

Annual Report & Financial Statements

for year ended 31 May 2018



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Company Information

For the year ended 31 May 2018

Non-Executive Directors

J D Newman (Chairman)
R Russell
J P Telling

Executive Directors

R I Smith (Chief Executive Officer)
J M A Roberts (Chief Financial Officer)
E J Rimmer (Chief Operating Officer)

Company Secretary

J Bodey

Registered Office

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

Registered Number

05845866 (England and Wales)

Independent Auditors

Moore Stephens, Bath

Nominated Advisor and Broker

Cenkos Securities plc, London

Principal Solicitors

Simmons & Simmons LLP, Bristol

Financial Public Relations

Walbrook PR Ltd, London

Registrars

Neville Registrars Ltd, Halesowen

Principal Bankers

NatWest plc, Bristol

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

Company Milestones



Onepm admitted to AIM, raising £1.3m on flotation

August 2006



Bradgate acquired

March 2016



Intelligent Loans acquired

March 2017

£13m raised via a placing. Ed Rimmer (COO) joins the Group.

June 2017

Ian Smith (CEO) joins the Group 'Buy and Build' plan initiated

February 2014



Bell Finance acquired

April 2017

James Roberts (CFO) joins the Group

May 2017

Gener8 Finance acquires

June 2017

£7.3m raised via a placing. Academy acquired

August 2015



Product Range



Asset Finance

Funding for construction, agricultural plant, haulage and more



Vehicle Finance Broking

Wide range of Commercial Vehicle, Car and Fleet Management solutions



Secured Loans

Funding secured by an asset used as collateral for the loan



Unsecured loans

Funding supported by business credit worthiness



Invoice Finance

Invoice Discounting and Factoring with the option of Bad Debt Protection



Bridging & Buy-to-Let Mortgage Broking

First and Second Charge Loans, Bridging Loans and Buy-to-Let Mortgages



Alternative Finance for the UK SME Market

- Helping almost 20,000 UK Customers
- Providing £135m of Funding to UK Businesses
- 180 Employees across 7 UK Sites
- Multi-channel, Multi-product, Offering to SMEs
- Flexible, Fair, Trusted, Personal

Chairman's Statement





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.

Chairman's Statement (continued)

For the year ended 31 May 2018

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





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 organized 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 optimize 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

Chief Executive Officer's Review (continued)

For the year ended 31 May 2018

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 and Culture Statement



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:

	Introducer Channel	Products	Funder or Broker	Customer Focus	Funded by
	Finance Brokers	Soft Asset Leases	Funder only	UK SMEs	Block Discount Facilities
	Suppliers and Manufacturers	Soft Asset Leases and New Vehicles	Funder and Broker	UK SMEs	Block Discount Facilities
	Brokers and Suppliers	Hard Assets	Funder and Broker	UK SMEs	Block Discount Facilities
	Mortgages Advisors and Brokers	Property and PG-backed Loans	Funder and Broker	Both consumers and UK SMEs	Secured Loan Note
	Professional firms and Brokers	Invoice Finance	Funder only	UK SMEs	Back-to-back Bank Facility
	Professional firms and Brokers	Invoice Finance	Funder only	UK SMEs	Back-to-back Bank Facility
	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.

Group Strategic Report (continued)

For the year ended 31 May 2018

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.

Group Strategic Report (continued)

For the year ended 31 May 2018

- **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



Group Culture Statement

For the year ended 31 May 2018

We are working hard to create a distinct culture across the 1pm plc Group. Key to this is regarding our staff as our greatest asset. This means that we encourage continual learning and self-improvement for all our colleagues, we treat them as adults and avoid micro-management and we want to be seen as an 'employer of choice', being perceived both internally and externally as a great place to work. As such, our staff have played a crucial role in developing our culture and driving it forward. Their real insight ensures our values are not artificially created and have been established as:

- **Trusted:** The customer is at the centre of our business
- **Flexible:** We know that time is money, so we get things done efficiently
- **Fair:** We believe that integrity underpins everything we do
- **Personal:** We work with our customers at a one to one level

The customer is at the centre of our business: We are focused solely on providing the best solution we can to our customers. This is communicated to all employees across the group during their induction and throughout their careers. In practice, this includes making sure that 'Treating Customers Fairly' is at the forefront of every employee's mind when dealing with each and every customer; staff ensuring that they treat customers as they would want to be treated themselves; and customers being confident that they will be treated fairly and consistently across all our Group companies.

