

# Annual Report & Financial Statements

for year ended 31 May 2017



1pm  
PLC



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# Company Information

For the year ended 31 May 2017

## Directors

J D Newman (Chairman, Non-Executive Director)  
R I Smith (Chief Executive Officer)  
M F Nolan (Managing Director – Asset Finance)  
J M A Roberts (Chief Financial Officer)  
E J Rimmer (Managing Director – Commercial Finance)  
R Russell (Non-Executive Director)  
J P Telling (Non-Executive Director)

## Secretary

T R Case

## Registered Office

St James House  
The Square  
Lower Bristol Road  
Bath  
BA2 3BH

## Registered Number

05845866 (England and Wales)

## Auditors

**Moore Stephens**  
Chartered Accountants & Statutory Auditor  
30 Gay Street  
Bath  
BA1 2PA

## Nominated Advisor and Broker

**Cenkos Securities plc**  
6.7.8 Tokenhouse Yard  
London  
EC2R 7AS

## Advisers

**Simmons & Simmons LLP (Solicitors)**  
One Linear Park  
Temple Quay  
Bristol  
BS2 0PS

**Walbrook PR Ltd (Financial PR)**  
4 Lombard Street  
London  
EC3V 9HD

**Neville Registrars Ltd (Registrar)**  
Neville House  
18 Laurel Lane  
Halesowen  
B63 3DA

1pm plc ordinary shares are listed on the Alternative Investment Market of the London Stock Exchange

## Chairman's Statement

For the year ended 31 May 2017

### Performance and dividend

On behalf of the Board of Directors, I am very pleased to report that our business has delivered another year of strong performance and growth in what has been an exceptional period of change. Including acquisitions, the Group's profit before tax and non-recurring exceptional costs was £4.3m (2016: £3.7m), an increase of 17%.

Earnings per share, taking account of the issue of shares during the year relating to acquisitions, amounted to 6.09p (2016: 5.87p), an increase of 4% and as at 31 May 2017, net assets stood at £28.5m (2016: £23.9m), an increase of 19%. The Group's after tax return on equity was 11.6% (2016: 12.0%) a marginal decrease attributable to the timing of the acquisitions and accounting for their associated goodwill in the final quarter of the year.

The continued success in delivering sustainable growth from the Group's business model with its clear strategic focus on operational performance and value enhancing acquisitions, has once again been noteworthy for the Group during the last year. This success has enabled the Board, subject to Shareholder approval at the Annual General Meeting on 9 October 2017, to propose a dividend for the year. The total dividend we propose to pay is £419,000 up 60% from £262,000 in 2016. This reflects our balancing the significant opportunities to deploy capital across our businesses with increasing the near-term pay-out to shareholders. Given the rise in shares in issue after the year end this dividend equates to 0.5p per share (2016: 0.5p).

### Our strategy

The Group Strategic Report which follows the Chief Executive Officer's Review sets out in detail our goals and objectives. The focus of our strategy is for our Group to be recognised as a leading provider of a comprehensive range of business finance products to UK based SMEs.

In moving towards this goal we completed two acquisitions in the last quarter of the financial year, namely Intelligent Financing Limited in March and Bell Finance Limited in April. Our strategic acquisitions continued after the year end and two further businesses, Gener8 Finance Limited and Positive Cashflow Finance Limited joined the Group in June.

As a result of these acquisitions, from June 2017, the Group now comprises three divisions: Asset Finance, Loans and Commercial (Invoice) Finance. Within these divisions the individual businesses, led by skilled and experienced managers, operate semi-autonomously, but with a strong emphasis on collaboration with other Group companies to build on opportunities to provide the full range of our finance products to our expanding customer base.

The innovative changes being brought about in the financial services sector by the development of digital capability and financial technology represent both opportunity and challenge. In our own business we have established a team, including specialist advisers, to ensure that our operating model uses all available financial data for the benefit of customer engagement and service. The focus for our business lies in the development of systems that can provide a common platform for data sharing and rapid decision-making by all the companies within the Group.

### Board changes and Governance

There have been a number of Board changes during the financial year. Hazel Jacques, who joined the Board following the acquisition of Academy Leasing in August 2015, left the Group in March this year to pursue personal business interests and the Board wishes her well for the future. In June 2016 Helen Walker advised the Board that she would be stepping down from her role as CFO with effect from the end of May this year. The Board was appreciative of this long notice period as it allowed for an orderly programme to recruit a replacement and for a handover period with the new CFO, James Roberts, who joined the Group at the beginning of May.

Helen has left with the Board's thanks and gratitude for the contribution she made to the success of the business in recent years. James is a chartered accountant and brings extensive financial and commercial experience to the Group having held senior management positions and directorships within the financial services sector.

Following the announcement on 8 June 2017 of the successful completion of the acquisition of Gener8 Finance Limited, Ed Rimmer joined the Group as Managing Director of the newly formed Commercial Finance Division and joined the 1pm plc Board. Ed has over twenty years' experience in invoice financing and now also has responsibility for Positive Cashflow Finance Limited following its acquisition on 29 June 2017.

As well as continuing in his role as Chief Risk Officer for the Group, Mike Nolan now also carries out the role of Managing Director of the Asset Finance Division.

I welcome both James and Ed to the Board and wish them and Mike every success in their new roles within our enlarged Group. The Board now comprises four executive and three non-executive directors.

The four Board committees, namely Audit, Remuneration, Governance and Risk and Nominations, which were re-structured in 2016 with membership comprising either of only, or a majority of, non-executive directors, meet on a regular basis. This has been a particularly busy period for the Remuneration Committee in reviewing and then recommending executive directors' pay structures that are commensurate with the increased level of responsibilities arising from the significant extension of the Group's business activities. In addition, the Committee recommended the introduction of a Long Term Incentive Plan to start in the new financial year and this was approved by shareholders at the General Meeting held on 7 June 2017. Further details are included in the Notes to the Consolidated Financial Statements.

Our business operates in a regulated environment and in ensuring that the highest standards are maintained everyone in the Group is required to complete an extensive, module based course of compliance training. This is further enhanced by an annual training allowance that is available to every employee to spend on continuing professional development.

## Our people

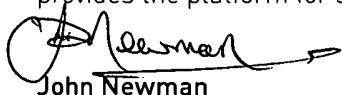
The Group has grown significantly over the last two years and the demands placed on our staff in delivering excellent results and also dealing with the challenges of post-acquisition integration have been considerable. It is a reflection of the quality of the people within our Group that they have met these challenges in such a positive manner and this has played a vital part in the success that is being attained within the enlarged Group. On behalf of the Board I wish to record our thanks and appreciation for their hard work and commitment.

## Outlook

The widening range of the financial products we are able to offer our customers was accelerated by the acquisitions completed towards the end of the financial year and at the start of the current trading year. Although it is early days in the current financial year the Board is encouraged by the level of demand that is being experienced across all three business divisions.

Following this period of acquisitions, the executive team is now focussed on the opportunities for further organic growth, both from cross-selling its products into an enlarged customer base, which now amounts to over 16,150 customers of which 10,450 are "live" or "own book" accounts, and from new business origination.

The establishment of a clear divisional operating structure offering a comprehensive range of financial products within our market has been a key milestone in our corporate strategy. The Board is confident that this structure provides the platform for sustainable profitable growth for this year and beyond.



**John Newman**  
Chairman

12 September 2017

## Chief Executive Officer's Review

For the year ended 31 May 2017

### Introduction:

As at 31 May 2017, in addition to 1pm plc, which is the AIM listed holding company, the 1pm plc Group ("the Group") comprised the following trading entities, each separately accredited by the Financial Conduct Authority:

- 1pm (UK) Limited, trading as Onepm Finance ("Onepm")
- Academy Leasing Limited ("Academy"), acquired in August 2015
- Bradgate Business Finance Limited ("Bradgate"), acquired in March 2016
- Bell Finance Limited ("Bell"), acquired in April 2017 and now operationally merged into Bradgate
- Intelligent Financing Limited, trading as iLoans ("iLoans"), acquired in March 2017

The consolidated financial results of the Group for the year ended 31 May 2017 therefore consist of the aggregated results of each of these entities, either for the year, or for the period since the date of acquisition, as applicable.

Subsequent to the year-end, the Group also completed the purchases of the respective holding companies of Gener8 Finance Limited and Positive Cashflow Finance Limited, entities which now form the Commercial Finance division within the Group. The financial results of these entities will be consolidated into the Group in the current financial year ending on 31 May 2018.

### Financial results:

I am delighted to be able to report both strong organic growth over the year to 31 May 2017 and further strategic growth as a result of the acquisitions towards the end of the year.

Revenue amounted to £16.9m (2016: £12.5m) an increase of 35%. This reflects organic growth at Onepm Finance, the original company in the Group, a full contribution from Academy and Bradgate, compared with periods of nine months and two months since their respective acquisitions in the prior year to 31 May 2016, and initial contributions from Bell and iLoans, both acquired towards the end of the financial year. Revenue comprises interest and related income from the companies' portfolios of 'own-book' lease and loan deals, plus commission income from deals 'broked-on' to other funders. Within total revenue, commission income amounted to £2.2m (2015: £1.4m) an increase of 57%.

Profit before tax and non-recurring exceptional items amounted to £4.3m (2016: £3.7m) an increase of 17%. Exceptional items principally comprised costs related to acquisitions and amounted to £0.3m (2016: £0.4m). Profit before tax after exceptional items was, therefore, £4.1m (2016: £3.3m) an increase of 22%.

At 31 May 2017, consolidated net assets stood at £28.5m (2016: £23.9m) an increase of 19%. Profit after tax and attributable to shareholders for the financial year of £3.3m (2016: £2.9m) results in a return on net assets of 11.6% (2016: 12.0%), a marginal decrease as explained in the Chairman's Statement.

At 31 May 2017, there were 54,940,215 shares in issue (2016: 52,534,463). During the year, 1pm plc issued 2,405,752 new ordinary shares in respect of acquisitions in the year, earn-out arrangements relating to acquisitions in the prior year and the exercise of options under the employee share scheme. Earnings per share amounted to 6.09p (2016: 5.87p) an increase of 4%.

### New Business Origination:

Including broked-on business, in aggregate, the entities in the Group originated £83.0m of new lease, hire and loan agreements (2016: £49.7m) an increase of 67%. On a like-for-like basis, excluding the acquisitions of Bell and iLoans completed towards the end of the financial year and assuming Academy and Bradgate were part of the Group for the entire prior year to 31 May 2016, the organic increase would have been 23%.

Within the aggregate total of new business originated, £40.2m, 48%, was written on 'own-book' and £42.8m, 52%, was broked-on to other funders to generate cash commissions (2016: £31.3m, 63%, own-book and £18.4m, 37%, broked-on). The broked-on total consists of £18.0m, of Asset Finance origination (2016: £7.5m), £16.6m of Vehicles origination (2016: £10.9m) and £8.2m of property-backed Loan origination (2016: £nil). 100% of Vehicles deals originated are broked-on; as a policy the Group does not carry residual value risk in Vehicles.

The decision to either add to own-book, or broke-on is based on a range of underwriting factors including risk, price, quantum, existing exposure to the customer and nature of the asset. This intrinsic flexibility in business model allows a balance to be achieved between future profits built-in to own-book deals and short term cash generation from broker commissions.

