Annual Report & Financial Statements

for year ended 31 May 2016

1pm PLC

1pm PLC

Contents

Company Information

For the year ended 31 May 2016

Directors

J D Newman (Chairman, Non-Executive Director)
R Russell (Non-Executive Director)
J P Telling (Non-Executive Director)
R I Smith (Chief Executive Officer)
H M Walker (Chief Financial Officer)
M F Nolan (Chief Strategic Officer)
H Jacques (Chief Marketing Officer)

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 and 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 Public Relations 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

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Chairman's Statement

For the year ended 31 May 2016

Performance and dividend

On behalf of the Board of Directors it gives me great pleasure in this my first annual statement as Chairman, to report that our business has delivered another year of strong performance. Including acquisitions, the Group's profit before tax and non-recurring exceptional costs was £3.71m (2015: £1.62m), an increase of 2.3 times.

Earnings per share, taking account of the issue of shares during the year to part-finance the acquisition of Academy Leasing, amounted to 5.87p (2015: 3.72p), an increase of 58% and as at 31 May 2016, net assets stood at £23.9m (2015: £12.4m), an increase of 93%. The Group's after tax return on equity was 12.0% (2015: 10.3%) an increase of 16.5%.

It is also encouraging to report that excluding acquisitions, 1pm (UK) Limited, our original business, now trading as Onepm Finance, delivered outstanding results with profit before tax and exceptional costs of £2.19m (2015: £1.62m), an increase of 35%.

The objective of the Group's business model is to drive shareholder returns whilst delivering sustainable growth for the benefit of all our stakeholders. In following this business model, the last twelve months have been noteworthy for the Company in the success of its strategic developments and its operational performance. This success has enabled the Board to declare a dividend of 0.50p per share for the year, an increase of 43% over last year's dividend of 0.35p per share.

Our strategy

The Group Strategic Report which follows the CEO's Review sets out in detail our goals and objectives. An important part of our strategy is the development of our business by acquisitions that conform to our business model and are value enhancing. In this respect our two additions to the Group during the year under review, Academy Leasing and Bradgate Business Finance, have not only broadened our product offering but have also strengthened our management resources in that both businesses have highly experienced and successful management teams. I welcome them to the 1pm Group.

The financial services sector is experiencing innovative changes in business practice brought about by the development of financial technology ("fintech") and we are assessing our own digital capability to ensure that we are able to take full advantage of these developments that will bring benefits to our customers and to our business.

Governance and Board changes

Following the acquisition of Academy Leasing in August last year, Academy's vendors, Michael Nolan and Hazel Jacques, joined the Board as executive directors and Julian Telling and I were appointed as independent non-executive directors. The Board now comprises four executive and three non-executive directors.

At the same time four Board committees, namely Audit, Remuneration, Governance and Risk and Nominations were re-structured with membership comprising either of only, or a majority of, non-executive directors.

During the latter part of 2015 the Nominations Committee, comprising the three non-executive directors, completed a review of the Board structure. The Committee's recommendation was that a CEO should be appointed to lead the management team in the implementation of the Group's strategy and its future development. The outcome was that on 1 February 2016 Ian Smith, formerly Non-executive Chairman, was appointed as CEO and I was appointed as Non-executive Chairman.

As reported with the interim results in January 2016 Maria Lewis, Chief Operating Officer, stood down as a director of both 1pm plc and 1pm (UK) Limited with effect from 31 January 2016. The Board would like to record its appreciation and gratitude to Maria for her operational stewardship of the business and for the part she played in steering 1pm (UK) Limited to a position of financial strength.

Our people

The year under review has been one of significant change for our business. The demands placed on our staff in delivering excellent results while also dealing with the challenges of post-acquisition integration should not be under estimated. It is to their enormous credit 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

Demand for finance from SMEs, whether it is for their business-critical assets, vehicles or general purpose loans, continues to be strong, irrespective of current economic uncertainties. The Board therefore sees opportunities for further organic growth, both from cross-selling its products into its existing customer base, which now amounts to over 9,500 live accounts, and from new business origination. There are also opportunities for further strategic growth from new product introductions and value enhancing acquisitions. The new financial year has started well, being in line with management's expectations, and your Board looks forward with confidence to the continued success of the business.

John Newman
Non-executive Chairman

6 September 2016

1pm PLC

Chief Executive Officer's Review

For the year ended 31 May 2016

The 1pm plc Group now comprises the AIM listed holding company and three FCA accredited trading subsidiaries, namely 1pm (UK) Limited, now trading as Onepm Finance ("Onepm"), Academy Leasing Limited ("Academy) acquired on 25 August 2015 and Bradgate Business Finance Limited ("Bradgate") acquired on 22 March 2016 (the "Group"). The financial results of the Group for the year ended 31 May 2016 therefore comprise periods of twelve months for Onepm, nine months for Academy and two months for Bradgate.

I am delighted to be able to report strong organic growth at Onepm over the past twelve months and strong strategic growth as a result of the acquisitions during the year.

Financial results

Onepm delivered organic growth for the sixth consecutive year with revenue rising to £8.00m (2015: £5.53m) an increase of 45%. Together with the Academy and Bradgate acquisitions, total revenue amounted to £12.55m. Revenue comprises interest and related income from the companies' portfolios of 'own-book' lease and loan deals and, in the case of Academy and Bradgate, commission income from deals which are 'broked-on' to other funders. Commission income is a new revenue stream for the Group and amounted to £1.39m in the acquired companies since acquisition.

Profit before tax at Onepm, before non-recurring exceptional costs of £0.19m was £2.19m (2015: £1.62m), an increase of 35%. Total profit before tax for the Group, again before non-recurring exceptional costs of £0.37m, amounted to £3.71m, a 2.3 times increase. At 31 May 2016, net assets stood at £23.89m (2015: £12.37m) a 93% increase.