We know that time is money, so we get things done efficiently: Ensuring our customers' needs are met and expectations exceeded is very important and our breadth of product offering means we have the ability to assist customers with almost all financing requirements. As such, we pride ourselves on being responsive and flexible to our customers' needs. In practice, this includes ensuring that if something needs doing we do it; if we say we will do something we will do it; we will give customers a response as soon as possible, even if it is bad news; and we let customers know what we can and cannot do from the very start.

We believe that integrity underpins everything we do: The Group focusses on sincerity and transparency and in dealing with customers and staff openly and honestly. In practice, this includes ensuring all information provided to customers is clear and understandable; we recommend the best product for our customers, not necessarily the most profitable for us; appropriate complaints handling procedures are in place; and we take the views of all our stakeholders very seriously.

We work with our customers at a one to one level: we choose the personal touch and develop partnerships with our customers. In practice, this includes making sure our customers deal with a real person rather than a computer; we try and limit the use of forms and questionnaires where possible; and we actively seek, listen to and act upon feedback.

The commitment to these values, together with the operating philosophy of adopting cautious risk policies and prudent provisioning, shape our culture and foster the "sense of Group" increasingly in evidence across the expanded organisation.

E J Rimmer

Chief Operating Officer

12 September 2018

Report of the Directors





Report of the Directors

For the year ended 31 May 2018

The directors present their report with the financial statements of the Company and the Group for the year ended 31 May 2018.

Principal activity

The principal activity of the Group in the year under review was that of providing access to finance to UK businesses and consumers.

Dividends

Subject to shareholder approval at the Group's Annual General Meeting on 25 October 2018, the Board is recommending the payment of a dividend of 0.65p per share.

Events since the end of the year

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

Directors

The directors shown below have held office during the whole of the period from 1 June 2017 to the date of this report unless otherwise stated.

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

On 22 December 2017 M F Nolan announced his intention to retire at the end 2018 and, as part of this transition towards leaving the Group, stepped down as a director of 1pm plc and its associated subsidiaries on 1 June 2018. He remains an employee of the Group and will continue to do so until his retirement on 31 December 2018.

The directors' interests in the shares of 1pm plc, all of which were beneficial interests, at 31 May 2018 are as follows:

	Ordinary shares of £0.10 each 2018	Ordinary shares of £0.10 each 2017
R Russell	10,557,224	10,227,966
M F Nolan	5,430,103	4,150,006
R I Smith	97,667	41,667
J P Telling	97,667	41,667
J D Newman	97,667	41,667
E J Rimmer	33,000	–
J M A Roberts	22,000	–

Directors' insurance and indemnities

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

Financial instruments

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

Report of the Directors (continued)

For the year ended 31 May 2018

Significant shareholdings

The following parties held greater than 3% of the issued share capital of 1pm plc as at 31 May 2018:

	Number of shares	% of issued share capital
Lombard Odier Investment Managers	19,691,352	22.84%
Sapia Partners LLP	10,911,669	12.66%
R Russell	10,557,224	12.25%
Hargreaves Lansdown (Nominees) Limited	5,705,226	6.62%
M F Nolan	5,430,103	6.30%

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 International Financial Reporting Standards ("IFRS") as adopted by the European Union and applicable law. The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the Company; such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law directors must not approve the financial statements unless they are satisfied that they give a true and fair view.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 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 auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Auditors

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

ON BEHALF OF THE BOARD:

