

12 September 2018



**1pm plc**  
**(the “Group” or the “Company”)**

**FINAL RESULTS FOR THE YEAR ENDED 31 MAY 2018**  
**Positive trading momentum maintained;**  
**Another year of strong growth delivers record revenues and profits;**  
**Earnings per share rise 24%; increased recommended final dividend.**

1pm plc, the AIM listed independent specialist provider of finance facilities, is pleased to announce its final results for the year ended 31 May 2018.

The trading results reflect strong organic growth in revenue and profits and further strategic growth from acquisitions during the year.

The Group has continued to experience robust demand for finance from SMEs and consumers across the expanded range of products it offers. This product range now comprises Asset Finance (finance leasing and hire purchase for ‘hard’ and ‘soft’ assets and vehicles broking), Loans, and Commercial (i.e. invoice) Finance.

**Financial Highlights:**

- Revenue for the year of £30.0m (2017: £16.9m), an increase of 78%, of which organic growth was 31%
- Profit before tax for the year of £7.9m (2017: £4.1m), an increase of 93%
- Basic earnings per share of 7.57 pence (2017: 6.09 pence), up 24%
- Dividend proposed of 0.65 pence per share (2017: 0.50 pence per share), up 30%
- Consolidated net assets at 31 May 2018 of £48.1m (2016: £28.5m), an increase of 69%
- Return on capital increased to 13.3% (2017: 11.5%)

At 31 May 2018, the Group’s combined gross lending portfolio amounted to £142.1m (2017: £89.5m), an increase of 59% principally relating to the addition of the Commercial Finance division early in the year. Portfolio write-offs, net of recoveries of previously written off receivables, amounted to £1.5m, representing approximately 1.2% of the year-end net portfolio (2017: £0.9m, also representing 1.2%). Conservative impairment provisions carried in the balance sheet at 31 May 2018 amounted to 1.5% of the net portfolio (2017: 1.3%).

**Operational Highlights:**

- Origination of new lease, loan, vehicle and invoice finance agreements in the year amounted to £142.9m (2017: £83.0m), comprising almost 20,000 total customers across the Group, an increase of 72%
- Approximately 56% of all origination brokered to other lenders for cash commissions and 44% added to own-book lending, a similar proportion to the prior year
- Funding facilities available to lend of £162.6m (2017: £74.5m), an increase of 2.2 times. This includes a new £35m facility with the government backed British Business Bank as announced on 27 March
- Blended cost of borrowings fell 23% to approximately 4.1% (2017: 5.3%)

In addition, integration of business functions across the Group has accelerated. Origination of new leads from cross-selling the Group’s products is increasing month-on-month with £13m of leads generated in the final quarter of the financial year.

**John Newman, Non-executive Chairman commented:**

“We are delighted that the Group’s focus on organic growth and further strategic expansion has delivered another set of excellent annual financial results. The results demonstrate that the foundations have been laid for further growth in the current financial year and the Board is optimistic of continuing to increase value and returns for its shareholders”.

**Ian Smith, Chief Executive Officer, commented:**

“Our strategy of being a multi-product provider to SMEs and consumers, plus the flexibility to either fund, or broke-on, has enabled the Group to generate robust levels of demand and hence these strong results. Improving risk management, operational efficiency and further strategic expansion, together with increased funding facilities, mean the Group is well positioned to deliver great outcomes for customers and further growth for shareholders”.

A video detailing further comments and insights on the final results from Ian Smith and James Roberts can be viewed by following this link: [http://bit.ly/OPM\\_FY18](http://bit.ly/OPM_FY18)

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**About 1pm:**

The Company was admitted to AIM in August 2006.

1pm plc is a group of established independent finance companies focused on providing SMEs with accessible funding to add value to their businesses. All customers must have good credit histories and proven ability to repay their finance commitments.

More information is available on the Company website [www.1pm.co.uk](http://www.1pm.co.uk)

## **Chairman's Statement**

### **For the year ended 31 May 2018**

#### **Performance and dividend**

On behalf of the Board of Directors, I am extremely pleased to report that our business has delivered another year of strong performance and growth. The Group's revenue was £30.0m (2017: £16.9m) an increase of 78% and Group profit before tax was £7.9m (2017: £4.1m), an increase of 93%.

Earnings per share, taking account of the significant increase of shares in issue in the first month of the financial year relating to acquisitions and thereafter during the year relating to earn-out arrangements and to the exercise of employee share options, amounted to 7.57p (2017: 6.09p), an increase of 24%.