New Business Origination

New lease and loan business originated at Onepm during the year amounted to £23.7m (2015: £16.1m) an increase of 47%. This comprises a 17% increase in leases and a 2.2 times increase in business loans, the latter reflecting the young but growing business loan portfolio. This rate of increase is expected to reduce as the portfolio matures.

New asset lease business originated at Academy in the nine months since acquisition amounted to £12.9m. Approximately 49% of deals originated were added to Academy's own-book portfolio and 51% were broked-on to other funders. 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 and nature of the asset. This intrinsic flexibility in the business model at Academy allows a balance to be achieved between future profits built-in to own-book deals and short term cash generation from broker commissions. In addition to asset leasing, Academy operates a vehicles and fleet management brokerage which generated £0.9m of commission in the nine months since acquisition, which reflects 703 vehicle deals originated with an approximate capital value of £10.9m.

Bradgate operates a similar model to Academy and originated £2.2m of new deals in the two months since acquisition, adding £1.0m to its own-book and broking-on £1.2m for commission. Pre-acquisition, approximately 25% of deals originated by Bradgate were added to its own-book. It is anticipated this proportion will continue to be increased in the current financial year.

In total the Group originated £49.7m of asset, business loan and vehicles transactions in the year to 31 May 2016. On an annualised basis, including a full year for the acquired companies, this equates at present to an approximate run-rate of £70m.

Portfolio performance

The own-book portfolio at Onepm is all 'broker-introduced' deals. It comprises finance lease and hire purchase contracts for 'soft' (i.e. low residual value) business assets used by SMEs and business loans to SMEs. At 31 May 2016, the lease and hire purchase portfolio stood at £29.8m (2015: £25.2m), an increase of 18%. At the same date, the business loan portfolio stood at £12.0m (2015: £4.9m), a 2.4 times increase. Overall, Onepm's portfolio increased 39% to £41.8m.

The own-book portfolios at Academy and Bradgate are all 'vendor-introduced' deals. They too consist of finance lease and hire purchase contracts for business assets used by SMEs and in the case of Academy also consist of 'soft' assets, but in the case of Bradgate are 'hard' assets (i.e. plant and equipment with higher residual value). As at 31 May 2016, the lease portfolio at Academy stood at £20.1m and at Bradgate stood at £4.6m.

In total, at 31 May 2016, the Group's combined asset and loans portfolio stood at £66.5m including £14.6m of deferred interest, i.e. future revenue.

Gross bad debt write-offs and provisions in the year to 31 May 2016 amounted to £0.63m, which represents 1.08% of the averaged portfolio between the start of the financial year (or the date of acquisition) and the end of the financial year. The Group recorded £0.13m of write-backs of previously written off and provided receivables, resulting in net bad debt charges in the financial year of £0.5m, representing 0.8% of the averaged portfolio (2015: 0.9%). Whilst this portfolio performance continues to be strong and the bad debt experience is within accepted industry norms, current economic uncertainty calls for continual review of the incidence of arrears, bad debts and provisioning policy in order to ensure the overall level of provision is adequate as economic conditions change.

Funding

The Group borrows from commercial banking institutions and to a lesser extent from high net worth individuals in order to provide finance to SMEs. As at 31 May 2016, the Group's facilities amounted to £62.2m, of which £46.3m was drawn down. This represented 70% of the total asset and loans portfolio and gearing of 1.9 times the consolidated net assets of the Group as at 31 May 2016

The approximate average cost of this borrowing was 5.7% (2015: 6.3%), a decrease of 10%. This cost of borrowing enabled the Group to generate a net interest margin of approximately 12% compared with 13% in the previous year, a 1 percentage point reduction, which was more than offset by the new commission income revenue stream from the acquired companies.

The Group will continue to seek additional cost-effective funding sources in order to deliver the potential for writing more own-book business (i.e. to profitably gear-up) in order to meet the increasing demand for finance from SMEs.

Operations

Onepm sources its business from a network of approximately 200 finance brokers around the UK, which effectively constitutes the company's salesforce. Academy and Bradgate source their business from equipment vendors and therefore employ in-house sales and account management personnel. Good broker service at Onepm and good customer service at Academy and Bradgate mean the conversion of incoming proposals into an underwriting decision and then a paid-out deal is completed on an efficient and timely basis. This operational service, whilst strictly adhering to the Group's credit policy, is paramount. The Group continues to invest in the personnel and systems to generate new business and to deliver improved customer service. The Group employed 83 personnel at 31 May 2016.

Stakeholders

I congratulate all those involved with the 1pm plc Group on a successful year of trading and a challenging, but equally successful year of change. I would like thank the Group's customers for the business provided, our staff at each location for their hard work, dedication and commitment during this period of change, 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. A dividend in line with the Group's policy, as referred to in the Chairman's statement, has been declared.

Ian Smith
Chief Executive Officer

6 September 2016

Group Strategic Report

For the year ended 31 May 2016

Goal and objectives

The stated goal of the Group's current strategic plan formulated in late 2014 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:

- 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 having 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 strategic progress in the year to 31 May 2016 and reports on each of these objectives as follows:

Distributed model

Two key factors in acquiring both Academy and Bradgate were, firstly, their complementary activities to Onepm, but with important differences, namely the vehicles brokerage at Academy and the hard assets focus at Bradgate and, secondly, the quality of the management teams. This has facilitated successful continuity of operations at each of the businesses in the Group whilst creating opportunities to cross-sell products into each of the companies' customer bases. Management is now focussing on delivering further organic growth from cross-selling.

Multi-channel and multi-product

As a result of the acquisitions during the year, the Group's business generation is now both broker-introduced and vendor-introduced, comprising lease, loan and vehicles products covering a wide range of soft and hard asset categories for SMEs. Management will continue to identify 'adjacent' business lending products that are complementary to current activities to generate further growth.

Funding and broking model

Maintaining flexibility to fund lease and loan deals on the Group's own-book and to broke-on to other funders is an essential risk and cash management capability. The Group is now well-placed to optimise profitable organic growth as a result of this flexibility introduced during the year.