Within the aggregate total of £40.2m of own-book new business, Onepm originated £9.9m of loans to SMEs for working capital purposes (2016: £10.1m) a decrease of 2.4%. This decrease reflects a risk-based decision to restrict working capital loans as a proportion of the Group's total lease and loan portfolio. Although such loans attract a higher interest rate than an asset-backed lease and although personal guarantees are obtained from the directors of the SMEs seeking to borrow, these loans are not secured on either a business-critical asset or a property and as such represent a higher risk element of the Group's portfolio. In the current financial year, it is the Group's ambition to increase the Loans division own-book portfolio again, but with any such growth arising through the origination and funding of secured property-backed loans.

## Portfolio performance

At 31 May 2017, the Group's combined asset and loans portfolio stood at a value of £89.5m (2016: £67.7m) an increase of 32%. The portfolio value included £18.9m (2016: £14.6m) of deferred income, i.e. future revenue. As at 31 May 2017, £2.5m of the portfolio value, representing 2.9% (2016: £2.9m, representing 4.3%) was in arrears, but not impaired. This is considered to be a normal level of arrears. In addition to the 'live' portfolio, Onepm carried a value of £2.4m (2016: £1.7m) of impaired trade receivables over which guarantees and charging orders are held and which are being collected over time.

In the year to 31 May 2017, impairments to trade receivables, less recoveries against previously written-off receivables through guarantees, charging orders and payment plans, resulted in a net charge to profits in the year of £0.9m, representing 1.0% of the portfolio (2016: £0.5m, representing 0.8%).

As at 31 May 2017, the Group carried £1.2m of bad debt provision against the aggregate total of the 'live' portfolio and impaired receivables, representing a 1.6% provision (2016: £0.8m, representing a 1.3% provision). Whilst this portfolio performance is strong and the Group's bad debt experience is within accepted industry norms, current economic uncertainties call for continual review of the incidence of arrears, impairments and provisioning policy in order to ensure the overall level of provision continues to be adequate as economic conditions evolve.

## Funding

In order to provide finance to UK SMEs, the Group borrows primarily from banks, but also from high net-worth individuals. As at 31 May 2017, the Group's aggregate facilities amounted to £74.5m (2016: £61.5m), an increase of 21%, of which £49.0m was being utilised (2016: £38.8m), an increase of 26%. The utilisation represented 70% of the capital value of receivables (2016: 73%) and gearing of 3.6 times the consolidated net assets of the Group, excluding intangible assets (2016: 2.9 times).

The blended cost of the Group's borrowings was approximately 5.3% (2016: 5.8%). The Group continues to seek additional cost-effective funding sources and to reduce the cost of borrowing in order to facilitate writing more own-book business (i.e. to profitably gear-up) to meet the demand for finance from SMEs.

## Operations

The trading entities in the Group source their business from a network of brokers and introducers, from equipment vendors and suppliers and direct from end users and borrowers, all of whom constitute the Group's customer base which now amounts to over 16,150 broked and own-book accounts. Good customer service in each Group entity and location means the conversion of incoming proposals into an underwriting decision and then a paid-out, or broked-on, deal on an efficient and timely basis. This operational service, while strictly adhering to the Group's credit policies, is paramount. The Group continues to invest in the systems and personnel to generate new business and to deliver improved customer service. The Group now employs 152 personnel (109 at 31 May 2017 and 83 at 31 May 2016).

## Chief Executive Officer's Review (continued)

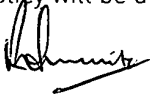
For the year ended 31 May 2017

### Business conditions

The demand for cash from UK SMEs is strong and there is ample availability in the wholesale funding market to be able to supply it. As a result, there is a real opportunity for lenders to grow. These conditions are attracting new entrants to the market, especially for loans and are causing some price competition. At the same time, there are economic uncertainties suggesting a more cautious approach to growth is merited. The Group is pleased with the growth and financial results delivered in the year to 31 May 2017, but has taken a conscious decision to maintain a cautious and prudent approach to top-line growth, credit risk-taking, the spread of sectors to which it lends, the range of products offered, security obtained and provisioning policies adopted.

### Stakeholders

I congratulate all those involved with the 1pm plc Group on a further successful year of trading and another year of significant strategic development. I would like to thank the Group's customers, brokers and introducers for the business provided, our staff at each location for their hard work, dedication and commitment, our debt funders for their continued provision of facilities to each business and our shareholders for their continued support of the Group's growth plans. As referred to in the Chairman's statement, a dividend in line with the Group's policy will be declared.



**Ian Smith**  
Chief Executive Officer

12 September 2017



# Group Strategic Report

For the year ended 31 May 2017

## Goal and objectives

The stated goal of the Group's current strategic plan formulated in late 2014 is unchanged and is to achieve a market capitalisation of £100m. The objectives that will enable this goal to be achieved and that shape the strategic plan are:

- building scale through operating a model of distributed separate subsidiary entities
- having a multi-channel and multi-product offering for business lending to SMEs
- maintaining risk mitigation through funding and broking capability
- being 'digitally capable'
- strictly adhering to underwriting policies and credit control procedures
- being geared appropriately with cost-effective funding facilities

The Board is pleased with the further strategic progress made in the year to 31 May 2017 and reports on each of the above objectives as follows:

## Distributed model

The Group now comprises six trading subsidiaries (four as at 31 May 2017 year-end with two acquired post year-end) operating from seven sites in the UK with 152 employees serving circa 16,150 SME businesses. Each of the businesses acquired has a distinct product offering, introducer channel, customer base and industry position and each of the entity management teams has a growth-oriented business plan to execute. As such, the Group's operating model is to enable each entity to pursue its own business plan whilst simultaneously providing efficiency benefits in such matters as funding, IT systems and infrastructure, compliance, marketing, finance and HR integration. Furthermore, management believes that enhanced organic growth can be delivered from cross-selling the Group's products through each of its trading entities.

## Multi-channel and multi-product

As well as sourcing business from multiple channels; brokers, vendors, suppliers and introducers, a stated strategic aim is to provide multiple finance products to SMEs. This has been achieved through the acquisition of Intelligent Financing Limited during the year, which provides secured second-charge, bridging and commercial property loans and through the acquisitions post year-end of both Gener8 Finance Limited and Positive Cashflow Finance Limited, which offer invoice discounting and factoring, and now form the Group's Commercial Finance division. As a result, from June 2017, the Group now operates three divisions; Asset Finance, Loans and Commercial Finance.

## Funding and broking capability

Maintaining flexibility to both fund lease and loan deals on the Group's own-book and to broke-on to other funders is an essential risk, profit and cash management capability. The Group is well-placed to optimise profitable organic growth as a result of this flexibility and has continued to grow both commission-earning and interest-generating business during the year.

## Digital capability

IT improvement is now a clear operational focus and is captured in the Group's "Platform1" project, which covers a broad range of initiatives including improvements in process automation, data capture and management, customer interface and management information reporting as well as the use of "FinTech" capability such as artificial intelligence and pattern recognition applications. The Group has formed a "FinTech committee" including external advisers and "thinking partners" to steer developments in this critical project.

## Group Strategic Report (continued)

For the year ended 31 May 2017

### Strict adherence to underwriting policies and credit control procedures

The Group's objective is to be a responsible lender and to follow strict policy guidelines with regard to treating customers fairly and assessing affordability. The Group adheres to strict lending criteria, thereby minimising the risk of defaults, whilst aiming to flexibly meet each individual customer's needs through a personalised underwriting process. Strict adherence to these policies and procedures will continue to be a key part of the governance of the Group's growth aspirations. In current benign credit conditions, the board has taken a conscious decision, despite the potential to realise additional top-line growth, not to relax credit criteria.

### Funding facilities and managing capital

The Group's objective when managing capital is to maintain a strong capital base to support its current operations and planned growth as well maintaining an optimal capital structure to reduce the cost of capital to provide returns for shareholders and benefits for other stakeholders.

To meet these objectives the Group has adopted a policy of sourcing different funding instruments appropriate to each of the financial products it provides:

- In respect of Asset Finance, the Group is continuing to increase its block discount facilities and to pursue complementary credit instruments that will reduce the overall cost of borrowing.
- In respect of Loans, the Group utilises block discount facilities and, during the year, established a Secured Loan Note facility, comprising loans from high net-worth individuals.
- In respect of Commercial Finance, the Group utilises 'back-to-back' bank facilities for lending against client receivables.

In each case security is provided to each lender in the form of an assignment of the underlying lease, loan or invoice receivables.

In order to successfully manage the increased funding lines and capital requirements the Group is implementing a centralised Treasury function. This aims to ensure adequate cash is readily available to fuel expected growth, gearing ratios associated with its funding are met and the cost of capital of the Group continues to reduce. This approach has ensured all funding covenants have been met and are expected to continue to be met and that the Group's aggregate funding facilities provide sufficient headroom to ensure the Group is well-placed to deliver further organic growth.

The Group is not subject to any external regulatory capital requirements and only provides funds to UK SMEs. As such it does not operate in, nor have significant exposure to, currencies other than sterling.

### Key performance indicators

The Board and senior management regularly review and monitor key metrics in assessing the performance of the Group. Some of these key metrics to help gauge the Group's meaningful progress are detailed below.

- Revenue – increased 35% to £16.9m (prior year £12.6m)
- Profit Before Tax and Exceptional Items – increased 17% to £4.3m (prior year £3.7m)
- Earnings Per Share – increased 4% to 6.09p (prior year 5.87p)
- New Business Origination – increased 67% to £83.0m (prior year £49.7m)
- Number of 'live' accounts in own-book portfolio – increased 10% to 10,450 (prior year 9,500)
- Funding interest rate – reduced to a range from 4.5% to 8.8% (prior year 4.8% to 12%).

### Principal risks and uncertainties

Principal Risks are a risk or a combination of risks that, given the Group's current position, could seriously affect the performance, future prospects or reputation of the Group. These risks could potentially materially threaten the business model, performance, solvency or liquidity, or prevent the delivery of the strategic objectives. The

Board has overall responsibility for ensuring that risk is appropriately managed across the Group and, through the Risk Committee, has established the Group's appetite to risk and approved its structure, methodologies, policies, and management roles and responsibilities.

As well as regular external reviews and audits from the Group's statutory auditors and the quarterly audits from its various funding partners, the Group has numerous internal checks and balances. Initial responsibility rests with the business divisions and functions with line managers responsible for identifying and managing risks arising in their business areas. This is augmented by the Group's central and independent compliance and finance functions with responsibility for reporting to the Board. The Group has a Chief Risk Officer who reviews all significant Group credit exposures.