At 31 May 2018 the Group's net assets stood at £48.1m (2017: £28.5m), an increase of 69% and the return on net tangible assets (excluding goodwill) was 32% (2017: 24%).

The financial year saw the successful integration of the businesses acquired as part of the Group's "buy and build" strategy. In addition, the clear focus on operational performance, delivering organic growth from existing businesses and incremental profits from acquisitions produced excellent results for the Group, demonstrating that the Group's business model has the capacity for sustained future growth.

It was against this positive background that the Board reviewed its dividend policy and on 26 July 2018 announced details of an enhanced and progressive policy. The first step will be the Board's recommendation of a dividend of 0.65p per share for the year ended 31 May 2018, an increase of 30% over last year, to be paid, if approved, on 1 November 2018 to shareholders on the register at 21 September 2018. Thereafter the Board plans to recommend an annual increase of 30% for the period of three successive years up to 31 May 2021. A further change is that for future years there will be both an interim and a final dividend and the Board intends to declare an interim dividend of one third payable in May and to recommend a two thirds final dividend payable in November each year.

#### **Our strategy**

The Group Strategic Report which follows the Chief Executive Officer's Review sets out in detail progress against our goals and objectives. The focus of our strategy is for our Group to be a well-diversified and risk-mitigated alternative finance provider, recognised as having a comprehensive range of business finance products to offer to an expanding base of UK customers.

A key aspect of the successful delivery of our strategy is the Group's business model which positions the Group both as a first-line funder and as a broker. This flexibility allows the businesses within the Group to balance their risk exposure in a prudent manner while maintaining competitive levels of customer service.

For management purposes, the Group is organised into three operating divisions, namely Asset Finance (which includes vehicles broking), Loan Finance and Commercial (i.e. invoice) Finance. Each of the companies in the 1pm Group currently maintains its original branding, product and customer focus. However, as part of the integration programme a number of business support functions, for example, Compliance, Treasury, Finance, I.T. and Human Resources, are now operating successfully as group-wide services.

The innovative changes being brought about in the financial services sector by the development of digital capability and financial technology continue to represent both opportunity and challenge. Our response has been the establishment of our "Platform 1" project using in-house technical resources, supported by external specialist advisers, to ensure that our operating model uses all available financial data for the benefit of customer engagement and service. "Platform 1" has made good progress during the year as we move towards the goal of providing a common IT system for data sharing and rapid decision-making by all the companies within the Group.

### **Governance and culture**

Our business operates in a regulated environment and a key responsibility for the Board is to ensure that strong and effective governance operates throughout the Group. During the year the governance framework has been further strengthened with the appointment of a Head of Governance and Compliance, Jennifer Bodey, whose extensive regulatory experience will both complement and enhance our existing, independent compliance department. This new position reports directly to the Board.

The Board has four sub-committees, namely Audit, Remuneration, Nominations and Governance and Risk, with membership comprising either of only, or a majority of, non-executive directors. The committees meet on a regular basis and their effectiveness in meeting their responsibilities is assessed annually by the Board.

There is a clear emphasis within the Group on maintaining a corporate culture that adheres to our core values of being “Trusted, Flexible, Fair and Personal”. These values underpin everything that we do in our business and are key in ensuring responsible attitudes and behaviours are foremost in every member of our team.

### **Board composition**

Mike Nolan, who joined the Board in 2015 following the acquisition of Academy Leasing where he was the majority shareholder, announced earlier this year that he would be retiring in December 2018. In preparation for his retirement Mike has now stepped down as a director of the Company and I would like to take the opportunity on behalf of the Board to thank Mike for his service and the valuable contribution he has made to the success of the business in the last three years.

With effect from 1 June 2018 Ed Rimmer was appointed as Chief Operating Officer for the Group. This is in addition to Ed’s position as Managing Director of the Group’s Commercial Finance Division and we wish him every success in his new expanded role.

### **Our people**

The integration of acquired businesses is, invariably, one of the most challenging tasks for a management team. The success that has been achieved this year in this process and in the performances of the existing businesses, as evidenced by the Group’s results, is a reflection of the quality and dedication of the people within our Group. On behalf of the Board I wish to record our thanks and appreciation for their hard work and commitment.

### **Outlook**

After a very successful year the challenge for the new year is to build on that success and deliver further growth. We are fortunate in having an excellent management team and the support of colleagues at every level who have the vision and determination to meet this challenge.

The demand for the wide range of our financial products remains strong and although it is early in the new financial year the Board is encouraged by the level of demand experienced thus far. With new and larger wholesale funding facilities agreed during the year the Group is well placed to meet its growth expectations for the foreseeable future.

