include non-utilisation fees and amortisation of initial costs of the Company's senior secured notes.

Other finance costs includes non-utilisation fees of £0.5m (2021: £0.9m) relating to the securitisation facility.

In the prior year, other finance costs also included written off fees totalling £0.7m following cancellation of the Company's revolving credit facility and substantial modification of the securitisation facility.

5. Modification of financial assets

Covid-19 payment holidays and any subsequent extensions have been assessed as non-substantial financial asset modifications under IFRS 9.

The Company stopped granting payment holidays in March 2021; hence no additional modification losses have been recognised in the period. All payment holidays ended by 31 July 2021. The carrying value of historical modification losses at the year end was £5.9m (2021: £13.9m).

	Year to 31 Mar 22 £m	Year to 31 Mar 21 £m
Modification release/(loss) recognised in revenue	**1.2**	(27.2)
Modification release/(loss) recognised in impairment	**4.1**	(8.3)
Total modification release/(loss)	**5.3**	(35.5)

6. Interest receivable and other income

	Year to 31 Mar 22 £m	Year to 31 Mar 21 £m
Deferred consideration receivable in relation to transfer of financial assets	**-**	56.1
Securitisation interest receivable	**0.1**	-
	0.1	56.1

Notes to the financial statements

7. Operating expenses

	Year to 31 Mar 22 £m	Year to 31 Mar 21 £m
Service fee from Amigo Management Services Limited	**19.5**	38.1
Legal and professional fees	**1.7**	1.7
Bank charges	**0.1**	0.1
Non-interest related bank charges	**0.1**	0.1
Other	**1.5**	-
	22.9	40.0
Operating income	**-**	(2.0)
	22.9	38.0

Service fee from Amigo Management Services Limited includes charges for employee costs, advertising and marketing, print, post and stationery, credit scoring and other operating expenses. Other expense of £1.5mduring the year relates to transfer pricing expenses with Amigo Management Services. In the prior year, the £2.0m of operating income related to the write down of a creditor balance no longer required in the year.

	Year to 31 Mar 22 £m	Year to 31 Mar 21 £m
Other operating expenses include:		
Fees payable to the Company's auditor and its associates for:		
- audit of the Company's annual accounts	**0.6**	0.4

8. Key management remuneration

The remuneration of the Executive and Non-Executive Directors, who are the key management personnel of the Company, 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.

Directors are paid by Amigo Management Services Limited, but ultimately the cost of this is borne by Amigo Loans Ltd, through a recharge.

	Year to 31 Mar 22 £m	Year to 31 Mar 21 £m
Key management emoluments including social security costs	**1.6**	1.8
Termination payments	**-**	0.4
	1.6	2.2

During the year retirement benefits were accruing for one Director (2021: three) in respect of defined contribution pension schemes.

The highest paid Director in the current year received remuneration of £745,005 inclusive of employer's National Insurance payments (2021: £766,691 inclusive of employer's National Insurance payments of which £319,350 related to loss of office payments).

The value of the Company'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 (2021: £nil).

Notes to the financial statements

9. Taxation

The applicable corporation tax rate for the period to 31 March 2022 was 19.0% (2021: 19.0%) and the effective tax rate is negative 0.9% (2021: (1.6)%).

	Year to 31 Mar 22 £m	Year to 31 Mar 21 £m
Corporation tax		
Current tax on profit/(loss) for the year	**(0.4)**	-
Adjustments in respect of previous periods	**(1.0)**	(1.1)
Total current tax (credit)	**(1.4)**	(1.1)
Deferred Tax		
Adjustments in respect of prior periods	**-**	6.4
Taxation (credit)/charge on profit/(loss)	**(1.4)**	5.3

A reconciliation of the actual tax (credit)/charge shown above, and the profit/(loss) before tax multiplied by the standard rate of tax, is as follows:

	Year to 31 Mar 22 £m	Year to 31 Mar 21 £m
Profit/(loss) before tax	**167.5**	(340.3)
Profit/(loss) before tax multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	**31.8**	(64.7)
Effects of:		
Expenses not deductible for tax purposes	**(0.1)**	12.5
Transfer pricing adjustments	**-**	(0.4)
Adjustments to tax charge in respect of prior periods	**(1.0)**	5.3
Current-year losses for which no deferred tax asset is recognised	**(32.1)**	52.6
Total tax charge/(credit) for the year	**(1.4)**	5.3
Effective tax charge	**(0.8)%**	(1.6)%

The Finance Act 2021 increased the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. While this change does not affect the current tax position for the year, it will affect future periods.