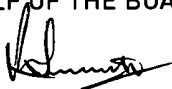
The key risks identified and which the Board has reasonable expectation are appropriately mitigated are:

- **Credit Risk** – the risk of default, potential write off, disruption to cashflow and increased recovery costs on a debt that is not repaid individually or if there is a wider market deterioration. This is mitigated by the Group adopting prescribed lending policies and adhering to strict credit and underwriting criteria specifically tailored to each business area. The Group also has the capacity to 'broke-on' business rather than write it on its own book. As such, any market deterioration impact can be reduced by broking on prospective deals.
- **Funding Risk** – the risk of the Group not being able to meet its current and future financial obligations over time, specifically that funding is not available to meet the Group's growth targets. The Group currently has funding facilities, across Block discounting, the Secured Loan Note programme and back-to-back invoice finance facilities, in excess of £120m with ample headroom to meet the growth targets for the foreseeable future. The Board is also actively engaged in securing additional facilities to enable it exploit any further business opportunities in the future.
- **Acquisition Risk** – the risk that the Group's acquisition programme does not deliver value, overstretches resource beyond its capacity or has failed to identify problems within the acquired businesses. The Group has paid appropriate consideration for its acquired businesses with post synergy price to earnings multiples expected to be circa six times. It has also spent considerable time and effort, and will continue to do so, to bolster its central resources and infrastructure to assist in integrating and generating synergies from the acquisitions. Finally, the Group has conducted thorough and detailed internal and external due diligence on all acquisitions, ensured appropriate warranties, indemnities and lock-in periods are included in the purchase agreements and has purchased well established businesses with successful and respected management teams.
- **Regulatory Risk** – the risk of legal or regulatory action resulting in fines, penalties and sanctions that could arise from the Group's failure to identify and adhere to regulatory requirements in the UK. In addition, there is the risk that new or enhanced regulations could adversely impact the Group. The Group has a well established and independent compliance department with appropriate resources and access to external advisors. The department looks both internally at the Group ensuring its practices are appropriate and externally at future developments to ensure the Group is prepared to adopt any changes in regulation as and when they arise.

## Summary

The Board remains confident that it is maintaining its commitment to provide a range of finance solutions to support the UK SME sector, whilst also pursuing growth plans to deliver increased shareholder value.

ON BEHALF OF THE BOARD:



**Ian Smith**  
Chief Executive Officer

12 September 2017

## Report of the Directors

For the year ended 31 May 2017

The directors present their report with the financial statements of the company and the Group for the year ended 31 May 2017.

### Principal activity

The principal activity of the Group in the year under review was that of providing financial services to UK businesses.

### Dividends

Subject to shareholder approval at the Group's Annual General Meeting on 9 October 2017, the Board is recommending the payment of a dividend of 0.5p per share.

### Events since the end of the year

Information relating to events since the end of the year is given in the Notes to the Financial Statements.

### Directors

The directors shown below have held office during the whole of the period from 1 June 2016 to the date of this report unless otherwise stated

R I Smith  
M F Nolan  
J M A Roberts – appointed 2 May 2017  
E J Rimmer – appointed 8 June 2017  
J D Newman  
J P Telling  
R Russell  
H M Walker – resigned 18 May 2017  
H Jacques – resigned 24 March 2017

The directors' interests in the shares of 1pm plc, all of which were beneficial interests, at 31 May 2017 are as follows:

|           | Ordinary shares of<br>£0.10 each<br>2017 | Ordinary shares of<br>£0.10 each<br>2016 |
|-----------|------------------------------------------|------------------------------------------|
| R Russell | 10,227,966                               | 10,218,300                               |
| R I Smith | 41,667                                   | 41,667                                   |
| M Nolan   | 4,150,006                                | 2,680,505                                |
| J Telling | 41,667                                   | 41,667                                   |
| J Newman  | 41,667                                   | 41,667                                   |

### Directors' insurance and indemnities

Throughout the year the Group has maintained Directors' and Officers' liability insurance for the benefit of the Company, the Directors and its officers. The Directors consider the level of cover appropriate for the business and will remain in place for the foreseeable future.

### Financial instruments

The Group's financial instruments comprise cash and liquid resources, including receivables and payables that are also financial instruments that arise directly from operations. The main purpose of the financial instruments is to fund the Group's operations. As a matter of policy the Group does not trade in financial instruments, nor does it enter into any derivative transactions. Further details on financial instruments are given in Note 29 to these financial statements.

## Significant shareholders

The following parties held greater than 3% of the issued share capital of 1pm plc as at 31 May 2017:

|                                         | Number<br>of shares | % of issued<br>share capital |
|-----------------------------------------|---------------------|------------------------------|
| R Russell                               | 10,227,966          | 18.8%                        |
| Lombard Odier Investment Managers       | 9,676,813           | 17.6%                        |
| Charles Stanley & Co (Nominees) Limited | 9,540,410           | 17.3%                        |
| M Nolan                                 | 4,150,006           | 7.6%                         |
| Hargreaves Lansdown (Nominees) Limited  | 2,409,539           | 4.4%                         |

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with IFRS as adopted by the European Union and applicable law. The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the company; such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law directors must not approve the financial statements unless they are satisfied that they give a true and fair view.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of 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 United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

## Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

## Auditors

The auditors, Moore Stephens, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

J M A Roberts  
Chief Financial Officer



12 September 2017

## Report of the Independent Auditor to the Members of 1pm plc

We have audited the financial statements of 1pm plc for the year ended 31 May 2017 on pages 14 to 42. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 a Report of the Auditors 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.

### Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's Statement, the Chief Executive Officer's Review the Group Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 May 2017 and of the Group's profit for the year then ended;
- the Group's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

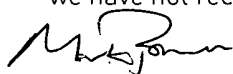
In our opinion, based on the work undertaken in the course of our audit, the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements, and has been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Group and the parent company and its environment, we have not identified any material misstatements in the Group Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**M Powell** (Senior Statutory Auditor)  
for and on behalf of Moore Stephens  
Chartered Accountants & Statutory Auditors  
30 Gay Street  
Bath  
BA1 2PA

12 September 2017

## Consolidated Income Statement

For the year ended 31 May 2017

|                                                     | Notes | 2017<br>£'000 | 2016<br>£'000 |
|-----------------------------------------------------|-------|---------------|---------------|
| <b>CONTINUING OPERATIONS</b>                        |       |               |               |
| Revenue                                             | 3     | 16,944        | 12,554        |
| Cost of sales                                       |       | (6,094)       | (4,480)       |
| <b>GROSS PROFIT</b>                                 |       | <b>10,850</b> | <b>8,074</b>  |
| Other operating income                              |       | 3             | 2             |
| Administrative expenses                             |       | (6,469)       | (4,290)       |
| Exceptional items                                   | 11    | (263)         | (368)         |
| <b>OPERATING PROFIT</b>                             |       | <b>4,121</b>  | <b>3,418</b>  |
| Finance costs                                       | 5     | (82)          | (74)          |
| Finance income                                      | 5     | 41            | 2             |
| <b>PROFIT BEFORE INCOME TAX</b>                     | 6     | <b>4,080</b>  | <b>3,346</b>  |
| Income tax                                          | 7     | (794)         | (480)         |
| <b>PROFIT FOR THE YEAR</b>                          |       | <b>3,286</b>  | <b>2,866</b>  |
| Profit attributable to:<br>Owners of the parent     |       | <b>3,286</b>  | <b>2,866</b>  |
| Earnings per share expressed<br>in pence per share: | 10    |               |               |
| Basic                                               |       | 6.09          | 5.87          |
| Diluted                                             |       | 5.69          | 5.51          |

## Consolidated Statement of Comprehensive Income

For the year ended 31 May 2017

|                                                                     |              |              |
|---------------------------------------------------------------------|--------------|--------------|
| <b>PROFIT FOR THE YEAR</b>                                          | <b>3,286</b> | <b>2,866</b> |
| <b>OTHER COMPREHENSIVE INCOME</b>                                   | <b>-</b>     | <b>-</b>     |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                      | <b>3,286</b> | <b>2,866</b> |
| Total comprehensive income attributable to:<br>Owners of the parent | <b>3,286</b> | <b>2,866</b> |

The notes form part of these financial statements



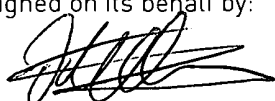
# Consolidated Statement of Financial Position

31 May 2017

|                                       | Notes | 2017<br>£'000 | 2016<br>£'000 |
|---------------------------------------|-------|---------------|---------------|
| <b>ASSETS</b>                         |       |               |               |
| <b>NON-CURRENT ASSETS</b>             |       |               |               |
| Goodwill                              | 12    | 14,908        | 10,289        |
| Intangible assets                     | 13    | 84            | –             |
| Property, plant and equipment         | 14    | 1,744         | 1,251         |
| Trade and other receivables           | 17    | 49,966        | 33,166        |
| Deferred tax                          | 24    | 411           | 208           |
|                                       |       | <b>67,113</b> | <b>44,914</b> |
| <b>CURRENT ASSETS</b>                 |       |               |               |
| Inventories                           | 16    | 135           | 81            |
| Trade and other receivables           | 17    | 23,989        | 22,895        |
| Cash and cash equivalents             | 18    | 2,078         | 910           |
|                                       |       | <b>26,202</b> | <b>23,886</b> |
| <b>TOTAL ASSETS</b>                   |       | <b>93,315</b> | <b>68,800</b> |
| <b>EQUITY</b>                         |       |               |               |
| <b>SHAREHOLDERS' EQUITY</b>           |       |               |               |
| Called up share capital               | 19    | 5,494         | 5,253         |
| Share premium                         | 20    | 14,170        | 13,077        |
| Employee shares                       | 20    | 91            | 90            |
| Retained earnings                     | 20    | 8,755         | 5,469         |
| <b>TOTAL EQUITY</b>                   |       | <b>28,510</b> | <b>23,889</b> |
| <b>LIABILITIES</b>                    |       |               |               |
| <b>NON-CURRENT LIABILITIES</b>        |       |               |               |
| Trade and other payables              | 21    | 32,097        | 19,664        |
| Financial liabilities – borrowings    | 22    | 250           | 399           |
| Provisions                            | 23    | 2,300         | 1,833         |
|                                       |       | <b>34,647</b> | <b>21,896</b> |
| <b>CURRENT LIABILITIES</b>            |       |               |               |
| Trade and other payables              | 21    | 26,533        | 19,979        |
| Financial liabilities – borrowings    |       |               |               |
| Bank overdrafts                       | 22    | –             | 519           |
| Interest bearing loans and borrowings | 22    | 949           | 729           |
| Tax payable                           |       | 943           | 543           |
| Provisions                            | 23    | 1,733         | 1,245         |
|                                       |       | <b>30,158</b> | <b>23,015</b> |
| <b>TOTAL LIABILITIES</b>              |       | <b>64,805</b> | <b>44,911</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>   |       | <b>93,315</b> | <b>68,800</b> |

The financial statements were approved and authorised for issue by the Board of Directors on 12 September 2017 and were signed on its behalf by:

J M A Roberts  
Chief Financial Officer



The notes form part of these financial statements

# Company Statement of Financial Position

31 May 2017

|                                     | Notes | 2017<br>£'000 | 2016<br>£'000 |
|-------------------------------------|-------|---------------|---------------|
| <b>ASSETS</b>                       |       |               |               |
| <b>NON-CURRENT ASSETS</b>           |       |               |               |
| Investments                         | 15    | 20,530        | 14,620        |
|                                     |       | <b>20,530</b> | <b>14,620</b> |
| <b>CURRENT ASSETS</b>               |       |               |               |
| Trade and other receivables         | 17    | 3,230         | 6,878         |
| Cash and cash equivalents           | 18    | 28            | –             |
|                                     |       | <b>3,258</b>  | <b>6,878</b>  |
| <b>TOTAL ASSETS</b>                 |       | <b>23,788</b> | <b>21,498</b> |
| <b>EQUITY</b>                       |       |               |               |
| <b>SHAREHOLDERS' EQUITY</b>         |       |               |               |
| Called up share capital             | 19    | 5,494         | 5,253         |
| Share premium                       | 20    | 14,170        | 13,077        |
| Employee shares                     | 20    | 91            | 90            |
| <b>TOTAL EQUITY</b>                 |       | <b>19,755</b> | <b>18,420</b> |
| <b>LIABILITIES</b>                  |       |               |               |
| <b>NON-CURRENT LIABILITIES</b>      |       |               |               |
| Provisions                          | 23    | 2,300         | 1,833         |
| <b>CURRENT LIABILITIES</b>          |       |               |               |
| Trade and other payables            | 21    | –             | –             |
| Provisions                          | 23    | 1,733         | 1,245         |
| <b>TOTAL LIABILITIES</b>            |       | <b>4,033</b>  | <b>3,078</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b> |       | <b>23,788</b> | <b>21,498</b> |

The parent company's profit for the financial year was £nil (2016: £0.4m).