This has been a year of significant progress and the foundations have been laid for further growth in the current financial year. The Board is optimistic of continuing to increase value and returns for its shareholders.

**John Newman**

**Chairman**

**12 September 2018**

## **Chief Executive Officer's Review For the year ended 31 May 2018**

### **Introduction**

I am delighted to report a further year of both strong organic growth and strategic expansion as a result of acquisitions. This has resulted in a significant increase in both revenue and profits in comparison with the prior year.

The 1pm plc group ("the Group") is organised into three product divisions, namely:

- Asset and Vehicle Finance, comprising the following trading entities;
  - 1pm (UK) Limited, trading as Onepm Finance
  - Academy Leasing Limited
  - Bradgate Business Finance Limited
  - Car Finance 2U Limited (acquired on 17 November 2017)
  
- Loan Finance, consisting of;
  - Intelligent Financing Limited
  
- Commercial Finance, comprising;
  - Gener8 Finance Limited (acquired on 8 June 2017)
  - Positive Cashflow Finance Limited (acquired on 29 June 2017).

The financial results for the Group for the year ended 31 May 2018 consolidate the results of the parent company, 1pm plc, plus each of the above trading entities, either for the entire year, or for the period since the stated date of acquisition.

### **Strategy**

As set out in more detail in the Strategic Review, 1pm's strategy is to be a multi-product provider of finance for UK SMEs and consumers. The Group acts as a funder to UK SMEs which meet the Group's lending criteria. It acts as a broker for any lending to UK SMEs outside the Group's credit criteria and for all vehicle and consumer finance. This 'hybrid' lending and broking model enables the Group to optimise business levels through market and economic cycles and is fundamental to the Group's cautious approach to risk management.

### **Deal origination**

In the year ended 31 May 2018 the Group originated £142.9 million of finance deals (2017: £83.0 million), an increase of 72%. The Group funded 44% of this deal origination on its own balance sheet and brokered 56%, a similar mix to the prior year. The brokered figures include the capital value of all new and used motor vehicle deals since the Group does not carry residual value risk on motor vehicles on its own balance sheet. The brokered figures also include the value of consumer finance deals since the focus of the Group's own-book lending is to UK SMEs only.

An operational synergy arising from being a multi-product provider is the opportunity to originate deals from cross-selling among the various trading entities in the Group. A cross-selling culture is being embedded at all sites and it is pleasing to report that the rate of deal origination from cross-selling is increasing month on month.

### **Revenue**

The Group's revenue amounted to £30.0 million for the year ended 31 May 2018 (2017: £16.9 million), an increase of 78% of which 31% is organic growth. Revenue comprises both interest and other income of £24.8m from own-book lending (2017: £14.7 million), an increase of 69%; and commission income of £5.2m from broking (2017: £2.2 million), an increase of 2.4 times. There is good visibility of future revenue in that 'unearned income' (i.e. future revenue from own-book deals already written on the Group's balance sheet) as at 31 May 2018 amounts to £19.3 million, which represents over 50% of market guidance for total revenue in the current financial year ending 31 May 2019.

### **Profit, Return on Capital and Earnings per Share**

The Group's profit before tax for the year ended 31 May 2018 was £7.9 million (2017: £4.1 million), an increase of 93%. Profit after tax was £6.4 million (2017: £3.3 million), an increase of 94%. At 31 May 2018, consolidated net assets stood at £48.1 million (2017: £28.5 million), an increase of 69%. The Return on Capital Employed therefore increased further to 13% (2017: 12%) and the return on net tangible assets (excluding goodwill held in the balance sheet) was 32% (2017: 24%).

At 31 May 2018, there were 86,207,540 shares in issue (2017: 54,940,215). The significant increase during the year consisted of 28,861,117 shares issued through a placing and open offer in connection with the two acquisitions completed in June 2018 to form the Commercial Finance division, plus 2,297,838 in relation to earn-out arrangements for previous acquisitions and 108,370 in relation to the exercise of employee share options.

Notwithstanding these issues of shares, it is pleasing to report that earnings per share was 7.57p (2017: 6.09p), an increase of 24% over the previous year. It is worth noting that although the significant issue of shares was marginally dilutive as at 31 May 2018, the acquisitions are expected to become strongly earnings enhancing in the current financial year as profits continue to be generated in the acquired entities.

### **Portfolio performance**

As at 31 May 2018, total gross receivables in the balance sheet stood at £142.1 million (2017: £89.5m), an increase of 59%, principally reflecting the addition of the Commercial Finance division receivables in June 2017.