10. 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 Company 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 Company in which to recover the deferred tax asset that has been recognised. Further details of the assessment performed by management and the key factors included in this assessment can be found under the going concern considerations in note 1.1.

	Year to 31 Mar 22 £m	Year to 31 Mar 21 £m
At 1 April 2021 / 1 April 2020	**-**	6.4
(Charge) to the Statement of Comprehensive Income	**-**	(6.4)
At 31 March 2022 / 31 March 2021	**-**	-

A deferred tax asset has not been recognised in relation to unutilised tax losses of £113,026,417 and other timing differences of £25,623,318 on the basis of recent historic losses and being unable to reliably forecast sufficient, suitable taxable profits in the foreseeable future.

Notes to the financial statements

11. Fixed asset investments

Investment in subsidiary companies:

Cost or valuation	**£**
At 31 March 2021	2
Movement	-
At 31 March 2022	**2**

Subsidiary undertakings:

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares held	Ownership 2021	Ownership 2020	Principle activity
Amigo Finance Limited[1]	United Kingdom	Ordinary	100%	100%	Dormant company

1. registered at 118-128 Nova Building, Commercial Road, Bournemouth BH2 5LT.

Notes to the 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 22 £m**	Year to 31 Mar 21 £m
Stage 1	**127.8**	308.3
Stage 2	**32.3**	61.1
Stage 3	**24.1**	49.8
Gross loan book	**184.2**	419.2
Deferred broker costs[1] – stage 1	**1.5**	7.1
Deferred broker costs[1] – stage 2	**0.4**	1.4
Deferred broker costs[1] – stage 3	**0.3**	1.2
Loan book inclusive of deferred broker costs	**186.4**	428.9
Provision[2]	**(47.1)**	(81.0)
Customer loans and receivables	**139.3**	347.9

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

As at 31 March 2022, £86.8m of loans to customers had their beneficial interest assigned to the Company's special purpose vehicle ("SPV") entity, namely AMGO Funding (No. 1) Ltd, as collateral for securitisation transactions (2021: £180.3m). 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 22 £m	Year to 31 Mar 21 £m
Current	**131.2**	312.4
1-30 days	**21.1**	41.1
31-60 days	**7.8**	15.9
>61 days	**24.1**	49.8
Gross loan book	**184.2**	419.2

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 2022	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**
Gross carrying amount as at 1 April 2021	**308.3**	**61.1**	**49.8**	**419.2**
Deferred brokers fees	7.2	1.4	1.1	**9.7**
Loan book inclusive of deferred broker costs as at 1 April 2021	**315.5**	**62.5**	**50.9**	**428.9**
Changes in gross carrying amount attributable to:				
Transfer to stage 1	16.0	(15.5)	(0.5)	-
Transfer to stage 2	(49.7)	50.7	(1.0)	-
Transfer to stage 3	(15.5)	(9.6)	25.0	-
Passage of time[1]	(62.4)	(12.6)	(3.1)	**(78.1)**
Customer settlements	(59.7)	(10.4)	(1.9)	**(72.0)**
Loans charged off	(18.2)	(31.3)	(43.7)	**(93.2)**
Modification loss relating to Covid-19 payment holidays (note 5)	9.0	(0.1)	(0.5)	**8.4**
Net movement in deferred broker fees	(5.7)	(1.0)	(0.9)	**(7.6)**
Loan book inclusive of deferred broker costs as at 31 March 2022	**129.3**	**32.7**	**24.4**	**186.4**

Notes to the financial statements

Year ending 31 March 2021	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross carrying amount as at 1 April 2020	594.9	106.2	41.6	742.7
Deferred broker fees	16.5	2.9	1.1	20.5
Loan book inclusive of deferred broker costs as at 1 April 2020	611.4	109.1	42.7	763.2
Changes in gross carrying amount attributable to:				
Transfer to Stage 1	15.9	(15.5)	(0.4)	-
Transfer to Stage 2	(31.1)	32.0	(0.9)	-
Transfer to Stage 3	(34.5)	(11.0)	45.5	-
Passage of time[1]	(81.3)	(12.9)	2.0	(92.2)
Customer settlements	(120.7)	(13.0)	(2.7)	(136.4)
Loans charged off	(21.6)	(24.4)	(35.1)	(81.1)
Modification loss relating to Covid-19 payment holidays (note 5)	(13.5)	(0.3)	(0.2)	(14.0)
Net new receivables originated	0.2	-	-	0.2
Net movement in deferred broker fees	(9.4)	(1.5)	0.1	(10.8)
Loan book inclusive of deferred broker costs at 31 March 2021	315.4	62.5	51.0	428.9