The financial statements were approved and authorised for issue by the Board of Directors on 12 September 2017 and were signed on its behalf by:

**J M A Roberts**  
Chief Financial Officer



The notes form part of these financial statements

## Consolidated Statement of Changes in Equity

For the year ended 31 May 2017

|                                 | Called up<br>Share Capital<br>£'000 | Retained<br>Earnings<br>£'000 | Share<br>Premium<br>£'000 | Employee<br>Shares<br>£'000 | Total<br>Equity<br>£'000 |
|---------------------------------|-------------------------------------|-------------------------------|---------------------------|-----------------------------|--------------------------|
| <b>Balance at 1 June 2015</b>   | 3,685                               | 2,994                         | 5,606                     | 83                          | 12,368                   |
| <b>Transactions with owners</b> |                                     |                               |                           |                             |                          |
| Dividends                       | –                                   | (391)                         | –                         | –                           | (391)                    |
| Value of employee services      | –                                   | –                             | –                         | 7                           | 7                        |
| Total comprehensive income      | –                                   | 2,866                         | –                         | –                           | 2,866                    |
| <b>Changes in equity</b>        |                                     |                               |                           |                             |                          |
| Issue of share capital          | 1,568                               | –                             | 7,471                     | –                           | 9,039                    |
| <b>Balance at 31 May 2016</b>   | 5,253                               | 5,469                         | 13,077                    | 90                          | 23,889                   |
| <b>Transactions with owners</b> |                                     |                               |                           |                             |                          |
| Dividends                       | –                                   | –                             | –                         | –                           | –                        |
| Value of employee services      | –                                   | –                             | –                         | 1                           | 1                        |
| Total comprehensive income      | –                                   | 3,286                         | –                         | –                           | 3,286                    |
| <b>Changes in equity</b>        |                                     |                               |                           |                             |                          |
| Issue of share capital          | 241                                 | –                             | 1,093                     | –                           | 1,334                    |
| <b>Balance at 31 May 2017</b>   | 5,494                               | 8,755                         | 14,170                    | 91                          | 28,510                   |

## Company Statement of Changes in Equity

For the year ended 31 May 2017

|                                 | Called up<br>Share Capital<br>£'000 | Retained<br>Earnings<br>£'000 | Share<br>Premium<br>£'000 | Employee<br>Shares<br>£'000 | Total<br>Equity<br>£'000 |
|---------------------------------|-------------------------------------|-------------------------------|---------------------------|-----------------------------|--------------------------|
| <b>Balance at 1 June 2015</b>   | 3,685                               | (5)                           | 5,606                     | 83                          | 9,369                    |
| <b>Transactions with owners</b> |                                     |                               |                           |                             |                          |
| Dividends                       | –                                   | (391)                         | –                         | –                           | (391)                    |
| Value of employee services      | –                                   | –                             | –                         | 7                           | 7                        |
| Total comprehensive income      | –                                   | 396                           | –                         | –                           | 396                      |
| <b>Changes in equity</b>        |                                     |                               |                           |                             |                          |
| Issue of share capital          | 1,568                               | –                             | 7,471                     | –                           | 9,039                    |
| <b>Balance at 31 May 2016</b>   | 5,253                               | –                             | 13,077                    | 90                          | 18,420                   |
| <b>Transactions with owners</b> |                                     |                               |                           |                             |                          |
| Dividends                       | –                                   | –                             | –                         | –                           | –                        |
| Value of employee services      | –                                   | –                             | –                         | 1                           | 1                        |
| Total comprehensive income      | –                                   | –                             | –                         | –                           | –                        |
| <b>Changes in equity</b>        |                                     |                               |                           |                             |                          |
| Issue of share capital          | 241                                 | –                             | 1,093                     | –                           | 1,334                    |
| <b>Balance at 31 May 2017</b>   | 5,494                               | –                             | 14,170                    | 91                          | 19,755                   |

The notes form part of these financial statements

# Consolidated Statement of Cash Flows

For the year ended 31 May 2017

|                                                       | Notes | 2017<br>£'000  | 2016<br>£'000  |
|-------------------------------------------------------|-------|----------------|----------------|
| <b>Cash generated from operations</b>                 |       |                |                |
| Profit before tax                                     |       | 4,080          | 3,346          |
| Depreciation and amortisation charges                 |       | 544            | 354            |
| Finance costs                                         |       | 82             | 74             |
| Finance income                                        |       | (41)           | (3)            |
| (Increase) in trade and other receivables             |       | (9,134)        | (12,649)       |
| Increase in trade and other payables                  |       | 11,476         | 11,996         |
|                                                       |       | <b>7,007</b>   | <b>3,118</b>   |
| <b>Cash flows from operating activities</b>           |       |                |                |
| Interest paid                                         | 5     | (82)           | (74)           |
| Tax paid                                              |       | (615)          | (637)          |
| <b>Net cash from operating activities</b>             |       | <b>6,310</b>   | <b>(2,407)</b> |
| <b>Cash flows from investing activities</b>           |       |                |                |
| Acquisition of subsidiaries                           |       | (3,141)        | (7,588)        |
| Purchase of software, property, plant and equipment   |       | (1,089)        | (547)          |
| Interest received                                     | 5     | 41             | 3              |
|                                                       |       | <b>(4,189)</b> | <b>(8,132)</b> |
| <b>Cash flows from financing activities</b>           |       |                |                |
| Loan repayments in year                               |       | (422)          | (179)          |
| Loans issued in year                                  |       | 400            | –              |
| Share issue net of costs                              |       | (150)          | 6,769          |
| Equity dividends paid                                 |       | (262)          | (129)          |
| <b>Net cash from financing activities</b>             |       | <b>(434)</b>   | <b>6,461</b>   |
| <b>Increase in cash and cash equivalents</b>          |       | <b>1,687</b>   | <b>736</b>     |
| <b>Cash and cash equivalents at beginning of year</b> | 28    | <b>391</b>     | <b>(345)</b>   |
| <b>Cash and cash equivalents at end of year</b>       | 28    | <b>2,078</b>   | <b>391</b>     |

The notes form part of these financial statements

# Company Statement of Cash Flows

For the year ended 31 May 2017

|                                                         | Notes | 2017<br>£'000  | 2016<br>£'000  |
|---------------------------------------------------------|-------|----------------|----------------|
| <b>Cash generated from operations</b>                   |       |                |                |
| Decrease in trade and other receivables                 |       | 3,949          | 1,163          |
|                                                         |       | <b>3,949</b>   | <b>1,163</b>   |
| <b>Net cash from operating activities</b>               |       | <b>3,949</b>   | <b>1,163</b>   |
| <b>Cash flows from investing activities</b>             |       |                |                |
| Purchase of fixed asset investments                     |       | (3,509)        | (8,200)        |
| Dividends received                                      |       | –              | 396            |
|                                                         |       | <b>(3,509)</b> | <b>(7,804)</b> |
| <b>Cash flows from financing activities</b>             |       |                |                |
| Share issue net of costs                                |       | (150)          | 6,769          |
| Equity dividends paid                                   |       | (262)          | (129)          |
|                                                         |       | <b>(412)</b>   | <b>6,640</b>   |
| <b>Increase/(Decrease) in cash and cash equivalents</b> |       | <b>28</b>      | <b>(1)</b>     |
| Cash and cash equivalents at beginning of year          | 28    | –              | 1              |
| Cash and cash equivalents at end of year                | 28    | <b>28</b>      | <b>–</b>       |

The notes form part of these financial statements

# Notes to the Consolidated Financial Statements

For the year ended 31 May 2017

## 1. STATUTORY INFORMATION

1pm plc is a UK domiciled public company, registered in England and Wales. The company's registered number and registered office address are set out on page 1.

## 2. ACCOUNTING POLICIES

### Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (as adopted by the European Union) and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The key judgements made by management in applying the Group's accounting policies that have the most significant effect on these financial statements are in relation to the leased assets, specifically valuation and recognition. Management have selected suitable accounting policies for income recognition (see below) and have made specific provisions against bad debts.

Due to the nature of the Group's trading the directors do not have any concerns over the key assumptions concerning the future and do not consider there to be any key sources of estimation uncertainty. There are net current liabilities of £4.0m as at the balance sheet date. This is deemed to be a timing issue in that the significant amount of deferred consideration that causes this situation will have been substantially cleared by the end of the current financial year. The Group is cash generative as evidenced by the Statement of Consolidated Cash Flows, has ample headroom in its funding facilities and raised additional funds post year end to strengthen its Balance Sheet. As such, the directors are confident that the Group will continue to operate as a going concern.

The functional currency of the parent and subsidiaries is sterling. The presentational currency of the Group is denominated in British pounds. The figures have been rounded to the nearest one thousand pounds.

Acquisition of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the business and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefits arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Group entered into to replace the share-based payment arrangements of the acquire are measured in accordance with IFRS 2 at the acquisition date; and
- Assets (or disposal Groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

## 2. ACCOUNTING POLICIES (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquirer's identifiable net assets. The choice of measurement basis is made transaction-by-transaction. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from contingent consideration arrangements, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

### **Changes in accounting policies and standards – New standards, amendments and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, which have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The element of the standard deemed to impact the Group most significantly is that there is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. IFRS 16, 'Leases' addresses the recognition of leases on the balance sheet. The standard is effective for accounting periods beginning on or after 1 January 2019. The Group is yet to fully assess the impact of IFRS 9 and IFRS 16 so is not reasonably able to estimate the impact of the standards.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the parent company (1pm plc) and entities controlled by the company (its subsidiaries) prepared to 31 May each year. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

### **Principal activity and nature of operations**

The principal activity in the year under review was that of providing financial services to UK businesses.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2017

## 2. ACCOUNTING POLICIES (continued)

### Revenue recognition and leased assets

Assets leased to customers on finance leases are recognised in the Consolidated Statement of Financial Position at the amount of the Group's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Loans are recognised when cash is advanced to borrowers. Loans are carried at their unpaid principal balances. Loan interest is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the loans.

Initial direct costs are included in the initial measurement of the finance lease receivable.

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that it may be impaired. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

|                          |                                                         |
|--------------------------|---------------------------------------------------------|
| Short leasehold          | – in accordance with the length of the property lease   |
| Improvements to property | – 20% on cost and in accordance with the property lease |
| Assets held for rental   | – at varying rates on cost between one and five years   |
| Fixtures and fittings    | – 33% on cost and 25% on cost                           |
| Motor vehicles           | – 25% on cost                                           |
| Computer equipment       | – 25% on cost and 25% on reducing balance               |

All property, plant and equipment are shown at cost less subsequent depreciation and impairment.