During the year the Group recovered £2.2 million from previously fully written-off impaired receivables and incurred £3.1 million of new write-offs. The net of these two amounts plus an increase in the provision for potential impairments of £0.6 million resulted in total net bad debt expense in the year of £1.5 million, representing just 1.2% of the year-end net portfolio (2017: £0.9 million, representing 1.2%).

The Board believes this portfolio performance is testament to three key factors; first, the Group's cautious approach to risk; secondly, the spreading of risk across multiple industry sectors; and thirdly, taking appropriate security and then assiduously following up with credit control disciplines in respect of arrears and impairments in order to generate recoveries from the security taken. Furthermore, the net write-off rate continues to reflect the historical trend of resilience in the UK SME sector experienced by the Group in providing finance to smaller SMEs for what is business-critical equipment for those borrowers.

In addition to this cautious approach to credit risk, the Group takes a conservative approach to provisioning. At 31 May 2018, the Group's balance sheet included £1.8 million of bad debt provision, representing 1.5% of the year-end net portfolio (2017: £1.2 million, representing 1.3% of the year-end net portfolio). The Group's stated policy is to gradually increase provisions against the lease and loan component of the portfolio to circa 2.0%. At 31 May 2018, 1.6% of the value of that lease and loan component was held as bad debt provision.

The Group issued guidance in early September 2018 in relation to the adoption of International Financial Reporting Standard 9 ("IFRS9"), which confirmed that had the adoption of this accounting standard occurred in the financial year ended 31 May 2018 it would not have materially changed the amount of bad debt provision the Group is required to carry in its balance sheet.

### **Borrowing facilities**

The Group's raw material is cash. The Group is pleased to report continuing and increasing support from the providers of wholesale funding facilities and debt investors. As at 31 May 2018, total borrowing facilities stood at £162.6 million (2017: £74.5 million), an increase of 2.2 times. With these facilities in place the Group has the headroom it requires to fund its planned organic growth for the foreseeable future.

It was particularly pleasing during the year to complete the establishment of a £35m asset finance facility with the British Business Bank ("BBB") under BBB's ENABLE Funding programme. This facility is enabling the Group to expand and diversify its asset finance lending to businesses across the UK SME sector, primarily for those seeking business-critical "hard asset" finance (equipment with robust residual values after a period of use). The BBB facility is also enabling the Group to reduce its blended borrowing cost, thus delivering one of management's key operational objectives to increase the Net Interest Margin ("NIM") from lending activities.

The Group's blended cost of borrowing in the year ended 31 May 2018 was further reduced to approximately 4.1% (2017: approximately 5.3%), a decrease of 23%. This significant reduction in its cost of borrowing has enabled the Group to record a NIM of approximately 12.0% (2017: approximately 11.5%).

### **Integration**

The Group has successfully completed 7 acquisitions in the past 3 years. Whilst new business origination activities at each of the acquired companies have deliberately not been changed, other than in respect of the cross-selling initiative, business support functions including Marketing, Underwriting, Compliance, Funding and Treasury, Accounting, and Human Resources, have all been integrated and are now operated on a group-wide basis. In addition, the Group is currently implementing its "Platform1" systems project aimed at harmonising its digital capability across all the Group's entities and harnessing the benefits of 'FinTech' to enhance service for customers. The migration elements of this project will be completed during the current calendar year.

### **Management and employees**

As noted in the Chairman's Statement, with effect from the start of the current financial year on 1 June 2018, Ed Rimmer has taken on an expanded role as Chief Operating Officer for the Group encompassing his existing role as Managing Director of the Commercial Finance Division. Also, with effect from 1 June 2018 and in accordance with the planned succession in the Asset Finance Division, Mike Nolan stepped down from his day-to-day duties pending his previously announced retirement later this year in December 2018.

The operations of each entity within the Group are directed and managed by the Operating Board. During the year, the members of this board have transitioned in their roles from representing each of the separate entities in the Group to also undertaking group-wide functions. Consequently, a genuine "sense of group" is evolving which is driving an increase in integration and operational efficiencies. It is a privilege to lead such a committed management group and I congratulate them on the way in which they have been willing to take on group-wide roles and embrace rapid change as the Group has expanded.

The Operating Board is equally privileged to be able to count on a dedicated, enthusiastic and hard-working group of colleagues, a total staff complement now of 180 across the Group, who have also been willing to embrace change as the Group has rapidly expanded. I congratulate all staff for their contribution in delivering growth in each of their respective entities and the combined strong results for the financial year.