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 £428.9m to £186.4m at 31 March 2022. This was primarily driven by the effect of passage of time (loan balances amortising throughout the period), customer settlements and no new 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 2022	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Loan loss provision as at 31 March 2021	**20.3**	**14.0**	**46.7**	**81.0**
Changes in loan loss provision attributable to:				
Transfer to stage 1	1.1	(1.3)	(0.4)	(0.6)
Transfer to stage 2	(3.4)	8.2	(0.8)	4.0
Transfer to stage 3	(1.1)	(1.5)	20.8	18.2
Passage of time[1]	(4.2)	(2.0)	(2.6)	(8.8)
Customer settlements	(4.1)	(1.2)	(1.6)	(6.9)
Loans charged off	(1.2)	(8.5)	(36.0)	(45.7)
Modification loss relating to Covid-19 payment holidays (note 5)	0.6	-	(0.1)	0.5
Management overlay	0.1	0.1	0.5	0.7
Remeasurement of ECLs	9.7	1.1	(6.1)	4.7
Loan loss provision as at 31 March 2022	**17.8**	**8.9**	**20.5**	**47.1**

Year ending 31 March 2021	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Loan loss provision as at 31 March 2020	54.2	20.0	31.3	105.5
Changes in loan loss provision attributable to:				
Transfer to stage 1	1.4	(2.3)	(0.3)	(1.2)
Transfer to stage 2	(2.8)	10.6	(0.7)	7.1
Transfer to stage 3	(3.1)	(2.3)	34.3	28.9
Passage of time[1]	(7.4)	(1.7)	1.5	(7.6)
Customer settlements	(11.1)	(2.4)	(2.2)	(15.7)
Loans charged off	(2.0)	(7.6)	(26.2)	(35.8)
Management overlay (note 2.1.4)	(0.5)	1.3	5.2	6.0
Modification loss relating to Covid-19 payment holidays (note 5)	(1.2)	(0.2)	(0.1)	(1.5)
Remeasurement of ECLs	(7.2)	(1.4)	3.9	(4.7)
Loan loss provision as at 31 March 2021	20.3	14.0	46.7	81.0

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 financial statements

As shown in the above tables, the allowance for ECL decreased from £81.0m at 31 March 2021 to £47.1m at 31 March 2022. 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 2022.

	Stage 1 £m	**Stage 2 £m**	**Stage 3 £m**	**Total £m**
Up to date	119.6	11.6	-	131.2
1-30 days	8.2	12.9	-	21.1
31-60 days	-	7.8	-	7.8
>60 days	-	-	24.1	24.1
	127.8	32.3	24.1	184.2

The Company stopped granting payment holidays in March 2021; hence, no additional modification losses have been recognised in the period. All payment holidays ended by 31 July 2021. £5.2m of modification losses were released in respect of loan agreements that settled or charged off in the period to 31 March 2022. The carrying value of historical modification losses at the period end was £5.9m. £3.3m of this relates to up to date accounts, £1.2m to 1-30 days, £0.4m to 31-60 days and £1.0m 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 2021.

	Stage 1 £m	**Stage 2 £m**	**Stage 3 £m**	**Total £m**
Up to date	289.2	23.2	-	312.4
1-30 days	19.1	22.0	-	41.1
31-60 days	-	15.9	-	15.9
>60 days	-	-	49.8	49.8
	308.3	61.1	49.8	419.2

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 22	Year to 31 Mar 21
Customer loans and receivables	**£m**	£m
Due within one year	112.2	217.1
Due in more than one year	24.9	121.1
Net loan book	**137.1**	338.2
Deferred broker costs[1]		
Due within one year	1.8	6.2
Due in more than one year	0.4	3.5
Customer loans and receivables	**139.3**	347.9

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 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-22		31-Mar-21	
	Fair value hierarchy	**Carrying amount**	**Fair Value**	Carrying amount	Fair Value
		£m	**£m**	£m	£m
Financial assets not measured at fair value[1]					
Amounts receivable from customers[2]	Level 3	**139.3**	**124.0**	347.9	340.6
Securitisation subordinated funding asset	Level 3	**84.4**	**66.9**	118.1	118.1
Other receivables	Level 3	**8.3**	**8.3**	14.1	14.1
Cash and cash equivalents	Level 1	**131.3**	**131.3**	172.6	172.6
		363.3	**330.5**	652.7	645.4
Financial liabilities not measured at fair value[1]			**31-Mar-22**		31-Mar-21
Amounts owed to Group entities	Level 3	**(54.0)**	**(54.0)**	(239.5)	(239.5)
Other liabilities	Level 3	**(85.2)**	**(85.2)**	(185.1)	(185.1)
		(139.2)	**(139.2)**	(424.6)	(424.6)

1. The Company 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.

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") in the prior year. There are no derivative assets in the current year.