Digital capability

This objective covers a broad range of operational activities from increasing the level of automation in the current proposals and underwriting processes through to establishing a true 'fintech' platform for sourcing and deploying capital. A number of initiatives are being considered and this is a particular focus of the 'Junior Board', which comprises a Group of future leaders formed during the year from within the Group's management team.

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 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.

Funding facilities

The Group has further increased its block discount facilities during the year. Whilst such facilities will be maintained, in order to fund further growth the intention is to pursue complementary facilities that will reduce the overall cost of borrowing. The Group currently enjoys capacity to increase gearing in relation to its net assets base and intends to prudently use this capacity in relation to organic and strategic growth opportunities as they arise.

In summary, the Board is maintaining an unwavering commitment to support the SME sector, whilst pursuing ambitious, but risk-assessed growth plans to deliver increased shareholder value.

ON BEHALF OF THE BOARD:

Ian Smith
Chief Executive Officer

6 September 2016

1pm PLC

Report of the Directors

For the year ended 31 May 2016

The directors present their report with the financial statements of the company and the Group for the year ended 31 May 2016.

PRINCIPAL ACTIVITY

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

DIVIDENDS

The company paid a final dividend of £128,990 being 0.35 pence per share relating to the financial year ending 31 May 2015.

The directors have declared a dividend of £262,672 being 0.50 pence per share for the financial year ending 31 May 2016.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 June 2015 to the date of this report.

R I Smith
H M Walker
R Russell

Other changes in directors holding office are as follows:

M F Nolan – appointed 26 August 2015

H Jacques – appointed 26 August 2015

J D Newman – appointed 26 August 2015

J P Telling – appointed 26 August 2015

M L Lewis – resigned 15 January 2016

The directors' interests in the shares of 1pm plc, all of which were beneficial interests, at 31 May 2016 are as follows:

	Ordinary shares of £0.10 each 2016	Ordinary shares of £0.10 each 2015
R Russell	10,218,300	7,398,684
H M Walker	94,229	71,020
M L Lewis	–	30,112
R I Smith	41,667	–
M F Nolan	2,680,505	–
H Jacques	895,207	–
J P Telling	41,667	–
J D Newman	41,667	–

DIRECTORS INTERESTS (Share Options)

The Group operates a share option scheme for executives. The individual interests of the Executive Directors under this scheme are as follows:

	Date of Grant	Number of Unapproved Options	First Exercise Date	Exercise price
R I Smith	31.05.16	64,167	21.10.16	61p
H M Walker	31.05.16	101,538	21.10.16	61p
H M Walker	31.05.15	32,793	31.05.15	10p
M F Nolan	31.05.16	76,153	21.10.16	61p
H Jacques	31.05.16	76,153	21.10.16	61p
		350,804		

The details of the share option scheme are set out in Note 24 to the consolidated Financial Statements. The low/high market price of ordinary shares in the company during the period was 53.5p – 78.0p.

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 financial risk management objectives of the Group, including credit risk and interest rate risk and further details on financial instruments are given in Note 26 to these financial statements.

SIGNIFICANT SHAREHOLDINGS

The following parties held greater than 3% of the issued share capital of 1pm plc as at 31 May 2016:

	Number of shares	% of issued share capital
R Russell	10,218,300	19.45%
Henderson Global Investors	9,750,069	18.56%
Charles Stanley	8,119,100	15.45%
M F Nolan	2,680,505	5.10%
Hargreaves Lansdown	1,591,544	3.03%

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.

Report of the Directors (continued)

For the year ended 31 May 2016

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 and Article 4 of the IAS Regulation. 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 auditor is 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 auditor is aware of that information.

AUDITOR

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

ON BEHALF OF THE BOARD:

H M Walker
Director

6 September 2016

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

I have audited the financial statements of 1pm plc for the year ended 31 May 2016 on pages 13 to 40. 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. My audit work has been undertaken so that I might state to the company's members those matters I am required to state to them in a Report of the Auditor and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the company and the company's members as a body, for my audit work, for this report, or for the opinions I have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My 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 me 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, I 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 me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my 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 2016 and of the Group's profit for the year then ended;
- 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 my opinion 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.

Report of the Independent Auditor to the Members of 1pm plc (continued)

Matters on which I am required to report by exception

I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for my audit have not been received from branches not visited by me; 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
- I have not received all the information and explanations I require for my audit.

D T Slocombe ACA (Senior Statutory Auditor)
for and on behalf of Moore Stephens
Chartered Accountants & Statutory Auditors
30 Gay Street
Bath
BA1 2PA

6 September 2016

Consolidated Income Statement

For the year ended 31 May 2016

	Notes	2016 £'000	2015 £'000
CONTINUING OPERATIONS			
Revenue	2	**12,554**	5,534
Cost of sales		**(4,480)**	(2,503)
GROSS PROFIT		**8,074**	3,031
Other operating income		**2**	–
Administrative expenses		**(4,290)**	(1,394)
Exceptional items	10	**(368)**	–
OPERATING PROFIT		**3,418**	1,637
Finance costs	4	**(74)**	(21)
Finance income	4	**2**	4
PROFIT BEFORE INCOME TAX	5	**3,346**	1,620
Income tax	6	**(480)**	(349)
PROFIT FOR THE YEAR		**2,866**	1,271
Profit attributable to:			
Owners of the parent		**2,866**	1,271
Earnings per share expressed in pence per share:	9		
Basic		**5.87**	3.72
Diluted		**5.51**	3.72

Consolidated Statement of Comprehensive Income

For the year ended 31 May 2016

	2016 £'000	2015 £'000
PROFIT FOR THE YEAR	**2,866**	1,271
OTHER COMPREHENSIVE INCOME	**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,866**	1,271
Total comprehensive income attributable to:		
Owners of the parent	**2,866**	1,271