### **Culture**

A distinct group culture is emerging. This is underpinned by the evolving "sense of group" from increasingly integrated operations; our cautious approach to risk and provisioning; and a commitment to sound corporate governance and regulatory compliance. As set out in more detail in the Culture Statement, the Group and all its employees are committed to our core values of being Trusted, Flexible, Fair and Personal, all with the objective of delivering great outcomes for our customers.

### **Business conditions**

The alternative finance industry in which we operate and the UK economy currently display four core themes, namely; steady demand for funding from the smaller UK SMEs and the consumers that we deal with; good availability of wholesale funding in the form of block discounting lines from banks, term debt, mezzanine facilities and private wealth; finance brokers and introducers in a strong position resulting in some increased risk-based price competition; and the wider uncertainty of the impact on the UK economy of 'Brexit'.

Against this industry and economic backdrop, the Board is satisfied that the competitive market positioning of the Group is sound. The continuing demand for alternative finance provides the Group with a range of opportunities to write more business, backed-up by funding facility headroom, but also requires the Group to remain prudent and to ensure that adequate provisions are made in preparation for different economic conditions should these occur. Significant progress was made in establishing this market position during the financial year.

**Future strategy, growth and dividend**

The Group intends to maintain its strategy of being a multi-product provider, operating a funding and broking model, with its own balance sheet funding focused on UK SMEs and serving a wide range of business sectors. Its risk policy will be to continue with a cautious approach to advancing credit and to maintain conservative impairment provisions. The Group believes this strategic positioning will enable it to deliver further organic growth from its wide range of deal origination capabilities, including cross-selling opportunities, and to further enhance shareholder value.

Given the increased scale and stability of the enlarged Group created by the successful integration of recent acquisitions, the forward visibility of revenues, improved margins and lower operational risk, the directors consider that it is appropriate to recommend an increased dividend for the year ended 31 May 2018 and progressive increases for each of the years ending 31 May 2019, 2020 and 2021, as set out in the Chairman's Statement.

**Outlook**

The results for the year ended 31 May 2018 mark the successful culmination and implementation of the buy-and-build strategy pursued over the past three years, the strength of our operating model of being both a funder and a broker and our cautious approach to risk. The Group is now better placed than ever to benefit from further organic growth and the operating synergies that flow from being a multi-product provider of finance to the resilient UK SME sector. We look forward with confidence in further developing the Group and to continuing to build value for our shareholders in the current financial year.

**Ian Smith**  
**Chief Executive Officer**  
**12 September 2018**



**Group Strategic Report  
For the year ended 31 May 2018**

**Strategic Objectives**

The Group is close to completing all the objectives set out in its strategic plan formulated in late 2014. The achievement of these objectives has delivered the transformation of 1pm from a single-product company relying on broker-introduced business, to a well-diversified and risk-mitigated alternative finance provider, with multiple introducer channels and now providing the full range of finance products that smaller UK SMEs require. The strategic objectives were:

- to build scale through operating a model of distributed entities
- to develop a multi-channel, multi-product offering for business lending to SMEs
- to deploy a 'hybrid' model of being both a funder and a broker
- to be appropriately geared with cost-effective wholesale funding facilities
- to strictly adhere to cautious underwriting and robust credit control procedures
- to be 'digitally capable'

The Board is pleased with the further progress made in implementing the objectives and reports as follows:

**Scale, multi-product offering and 'hybrid' model**

For management purposes, the Group is organised into three operating divisions, namely Asset Finance (which includes vehicle finance broking), Loan Finance and Commercial (i.e. invoice) Finance. Each of the companies in the 1pm Group currently maintains its original branding, product and customer focus, however, as shown below:

	<b>Introducer Channel</b>	<b>Products</b>	<b>Funder or Broker</b>	<b>Customer Focus</b>	<b>Funded by</b>
Onepm Finance	Finance Brokers	Soft Asset Leases	Funder only	UK SMEs	Block Discount Facilities
Academy Leasing	Suppliers and Manufacturers	Soft Asset Leases and New Vehicles	Funder and Broker	UK SMEs	Block Discount Facilities
Bradgate Business Finance	Brokers and Suppliers	Hard Assets	Funder and Broker	UK SMEs	Block Discount Facilities
Intelligent Financing	Mortgages Advisors and Brokers	Property and PG-backed Loans	Funder and Broker	Both consumers and UK SMEs	Secured Loan Note
Gener8 Finance	Professional firms and Brokers	Invoice Finance	Funder only	UK SMEs	Back-to-back Bank Facility
Positive Cashflow	Professional firms and Brokers	Invoice Finance	Funder only	UK SMEs	Back-to-back Bank Facility
CarFinance2U	Car Dealers and Customers	Used Vehicles	Broker only	Consumers	Operating cash flow

The scope of the Group demonstrates the scale built in recent years and the multi-channel, multi-product offering. 1pm's strategic positioning is to act as a funder to UK SMEs who meet the Group's lending criteria and to act as a broker for any business lending outside its credit criteria and for all consumer business. All of the Group's vehicles business, both new and used, is brokered to other lenders. Maintaining the ability to either fund or broke is a key operational tool in managing balance sheet risk, margins and short-term economic cycles.