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. During the year ended 31 March 2022 the Company fully repaid the facility, although at the year end the structure remained in place.

The Company's activities expose it to a variety of financial risks, which can be categorised as credit risk and treasury risk. The objective of the Company's risk management framework is to identify and assess the risks facing the Company and to minimise the potential adverse effects of these risks on the Company's financial performance. Financial risk management is overseen by the Company Risk Committee alongside other principal risks: operational, regulatory, strategic and conduct risks.

Notes to the financial statements

Credit risk

Credit risk is the risk that the Company 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 £2,540 (2021: £3,110). The carrying amount of the loans represents the Company's maximum exposure to credit risk.

The Company 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 17 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 applicant for a collateral or guarantees are held against loans on the basis that the borrower and guarantor are technically and in substance joint borrowers.

Historically, the Company managed credit risk at origination by actively managing the blend of risk in its portfolio to achieve the desired impairment rates in the long term. This was achieved by managing application scorecards and the maximum amount individual borrowers are able to borrow depending on their circumstance and credit history. Credit risk exposure at origination has been minimal in the year due to a pause on new lending.

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. 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 Company'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).

Risk segmentation – Previously the IFRS 9 provision was segmented into Amigo's legacy seven risk segments. It is apparent that due to the impact of Covid-19 these segments no longer have discernible credit risk profiles. Instead, and with a view for simplicity, the book is bifurcated into customer's who have had a Covid-19 forbearance plan and those that have not.

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

Securitisation vehicles

The Company 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 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 Company retains substantially all the risks and rewards of ownership. Since the novation of the securitisation structure to Amigo in September 2021, and the elimination of Noteholders, no additional risks are considered to arise from the remaining structure. See note 23 for further details.

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 as at 31 March 2021. 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. As at 31 March 2022 the fair value has not been disclosed because the Company have a fully offsetting asset and liability to a captive entity, and the assets are already fair valued in the customer receivables section.

Amigo Funding (No.1) Ltd	Carrying value of transferred assets not derecognised £m	Carrying value of associated liabilities £m	Fair value of transferred assets not derecognised £m	Fair value of associated liabilities £m	Net fair value £m
As at 31 March 2021	180.3	64.4	161.6	64.5	97.1

Notes to the financial statements

Treasury risk

Interest rate risk
Interest rate risk is the risk of a change in external interest rates which leads to an increase in the Company's cost of borrowing. The Company seeks to limit the net exposure to changes in interest rates. Interest rate risk has diminished in the period as debt with a variable interest rate has been paid off. The outstanding senior secured loan note liability is set at a fixed interest rate of 7.625%.

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 Company. The Company 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.

Liquidity risk
Liquidity risk is the risk that the Company 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 Company's central finance department through daily monitoring of expected cash flows and ensuring sufficient funds are available to meet obligations as they fall due. The unrestricted cash and cash equivalents balance at 31 March 2022 was £124.4m. This figure will decrease substantially following Scheme redress payments but the Company is still forecast to have a positive cash balance indicating low liquidity risk in the short to medium term. The Company'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 Company 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. Following the Court sanction of the Scheme the Company is obliged in the next 12 months to enter into an equity raise for the purposes of recapitalising the business for future lending.

Notes to the financial statements

Maturity analysis of financial liabilities

	Year to 31 Mar 22	Year to 31 Mar 21
Analysed as:	**£m**	£m
- due within one year		
Other liabilities	**(2.7)**	(4.8)
Securitisation creditors	**(82.5)**	(180.3)
- due in two to three years		
Amounts owed to Group entities	**(54.0)**	(239.5)
	(139.2)	(424.6)

Maturity analysis of contractual cash flows of financial liabilities

	0-1 year	**2-3 years**	**Total**	**Carrying amount**
As at 31 March 2022	**£m**	**£m**	**£m**	**£m**
Other liabilities	**2.7**	**-**	**2.7**	**2.7**
Securitisation creditors	**82.5**	**-**	**82.5**	**82.5**
Amounts owed to Group entities in relation to senior secured notes	**3.8**	**53.8**	**57.6**	**54.0**
	89.0	**53.8**	**142.8**	**139.2**

	0-1 year	**2-5 years**	**Total**	**Carrying amount**
As at 31 March 2021	**£m**	**£m**	**£m**	**£m**
Other liabilities	4.8	-	4.8	4.8
Securitisation creditors	180.3	-	180.3	180.3
Amounts owed to Group entities in relation to senior secured notes	17.9	269.8	287.7	239.5
	203.0	269.8	472.8	424.6