J M A Roberts

Chief Financial Officer

12 September 2018

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

Opinion

We have audited the financial statements of 1pm plc (the “parent company”) and its subsidiaries (the “group”) for the year ended 31 May 2018 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Financial Position, Consolidated and Company Statements of Changes in Equity, Consolidated and Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the group’s and of the parent company’s affairs as at 31 May 2018 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed entities, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

the directors’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or

the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group’s or the parent company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Area of focus	Work performed to address this risk	Conclusion of findings
<p>Recoverability of trade receivables and provisioning</p> <p>The financial statements include trade and other receivables of £126.1 million, which represents 79% of the Group's total assets. The bad debt provision is £1.8m.</p> <p>We have assessed this area as being of significant risk to the audit due to the significance of these amounts in deriving the group's results and because of the nature of the bad debt calculation, which is an estimate.</p>	<p>In assessing the valuation of trade and other receivables, we performed the following procedures:</p> <p>We tested after balance sheet date cash receipts for a sample of receivables.</p> <p>We reviewed leases and loans in arrears to consider the adequacy of provisions in place and where payment plans have been entered whether they are being adhered to.</p> <p>We considered the estimates made in relation to future recoveries in determining the level of provision required.</p> <p>We considered the adequacy of the disclosures made in the financial statements including the group's accounting policy over debt provisioning to test that these are consistent with both the conclusions from the audit testing performed as well as in line with IFRS.</p>	<p>We have no matters to communicate in respect of the recoverability of trade receivables or bad debt provisioning.</p>
<p>Revenue recognition and reliance on the lease software systems</p> <p>The Lease system is central to the integrity of the allocation of income to the appropriate accounting period using the effective interest rate method.</p>	<p>In assessing revenue recognition, we performed the following procedures:</p> <p>We tested that a sample of new contracts were being entered into the system appropriately and revenue recognised appropriately.</p> <p>We reperformed a sample of calculations to test that the lease system was correctly allocating interest to the correct periods.</p> <p>We considered the adequacy of the disclosures made in the financial statements including the group's accounting policy over revenue to test that these are consistent with both the conclusions from the audit testing performed as well as in line with IFRS.</p>	<p>We have no matters to communicate in respect of revenue recognition.</p>

Our application of materiality

In planning and performing our audit we were influenced by our application of materiality. We set certain quantitative measures and thresholds for materiality, which together with other, qualitative, considerations, helped us to determine the scope of our audit and the nature, timing and extent of the procedures performed. Based on our professional judgement, we determined materiality for the group financial statements as a whole to be £375,000 and £65,000 for the parent company. The principal determinant in this assessment was profit before tax, which we consider to be the most relevant benchmark as a key metric for the directors, investors and users of the 1pm plc financial statements. Our materiality represents 5% of this number.

We have agreed with the Audit Committee that we shall report to them any misstatements in excess of £19,000 that we identify through the course of our audit, together with any qualitative matters that warrant reporting.

An overview of the scope of the audit

The scope of the audit for the financial statements has been determined by our application of our materiality to the financial statements in association to the risks of the group when determining the level of work to be performed. All audit work was performed directly by the audit engagement team with work performed to a statutory audit scope for all trading entities within the group.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

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

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

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

12 September 2018

Consolidated Income Statement

For the year ended 31 May 2018

	Notes	2018 £'000	2017 £'000
CONTINUING OPERATIONS			
Revenue	3	30,013	16,944
Cost of sales		(10,118)	(6,094)
GROSS PROFIT		19,895	10,850
Other operating income		–	3
Administrative expenses		(11,979)	(6,469)
Exceptional items	11	254	(263)
Share-based payments	27	(204)	–
OPERATING PROFIT		7,966	4,121
Finance costs	5	(179)	(82)
Finance income	5	63	41
PROFIT BEFORE INCOME TAX	6	7,850	4,080
Income tax	7	(1,448)	(794)
PROFIT FOR THE YEAR		6,402	3,286
Profit attributable to: Owners of the parent		6,402	3,286
Earnings per share expressed in pence per share	10		
Basic		7.57	6.09
Diluted		6.46	5.69

Consolidated Statement of Comprehensive Income

For the year ended 31 May 2018

PROFIT FOR THE YEAR	6,402	3,286
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	6,402	3,286
Total comprehensive income attributable to: Owners of the parent	6,402	3,286