### Intangible assets

Amortisation is provided at the following annual rates in order to write off each asset over its estimated useful life, which are considered to be finite.

|                   |               |
|-------------------|---------------|
| Computer software | – 25% on cost |
|-------------------|---------------|

### Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

### Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the Statement of Financial Position date.



## 2. ACCOUNTING POLICIES (continued)

### Deferred tax

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are not recognised, however, if they arise from the initial recognition of goodwill and deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associated and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

### Impairment of financial assets

Financial assets are carried at amortised cost. The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. Impaired losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flow, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Consolidated Income Statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Consolidated Income Statement.

### Funding payables and cost of sales

Finance received from funding providers is classified as payables in the Consolidated Statement of Financial Position. Payments to the funding providers contain a capital element which reduces the payable and an interest charge is debited to the cost of sales using the sum of digits method. Due to the relatively short term of the funding payables the directors are satisfied that this method of apportioning interest is not materially different to the effective interest method.

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2017

### 2. ACCOUNTING POLICIES (continued)

#### Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### Employee benefits

##### (a) Pension obligations

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

##### (b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

##### (c) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions (for example, an entity's share price);
- Excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. When the options are exercised, the Group issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

## **2. ACCOUNTING POLICIES (continued)**

The grant by 1pm plc of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as capital contribution. The fair value of employee services received, measured by reference to grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

The social security contributions payable in connection with the grant of the share options are considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

### **Cash and cash equivalents**

Cash and cash equivalents include cash at bank and in hand and highly liquid interest-bearing securities with maturities of three months or less.

### **Exceptional items**

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income and expense that have been shown separately due to the significance of their nature or amount.

## **3. SEGMENTAL REPORTING**

The company has one business segment to which all revenue, expenditure, assets and liabilities relate. The directors expect the Group to operate with three distinct business units – Asset Finance, Loan and Commercial Finance – from 1 June 2017.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2017

## 4. EMPLOYEES AND DIRECTORS

|                       | 2017<br>£'000 | 2016<br>£'000 |
|-----------------------|---------------|---------------|
| Wages and salaries    | 3,628         | 2,577         |
| Social security costs | 355           | 173           |
| Other pension costs   | 124           | 53            |
|                       | <b>4,107</b>  | <b>2,803</b>  |

The average monthly number of employees during the year was as follows:

|             | 2017       | 2016      |
|-------------|------------|-----------|
| Management  | 17         | 12        |
| Operational | 85         | 54        |
|             | <b>102</b> | <b>66</b> |

|                                                            | 2017<br>£'000 | 2016<br>£'000 |
|------------------------------------------------------------|---------------|---------------|
| Directors' remuneration                                    | 682           | 729           |
| Directors' pension contributions to money purchase schemes | 49            | 43            |
| Compensation to director for loss of office                | –             | 30            |

The number of directors to whom retirement benefits were accruing was as follows:

|                        |   |   |
|------------------------|---|---|
| Money purchase schemes | 4 | 5 |
|------------------------|---|---|

The number of directors who exercised share options during the year was as follows:

|                         |   |   |
|-------------------------|---|---|
| Exercised share options | 1 | – |
|-------------------------|---|---|

The number of directors whose shares for qualifying services were received or receivable during the year was as follows:

|                             |   |   |
|-----------------------------|---|---|
| Long term incentive schemes | 1 | 1 |
|-----------------------------|---|---|

The directors' aggregate emoluments in respect of qualifying services were:

|             | Salary     | Bonus    | Pension   | 2017<br>£'000<br>Share options | Benefits  | Total      | 2016<br>£'000<br>Total |
|-------------|------------|----------|-----------|--------------------------------|-----------|------------|------------------------|
| R I Smith   | 175        | –        | 40        | –                              | 16        | 231        | 209                    |
| M L Lewis   | –          | –        | –         | –                              | –         | –          | 80                     |
| J Roberts   | 10         | –        | –         | –                              | –         | 10         | –                      |
| H M Walker  | 120        | –        | 9         | 1                              | 7         | 137        | 151                    |
| M Nolan     | 120        | –        | –         | –                              | 16        | 136        | 128                    |
| H Jacques   | 120        | –        | –         | –                              | 16        | 136        | 145                    |
| J Newman    | 33         | –        | –         | –                              | –         | 33         | 19                     |
| R Russell   | 24         | –        | –         | –                              | –         | 24         | 21                     |
| J P Telling | 24         | –        | –         | –                              | –         | 24         | 19                     |
|             | <b>626</b> | <b>–</b> | <b>49</b> | <b>1</b>                       | <b>55</b> | <b>731</b> | <b>772</b>             |

The key management personnel are the directors and so the disclosure is the same.

## 5. NET FINANCE COSTS

|                        | 2017<br>£'000 | 2016<br>£'000 |
|------------------------|---------------|---------------|
| Finance income:        |               |               |
| Bank account interest  | 41            | 2             |
| Finance costs:         |               |               |
| Bank account interest  | 18            | 18            |
| Bank loan interest     | 62            | 56            |
| Other interest payable | 2             | -             |
|                        | <b>82</b>     | <b>74</b>     |
| Net finance costs      | <b>41</b>     | <b>72</b>     |

## 6. PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging:

|                                | 2017<br>£'000 | 2016<br>£'000 |
|--------------------------------|---------------|---------------|
| Depreciation – owned assets    | 529           | 462           |
| Computer software amortisation | 15            | -             |
| Auditors' remuneration         | 40            | 19            |
| Other non-audit services       | 20            | 34            |

Non-audit services are in respect of acquisition due diligence services provided by the auditor.

The audit fee for 1pm plc was £7,500.

## 7. INCOME TAX

### Analysis of tax expense

|                                                    | 2017<br>£'000 | 2016<br>£'000 |
|----------------------------------------------------|---------------|---------------|
| Current tax                                        | 1,015         | 610           |
| Deferred tax (Note 24)                             | (221)         | (130)         |
| Total tax expense in Consolidated Income Statement | <b>794</b>    | <b>480</b>    |

### Factors affecting the tax expense

The tax assessed for the year is lower (2016 – lower) than the standard rate of corporation tax in the UK. The difference is explained below:

|                                                                                             | 2017<br>£'000 | 2016<br>£'000 |
|---------------------------------------------------------------------------------------------|---------------|---------------|
| Profit before income tax                                                                    | 4,080         | 3,346         |
| Profit multiplied by the standard rate of corporation tax in the UK of 19.8% (2016 – 20.0%) | 808           | 669           |
| Effects of:                                                                                 |               |               |
| Capital allowances in excess of depreciation                                                | -             | (195)         |
| Permanent tax differences                                                                   | (14)          | 6             |
| Tax expense                                                                                 | <b>794</b>    | <b>480</b>    |

Corporation tax is calculated at 19.4% (2016: 14.3%) of the estimated assessable profit for the year.

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2017

### 7. INCOME TAX (continued)

The main rate of corporation tax was 20% from 1 June 2016 to 31 March 2017. The rate reduced to 19% from 1 April 2017 and stays at this rate for the financial years beginning 1 April 2018 and 1 April 2019. The corporation tax main rate will be reduced by a further 1% to 18% for the financial year beginning 1 April 2020.

### 8. PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the Income Statement and Statement of Comprehensive Income of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £nil (2016 – £0.4m).

### 9. DIVIDENDS

|                               | 2017<br>£'000 | 2016<br>£'000 |
|-------------------------------|---------------|---------------|
| Ordinary shares of £0.10 each |               |               |
| Final                         | –             | 391           |

Subject to shareholder approval at the Group's Annual General Meeting on 9 October 2017, the Board is recommending the payment of a dividend of 0.5p per share.

### 10. EARNINGS PER SHARE

Earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. For diluted earnings per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential ordinary shares.

2017

|                                                | Earnings<br>£'000 | Weighted<br>average<br>number<br>of<br>shares | Per-share<br>amount<br>pence |
|------------------------------------------------|-------------------|-----------------------------------------------|------------------------------|
| <b>Basic EPS</b>                               |                   |                                               |                              |
| Earnings attributable to ordinary shareholders | 3,286             | 53,939,771                                    | 6.09                         |
| Effect of dilutive securities                  | –                 | 3,819,210                                     | (0.40)                       |
| <b>Diluted EPS</b>                             |                   |                                               |                              |
| Adjusted earnings                              | 3,286             | 57,758,981                                    | 5.69                         |

2016

|                                                | Earnings<br>£'000 | Weighted<br>average<br>number<br>of<br>shares | Per-share<br>amount<br>pence |
|------------------------------------------------|-------------------|-----------------------------------------------|------------------------------|
| <b>Basic EPS</b>                               |                   |                                               |                              |
| Earnings attributable to ordinary shareholders | 2,866             | 48,850,117                                    | 5.87                         |
| Effect of dilutive securities                  | –                 | 3,152,098                                     | (0.36)                       |
| <b>Diluted EPS</b>                             |                   |                                               |                              |
| Adjusted earnings                              | 2,866             | 52,002,215                                    | 5.51                         |

Subsequent to the year end, on 8 June 2017 the company issued 28,861,117 Ordinary £0.10 shares in order to fund acquisitions. Had this transaction occurred before the end of the reporting period it would have significantly changed the number of ordinary shares used for the purpose of these calculations.

## 11. EXCEPTIONAL ITEMS

During the year the Group incurred the following exceptional items:

|                                            | 2017<br>£'000 | 2016<br>£'000 |
|--------------------------------------------|---------------|---------------|
| Compensation for loss of office            | –             | 188           |
| Acquisition costs                          | 263           | 155           |
| Diminution in value of unlisted investment | –             | 25            |
|                                            | <b>263</b>    | <b>368</b>    |

## 12. GOODWILL

Group

|                                                     | £'000         |
|-----------------------------------------------------|---------------|
| <b>COST</b>                                         |               |
| At 1 June 2016                                      | 10,757        |
| Additions arising from acquisitions of subsidiaries | 4,619         |
| Written off                                         | (468)         |
| At 31 May 2017                                      | <b>14,908</b> |
| <b>AMORTISATION</b>                                 |               |
| At 1 June 2016                                      | 468           |
| Written off                                         | (468)         |
| At 31 May 2017                                      | –             |
| <b>NET BOOK VALUE</b>                               |               |
| At 31 May 2017                                      | <b>14,908</b> |
| At 31 May 2016                                      | <b>10,289</b> |

Goodwill is monitored by management at the operating segment level. As management consider there is only one operating segment, all goodwill has been allocated to one cash generating unit ("CGU"). The recoverable amount of the CGU has been determined based on a value-in-use calculation. This calculation uses pre-tax cash flow projections based on a financial forecast covering an appropriate period. Cash flows beyond the forecast period are extrapolated using a constant growth rate consistent with current market conditions and recent historic growth. The risk-adjusted cash flows are discounted using a pre-tax discount rate of 14%.