14. Other receivables

	Year to 31 Mar 22	Year to 31 Mar 21
Current	**£m**	£m
Other receivables	**0.1**	0.3
Securitisation subordinated funding asset	**84.4**	118.1
Securitisation deferred consideration receivable	**-**	1.3
Amounts owed by Group subsidiaries	**14.2**	12.2
Prepayments and accrued income	**-**	0.3
	98.7	132.2

15. Cash and cash equivalents

	Year to 31 Mar 22	Year to 31 Mar 21
	£m	£m
Cash at bank and in hand	**131.3**	172.6

Cash and cash equivalent is inclusive of £6.9m (2021: £nil) restricted cash.

Notes to the financial statements

16. Trade and other payables

	Year to 31 Mar 22	Year to 31 Mar 21
Current	**£m**	£m
Trade payables	**0.3**	0.2
Bond premium liability[1]	**0.7**	1.6
Accruals and deferred income	**2.0**	3.0
Other creditors	**0.9**	1.7
	3.9	6.5

1 As part of the intercompany loan agreement with Amigo Luxembourg S.A. regarding the senior secured notes held in that entity, fees, costs and expenses relating to the notes are to be paid by Amigo Loans Limited at the request of Amigo Luxembourg S.A. A formal request in this regard was made in the year, and hence expenses relating to the notes, inclusive of bond premium, have been transferred to Amigo Loans Limited and will be paid and accounted for in Amigo Loans Limited.

17. Bank and other borrowings

	Year to 31 Mar 22	Year to 31 Mar 22
Non-current liabilities	**£m**	£m
Amount falling due in less than 2 years		
Intercompany payable arising from securitisation facility	**82.5**	180.3
Amounts falling due 2-3 years		
Amounts owed to Group undertakings	**54.0**	239.5
	136.5	419.8

The Company's facilities are:

- The intercompany payable relates to the carrying value of the loans transferred to the securitisation facility of £82.5m, net of amortised fees. During the year ended 31 March 2022 the Company fully repaid the facility, although at the year end the structure remained in place. With effect from 24 September 2021, all rights, obligations and liabilities of the Lead Arranger, Facility Agent and Senior Noteholder, as defined in the securitisation facility documents, were taken over and assumed by Amigo.

- An intercompany loan relating to Senior secured notes in the form of £54.0m high yield bonds with a coupon rate of 7.625% which expires in January 2024 (2021: £239.5m). The senior secured notes are presented in the financial statements net of unamortised fees. As at 31 March 2022, the gross principal amount outstanding was £50m. On 20 January 2017, £275m of notes were issued at an interest rate of 7.625%. The high yield bond was tapped for £50m in May 2017 and again for £75m in September 2017 at a premium of 3.8%. £165.9m of notes have been repurchased in the open market in prior financial years (2020: £85.9m; 2019: £80.0m). During the current year, on 4 January 2022, Amigo served notice of the early redemption, at par, of £184.1m of the £234.1m outstanding 7.625% senior secured notes due in 2024 with a redemption date of 15 January 2022. The remaining £50.0m gross principal amount outstanding is due in January 2024. Derecognition of the bonds is in line with the accounting policy set out in note 1.11.2.

Notes to the financial statements

18. 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.

	Year to 31 Mar 22 £m	Year to 31 Mar 21 £m
Opening provision	**344.6**	116.9
Provisions (released)/made during year	**(156.6)**	314.4
Discount unwind (note 4)	-	2.0
Utilised during the year	**(8.2)**	(88.7)
Closing provision	**179.8**	344.6
Non-current	**97.0**	-
Current	**82.8**	344.6
	179.8	344.6

Customer complaints redress

As at 31 March 2022, the Company has recognised a complaints provision totalling £179.8m in respect of customer complaints redress and associated costs. Utilisation in the period totalled £8.2m. The liability has decreased by £164.8m compared to prior year. £126.5m of the decrease is due to the cash redress liability being reduced to the £97.0m contribution as per the Scheme. The other main component of the reduction is a decrease in the balance adjustments on the loan book of £47.3m. The level of balance adjustments has declined due to customers paying down their loan and customers charging off the loan book. This has been partly offset by an increase in the assumed volume of customers coming forward in the Scheme.

The Company continues to monitor its policies and processes to ensure that it responds appropriately to customer complaints. The Company 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 Company recognised a restructuring provision totalling £1.0m in respect of the expected cost of staff redundancies. This provision was fully utilised by 30 June 2021 and the outstanding balance at 31 March 2022 is £nil.