The notes form part of these financial statements

Consolidated Statement of Financial Position

31 May 2016

	Notes	2016 £'000	2015 £'000
ASSETS			
NON-CURRENT ASSETS			
Goodwill	11	**10,289**	–
Property, plant and equipment	12	**1,251**	239
Trade and other receivables	15	**33,166**	14,502
Deferred tax	22	**208**	–
		44,914	14,741
CURRENT ASSETS			
Inventories	14	**81**	–
Trade and other receivables	15	**22,895**	10,489
Cash and cash equivalents	16	**910**	12
		23,886	10,501
TOTAL ASSETS		**68,800**	25,242

The notes form part of these financial statements

Consolidated Statement of Financial Position (continued)

31 May 2016

	Notes	2016 £'000	2015 £'000
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	17	**5,253**	3,685
Share premium	17	**13,077**	5,606
Employee shares	18	**90**	83
Retained earnings	18	**5,469**	2,994
TOTAL EQUITY		**23,889**	12,368
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	19	**19,664**	5,685
Financial liabilities – borrowings:			
Interest bearing loans and borrowings	20	**399**	100
Deferred tax	22	**–**	40
Provisions	21	**1,833**	–
		21,896	5,825
CURRENT LIABILITIES			
Trade and other payables	19	**19,979**	6,182
Financial liabilities – borrowings:			
Bank overdrafts	20	**519**	357
Interest bearing loans and borrowings	20	**729**	200
Provisions	21	**1,245**	–
Tax payable		**543**	310
		23,015	7,049
TOTAL LIABILITIES		**44,911**	12,874
TOTAL EQUITY AND LIABILITIES		**68,800**	25,242

The financial statements were approved and authorised for issue by the Board of Directors on 6 September 2016 and were signed on its behalf by:

H M Walker
Chief Financial Officer

The notes form part of these financial statements

Company Statement of Financial Position

31 May 2016

	Notes	2016 £'000	2015 £'000
ASSETS			
NON-CURRENT ASSETS			
Investments	13	**14,620**	50
		14,620	50
CURRENT ASSETS			
Trade and other receivables	15	**6,878**	9,318
Cash and cash equivalents	16	**–**	1
		6,878	9,319
TOTAL ASSETS		**21,498**	9,369
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	17	**5,253**	3,685
Share premium	17	**13,077**	5,606
Employee shares	18	**90**	83
Retained earnings	18	**–**	(5)
TOTAL EQUITY		**18,420**	9,369
LIABILITIES			
NON-CURRENT LIABILITIES			
Provisions	21	**3,078**	–
TOTAL LIABILITIES		**3,078**	–
TOTAL EQUITY AND LIABILITIES		**21,498**	9,369

The financial statements were approved and authorised for issue by the Board of Directors on 6 September 2016 and were signed on its behalf by:

H M Walker
Chief Financial Officer

The notes form part of these financial statements

Consolidated Statement of Changes in Equity

For the year ended 31 May 2016

	Called up Share Capital £'000	Retained Earnings £'000	Share Premium £'000	Employee Shares £'000	Total Equity £'000
Balance at 1 June 2014	2,997	1,723	2,287	–	7,007
Changes in equity					
Issue of share capital	688	–	3,319	–	4,007
Value of employee services	–	–	–	83	83
Total comprehensive income	–	1,271	–	–	1,271
Balance at 31 May 2015	3,685	2,994	5,606	83	12,368
Transactions with owners					
Dividends	–	(391)	–	–	(391)
Changes in equity					
Issue of share capital	1,568	–	7,471	–	9,039
Value of employee services	–	–	–	7	7
Total comprehensive income	–	2,866	–	–	2,866
Balance at 31 May 2016	5,253	5,469	13,077	90	23,889

Company Statement of Changes in Equity

For the year ended 31 May 2016

	Called up Share Capital £'000	Retained Earnings £'000	Share Premium £'000	Employee Shares £'000	Total Equity £'000
Balance at 1 June 2014	2,997	(5)	2,287	–	5,279
Changes in equity					
Issue of share capital	688	–	3,319	–	4,007
Value of employee services	–	–	–	83	83
Total comprehensive income	–	–	–	–	–
Balance at 31 May 2015	3,685	(5)	5,606	83	9,369
Transactions with owners					
Dividends	–	(391)	–	–	(391)
Changes in equity					
Issue of share capital	1,568	–	7,471	–	9,039
Value of employee services	–	–	–	7	7
Total comprehensive income	–	396	–	–	396
Balance at 31 May 2016	5,253	–	13,077	90	18,420

The notes form part of these financial statements

1pm PLC

Consolidated Statement of Cash Flows

For the year ended 31 May 2016

	Notes	2016 £'000	2015 £'000
Cash generated from operations			
Profit before tax		**3,346**	1,620
Depreciation charges		**354**	79
Finance costs		**74**	21
Finance income		**(3)**	(3)
Increase in trade and other receivables		**(12,649)**	(7,667)
Increase in trade and other payables		**11,996**	2,656
		3,118	(3,294)
Cash flows from operating activities			
Interest paid		**(74)**	(21)
Tax paid		**(637)**	(297)
Net cash from operating activities		**2,407**	(3,612)
Cash flows from investing activities			
Acquisition of subsidiaries		**(7,588)**	–
Purchase of property, plant & equipment		**(547)**	(246)
Interest received		**3**	3
Net cash from investing activities		**(8,132)**	(243)
Cash flows from financing activities			
Loan repayments in year		**(179)**	(180)
Share issue		**6,769**	4,090
Equity dividends paid		**(129)**	–
Net cash from financing activities		**6,461**	3,910
Increase in cash and cash equivalents		**736**	55
Cash and cash equivalents at beginning of year	25	**(345)**	(400)
Cash and cash equivalents at end of year	25	**391**	(345)

The notes form part of these financial statements

Company Statement of Cash Flows

For the year ended 31 May 2016

	Notes	2016 £'000	2015 £'000
Cash generated from operations		**1,163**	(4,056)
Cash flows from operating activities			
Net cash from operating activities		**1,163**	(4,056)
Cash flows from investing activities			
Purchase of fixed asset investments		**(8,200)**	–
Dividends received		**396**	–
Net cash from investing activities		**(7,804)**	–
Cash flows from financing activities			
Share issue net of costs		**6,769**	4,057
Equity dividends paid		**(129)**	–
Net cash from financing activities		**6,640**	4,057
(Decrease)/increase in cash and cash equivalents		**(1)**	1
Cash and cash equivalents at beginning of year	25	**1**	–
Cash and cash equivalents at end of year	25	**–**	1

The notes form part of these financial statements

Notes to the Consolidated Financial Statements

For the year ended 31 May 2016

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 Financial Reporting Standards Interpretation 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.