## 13. INTANGIBLE ASSETS

Group

|                       | Computer<br>software<br>£'000 |
|-----------------------|-------------------------------|
| <b>COST</b>           |                               |
| Additions             | 99                            |
| At 31 May 2017        | <b>99</b>                     |
| <b>AMORTISATION</b>   |                               |
| Amortisation for year | (15)                          |
| At 31 May 2017        | <b>(15)</b>                   |
| <b>NET BOOK VALUE</b> |                               |
| At 31 May 2017        | <b>84</b>                     |

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2017

## 14. PROPERTY, PLANT AND EQUIPMENT

### Group 2017

|                         | Short leasehold<br>£'000 | Improvements to property<br>£'000 | Assets held for rental<br>£'000 | Fixtures and fittings<br>£'000 | Computer equipment<br>£'000 | Motor vehicles<br>£'000 | Total<br>£'000 |
|-------------------------|--------------------------|-----------------------------------|---------------------------------|--------------------------------|-----------------------------|-------------------------|----------------|
| <b>COST</b>             |                          |                                   |                                 |                                |                             |                         |                |
| At 1 June 2016          | 58                       | 185                               | 1,301                           | 71                             | 729                         | 11                      | 2,355          |
| Additions               | 59                       | 4                                 | 851                             | 17                             | 59                          | –                       | 990            |
| Disposals               | –                        | –                                 | (250)                           | (6)                            | –                           | –                       | (256)          |
| Transfer on acquisition | –                        | –                                 | 349                             | 101                            | –                           | –                       | 450            |
| At 31 May 2017          | 117                      | 189                               | 2,251                           | 183                            | 788                         | 11                      | 3,539          |
| <b>DEPRECIATION</b>     |                          |                                   |                                 |                                |                             |                         |                |
| At 1 June 2016          | 7                        | 108                               | 510                             | 39                             | 435                         | 5                       | 1,104          |
| Charge for year         | 7                        | 72                                | 323                             | 23                             | 103                         | 1                       | 529            |
| Disposals               | –                        | –                                 | (189)                           | (4)                            | –                           | –                       | (193)          |
| Transfer on acquisition | –                        | –                                 | 268                             | 87                             | –                           | –                       | 355            |
| At 31 May 2017          | 14                       | 180                               | 912                             | 145                            | 538                         | 6                       | 1,795          |
| <b>NET BOOK VALUE</b>   |                          |                                   |                                 |                                |                             |                         |                |
| At 31 May 2017          | 103                      | 9                                 | 1,339                           | 38                             | 250                         | 5                       | 1,744          |
| At 31 May 2016          | 51                       | 77                                | 791                             | 32                             | 294                         | 6                       | 1,241          |

### Group 2016

|                         | Short leasehold<br>£'000 | Improvements to property<br>£'000 | Assets held for rental<br>£'000 | Fixtures and fittings<br>£'000 | Computer equipment<br>£'000 | Motor vehicles<br>£'000 | Total<br>£'000 |
|-------------------------|--------------------------|-----------------------------------|---------------------------------|--------------------------------|-----------------------------|-------------------------|----------------|
| <b>COST</b>             |                          |                                   |                                 |                                |                             |                         |                |
| At 1 June 2015          | –                        | 185                               | –                               | –                              | 236                         | 11                      | 432            |
| Additions               | 17                       | –                                 | 489                             | 21                             | 229                         | –                       | 756            |
| Disposals               | –                        | –                                 | (209)                           | (13)                           | –                           | –                       | (222)          |
| Transfer on acquisition | 41                       | –                                 | 1,021                           | 63                             | 264                         | –                       | 1,389          |
| At 31 May 2016          | 58                       | 185                               | 1,301                           | 71                             | 729                         | 11                      | 2,355          |
| <b>DEPRECIATION</b>     |                          |                                   |                                 |                                |                             |                         |                |
| At 1 June 2015          | –                        | 37                                | –                               | –                              | 153                         | 3                       | 193            |
| Charge for year         | 7                        | 71                                | 284                             | 18                             | 80                          | 2                       | 462            |
| Disposals               | –                        | –                                 | (133)                           | –                              | –                           | –                       | (133)          |
| Transfer on acquisition | –                        | –                                 | 359                             | 21                             | 202                         | –                       | 582            |
| At 31 May 2016          | 7                        | 108                               | 510                             | 39                             | 435                         | 5                       | 1,104          |
| <b>NET BOOK VALUE</b>   |                          |                                   |                                 |                                |                             |                         |                |
| At 31 May 2016          | 51                       | 77                                | 791                             | 32                             | 294                         | 6                       | 1,251          |
| At 31 May 2015          | –                        | 148                               | –                               | –                              | 83                          | 8                       | 239            |



## 15. INVESTMENTS

### Company

Shares in  
Group  
undertakings  
£'000

#### COST

|                |        |
|----------------|--------|
| At 1 June 2016 | 14,620 |
| Additions      | 5,910  |
| At 31 May 2017 | 20,530 |

#### NET BOOK VALUE

|                |        |
|----------------|--------|
| At 31 May 2017 | 20,530 |
| At 31 May 2016 | 14,620 |

Investments comprise the following 100% subsidiaries:

|                                                                  | 2017<br>£'000 | 2016<br>£'000 |
|------------------------------------------------------------------|---------------|---------------|
| 1pm (UK) Limited                                                 | 50            | 50            |
| MH Holdings Limited (holding company of Academy Leasing Limited) | 11,820        | 11,820        |
| Bradgate Business Finance Limited                                | 2,750         | 2,750         |
| Intelligent Financing Limited                                    | 2,151         | –             |
| Bell Finance Limited                                             | 3,759         | –             |
|                                                                  | 20,530        | 14,620        |

Details of these subsidiaries are as follows:

|                               | Principal activity   | Place of<br>incorporation | Proportion of<br>voting equity<br>2017<br>% | Proportion of<br>voting equity<br>2016<br>% |
|-------------------------------|----------------------|---------------------------|---------------------------------------------|---------------------------------------------|
| 1pm (UK) Limited              | Provision of finance | England                   | 100                                         | 100                                         |
| MH Holdings (UK) Limited      | Provision of finance | England                   | 100                                         | 100                                         |
| Bradgate Business Finance Ltd | Provision of finance | England                   | 100                                         | 100                                         |
| Intelligent Financing Limited | Loan finance broking | Wales                     | 100                                         | –                                           |
| Bell Finance Limited          | Provision of finance | England                   | 100                                         | –                                           |

Further disclosure is given in Note 30, Business Combinations.

## 16. INVENTORIES

Group

|                                         | 2017<br>£'000 | 2016<br>£'000 |
|-----------------------------------------|---------------|---------------|
| Stocks – finished goods held for resale | 135           | 81            |

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2017

## 17. TRADE AND OTHER RECEIVABLES

|                                    | Group         |               | Company       |               |
|------------------------------------|---------------|---------------|---------------|---------------|
|                                    | 2017<br>£'000 | 2016<br>£'000 | 2017<br>£'000 | 2016<br>£'000 |
| Current:                           |               |               |               |               |
| Trade receivables                  | 20,631        | 19,922        | –             | –             |
| Amounts owed by Group undertakings | –             | –             | 3,230         | 6,878         |
| Other receivables                  | 2,206         | 2,243         | –             | –             |
| VAT                                | 39            | –             | –             | –             |
| Prepayments and accrued income     | 1,113         | 730           | –             | –             |
|                                    | <b>23,989</b> | <b>22,895</b> | <b>3,230</b>  | <b>6,878</b>  |
| Non-current:                       |               |               |               |               |
| Trade receivables                  | 49,966        | 33,166        | –             | –             |
| Aggregate amounts                  | <b>73,955</b> | <b>56,061</b> | <b>3,230</b>  | <b>6,878</b>  |

Trade receivables wholly represent finance lease and loan receivables.

|                                                            | 2016<br>£'000 | 2015<br>£'000 |
|------------------------------------------------------------|---------------|---------------|
| Gross receivables from finance leases and loans            | 89,529        | 67,670        |
| Unearned future finance income on finance leases and loans | (18,932)      | (14,582)      |
| Net receivables from finance leases and loans              | <b>70,597</b> | <b>53,088</b> |
|                                                            | 2017<br>£'000 | 2016<br>£'000 |
| Unimpaired trade receivables                               | 71,812        | 53,873        |
| Allowance for doubtful debts                               | (1,215)       | (785)         |
| Carrying value of trade receivables                        | <b>70,597</b> | <b>53,088</b> |

The average credit period on trade receivables is 42 months. Interest is charged on trade receivables for lease, loan and hire purchase deals. Interest is variable by agreement but fixed over the term of each deal. Allowances for doubtful debts are recognised against trade receivables based on estimated amounts that may become recoverable, determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position. Any amount which is considered irrecoverable is written off to the profit or loss account, the remainder being held on the Statement of Financial Position awaiting receipt of funds.

Before accepting any new customers, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Of the trade receivables balance at the end of the year, no one customer represented more than 0.5% of the total balance outstanding.

### Analysis by age of receivables that are past due but not impaired

|                   | 2017<br>£'000 | 2016<br>£'000 |
|-------------------|---------------|---------------|
| Less than 30 days | 459           | 1,739         |
| 30 – 60 days      | 667           | 706           |
| Over 60 days      | 1,372         | 469           |
|                   | <b>2,498</b>  | <b>2,914</b>  |

## 17. TRADE AND OTHER RECEIVABLES (continued)

Receivables that are past due but not impaired are those debts that have been fully assessed by the Group's Credit and Legal departments and either deemed fully recoverable or doubtful, in which case an allowance for doubtful debts is made.

### Movement in the allowance for doubtful debts

|                       | 2017<br>€'000 | 2016<br>€'000 |
|-----------------------|---------------|---------------|
| Opening balance       | 785           | 453           |
| Increase in provision | 430           | 332           |
|                       | 1,215         | 785           |

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. Included in the allowance for doubtful debts are individually impaired trade receivables amounting to Enil (2016: £67,354) which have been placed in liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group holds the rights over the assets and also holds directors guarantees.

### Other receivables

Included in trade and other receivables are impaired trade receivables over which the Group holds guarantees and charging orders and which are being collected over time.

### Age of Impaired trade receivables

|                                         | 2017<br>€'000 | 2016<br>€'000 |
|-----------------------------------------|---------------|---------------|
| Within 1 year                           | 815           | 655           |
| More than 1 year but less than 2 years  | 448           | 132           |
| More than 2 years but less than 5 years | 233           | 179           |
| More than 5 years                       | 916           | 756           |
|                                         | 2,412         | 1,722         |

The Group has the following future minimum lease receivables under non-cancellable operating leases:

|                                        | 2017<br>€'000 | 2016<br>€'000 |
|----------------------------------------|---------------|---------------|
| Within 1 year                          | 558           | 359           |
| More than 1 year but less than 5 years | 652           | 374           |
| More than 5 years                      | –             | –             |
|                                        | 1,210         | 733           |

## 18. CASH AND CASH EQUIVALENTS

|               | Group         |               | Company       |               |
|---------------|---------------|---------------|---------------|---------------|
|               | 2017<br>€'000 | 2016<br>€'000 | 2017<br>€'000 | 2016<br>€'000 |
| Bank accounts | 2,078         | 910           | 28            | –             |

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2017

## 19. CALLED UP SHARE CAPITAL

The Articles of Association of the company state that there is an unlimited authorised Ordinary share capital. Each Ordinary share carries the entitlement to one vote.

On 30 September 2016 the company issued 1,960,270 Ordinary £0.10 shares at £0.64 per share, being deferred consideration to the vendors of MH Holdings (UK) Limited, the holding company of Academy Leasing Limited, as part of the Share Purchase Agreement.