Contingent liability

FCA Investigation

On 29 May 2020 the FCA commenced an investigation into whether or not the Company'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 Company 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 Company appropriately handled complaints after 20 May 2020 and whether the Company 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 Company will continue to co-operate fully with the FCA.

It is likely but not certain that the outcome of these investigations will be known within the next twelve months. There are a number of avenues of sanction open to the FCA should it deem it appropriate and so the potential impact of the investigation on the business is extremely difficult to predict and quantify, so has not been provided for in the financial statements, and is not modelled in the business plan or stress scenario. In mitigation, the FCA has stated that the levying of any fine would be considered in the context of the Scheme and its impact on creditors.

Following the Court sanction of the Scheme the Company is obliged in the next twelve months to enter into an equity raise for the purposes of recapitalising the business for future lending. If this equity raise is successful a further £15.0m cash contribution must be made to the Scheme. The successful raising of sufficient equity relies on a number of uncertain events, not least market appetite which may be influenced by a number of external factors beyond the Company's control.

Notes to the financial statements

19. Leases

While the costs set out below are paid by Amigo Management Services Limited and accounted for in that entity, the associated costs are ultimately borne by Amigo Loans Ltd via a service charge. Hence, the respective note in relation to leases held by the Group is set out below.

	2022	2021
	£m	£m
Right of use assets		
Cost		
At 31 March 2022/2021	**1.4**	1.4
Accumulated depreciation and impairment		
At 1 April 2021/2020	**(0.4)**	(0.3)
Charged to statement of other comprehensive income	**(0.2)**	(0.1)
At 31 March 2022/2021	**(0.6)**	(0.4)
Net book value at 31 March 2022	**0.8**	1.0

	Year to 31 Mar 22	Year to 31 Mar 21
Lease liabilities	**£m**	£m
Current	**0.3**	0.3
Non-current	**0.6**	0.9
Total	**0.9**	1.2

A maturity analysis of the lease liabilities is shown below:

	Year to 31 Mar 22	Year to 31 Mar 21
	£m	£m
Due within one year	**0.3**	0.3
Due between one and five years	**0.5**	0.8
Due in more than five years	**0.2**	0.3
Total	**1.0**	1.4
Unrecognised finance cost	**(0.1)**	(0.2)
Total	**0.9**	1.2

In the year £0.3m (£0.2m in relation to depreciation and impairment and £0.1m in relation to interest expense) was charged to the statement of comprehensive income of Amigo Management Services Limited in relation to leases (2021: £0.3m). Lease liabilities relate to Amigo's offices in Bournemouth.

20. Share capital

	Year to 31 Mar 22	Year to 31 Mar 21
Allotted, called up and fully paid	**£**	£
100 Ordinary shares of £1 each	**100**	100

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

Notes to the financial statements

21. Share-based payment

While the costs set out below are paid by the subsidiary Amigo Management Services Limited within the Amigo Holdings PLC Group (the Group); the associated costs are accounted for in that entity but are ultimately borne by Amigo Loan Ltd via a service charge, hence the relevant note from the Amigo Holdings PLC financial statements is set out below.

The Group issues share options and awards to employees as part of its employee remuneration packages. The Company 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 statement of comprehensive income on a straight-line basis over the vesting period of the underlying option/award.

During the year a third SAYE scheme was launched and an additional twelve individuals received LTIP awards on 27 August 2021. Three LTIPs were awarded in the prior year.

The credit to the statement of comprehensive income for the year to 31 March 2022 was £0.1m (2021: charge of £0.3m).

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

Notes to the financial statements

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

	31 March 2022				31 March 2021		
	Aug 2021 LTIPs	**Feb/Mar 2021 LTIP**	**Dec 2020 LTIP**	**Sep 2019 LTIP**	Feb/Mar 2021 LTIP	Dec 2020 LTIP	September 2019 LTIP
Performance condition	**Y**	**Y**	**Y**	**Y**	Y	Y	Y
Method of settlement accounting	**Equity**	**Equity**	**Equity**	**Equity**	Equity	Equity	Equity
Number of instruments	**3,700,000**[3]	**2,500,000**[1]	**4,750,000**[2]	**688,347**[1]	4,000,000	14,250,000	1,364,397[1]
Vesting period	**3 years**	**3 years**	**3 years**	**3 years**	3 years	3 years	3 years
Exercise price	**-**	**-**	**-**	**-**	-	-	-

	31 March 2022		31 March 2021	
	October 2020 SAYE	**September 2019 SAYE**	October 2020 SAYE	September 2019 SAYE
Performance condition	**N**	**N**	N	N
Method of settlement accounting	**Equity**	**Equity**	Equity	Equity
Number of instruments	**2,747,494**	**37,781**	4,812,846	107,959[4]
Vesting period	**3.3 years**	**3.3 years**	3.3 years	3.3 years
Exercise price	**0.097**	**0.6368**	0.097	0.6368