### **Funding facilities and Managing Capital**

The Group's raw material is cash. Substantial progress was made during the year in increasing the amount of facilities available at cost-effective rates to be deployed as lending to UK SMEs. Notably, this included the agreement of a £35m facility arranged with the British Business Bank to deploy in hard asset funding through the Group's subsidiary, Bradgate Business Finance Limited. The total borrowing facilities now in place provide the headroom the Group requires to meet organic growth targets for the foreseeable future.

The Group provides security to its wholesale funders in the form of an assignment of underlying leases, loans or invoice receivables. As the Group only provides funds to UK SMEs, it neither operates in, nor has significant exposure to, currencies other than sterling.

Through its Treasury function the Board continues to keep absolute funding levels, costs of borrowing and the type of funding instruments under review in order to optimise the mix of borrowing terms and costs. The Board's intent is to maintain a strong capital base to support its current operations and to facilitate controlled growth in lending.

As at 31 May 2018, the Group's gearing ratio was 4.8 times its Net Tangible Assets, which is considered appropriate for the nature of business undertaken by the Group and which is comfortably within the most stringent funder covenant of 5.5 times. The Group is not subject to any external regulatory capital requirements.

### **Cautious underwriting and robust credit control**

The Group's objective is to be a responsible lender and to follow strict policy guidelines with regards to 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 continues to be a key part of the governance of the Group's growth aspirations. Although credit conditions are relatively benign at present, the Board has decided not to relax credit criteria or to reduce its prices in order to chase faster growth.

Once an advance has been made, the Group employs robust credit control procedures to ensure receivables are collected promptly, whilst following equally strict policy guidelines in treating customers fairly. Credit control procedures are invoked as soon as a direct debit payment becomes overdue and arrears are closely monitored. For any receivables that become impaired, the security provided by the borrower is pursued, including the conversion of Personal Guarantees into Charging Orders against which outstanding amounts are ultimately collected. The Group has a track record of recovering approximately 75% of the value of previously impaired receivables through such security arrangements and follow up processes.

In addition, the Group maintains sensible provisions for impaired and potentially impaired receivables aiming to carry approximately 2% of the value of its lease and loan portfolios in bad debt provisions. The invoice finance portfolio historically has lower bad debt write-offs and in that division the bad debt provision is approximately 1% of advances.

### **Digital capability**

Good progress is being made as planned in respect of the Group's "Platform1" project. This is designed to improve process automation, data capture and management, customer interface, reporting and analytics, as well as to use 'FinTech' capability, for example in pattern recognition and artificial intelligence to help with credit decision-making. The migration from legacy systems to the new platform at key sites in the Group is in progress, on track and on budget and will be complete during the course of this calendar year.

### **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 78% to £30.0m (prior year £16.9m)
- Profit Before Tax - increased 93% to £7.9m (prior year £4.3m)
- Earnings Per Share – increased 24% to 7.57p (prior year 6.09p)
- New Business Origination – increased 72% to £142.9m (prior year £83.0m)
- Number of own-book and broked-on accounts – increased 20% to 19,300 (prior year 16,150)
- Funding interest rate – reduced 23% to a blended rate of 4.1% (prior year 5.3%)

## Principal risks and uncertainties

'Principal risks' are defined as 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, 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 Operating Board which manages 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 Head of Credit who reviews all significant Group credit exposures and a Head of Governance and Compliance who reviews all significant Group operating risks and adherence to regulatory requirements.

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 cash flow and increased recovery costs on a debt that is either 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 ability 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 has funding facilities, across Block discounting, the Secured Loan Note programme and Back-to-Back invoice finance facilities, aggregating to £162.6 million with ample headroom to meet its growth targets for the foreseeable future. The Board is also actively engaged in securing additional facilities to enable it to exploit any further future business opportunities.
- **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 in the range 5.5 to 6.5 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 appointed a Head of Governance and Compliance, who reports to the Board and who manages 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.