1pm plc is a UK domiciled public company.

The directors have concluded that there are no relevant standards or interpretations in issue that are not yet adopted that will have a material impact on the financial statements with the exception of IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases. The directors are still assessing the impact of these standards on the Group.

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.

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. The directors are confident that the Group will continue to operate as a going concern.

The functional currency of the parent and its subsidiaries is British pounds. The presentational currency of the Group is British 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 Employee Benefits respectively
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace the share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share Based Payments 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.

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 on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

1. ACCOUNTING POLICIES (continued)

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 re-measured 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 re-measured at subsequent reporting dates in accordance with IAS 39 Financial Instruments: Recognition and Measurement, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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) made up to 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.

Revenue recognition and leased assets

Assets leased to customers on finance leases are recognised in the 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.

Document fees and secondary rentals are accounted for when 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.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Cash Generating Unit (CGU) that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Impairment of goodwill

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2016

1. ACCOUNTING POLICIES (continued)

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 property
Improvements to property	–	20% on cost and in accordance with the property
Assets held for rental	–	at varying rates on cost
Fixtures and fittings	–	33% 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.

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.

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. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of goodwill; deferred income tax is not accounted for 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 Statement of Financial Position 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 difference 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. Generally, the Group is unable to control the reversal of the temporary difference for associates.

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

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. A financial asset or a group of financial assets and 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.

1. ACCOUNTING POLICIES (continued)

Evidence of impairment may include indications that the debtor 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 flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, 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

Funds received from funding providers are classified as payables in the 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.

Provision for specific debts

Provision is made for contracts in arrears after taking into account expected recovery proceeds. All outstanding amounts on contracts passed to collection agents are written off in full, less expected subsequent recovery proceeds.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2016

1. ACCOUNTING POLICIES (continued)

(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 company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the 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.

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 or expense that have been shown separately due to the significance of their nature or amount.

2. SEGMENTAL REPORTING

The Group has one business segment to which all revenue, expenditure, assets and liabilities relate.

3. EMPLOYEES AND DIRECTORS

	2016 £'000	2015 £'000
Wages and salaries	**2,577**	698
Social security costs	**173**	82
Other pension costs	**53**	4
	2,803	784

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

	2016	2015
Management	**12**	4
Operational	**54**	18
	66	22

	2016 £'000	2015 £'000
Directors' remuneration	**729**	302
Directors' pension contributions to money purchase schemes	**43**	2
Compensation to director for loss of office	**30**	15

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

Money purchase schemes	**5**	2

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

	2016 £'000						2015 £'000
	Salary	Bonus	Pension	Shares	Benefits	Total	Total
R I Smith	**142**	**24**	**40**	**3**	**–**	**209**	38
M L Lewis	**79**	**–**	**1**	**–**	**–**	**80**	147
H M Walker	**117**	**27**	**2**	**5**	**–**	**151**	100
R O Channon	**–**	**–**	**–**	**–**	**–**	**–**	23
R Russell	**21**	**–**	**–**	**–**	**–**	**21**	11
J P Telling	**19**	**–**	**–**	**–**	**–**	**19**	–
J D Newman	**19**	**–**	**–**	**–**	**–**	**19**	–
M F Nolan	**90**	**26**	**–**	**3**	**9**	**128**	–
H Jacques	**90**	**26**	**–**	**3**	**26**	**145**	–
	577	**103**	**43**	**14**	**35**	**772**	319

In addition to the figures above and included within Exceptional items, is the sum of £187,930 paid to M L Lewis which includes £30,000 compensation for loss of office.

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

1pm PLC

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2016

4. NET FINANCE COSTS

	2016 £'000	2015 £'000
Finance income:		
Bank account interest	**2**	4
	2	4
Finance costs:		
Bank interest	**18**	5
Other loan interest	**56**	16
	74	21
Net finance costs	**72**	17

5. PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging:

	2016 £'000	2015 £'000
Depreciation – owned assets	**462**	80
Auditors' remuneration: statutory audit	**19**	12
Other non-audit services	**34**	3

6. INCOME TAX

Analysis of tax expense

	2016 £'000	2015 £'000
Current tax	**610**	309
Deferred tax	**(130)**	40
Total tax expense in consolidated income statement	**480**	349

Factors affecting the tax expense

The tax assessed for the year is lower (2015 – higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2016 £'000	2015 £'000
Profit on ordinary activities before income tax	**3,346**	1,620
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015 – 20.708%)	**669**	335
Effects of:		
Capital allowances in excess of depreciation	**(195)**	14
Permanent tax differences	**6**	–
Tax expense	**480**	349

Corporation tax is calculated at 18.217% (2015: 19.107%) of the estimated assessable profit for the year.

The corporation tax main rate for 1 April 2016 is set at 20%. The rate reduces to 19% for the financial year beginning 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.

7. 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 £396,462 (2015: £0).

8. DIVIDENDS

	2016 £'000	2015 £'000
Ordinary shares of £0.10 each		
Final	391	–

The company paid a final dividend of £128,990 being 0.35 pence per Ordinary £0.10 share relating to the financial year ending 31 May 2015.

The directors have declared a dividend of £262,672 being 0.50 pence per Ordinary £0.10 share for the financial year ending 31 May 2016.