The notes form part of these financial statements

Consolidated Statement of Financial Position

31 May 2018

	Notes	2018 £'000	2017 £'000
ASSETS			
NON-CURRENT ASSETS			
Goodwill	12	27,847	14,908
Intangible assets	13	465	84
Property, plant and equipment	14	1,612	1,744
Trade and other receivables	17	50,096	49,966
Deferred tax	24	568	411
		80,588	67,113
CURRENT ASSETS			
Inventories	16	365	135
Trade and other receivables	17	75,973	23,989
Cash and cash equivalents	18	2,070	2,078
		78,408	26,202
TOTAL ASSETS		158,996	93,315
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	19	8,621	5,494
Share premium	19	24,721	14,170
Employee shares	20	295	91
Treasury shares	20	(300)	–
Retained earnings	20	14,738	8,755
TOTAL EQUITY		48,075	28,510
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	21	33,256	32,097
Financial liabilities – borrowings	22	1,603	250
Provisions	23	1,903	2,300
		36,762	34,647
CURRENT LIABILITIES			
Trade and other payables	21	69,398	26,533
Financial liabilities – borrowings	22	2,625	949
Tax payable		918	943
Provisions	23	1,218	1,733
		74,159	30,158
TOTAL LIABILITIES		110,921	64,805
TOTAL EQUITY AND LIABILITIES		158,996	93,315

The financial statements were approved and authorised for issue by the Board of Directors on 12 September 2018 and were signed on its behalf by:

J M A Roberts

Chief Financial Officer

The notes form part of these financial statements

Company Statement of Financial Position

31 May 2018

	Notes	2018 £'000	2017 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible Assets	13	290	–
Investments	15	20,530	20,530
		20,820	20,530
CURRENT ASSETS			
Trade and other receivables	17	13,846	3,230
Cash and cash equivalents	18	249	28
		14,095	3,258
TOTAL ASSETS		34,915	23,788
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	19	8,621	5,494
Share premium	19	24,721	14,170
Employee shares	20	295	91
Treasury Shares	20	(300)	–
Retained Earnings	20	–	–
TOTAL EQUITY		33,337	19,755
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings	22	27	–
Provisions	23	532	2,300
		559	2,300
CURRENT LIABILITIES			
Trade and other payables	21	381	–
Borrowings	22	106	–
Provisions	23	532	1,733
		1,019	1,733
TOTAL LIABILITIES		1,578	4,033
TOTAL EQUITY AND LIABILITIES		34,915	23,788

The financial statements were approved and authorised for issue by the Board of Directors on 12 September 2018 and were signed on its behalf by:

J M A Roberts

Chief Financial Officer

The notes form part of these financial statements

Consolidated Statement of Changes in Equity

For the year ended 31 May 2018

	Called up Share Capital £'000	Retained Earnings £'000	Share Premium £'000	Treasury Shares £'000	Employee Shares £'000	Total Equity £'000
Balance at 1 June 2016	5,253	5,469	13,077	–	90	23,889
Total comprehensive income	–	3,286	–	–	–	3,286
Transactions with owners						
Dividends (Note 9)	–	–	–	–	–	–
Issue of share capital	241	–	1,093	–	–	1,334
Value of employee services	–	–	–	–	1	1
Balance at 31 May 2017	5,494	8,755	14,170	–	91	28,510
Total comprehensive income	–	6,402	–	–	–	6,402
Transactions with owners						
Cost of treasury shares	–	–	–	(300)	–	(300)
Dividends (Note 9)	–	(419)	–	–	–	(419)
Issue of share capital	3,127	–	10,551	–	–	13,678
Value of employee services	–	–	–	–	204	204
Balance at 31 May 2018	8,621	14,738	24,721	(300)	295	48,075

Company Statement of Changes in Equity

For the year ended 31 May 2018

	Called up Share Capital £'000	Retained Earnings £'000	Share Premium £'000	Treasury Shares £'000	Employee Shares £'000	Total Equity £'000
Balance at 1 June 2016	5,253	–	13,077	–	90	18,420
Total comprehensive income	–	–	–	–	–	–
Transactions with owners						
Dividends (Note 9)	–	–	–	–	–	–
Issue of share capital	241	–	1,093	–	–	1,334
Value of employee services	–	–	–	–	1	1
Balance at 31 May 2017	5,494	–	14,170	–	91	19,755
Total comprehensive income	–	419	–	–	–	419
Transactions with owners						
Cost of treasury shares	–	–	–	(300)	–	(300)
Dividends (Note 9)	–	(419)	–	–	–	(419)
Issue of share capital	3,127	–	10,551	–	–	13,678
Value of employee services	–	–	–	–	204	204
Balance at 31 May 2018	8,621	–	24,721	(300)	295	33,337