	31 March 2022	31 March 2021
	2019 SIP	2019 SIP
Performance condition	**N**	N
Method of settlement accounting	**Equity**	Equity
Number of instruments	**2,552,822**[5]	1,577,758[5]
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
2 Number of instruments has reduced since the prior year as a result of cancellation of CEO awards at his request
3 Number of instruments has reduced since the interim results as a result of share scheme forfeiture in respect of leavers
4 As at the reporting date, adjusted for known leavers.
5 This figure includes both matching and partnership shares.

Notes to the financial statements

Long Term Incentive Plans ("LTIPs")

The LTIPs awards were made on 27 August 2021, 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. No value is recognised against the 2019 LTIP as the conditions for vesting are no longer considered likely to be met. 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 and FY22 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 Company	Proportion of awards subject to TSR condition that vest
Below median	0%
Median	25%
Upper quartile	100%
Absolute TSR growth	Proportion of awards subject to absolute TSR condition that vest
Below 6% p.a.	0%
6% p.a	25%
12% p.a.	100%
EPS growth	Proportion of awards subject to EPS condition that vest
Below 8% p.a.	0%
8% p.a.	25%
16% p.a.	100%

Notes to the financial statements

	27 August 2021	1 March 2021	26 February 2021	01 December 2020	11 September 2019
Valuation method	Monte Carlo model	Monte Carlo model	Monte Carlo model	Monte Carlo model	Monte Carlo model
Shares price at grant date (£)	0.082	0.1630	0.1204	0.097	0.732
Exercise price (£)	nil	nil	nil	nil	nil
Shares awarded/under option (number)	3,700,000	1,500,000	2,500,000	14,250,000	1,364,397
Expected volatility[1] (%)	80.0	80.0	80.0	80.0	50.0
Vesting period (years)	3	3	3	3	3
Weighted average remaining contractual life (years)	2.4	1.9	1.9	1.7	0.5
Expected dividend yield (%)	nil	nil	nil	nil	nil
Risk-free rate[2] (%)	0.18	0.169	0.171	0.004	0.47
Fair value per award/option (£)	0.0510	0.1112	0.0792	0.0624	0.4453[3]

1 The expected volatility is normally based on historic share price volatility; however, as the Group 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.

Share Incentive Plan ("SIP")

The Group 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 2022 had an exercise price of £nil (2021: £nil) and a total vesting period of 3.0 years (2021: 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]	2,552,822
Vesting period (years)	3 years rolling
Fair value per award/option (£)	0.128

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 Group 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 2022 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 1.8 years and 0.8 years (2021: 2.8 years and 1.8 years).

The following information is relevant in the determination of the fair value.

Notes to the 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	2,747,494	37,871
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

1 The expected volatility is normally based on historic share price volatility; however, as the Group 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 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:

	Jul 2019–Aug 2021 LTIPs		Oct 2020 SAYE		Sep 2019 SAYE		2019 SIP	
	Number	WAEP	Number	WAEP	Number	WAEP	Number	WAEP
Outstanding at 1 April 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	-
Awarded/granted	4,350,000	-	-	-	-	-	975,064	-
Forfeited	(2,826,050)	-	(2,065,352)	-	(70,088)	-	-	-
Cancelled	(9,500,000)		-	-	-	-	-	
Outstanding at 31 March 2022	**11,638,347**	**-**	**2,747,494**	**0.097**	**37,871**	**0.6368**	**2,552,822**	**-**
Exercisable at 31 March 2022	-	-	-	-	-	-	-	-

22. Capital commitments

The Company had no material capital commitments as at 31 March 2022 or 31 March 2021.

Notes to the financial statements

23. Related party transactions

At 31 March 2022, the Company was an 100% owned subsidiary of the ultimate parent undertaking Amigo Holdings PLC. The Company 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. Balances related to corporation tax and VAT in relation to Company wide registrations and payment arrangements are also passed through these related party balances.