9. EARNINGS PER SHARE

The figures for earnings per share are 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.

	Earnings £'000	2016 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	**2,866**	**48,850,117**	**5.87**
Effect of dilutive securities	**–**	**3,152,098**	**(0.36)**
Diluted EPS			
Adjusted earnings	**2,866**	**52,002,215**	**5.51**

	Earnings £'000	2015 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	1,271	34,175,928	3.72
Effect of dilutive securities	–	–	–
Diluted EPS			
Adjusted earnings	1,271	34,175,928	3.72

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2016

10. EXCEPTIONAL ITEMS

During the year the Group incurred the following exceptional items:

	2016 £'000
Settlement costs to M L Lewis	188
Acquisition costs	155
Diminution in value of unlisted investment	25
	368

11. GOODWILL

Group

	£'000
COST	
Additions arising from acquisition of subsidiaries	10,289
Transfer on acquisition	468
At 31 May 2016	10,757
AMORTISATION	
Transfer on acquisition	468
At 31 May 2016	468
NET BOOK VALUE	
At 31 May 2016	10,289

Impairment tests for Goodwill

Goodwill is monitored by the management at the operating segment level. Management consider there is only one operating segment therefore all goodwill has been allocated to one 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 budget approved by the Board covering a three-year period. Cash flows beyond the three-year 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 6.0%.

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Short leasehold £'000	Improvements to property £'000	Assets held for rental £'000
COST			
At 1 June 2015	–	185	–
Additions	17	–	489
Disposals	–	–	(209)
Transfer on acquisition	41	–	1,021
At 31 May 2016	58	185	1,301
DEPRECIATION			
At 1 June 2015	–	37	–
Charge for year	7	71	284
Eliminated on disposal	–	–	(133)
Transfer on acquisition	–	–	359
At 31 May 2016	7	108	510
NET BOOK VALUE			
At 31 May 2016	51	77	791
At 31 May 2015	–	148	–

	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Totals £'000
COST				
At 1 June 2015	–	11	236	432
Additions	21	–	229	756
Disposals	(13)	–	–	(222)
Transfer on acquisition	63	–	264	1,389
At 31 May 2016	71	11	729	2,355
DEPRECIATION				
At 1 June 2015	–	3	153	193
Charge for year	18	2	80	462
Eliminated on disposal	–	–	–	(133)
Transfer on acquisition	21	–	202	582
At 31 May 2016	39	5	435	1,104
NET BOOK VALUE				
At 31 May 2016	32	6	294	1,251
At 31 May 2015	–	8	83	239

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2016

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Group – prior year

	Computer equipment £'000	Motor vehicles £'000	Improvements to property £'000	Total £'000
COST				
At 1 June 2014	210	–	–	210
Additions	50	11	185	246
Disposals	(24)	–	–	(24)
At 31 May 2015	236	11	185	432
DEPRECIATION				
At 1 June 2014	137	–	–	137
Charge for year	40	3	37	80
Eliminated on disposal	(24)	–	–	(24)
At 31 May 2015	153	3	37	193
NET BOOK VALUE				
At 31 May 2015	83	8	148	239
At 31 May 2014	73	–	–	73

13. INVESTMENTS

Company

	Company Shares in Group undertakings £'000
COST	
At 1 June 2015	**50**
Additions	**14,570**
At 31 May 2016	**14,620**
NET BOOK VALUE	
At 31 May 2016	**14,620**
At 31 May 2015	**50**

Investments comprise the following 100% subsidiaries:

	2016 £'000	2015 £'000
1pm (UK) Limited	**50**	50
MH Holdings Limited (holding company of Academy Leasing Limited)	**11,820**	–
Bradgate Business Finance Limited	**2,750**	–
	14,620	50

13. INVESTMENTS (continued)

	Principal activity	Place of incorporation	Proportion of voting equity 2016 %	Proportion of voting equity 2015 %
1pm (UK) Limited	Provision of finance	England	**100**	100
MH Holdings (UK) Limited	Provision of finance	England	**100**	–
Bradgate Business Finance Ltd	Provision of finance	England	**100**	–

Further disclosure in relation to the Business Combinations is set out in Note 27.

14. INVENTORIES

	Group 2016 £'000	Group 2015 £'000
Stocks – finished goods	**81**	–

15. TRADE AND OTHER RECEIVABLES

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Current:				
Trade receivables	**19,922**	8,809	**–**	–
Amounts owed by Group undertakings	**–**	–	**6,878**	9,318
Other receivables	**2,243**	1,528	**–**	–
VAT	**–**	65	**–**	–
Prepayments and accrued income	**730**	87	**–**	–
	22,895	10,489	**6,878**	9,318
Non-current:				
Trade receivables	**33,166**	14,502	**–**	–
Aggregate amounts	**56,061**	24,991	**6,878**	9,318

Trade receivables wholly represent finance lease, loan & HP receivables.

	2016 £'000	2015 £'000
Trade receivables	**53,873**	23,764
Allowance for doubtful debts	**(785)**	(453)
	53,088	23,311

The average credit period on sales of goods is 42 months. Interest is charged on trade receivables for lease, loan and HP deals. Interest is variable by agreement but fixed over the term of each deal.

Before accepting any new customer, 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 represents more than 0.5% of the total balance outstanding.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debtors because there has not been a significant change in credit quality and the amount is still considered recoverable.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2016

15. TRADE AND OTHER RECEIVABLES (continued)

Age of receivables that are past due but not impaired

	2016 £'000	2015 £'000
Current debtors	**1,739**	806
30 – 60 days	**706**	244
Over 60 days	**469**	634
	2,914	1,684

Allowances for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts, 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 balance sheet awaiting receipt of funds. 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.