The notes form part of these financial statements

Consolidated Statement of Cash Flows

For the year ended 31 May 2018

	Notes	2018 £'000	2017 £'000
Cash generated from operations			
Profit before tax		7,850	4,080
Depreciation & amortisation charges		571	544
Finance costs		179	82
Finance income		(63)	(41)
(Gain) on disposal of property plant & 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)	–
		824	7,007
Cash flows from operating activities			
Interest paid	5	(179)	(82)
Tax paid		(1,612)	(615)
Net cash from operating activities		(967)	6,310
Cash flows from investing activities			
Acquisition of subsidiaries		(9,879)	(3,141)
Purchase of software, property, plant & equipment		(1,034)	(1,089)
Proceeds from sale of fixed assets		278	–
Interest received	5	63	41
		(10,572)	(4,189)
Cash flows from financing activities			
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)
Net cash from financing activities		10,767	(434)
(Decrease)/increase in cash and cash equivalents		(772)	1,687
Cash and cash equivalents at beginning of year	28	2,078	391
Cash and cash equivalents at end of year	28	1,306	2,078

*Movements relating to working capital exclude amounts on acquisition (see note 30).

The notes form part of these financial statements

Company Statement of Cash Flows

For the year ended 31 May 2018

	Notes	2018 £'000	2017 £'000
Cash generated from operations			
Profit before tax		419	–
Dividend income		(419)	–
Depreciation & amortisation		28	–
(Increase)/Decrease in trade and other receivables		(10,616)	3,949
(Decrease) in trade and other payables		(307)	–
Movement in other non-cash items		(453)	–
Net cash from operating activities		(11,348)	3,949
Cash flows from investing activities			
Purchase of fixed asset investments		–	(3,509)
Purchase of software, property, plant & equipment		(318)	–
Dividends received		419	–
		101	(3,509)
Cash flows from financing activities			
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)
		11,468	(412)
Increase in cash and cash equivalents		221	28
Cash and cash equivalents at beginning of year	28	28	–
Cash and cash equivalents at end of year	28	249	28

The notes form part of these financial statements

Notes to the Consolidated Financial Statements

For the year ended 31 May 2018

1. STATUTORY INFORMATION

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

2. 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 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.

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 financed assets, specifically valuation and recognition. Management have selected suitable accounting policies for income recognition (see below) and have made specific provisions against bad debts.

Due to the nature of the Group's trading the directors do not have any concerns over the key assumptions concerning the future and do not consider there to be any key sources of estimation uncertainty. Excluding deferred and earn-out considerations paid in relation to acquisitions, the Group is cash generative as evidenced by the Statement of Consolidated Cash Flows and has ample headroom in its funding facilities. As such, the directors are confident that the Group will continue to operate as a going concern.

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

Acquisition of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the 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 at the acquisition date. Acquisition related costs are generally recognised in profit or loss as incurred.

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

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefits arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively
- Liabilities or equity instruments related to share-based payment arrangements of the 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.

Goodwill is measured as the aggregate 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) in excess of the net of the amounts of the identifiable assets acquired and the liabilities assumed at the acquisition date. If, after reassessment, the net of the amounts of the identifiable assets acquired and liabilities assumed at the date of acquisition exceeds the aggregate 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.

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 fair value at the date of acquisition 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2018

2. ACCOUNTING POLICIES (continued)

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

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

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

This includes IFRS 9, 'Financial Instruments', which addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The element of the standard deemed to impact the Group most significantly is that there is now a new "expected credit loss model" that replaces the "incurred loss impairment model" used in IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. The Group is extremely well progressed with both the methodology and accounting that it intends to apply to its lending portfolio under IFRS 9 and, for illustration, had IFRS 9 applied to the year ended 31 May 2018, the estimated impact on the Group's financial results would have been negligible as the detailed work and analysis undertaken confirmed that the impact of moving to a position of recognising a likely impairment at the initiation of any lending transaction is materially equal to the provisioning policy already adopted. As at 31 May 2018, the Group held impairment provisions equal to 1.5% of the entire net lending portfolio. The detailed IFRS 9 work indicates that, had IFRS 9 been adopted a provision of 1.6% of the portfolio would have been required, derived from a range of scenarios between 1.3% and 2.8% in the Group's best and worst case scenario modelling. The directors believe this outcome reflects the conservative approach to provisioning against its lending portfolio already adopted across the Group.