## Future Strategy

The Group intends to maintain its focus on lending to UK SMEs, providing all the key finance products they require, whilst broking-on consumer business to other lenders. In pursuing organic growth, the Group will aim to secure further cost-effective wholesale borrowing facilities and will focus on driving other economies of scale and integration benefits from the enlarged scope of its operations and entities.

The alternative finance sector generally and in particular, the leasing, loans and invoice finance segments in the UK, are fragmented which presents opportunities for further acquisition activity. The Board will continue to consider such opportunities as they arise, but has no specific initiatives under consideration at present.

**Summary**

The Board remains confident in maintaining its commitment to provide a range of finance solutions to support the UK SME sector and in its pursuit of controlled organic and strategic growth in order to deliver increased shareholder value.

**Ian Smith**  
**Chief Executive Officer**  
**12 September 2018**

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 MAY 2018**

	<b>2018</b>	2017
	<b>£'000</b>	£'000
<b>CONTINUING OPERATIONS</b>		
Revenue	<b>30,013</b>	16,944
Cost of sales	<b>(10,118)</b>	(6,094)
<b>GROSS PROFIT</b>	<b>19,895</b>	10,850
Other operating income	-	3
Administrative expenses	<b>(11,979)</b>	(6,469)
Exceptional items	<b>254</b>	(263)
Share-based payments	<b>(204)</b>	-
<b>OPERATING PROFIT</b>	<b>7,966</b>	4,121
Finance costs	<b>(179)</b>	(82)
Finance income	<b>63</b>	41
<b>PROFIT BEFORE INCOME TAX</b>	<b>7,850</b>	4,080
Income Tax	<b>(1,448)</b>	(794)
<b>PROFIT FOR THE YEAR</b>	<b>6,402</b>	3,286
Profit attributable to: Owners of the parent	<b>6,402</b>	3,286
Earnings Per Share expressed in pence per share		
Basic	<b>7.57</b>	6.09
Diluted	<b>6.46</b>	5.69

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**31 MAY 2018**

	2018	2017
	£'000	£'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Goodwill	27,847	14,908
Intangible assets	465	84
Property, plant and equipment	1,612	1,744
Trade and other receivables	50,096	49,966
Deferred tax	568	411
	<u>80,588</u>	<u>67,113</u>
<b>CURRENT ASSETS</b>		
Inventories	365	135
Trade and other receivables	75,973	23,989
Cash and cash equivalents	2,070	2,078
	<u>78,408</u>	<u>26,202</u>
<b>TOTAL ASSETS</b>	<u>158,996</u>	<u>93,315</u>
<b>EQUITY</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Called up share capital	8,621	5,494
Share premium account	24,721	14,170
Employee shares	295	91
Treasury shares	(300)	-
Retained earnings	14,738	8,755
<b>TOTAL EQUITY</b>	<u>48,075</u>	<u>28,510</u>
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		
Trade and other payables	33,256	32,097
Financial liabilities – borrowings:	1,603	250
Provisions	1,903	2,300
	<u>36,762</u>	<u>34,647</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	69,398	26,533
Financial liabilities – borrowings:	2,625	949
Tax payable	918	943
Provisions	1,218	1,733
	<u>74,159</u>	<u>30,158</u>
<b>TOTAL LIABILITIES</b>	<u>110,921</u>	<u>64,805</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>158,996</u>	<u>93,315</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 MAY 2018**

	<b>Called up Share Capital £'000</b>	<b>Retained Earnings £'000</b>	<b>Share Premium £'000</b>	<b>Treasury Shares £'000</b>	<b>Employee Shares £'000</b>	<b>Total Equity £'000</b>
<b>Balance at 1 June 2016</b>	5,253	5,469	13,077	-	90	23,889
Total comprehensive income	-	3,286	-	-	-	3,286
<b>Transactions with owners</b>						
Dividends	-	-	-	-	-	-
Issue of share capital	241	-	1,093	-	-	1,334
Value of employee services	-	-	-	-	1	1
<b>Balance at 31 May 2017</b>	<b>5,494</b>	<b>8,755</b>	<b>14,170</b>	<b>-</b>	<b>91</b>	<b>28,510</b>
Total comprehensive income	-	6,402	-	-	-	6,402
<b>Transactions with owners</b>						
Cost of treasury shares	-	-	-	(300)	-	(300)
Dividends	-	(419)	-	-	-	(419)
Issue of share capital	3,127	-	10,551	-	-	13,678
Value of employee services	-	-	-	-	204	204
<b>Balance at 31 May 2018</b>	<b>8,621</b>	<b>14,738</b>	<b>24,721</b>	<b>(300)</b>	<b>295</b>	<b>48,075</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MAY 2018**