Movement in the allowance for doubtful debts

	2016 £'000	2015 £'000
Opening balance	**453**	385
Increase in provision	**332**	68
	785	453

Included in the allowance for doubtful debts are individually impaired trade receivables amounting to £67,354 (2015: £116,000) which have been placed under 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 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

	2016 £'000	2015 £'000
Within 1 year	**655**	222
More than 1 year but less than 2 years	**132**	38
More than 2 years but less than 5 years	**179**	152
More than 5 years	**756**	715
	1,722	1,127

16. CASH AND CASH EQUIVALENTS

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Cash in hand	**–**	–	**–**	–
Bank accounts	**910**	12	**–**	1
	910	12	**–**	1

17. CALLED UP SHARE CAPITAL

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

On 26 August 2015 the company issued 12,104,181 shares of nominal value £0.10 at £0.60 per share, and 3,575,712 consideration shares of nominal value £0.10 at £0.635 per share, which increased the share capital to 52,534,463.

During the year 318,011 share options of £0.10 were granted in respect of an executive share incentive scheme, and 48,333 share options of £0.10 were granted in respect of staff share incentive scheme. None of the shares had been issued at 31 May 2016.

The issued share capital of the company is as follows:

	No. of shares No.	Ordinary shares £'000	Share Premium £'000	Total £'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**

	No. of shares No.	Ordinary shares £'000	Share Premium £'000	Total £'000
At 1 June 2014	29,969,329	2,997	2,287	5,284
Share issue	6,885,241	688	3,319	4,007
At 31 May 2015	36,854,570	3,685	5,606	9,291

18. RESERVES

The movements in share capital and reserves are shown in the Statement of Changes in Equity on page 17.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2016

19. TRADE AND OTHER PAYABLES

	Group 2016 £'000	Group 2015 £'000
Current:		
Trade payables	**17,587**	5,803
Social security and other taxes	**134**	22
Other payables	**2,073**	357
Directors' current accounts	**1**	–
VAT	**184**	–
	19,979	6,182

	Group 2016 £'000	Group 2015 £'000
Non-current:		
Trade payables	**19,664**	5,685
	19,664	5,685
Aggregate amounts	**39,643**	11,867

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

The Trade payables figure comprises 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 4.8% to 12.0%.

20. FINANCIAL LIABILITIES – BORROWINGS

	Group 2016 £'000	Group 2015 £'000
Current at amortised cost:		
Bank overdrafts	**519**	357
Other loans	**729**	200
	1,248	557
Non-current at amortised cost:		
Other loans: 1-2 years	**399**	100

The terms and debt repayment schedule for the above borrowings are as follows:

Group

	1 year or less £'000	1-2 years £'000	Totals £'000
Bank overdrafts	519	–	519
Other loans	729	399	1,128
	1,248	399	1,647

21. PROVISIONS

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Provisions	**3,078**	–	**3,078**	–
Analysed as follows:				
Current	**1,245**	–	**1,245**	–
Non-current	**1,833**	–	**1,833**	–

Provisions comprise contingent consideration recognised on the acquisition of MH Holdings (UK) Limited (the parent company of Academy Leasing Limited) and Bradgate Business Finance Limited (see note 27).

22. DEFERRED TAX

Group

	2016 £'000	2015 £'000
Liability at 1 June	**40**	–
Non-current assets timing differences charged through the income statement	**(130)**	40
Transferred on acquisition	**(118)**	–
(Asset)/Liability at 31 May	**(208)**	40

There are no deductible temporary differences, unused tax losses and unused tax credits for which any deferred tax asset has not been recognise.

The deferred tax included within the statement of financial position is as follows:

	2016 £'000	2015 £'000
Non-current asset timing differences	**(208)**	40
Included in non-current (assets)/liabilities	**(208)**	40

23. TRANSACTIONS WITH DIRECTORS

R Russell is a director and 25% shareholder of UK Private Healthcare Ltd. During the year UK Private Healthcare Ltd loaned the Group £300,000. Interest is charged at 3% and the loan is repayable on demand. During the year £nil was repaid. Interest paid in the year was £6,410. At the year-end £300,000 is outstanding and included in current liabilities. UK Private Healthcare Ltd also loaned the Group £400,000 in 2013. Interest is charged at 3% and the loan is repayable on demand. During the year £nil (2015: £380,000) was repaid and at the year-end £nil is outstanding. Interest repaid in the year was £nil (2015: £4,435).

Included within other loans in the year ended 31 May 2014 are loans from R Russell in the sum of £800,000, on which interest was charged at 11%. The gross amount of £992,467 was repayable in forty-eight monthly payments. The amount repayable in the year to 31 May 2016 was £5,169 (net £5,128). The total amount outstanding at the year-end was £nil. Interest in the sum of £41 (2015: £6,751) accrued in the year. No amounts were written off during the year.

H M Walker is a director of Equality Care Ltd which took out a lease with 1pm (UK) Ltd, on which interest of £448 (2015: £916) accrued in the year. At the year-end £1,459 (2015: £4,996) is outstanding and included in trade receivables.

Included in other loans are loans from H M Walker and J Bower (H M Walker's partner) who, in 2011, each loaned the Group £50,000, on which interest in the sum of £4,250 and £4,250 respectively accrued in the year.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2016

24. SHARE-BASED PAYMENT TRANSACTIONS

Employee Share Ownership Plan

Executive Scheme

At 31 May 2016 350,804 (2015: 54,103) options are outstanding in respect of the Executive Share Option Plan and are exercisable at 31 May 2016. During the year, 21,310 options lapsed and 318,011 options were issued. 32,793 options have an exercise price of 10p per share; the remaining 318,011 are exercisable 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 inputs into the model were share price of 67p at the grant date, exercise price shown above, volatility of 10%, dividend yield of 10%, an expected option life of less than a year and an annual risk-free interest 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 financial statements.

Employee Scheme

At 31 May 2016 94,160 (2015: 40,984) options are outstanding in respect of the Employee Share Option Plan and are exercisable at 31 May 2016. At the vesting date these shares had a fair value of 57p with an exercise price of 10p per share.

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

The employee scheme is annualised over three years and the second tranche of shares vested on 31 May 2016.