IFRS 16, 'Leases' addresses the recognition of leases on the balance sheet. The standard is effective for accounting periods beginning on or after 1 January 2019. The Group is yet to fully assess the impact of IFRS 16 so is not reasonably able to estimate the impact of the standard.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company (1pm plc) and entities controlled by the company (its subsidiaries) prepared to 31 May each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Principal activity and nature of operations

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

Revenue recognition

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

Loans are recognised when cash is advanced to borrowers. Such assets are recognised initially at fair value plus any directly attributable transaction costs. 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.

2. ACCOUNTING POLICIES (continued)

Invoice finance facilities are recognised when cash is advanced to clients. 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 those facilities.

Document, administration and facility fees and secondary rentals are charged and recognised in the period to which they relate.

Goodwill

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

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

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

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

Property, plant and equipment

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

Short leasehold	– in accordance with the property lease
Improvements to property	– 20% on cost and in accordance with the property lease
Assets held for rental	– at varying rates on cost
Fixtures and fittings	– 33% on cost and 25% on cost respectively
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, if any.

Intangible assets

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

Computer software	– 25% on cost
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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. Deferred tax liabilities are not recognised, however, if they arise from the initial recognition of goodwill, and deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2018

2. ACCOUNTING POLICIES (continued)

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

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

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 foreseeable future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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

Impairment of financial assets

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

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

The amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the original effective interest rate of the financial asset. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Consolidated Income Statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Consolidated Income Statement.

Funding payables and cost of sales

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

Provision for specific debts

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

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.

2. ACCOUNTING POLICIES (continued)

Employee benefits

(a) Pension obligations:

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

(b) Termination benefits:

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

(c) Profit-sharing and bonus plans:

The Group recognises a liability and an expense for profit-sharing and bonuses, 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.

Own shares

Own shares consist of treasury shares and shares held within an employee benefit trust. The Company has established an employee benefit trust for the granting of conditional shares to applicable employees. Own shares are recognised at cost as a deduction from equity shareholders' funds. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds and the original cost being taken to retained earnings. No gain or loss is recognised in the financial statements on transactions in treasury shares.

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 Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount 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);
- 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 service and non-market vesting 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2018

2. ACCOUNTING POLICIES (continued)

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

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

Cash and cash equivalents

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

Exceptional items

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

3. SEGMENTAL REPORTING

The 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.

4. EMPLOYEES AND DIRECTORS

	2018 £'000	2017 £'000
Wages and salaries	5,433	3,628
Social security costs	603	355
Other pension costs	137	124
	6,173	4,107

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

	2018	2017
Management	29	17
Operational	141	85
	170	102

	2018 £'000	2017 £'000
Directors' remuneration	953	682
Directors' pension contributions to money purchase schemes	52	49

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

Money purchase schemes	2	4
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The number of directors who exercised share options during the year was as follows:

Exercised share options	0	1
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The number of directors who received share options during the year was as follows:

Long term incentive schemes	4	1
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4. EMPLOYEES AND DIRECTORS (continued)

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

						2018 £'000	2017 £'000
	Salary	Bonus	Pension	Benefits	Cash or equivalent Total	Potential value of conditional share options	Total
R I Smith	200	42	40	16	298	73	371
J M A Roberts	140	30	12	4	186	36	222
E J Rimmer	160	34	–	16	210	48	258
M F Nolan	160	–	–	16	176	–	176
J D Newman	33	–	–	–	33	–	33
R Russell	24	–	–	–	24	–	24
J P Telling	26	–	–	–	26	–	26
H M Walker	–	–	–	–	–	–	–
H Jacques	–	–	–	–	–	–	–
	743	106	52	52	953	157	1,110
							731

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

5. NET FINANCE COSTS

	2018 £'000	2017 £'000
Finance income:		
Bank account interest	63	41
Finance costs:		
Bank account interest	–	18
Bank loan interest	35	62
Other interest payable	144	2
	179	82
Net finance costs	116	41

6. PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging:

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

The audit fee for 1pm plc was £12,500 (2017: £7,500).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2018

7. INCOME TAX

Analysis of tax expense

	2018 £'000	2017 £'000
Current tax	1,587	1,015
Deferred tax	(139)	(221)
Total tax expense in Consolidated Income Statement	1,448	794

Factors affecting the tax expense

The tax assessed for the year is lower (2017 – lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £'000	2017 £'000
Profit before income tax	7,850	4,080
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 – 19.8%)	1,492	808
Effects of:		
Permanent tax differences	(44)	(14)
Tax expense	1,448	794

Corporation tax is calculated at 18.4% (2017: 19.4%) of the estimated assessable profit for the year.

The main rate of corporation tax was 19% from 1 June 2017 to 31 May 2018. The rate remains at 19% for the fiscal years beginning 1 April 2018 and 1 April 2019. The corporation tax main rate will reduce to 17% for the fiscal year beginning 1 April 2020.

8. PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the Income Statement and Statement of Comprehensive Income of the parent company are not presented as part of these financial statements. The parent company's profit for the financial year was £0.4m (2017 – nil).

9. DIVIDENDS

	2018 £'000	2017 £'000
Ordinary shares of £0.10 each		
Final	419	–

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 Company'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).

10. EARNINGS PER SHARE

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

2018

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

2017

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

11. EXCEPTIONAL ITEMS

During the year the Group incurred the following exceptional items:

	2018 £'000	2017 £'000
Acquisition costs	185	263
Restructuring	(439)	-
	(254)	263

The exceptional restructuring items relate to events at two entities in the Group, 1pm (UK) Limited and Bell Finance Limited. In the first calendar quarter of 2018 management reshaped the administrative operations at 1pm (UK) Limited to take advantage of Group synergies. This resulted in redundancy costs of £0.22m. At the same time following the merger of the operations of Bell Finance Limited ("Bell") and Bradgate Business Finance Limited it was determined that the vendors of Bell would cease to be employed by the Group. As a consequence, £0.66m of deferred consideration provided for the purchase of Bell was released.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2018

12. GOODWILL

Group

£'000

COST

At 1 June 2017	14,908
Additions arising from acquisitions of subsidiaries	12,939
At 31 May 2018	27,847

NET BOOK VALUE

At 31 May 2018	27,847
At 31 May 2017	14,908

Goodwill is required to be monitored at the "operating segment" level. As management consider there is only one operating segment, all goodwill has been allocated to one cash generating unit ("CGU"). The recoverable amount of the CGU has been determined based on a value-in-use calculation. This calculation uses pre-tax cash flow projections covering an appropriate period. Cash flows beyond a 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 researched pre-tax discount rate of 11%.

13. INTANGIBLE ASSETS

	Group Computer software £'000	Company Computer software £'000
COST		
At 1 June 2017	99	–
Additions	449	318
At 31 May 2018	548	318
AMORTISATION		
At 1 June 2017	15	–
Charge for the year	68	28
At 31 May 2018	83	28
NET BOOK VALUE		
At 31 May 2018	465	290
At 31 May 2017	84	–

14. PROPERTY, PLANT AND EQUIPMENT

Group 2018

	Short leasehold £'000	Improvements to property £'000	Assets held for rental £'000	Fixtures and fittings £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
COST							
At 1 June 2017	117	189	2,251	183	788	11	3,539
Additions	5	–	460	26	94	–	585
Disposals	–	–	(471)	–	–	(11)	(482)
Transfer on acquisition	17	–	–	125	191	–	333
At 31 May 2018	139	189	2,240	334	1,073	–	3,975
DEPRECIATION							
At 1 June 2017	14	180	912	145	538	6	1,795
Charge for the year	9	1	325	31	137	–	503
Disposals	–	–	(228)	–	–	(6)	(234)
Transfer on acquisition	15	–	–	112	172	–	299
At 31 May 2018	38	181	1,009	288	847	–	2,363
NET BOOK VALUE							
At 31 May 2018	101	8	1,231	46	226	–	1,612
At 31 May 2017	103	9	1,339	38	250	5	1,744