	Charged to £m	Charged from £m	Gross balance £m	Impairment reversal/ (charge) £m	Carrying value £m
Year to 31 March 2022					
Amigo Management Services Ltd	4.5	(3.1)	5.5	-	5.5
Amigo Holdings PLC	3.7	(0.7)	-	3.1	3.1
Amigo Luxembourg SA	199.5	(12.2)	(54.0)	-	(54.0)
Amigo Loans Group Ltd	-	-	0.2	-	0.2
Amigo Loans Ireland Ltd	0.2	(0.1)	7.9	-	5.3
AMGO Funding Ltd	-	-	0.1		0.1
Year to 31 March 2021					
Amigo Management Services Ltd	64.4	(59.7)	4.1	-	4.1
Amigo Holdings PLC	7.4	(3.0)	65.8	(65.8)	-
Amigo Luxembourg SA	18.0	(18.4)	(241.5)	-	(241.5)
Amigo Loans Group Ltd	0.1	-	0.2	-	0.2
Amigo Loans Ireland Ltd	0.3	(0.4)	7.9	-	7.9

In the prior year, as at 31 March 2021, the Amigo Group completed an assessment of the recoverability of its intercompany balances following an indication of impairment. In the current year a portion of this was written back to reflect expected future intercompany dividends receivable in the parent and due to be repaid to ALL as part of its obligation to maximise the return to creditors under the Scheme. The remuneration of key management is disclosed in note 8.

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 Company as a result of their issue.

- 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 and interpretations with effective dates after 31 March 2022 relevant to the Company will be implemented in the financial year when the standards become effective.

Other standards

The IASB has also issued the following standards, amendments to standards and interpretations that will be effective for the Company from 1 April 2022. These have not been early adopted by the Company. The Company does not expect any significant impact on its financial statements from these amendments.

- IFRS 17: *Insurance Contracts amendments*
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Accounting Policies, Changes in Accounting Estimates and Errors: Definition (Amendments to IAS 8)
- Amendments to IAS 1: *Presentation of Financial Statements* and IFRS Practice Statement 2: *Making Materiality Judgements*

Notes to the financial statements

25. Immediate and ultimate parent undertaking

The Company is within the Amigo Holdings PLC Group, with the direct parent entity being Amigo Loans Holdings Limited. As at 31 March 2022, the ultimate parent undertaking and controlling party was Amigo Holdings PLC, a Company incorporated in England and Wales.

The parent undertaking of the smallest Company of which the Company is a member and for which Company accounts are prepared at the date of these financial statements is Amigo Loans Group Limited, a Company incorporated in the UK. The financial statements of the Company are available to the public and may be obtained from the registered office: Nova, 118-128 Commercial Road, Bournemouth, Dorset, BH2 5LT.

26. Post balance sheet events

On 11 April Amigo announced the FCA had written to it, notifying that the FCA did not intend to oppose the Schemes, subject to any further information coming to light in the time between that date and the Court hearing. Further that it believed the Schemes represented a substantial improvement over previous proposals made in 2021. In the event, the FCA did not oppose the Schemes.

A Creditors meeting was held on 12 May. Creditors were asked to vote for one or both of two proposed Schemes of Arrangement, the New Business and the Wind Down Schemes. To qualify for subsequent Court approval each Scheme required that more than 50% of all creditors who voted did so 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. The following day, Amigo announced that of the creditors who chose to vote, 88.8% by number representing 90.0% by value, voted in favour of the New Business Scheme. In total, the Company had received 145,532 votes in favour of the New Business Scheme and 18,401 votes against the New Business Scheme, with values of £459,526,003 in favour and £50,894,131 against. Slightly fewer votes, by number and value, were received for the Wind Down Scheme.

The High Court hearing was held on 23 May. During the Court hearing, trading in the Company's shares on the London Stock Exchange was suspended, due to the risk of asymmetric information in the market at this time. The judge stated during the hearing that the New Business Scheme would be sanctioned; this was announced to the market by Amigo that day, and trading in the Company's shares restored on 24 May. The Scheme became formally effective on 26 May.

On 1 June Amigo Loans made its first payment under the Scheme; a £60m transfer to ALL Scheme Ltd.

Post period end, the Board appointed Peel Hunt LLP as financial adviser and sole corporate broker and Ashcombe Advisers LLP as financial adviser. Both will be instrumental in assisting with the required fund raising in the coming months.

On 23 September 2022, Gary Jennison has affirmed to the Board the decision that he should step down from his role as CEO and as a Director. He will be replaced as Chief Executive by Amigo's current Chief Financial Officer, Danny Malone, who in turn will be replaced in his role by Kerry Penfold, currently Head of Finance at Amigo. The new appointments are subject to approval under the Senior Managers' Regime, by the Financial Conduct Authority. Gary will step down from these roles immediately but both Gary and the Board are keen to ensure an appropriate transition and he will continue to be employed by Amigo and supporting the business until the end of the year (31 December 2022).

On 13 October 2022 Amigo received FCA approval to return to lending on a pilot basis.

The securitisation structure for the facility paid down in September 2021 was closed in November 2022.