On 14 March 2017 the company issued 353,982 Ordinary £0.10 shares at £0.535 per share, being consideration to the vendors of Intelligent Financing Limited as part of the Share Purchase Agreement.

The following £0.10 Ordinary shares were issued by the company under the Employee Share Option Scheme: 29,038 on 1 December 2016, 11,182 on 2 February 2017, and 51,280 on 31 May 2017.

The issued Ordinary share capital of the company is as follows:

|                | No. of shares<br>No. | Ordinary<br>shares<br>£'000 | Share<br>Premium<br>£'000 | Total<br>£'000 |
|----------------|----------------------|-----------------------------|---------------------------|----------------|
| At 1 June 2016 | 52,534,463           | 5,253                       | 13,077                    | 18,330         |
| Share issues   | 2,405,752            | 241                         | 1,093                     | 1,334          |
| At 31 May 2017 | 54,940,215           | 5,494                       | 14,170                    | 19,664         |

|                | No. of shares<br>No. | Ordinary<br>shares<br>£'000 | Share<br>Premium<br>£'000 | Total<br>£'000 |
|----------------|----------------------|-----------------------------|---------------------------|----------------|
| At 1 June 2015 | 36,854,570           | 3,685                       | 5,606                     | 9,291          |
| Share issue    | 15,679,893           | 1,568                       | 7,471                     | 9,039          |
| At 31 May 2016 | 52,534,463           | 5,253                       | 13,077                    | 18,330         |

## 20. RESERVES

The movements in share capital and reserves are shown in the Consolidated Statement of Changes in Equity.

## 21. TRADE AND OTHER PAYABLES

|                                 | Group         |               | Company       |               |
|---------------------------------|---------------|---------------|---------------|---------------|
|                                 | 2017<br>£'000 | 2016<br>£'000 | 2017<br>£'000 | 2016<br>£'000 |
| Current:                        |               |               |               |               |
| Trade payables                  | 24,470        | 17,587        | –             | –             |
| Social security and other taxes | 163           | 134           | –             | –             |
| Other payables                  | 1,900         | 2,073         | –             | –             |
| Directors' current accounts     | –             | 1             | –             | –             |
| VAT                             | –             | 184           | –             | –             |
|                                 | 26,533        | 19,979        | –             | –             |
| Non-current:                    |               |               |               |               |
| Trade payables                  | 32,097        | 19,664        | –             | –             |
| Aggregate amounts               | 58,630        | 39,643        | –             | –             |

Trade payables wholly represent funding payables, which are secured on the value of the underlying finance leases and loan agreements.

## 21. TRADE AND OTHER PAYABLES (continued)

Trade payables comprise numerous funding blocks that are repaid by monthly instalments. The length of the repayment term at inception varies from 12 to 60 months and interest rates from 4.5% to 8.8% (2016: 4.8% to 12.0%).

## 22. FINANCIAL LIABILITIES – BORROWINGS

|                                          | Group         |               |
|------------------------------------------|---------------|---------------|
|                                          | 2017<br>£'000 | 2016<br>£'000 |
| Current borrowings at amortised cost     |               |               |
| Bank overdrafts                          | –             | 519           |
| Other loans                              | 949           | 729           |
|                                          | 949           | 1,248         |
| Non-current borrowings at amortised cost |               |               |
| Other loans payable in 1-2 years         | 250           | 399           |

## 23. PROVISIONS

|                      | Group         |               | Company       |               |
|----------------------|---------------|---------------|---------------|---------------|
|                      | 2017<br>£'000 | 2016<br>£'000 | 2017<br>£'000 | 2016<br>£'000 |
| Provisions           | 4,033         | 3,078         | 4,033         | 3,078         |
| Analysed as follows: |               |               |               |               |
| Current              | 1,733         | 1,245         | 1,733         | 1,245         |
| Non-current          | 2,300         | 1,833         | 2,300         | 1,833         |
|                      | 4,033         | 3,078         | 4,033         | 3,078         |

Provisions comprise deferred and contingent acquisition costs recognised on the acquisition of MH Holdings (UK) Limited, Bradgate Business Finance Limited, Intelligent Financing Limited and Bell Finance Limited.

### Movement in provisions

|                                                 | 2017<br>£'000 | 2016<br>£'000 |
|-------------------------------------------------|---------------|---------------|
| Balance brought forward                         | 3,078         | –             |
| Additional provisions arising from acquisitions | 2,200         | 3,078         |
| Provisions settled                              | (1,245)       | –             |
| Balance carried forward                         | 4,033         | 3,078         |

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2017

### 24. DEFERRED TAX

|                                       | Group<br>2017<br>£'000 | 2016<br>£'000 |
|---------------------------------------|------------------------|---------------|
| Asset/(liability) balance at 1 June   | (208)                  | 40            |
| Non-current assets timing differences | (221)                  | (130)         |
| Transferred on acquisition            | 18                     | (118)         |
| Asset balance at 31 May               | (411)                  | (208)         |

There are no deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset has been recognised.

The deferred tax included within the Consolidated Statement of Financial Position is as follows:

|                                      | 2017<br>£'000 | 2016<br>£'000 |
|--------------------------------------|---------------|---------------|
| Non-current asset timing differences | (411)         | (208)         |
| Included in non-current assets       | (411)         | (208)         |

The utilisation of the deferred tax asset is dependent upon future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. Based on the Group's financial projections the Directors are satisfied that there is sufficient evidence to recognise the deferred tax asset in full.

### 25. TRANSACTIONS WITH DIRECTORS

R Russell, a director of the Group, is also a director and 25% shareholder of UK Private Healthcare Ltd ("UKPHL"). During the year UKPHL loaned the Group £250,000. As a result, at the year end, a total of £550,000 was outstanding and was included in current liabilities. Interest is charged at 3% (2016: 3%) and the loan is repayable on demand. During the year £nil was repaid. Interest paid in the year was £11,568 (2016: £6,410).

Included in other loans are loans from H Walker, a director who resigned during the financial year, and J Bower (H Walker's partner). J Bower loaned the Group £150,000 in the year resulting in a total of £50,000 and £200,000 outstanding respectively at year end. Interest of £3,520 (2016: £4,250) and £6,937 (2016: £4,250) respectively was accrued in the year.

### 26. EVENTS AFTER THE REPORTING PERIOD

#### (a) Business Acquisitions

On 8 June 2017 and 29 June 2017 respectively the Group acquired two entities specialising in invoice finance, Gener8 Finance Limited and Positive Cashflow Finance Limited. In acquiring Gener8 Finance Limited the Group purchased 100% of the share capital of Tracx Finance Limited, its holding company for a cash consideration of £5.25m. In acquiring Positive Cashflow Finance Limited the Group purchased 100% of the share capital of Positive Cashflow Finance (Holdings) Limited, its holding company for a consideration of up to £9.0m. This consideration was made up of £4.3m in cash, £2.2m in 5% loan notes redeemable quarterly over 13 quarters, and up to £2.5m in shares based on a three year earnout arrangement. The accounting for these business combinations will be included in the financial statements for the year ended 31 May 2018.

#### (b) Share Issue

On 8 June 2017 the company issued 28,861,117 Ordinary £0.10 shares through a placing and open offer at a price of £0.45 per share, raising approximately £13.0m to finance the acquisitions noted above.

## **26. EVENTS AFTER THE REPORTING PERIOD (continued)**

### **(c) Long Term Incentive Plan ("LTIP")**

On 5 July 2017 the Group awarded share options that had been approved under the Group's Long Term Incentive Plan ("LTIP") on 7 June 2017. Under the terms of the LTIP 7,900,000 conditional share options were awarded to directors and senior employees. These options will vest proportionately based on the quoted price of the Company's shares increasing from 60 pence to 110 pence per share with no share options that become vested being exercisable unless the recipient completes three years' service as an employee from the date of the award.

### **(d) Dividend**

Subject to shareholder approval at the Group's Annual General Meeting on 9 October 2017, the Board is recommending the payment of a dividend of £419,007 (equivalent to 0.5p per share).

## **27. SHARE-BASED PAYMENT TRANSACTIONS**

### **Employee Share Ownership Plan**

#### **(a) Executive Scheme**

At 31 May 2017 177,691 (2016: 350,804) options were outstanding in respect of the Executive Share Option Plan and were exercisable at 31 May 2017. During the year, 173,113 options lapsed and no options were issued. The outstanding options have an exercisable price at 61p per share.

The fair value of options granted during the period determined using the Black-Scholes valuation model was 4p per option. The significant variables input to the model were a share price of 57.5p at the grant date, the exercise price of 61p, volatility of 10%, dividend yield of 10% an expected option life of less than a year and annual risk-free rate of 1.25%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last year.

The cost of the shares is deducted from equity in the Group's financial statements.

#### **(b) Employee Scheme**

At 31 May 2017 126,199 (2016: 94,160) options were outstanding in respect of the Employee Share Option Plan and were exercisable as at that date. At the vesting date these shares had a market value of 57.5p with an exercise price of 10p per share.

The cost of the shares is deducted from equity in the Group's financial statements.

The employee scheme is charged over three years and the third tranche of Share options vested on 31 May 2017.

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2017

### 28. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Consolidated Statements of Cash Flows in respect of cash and cash equivalents are in respect of amounts in the consolidated Statement of Financial Position:

Year ended 31 May 2017

|                           | Group |       | Company |       |
|---------------------------|-------|-------|---------|-------|
|                           | 2017  | 2016  | 2017    | 2016  |
|                           | £'000 | £'000 | £'000   | £'000 |
| Cash and cash equivalents | 2,078 | 910   | 28      | –     |
| Bank overdrafts           | –     | (519) | –       | –     |
|                           | 2,078 | 391   | 28      | –     |

Year ended 31 May 2016

|                           | 2016  | 2015  | 2016  | 2015  |
|---------------------------|-------|-------|-------|-------|
|                           | £'000 | £'000 | £'000 | £'000 |
| Cash and cash equivalents | 910   | 12    | –     | 1     |
| Bank overdrafts           | (519) | (357) | –     | –     |
|                           | 391   | (345) | –     | 1     |

### 29. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash and liquid resources, including receivables and payables that are also financial instruments that arise directly from operations. The main purpose of the financial instruments is to fund the Group's operations. As a matter of policy the Group does not trade in financial instruments, nor does it enter into any derivative transactions.

The operations of the Group have principally been financed to date through the funds raised from the placing of shares on the Alternative Investment Market, block funding payables and secured loans notes. The Group has an overdraft facility in place with the Group's bank totalling £1,000,000 (2016: £1,000,000).

The Group's main objectives for the management of capital are to ensure there is sufficient cash available to be able to provide finance to customers and to be able to pay debts as they fall due. The Group is not subject to any externally imposed capital requirements from these finance providers.

Working capital requirements are constantly monitored including the interest rates from the key providers of finance.

The main risks to the Group, and the policies adopted by the directors to minimise the effects on the Group are as follows:

**Credit Risk** – The directors believe that credit risk is limited due to debts being spread over a large number of receivables. No individual receivable poses a significant risk. Group debt collection procedures are continually assessed.

**Interest rate and liquidity risk** – All of the Group's cash balances and short term deposits are held in such a way that an optimal balance of access to working capital and a competitive rate of interest is achieved. If market interest rates had been higher/lower with all other variables held constant, post-tax profits would not be materially affected.