25. CASH AND CASH EQUIVALENTS

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

	Group		Company	
Year ended 31 May 2016	31.5.16 £'000	1.6.15 £'000	31.5.16 £'000	1.6.15 £'000
Cash and cash equivalents	**910**	**12**	**–**	**1**
Bank overdrafts	**(519)**	**(357)**	**–**	**–**
	391	**(345)**	**–**	**1**

Year ended 31 May 2015	31.5.15 £'000	1.6.14 £'000	31.5.15 £'000	1.6.14 £'000
Cash and cash equivalents	12	3	1	–
Bank overdrafts	(357)	(403)	–	–
	(345)	(400)	1	–

26. 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 on the placing of shares on the Alternative Investment Market and block funding payables. The Group has an overdraft facility in place with the Group's bank and an overdraft facility totalling £1m (2015: £1m).

26. FINANCIAL INSTRUMENTS (continued)

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 forms of debt managed by the Group are the block funding and bank overdraft facilities. 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 block funding 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. The Group's exposure to significant, individual receivables and 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 the correct balance of access to working capital and a competitive rate of interest is achieved. No liabilities are subject to variable rates of interest. If market interest rates had been higher/lower with all other variables held constant, post-tax profits would not be materially affected.

Categories of financial instruments

	2016 £'000	2015 £'000
Financial assets		
Cash and bank balances	**910**	12
Loans and trade receivables	**56,061**	24,991
Financial liabilities		
Trade payables at amortised cost	**37,251**	11,488
Contingent consideration	**3,078**	–

Liquidity and interest risk tables

	Within 1 year £'000	More than 1 year but less than 2 years £'000	More than 2 years but less than 5 years £'000	Total £'000
2016				
Trade payables	**19,979**	**16,173**	**3,491**	**39,643**
Borrowings	**1,248**	**399**	**–**	**1,647**
2015				
Trade payables	6,182	4,271	1,414	11,867
Borrowings	557	100	–	657

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2016

27. BUSINESS COMBINATIONS

Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of voting equity %	Consideration transferred £'000
MH Holdings (UK) Limited	Provision of finance	25.08.2016	100	11,760
Bradgate Business Finance Ltd	Provision of finance	22.03.2016	100	2,750

MH Holdings (UK) Limited & Bradgate Business Finance Ltd were acquired to continue the expansion of the Group's activities in the finance sector.

Consideration transferred

	MH Holdings (UK Ltd) £'000	Bradgate Business Finance Ltd £'000
Cash	6,000	2,200
Vendor loan	1,000	–
Issue of shares	2,270	–
Contingent consideration arrangement (see notes 1 and 2 below)	2,490	550
	11,760	2,750

(1) Under the contingent consideration arrangement, the Group is required to issue the vendors of MH Holdings (UK) Ltd 3,920,540 shares if new business origination amounts to a value of £18.1m or more for the year to 31 May 2016 and £18.9m or more for the year to 31 May 2017. MH Holdings (UK) Ltd Group achieved the new business origination amount in the year to 31 May 2016 and accordingly the directors have agreed that 1,960,270 shares will be issued.

(2) Under the contingent consideration arrangement, the Group is required to pay Bradgate Business Finance Ltd £0.55m if new business origination targets reach £14.1m for the year to 31 May 2017, £17.9m for the year to 31 May 2017 and £23.8m for the year to 31 May 2018. As the contingent consideration period commences in the year to 31 May 2017 no payment is due in the year to 31 May 2016.

Acquisition-related costs incurred of £0.49m comprised £0.37m relating to MH Holdings (UK) Ltd and £0.12m relating to Bradgate Business Finance Ltd.

Assets acquired and liabilities recognised at the date of acquisition

	MH Holdings (UK Ltd) £'000	Bradgate Business Finance Ltd £'000
Current assets		
Cash and cash equivalents	216	427
Trade and other receivables	15,011	3,409
Non-current assets		
Plant and equipment	844	10
Current liabilities		
Trade and other payables	(6,523)	(1,110)
Non-current liabilities		
Trade and other payables	(6,543)	(1,520)
Total identifiable net assets acquired	3,005	1,216

27. BUSINESS COMBINATIONS (continued)

Goodwill arising on acquisition

	MH Holdings (UK Ltd) £'000	Bradgate Business Finance Ltd £'000
Consideration transferred	11,760	2,750
Less: fair value of identifiable net assets acquired	(3,005)	(1,216)
Goodwill arising on acquisition	8,755	1,534

Goodwill arose on the acquisitions of MH Holdings (UK) Limited and Bradgate Business 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 MH Holdings (UK) Limited and Bradgate Business 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 acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of subsidiaries

	2016 £'000
Consideration paid in cash	**8,200**
Less: cash and cash equivalents acquired	**(643)**
	7,557

Impact of acquisitions on the results of the Group

Included in the profit for the year is £1.05m attributable to the additional business generated by MH Holdings (UK) Limited and £0.02m attributable to Bradgate Business Finance Limited. Revenue for the year includes £4.3m in respect of MH Holdings (UK) Limited and £0.2m in respect of Bradgate Business Finance Limited.

Had these business combinations been effected at 1 June 2015, the revenue of the Group from continuing operations would have been £14.8m, and the profit before tax and exceptional costs for the year from continuing operations would have been £4.1m. The directors consider these proforma 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 proforma revenue and profit of the Group had MH Holdings (UK) Limited and Bradgate Business 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2016

28. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the year end the Group had outstanding commitments which fall due as follows:

	Within 1 year £'000	2-5 years £'000	More than 5 years £'000
2016			
Onepm	**60**	**217**	**–**
Bradgate	**19**	**74**	**–**
Academy Leasing	**140**	**244**	**–**
	219	**535**	
2015			
Onepm	82	65	–
Bradgate	–	–	–
Academy Leasing	–	–	–
	82	65	

Operating lease payments includes 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.

Also included are operating leases for office equipment and motor vehicles.

Perivan Financial Print 242055

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