	2018	2017
	£'000	£'000
Profit before tax	7,850	4,080
Depreciation and amortisation charges	571	544
Finance costs	179	82
Finance income	(63)	(41)
(Gain) on disposal of property plant and equipment	(30)	-
(Increase) in inventory	(230)	-
Decrease/(Increase) in trade and other receivables	2,854	(9,134)
(Decrease)/Increase in trade and other payables	(9,854)	11,476
Movement in other non-cash items	(453)	-
	<u>824</u>	<u>7,007</u>
<b>Cash flows from operating activities</b>		
Interest Paid	(179)	(82)
Tax paid	(1,612)	(615)
	<u>(1,612)</u>	<u>(615)</u>
<b>Net cash generated from operating activities</b>	<u>(967)</u>	<u>6,310</u>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries	(9,879)	(3,141)
Purchase of software, property, plant & equipment	(1,034)	(1,089)
Proceed from sale of fixed assets	278	-
Interest received	63	41
	<u>(10,572)</u>	<u>(4,189)</u>
<b>Cash flows from financing activities</b>		
Loan repayments in year	(1,001)	(422)
Loans issued in year	300	400
Purchase of own shares in EBT	(300)	-
Proceeds from issue of share capital	13,040	(150)
Transaction costs related to share issue	(853)	-
Equity dividends paid	(419)	(262)
	<u>(1,001)</u>	<u>(422)</u>
<b>Net cash generated from financing activities</b>	<u>10,767</u>	<u>(434)</u>
<b>(Decrease) / Increase in cash and cash equivalents</b>	<u>(772)</u>	<u>1,687</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>2,078</u>	<u>391</u>
<b>Cash and cash equivalents at the end of the period</b>	<u><u>1,306</u></u>	<u><u>2,078</u></u>



## 1. ACCOUNTING POLICIES

### Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and International Reporting Interpretations Committee ("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.

## 2. SEGMENTAL REPORTING

The Group has one business segment to which all revenue, expenditure, assets and liabilities relate. At present this is how information is reported to senior management. The directors regularly review the appropriateness of operating as one business segment for statutory reporting purposes. In future, the Group may report internally as three or more distinct business units, such as Asset Finance, Loan Finance and Commercial Finance, at which point the segmental analysis will reflect this.

## 3. PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging:

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Depreciation - owned assets	<b>503</b>	529
Computer software amortisation	<b>68</b>	15
Net bad debt charge	<b>1,513</b>	905
Funding facility interest charges	<b>4,031</b>	2,541
Introducer commissions	<b>3,383</b>	1,990
Auditors' remuneration	<b>90</b>	46
Other assurance services	<b>-</b>	16
	<hr/>	<hr/>

## 4. DIVIDENDS

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Ordinary shares £0.10 each		
Final	<b>419</b>	-
	<hr/>	<hr/>

The Company paid a final dividend of £419,007 being 0.50p per ordinary £0.10 share relating to the financial year ending 31 May 2017.

Subject to shareholder approval at the Group's Annual General Meeting on 25 October 2018, the directors are recommending the payment of a dividend of £560,349 (equivalent to 0.65p per share).

## 5. 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.

### 2018

	Earnings £'000	Weighted average number of shares	Per-share amount pence
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	6,402	84,600,672	7.57
Effect of potential dilutive ordinary shares	-	14,485,055	(1.11)
<b>Diluted EPS</b>			
Adjusted earnings	<u>6,402</u>	<u>99,085,727</u>	<u>6.46</u>

### 2017

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

## 6. PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information set out in this announcement does not comprise the Group's statutory accounts for the years ended 31 May 2018 and 31 May 2017. The financial information has been extracted from the statutory accounts of the Group for the years ended 31 May 2018 and 31 May 2017.

The auditors' opinion on those accounts was unmodified and did not contain a statement under section 498 (1) or 498 (3) Companies Act 2006 and did not include references to any matters to which the auditor drew attention by the way of emphasis.

The statutory accounts for the year ended 31 May 2017 have been delivered to the Registrar of Companies. Those for the year ended 31 May 2018 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

**7. ANNUAL REPORT AND ANNUAL GENERAL MEETING**

The Annual Report will be available from the Company's website, [www.1pm.co.uk](http://www.1pm.co.uk), from 12 September 2018 and will be posted to shareholders on that date. The Annual Report contains notice of the Annual General Meeting of the Company which will be held at Cenkos Securities plc, 6 7 8 Tokenhouse Yard, London, EC2R 7AS on 25 October 2018 at 2pm.