## 29. FINANCIAL INSTRUMENTS (continued)

### Categories of financial instruments

|                              | 2017<br>£'000 | 2016<br>£'000 |
|------------------------------|---------------|---------------|
| <b>Financial assets</b>      |               |               |
| Cash and bank balances       | 2,078         | 910           |
| Loans and trade receivables  | 92,887        | 56,061        |
| <b>Financial liabilities</b> |               |               |
| Trade payables               | 62,304        | 37,251        |
| Contingent consideration     | 4,033         | 3,078         |

In the table above loans, trade receivables and trade payables are stated gross of unearned interest and therefore higher than the figures in the Statement of Financial Position and the table below.

### Liquidity and interest risk tables

|                | Within<br>1 year<br>£'000 | More than<br>1 year but<br>less than<br>2 years<br>£'000 | More than<br>2 years but<br>less than<br>5 years<br>£'000 | Total<br>£'000 |
|----------------|---------------------------|----------------------------------------------------------|-----------------------------------------------------------|----------------|
| <b>2017</b>    |                           |                                                          |                                                           |                |
| Trade payables | 25,331                    | 29,653                                                   | 1,583                                                     | 56,567         |
| Borrowings     | 949                       | 250                                                      | –                                                         | 1,199          |
| <b>2016</b>    |                           |                                                          |                                                           |                |
| Trade payables | 19,979                    | 16,173                                                   | 3,491                                                     | 39,643         |
| Borrowings     | 1,248                     | 399                                                      | –                                                         | 1,647          |

## 30. BUSINESS COMBINATIONS

### Subsidiaries acquired

|                               | Principal activity   | Date of<br>acquisition | Proportion of<br>voting equity<br>% | Consideration<br>£'000 |
|-------------------------------|----------------------|------------------------|-------------------------------------|------------------------|
| Intelligent Financing Limited | Loan finance broking | 14.03.2017             | 100                                 | 2,151                  |
| Bell Finance Limited          | Provision of finance | 10.04.2017             | 100                                 | 3,758                  |

Intelligent Financing Limited and Bell Finance Limited were acquired to continue the expansion of the Group's activities in the finance sector.

### Consideration

|                                                                | Intelligent<br>Financing<br>Limited<br>£'000 | Bell Finance<br>Limited<br>£'000 |
|----------------------------------------------------------------|----------------------------------------------|----------------------------------|
| Cash                                                           | 1,151                                        | 2,358                            |
| Issue of shares                                                | 200                                          | –                                |
| Contingent consideration arrangement (see notes 1 and 2 below) | 800                                          | 1,400                            |
|                                                                | 2,151                                        | 3,758                            |

[1] Under the contingent consideration arrangement with Intelligent Financing Limited, the Group is required to pay the vendors a maximum of £0.8m cash if certain EBITDA targets are met by the acquired business for the period from acquisition to 31 May 2017 and the two subsequent trading years ending on 31 May 2018 and 31 May 2019. The contingent consideration is equal to 50% of the EBITDA generated in each of those three periods respectively.

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2017

### 30. BUSINESS COMBINATIONS (continued)

(2) Under the contingent consideration arrangement with Bell Finance Limited, the Group is required to pay the vendors £0.8m cash and £0.6m in shares. £0.3m of the contingent cash consideration is dependent upon the completion of certain integration milestones by the end of September 2017. £0.2m of the cash consideration is a deferred payment over a period of three years from the date of acquisition. The remaining £0.2m in cash and the whole of the £0.6m worth of shares are contingent upon the merged Bell Finance Limited and Bradgate Finance Limited entities meeting specific financial targets for the periods ending 31 May 2018, 2019 and 2020 respectively.

Acquisition-related costs amounting to £0.3m comprised £0.1m relating to Intelligent Financing Limited and £0.2m relating to Bell Finance Limited.

#### Assets acquired and liabilities recognised at the date of acquisition

|                                | Intelligent<br>Financing<br>Limited<br>£'000 | Bell Finance<br>Limited<br>£'000 |
|--------------------------------|----------------------------------------------|----------------------------------|
| <b>Current assets</b>          |                                              |                                  |
| Cash and cash equivalents      | 296                                          | 72                               |
| Trade and other receivables    | 17                                           | 3,663                            |
| <b>Non-current assets</b>      |                                              |                                  |
| Plant and equipment            | 5                                            | 90                               |
| Trade and other receivables    | –                                            | 5,080                            |
| <b>Current liabilities</b>     |                                              |                                  |
| Trade and other payables       | (91)                                         | (3,960)                          |
| <b>Non-current liabilities</b> |                                              |                                  |
| Trade and other payables       | –                                            | (3,882)                          |
|                                | <b>227</b>                                   | <b>1,063</b>                     |

#### Goodwill arising on acquisition

|                                                      | Intelligent<br>Financing<br>Limited<br>£'000 | Bell Finance<br>Limited<br>£'000 |
|------------------------------------------------------|----------------------------------------------|----------------------------------|
| Consideration transferred                            | 2,151                                        | 3,758                            |
| Less: fair value of identifiable net assets acquired | (227)                                        | (1,063)                          |
| <b>Goodwill arising on acquisition</b>               | <b>1,924</b>                                 | <b>2,695</b>                     |

Goodwill arose in the acquisition of Intelligent Financing Limited and Bell Finance Limited because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Intelligent Financing Limited and Bell Finance Limited. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisition is expected to be deductible for tax purposes.

### 30. BUSINESS COMBINATIONS (continued)

#### Net cash outflow on acquisition of subsidiaries

|                                          | 2017<br>£'000 |
|------------------------------------------|---------------|
| Consideration paid in cash               | 3,509         |
| Less: cash and cash equivalents acquired | (368)         |
|                                          | 3,141         |

#### Impact of acquisitions on the results of the Group

Included in the profit for the year is £0.1m attributable to the additional business generated by Intelligent Financing Limited and £0.1m attributable to Bell Finance Limited. Revenue for the year includes £0.3million in respect of Intelligent Financing Limited and £0.3m in respect of Bell Finance Limited.

Had these business combinations been effected at 1 June 2016, the revenue of the Group from continuing operations would have been £19.7m, and the profit after tax for the year from continuing operations would have been £3.7m. The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the 'pro-forma' revenue and profit of the Group had Intelligent Financing Limited and Bell Finance Limited been acquired at the beginning of the current year, the directors have;

- Calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements;
- Calculated borrowing costs on the funding levels, credit ratings and debt / equity positions of the Group after the business combination.

#### Acquisitions after the end of the reporting period

The initial accounting under IFRS 3R-B64 is incomplete due to the proximity of the acquisitions to the reporting date.

## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2017

### 31. OPERATING LEASE ARRANGEMENTS

#### The Group as lessee

At the year end the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

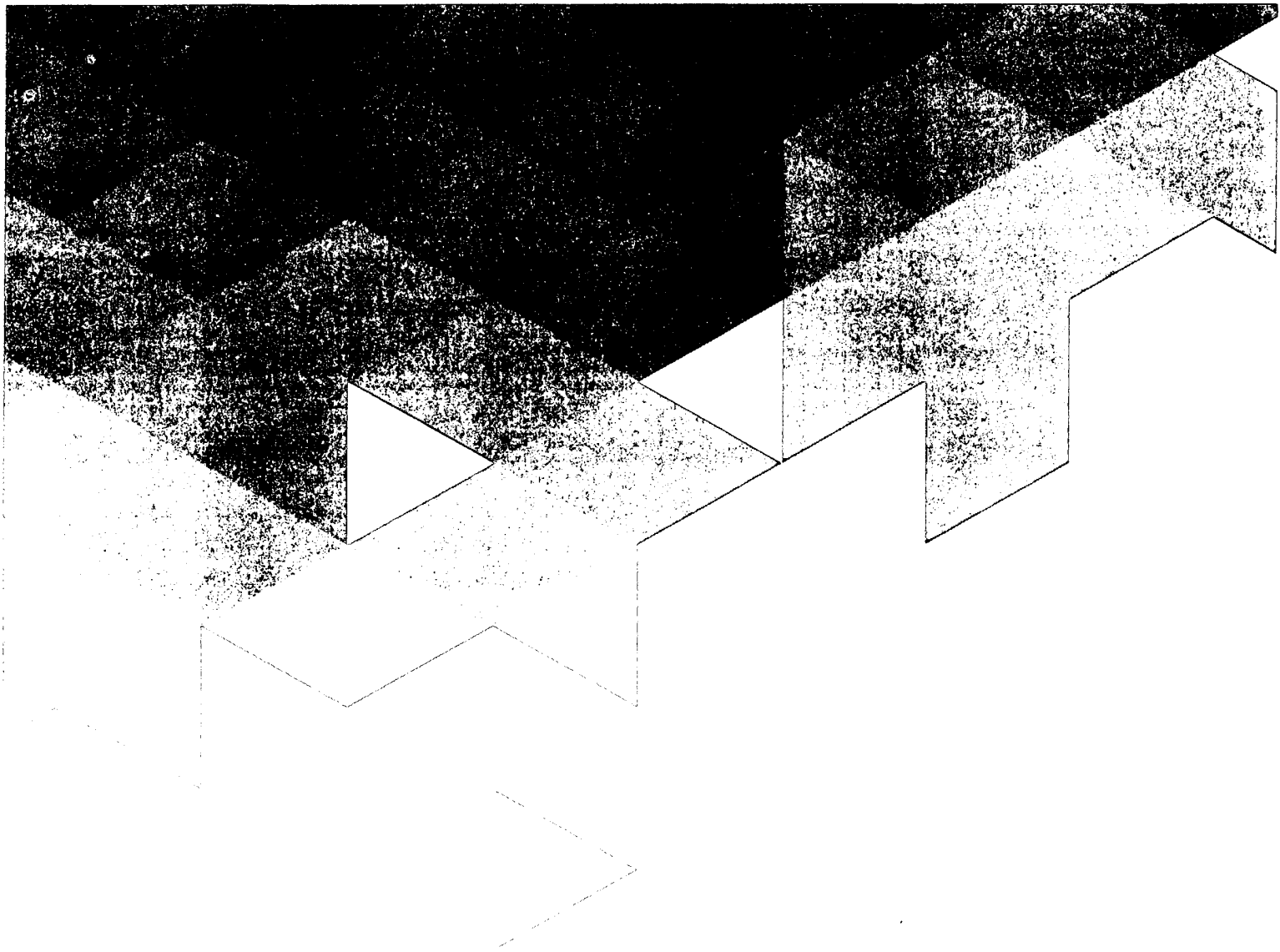
|                   | Within<br>1 year<br>£'000 | 2-5 years<br>£'000 | More than<br>5 years<br>£'000 |
|-------------------|---------------------------|--------------------|-------------------------------|
| As at 31 May 2017 | 212                       | 369                | –                             |
| As at 31 May 2016 | 219                       | 535                | –                             |

The Group recognised as expense in the period the following lease payments:

|                         | 2017<br>£000 | 2016<br>£'000 |
|-------------------------|--------------|---------------|
| Operating lease rentals | 233          | 215           |

Operating lease payments represent rentals payable by the Group for office properties. Leases are negotiated for an average term of 5 years and rentals are fixed for an average of 5 years with an offer to extend thereafter at the prevailing market rate.







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