Group 2017

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2018

15. INVESTMENTS

Company

Shares in
Group
undertakings
£'000

COST

At 1 June 2017	20,530
Additions	–
At 31 May 2018	20,530

NET BOOK VALUE

At 31 May 2018	20,530
At 31 May 2017	20,530

The Group has directly or indirectly through other 100% owned subsidiaries in the Group made investments in the following:

Investment	Principal activity	Place of incorporation	Proportion of voting equity 2018	Proportion of voting equity 2017
1pm (UK) Limited	Direct	Asset finance	England	100
Academy Leasing Limited	Indirect	Asset finance	England	100
Bradgate Business Finance Ltd	Direct	Asset finance	England	100
Intelligent Financing Limited	Direct	Loan finance	Wales	100
Bell Finance Limited	Indirect	Asset finance	England	100
Gener8 (Holdings) Limited	Indirect	Holding Company	England	–
Positive Cashflow (Holdings) Ltd	Indirect	Holding Company	England	–
Gener8 Finance Limited	Indirect	Invoice Finance	England	–
Positive Cashflow Finance Limited	Indirect	Invoice Finance	England	–
Car Finance 2U Limited	Indirect	Vehicle finance	England	–
MH Holdings Limited	Direct	Holding Company	England	100
Onepm Commercial Finance Ltd	Indirect	Holding Company	England	100
Speakertone Limited	Indirect	Holding Company	England	100

Car Finance 2U is 100% held through Academy Leasing Limited ("Academy"). Academy is, itself, 100% held through Speakertone Limited which is 100% held through MH Holdings Limited ("MHHL"). MHHL is 100% held by 1pm plc. 1pm plc also holds 100% of Onepm Commercial Finance Limited ("OCFL"). OCFL, itself, owns 100% of both Gener8 (Holdings) Limited and Positive Cashflow (Holdings) Limited which, in turn, hold 100% of Gener8 Finance Limited and Positive Cashflow Limited respectively.

Further disclosure is given in Note 30, Business Combinations.

16. INVENTORIES

	Group 2018 £'000	2017 £'000
Stocks – assets held for resale	365	135

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Current:				
Trade receivables (note i)	72,701	20,631	–	–
Amounts owed by Group undertakings	–	–	13,779	3,230
Other receivables (note ii)	2,205	2,206	–	–
VAT	–	39	24	–
Prepayments and accrued income	1,067	1,113	43	–
	75,973	23,989	13,846	3,230
Non-current:				
Trade receivables (note i)	50,096	49,966	–	–
Aggregate amounts	126,069	73,955	13,846	3,230

Note i – Trade Receivables

Trade receivables represent finance lease, loan and invoice finance receivables stated net of unearned income and allowance for doubtful debts, as follows:

	2018 £'000	2017 £'000
Gross receivables from finance leases, loans and invoice finance	142,078	89,529
Unearned future finance income on finance leases, loans and invoice finance	(19,281)	(18,932)
Net receivables from finance leases, loans and invoice finance	122,797	70,597
	2018 £'000	2017 £'000
Unimpaired trade receivables, net of unearned income	124,622	71,812
Allowance for doubtful debts	(1,825)	(1,215)
Carrying value of trade receivables	122,797	70,597

The average credit period on sales of goods is 42 months. Interest is charged on trade receivables for lease, hire purchase, loan and invoice finance deals and varies by agreement, but is fixed over the term of each. Allowances for doubtful debts are recognised against trade receivables based on estimated potentially 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.

Before accepting any new customers, the Group uses an externally obtained credit score 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 single customer represented more than 0.5% of the total balance outstanding.

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

	2018 £'000	2017 £'000
Less than 30 days	231	459
30 – 60 days	339	667
Over 60 days	976	1,372
	1,546	2,498

Receivables that are past due but not impaired by age are debts that have been assessed by the Group's Credit and Legal departments and deemed fully recoverable.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2018

17. TRADE AND OTHER RECEIVABLES (continued)

Note ii – 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:

	2018 £'000	2017 £'000
Within 1 year	–	815
More than 1 year but less than 2 years	–	448
More than 2 years but less than 5 years	–	233
More than 5 years	640	916
	640	2,412

Movement in the allowance for doubtful debts

	2018 £'000	2017 £'000
Opening balance	1,215	785
Increase in provision	610	430
	1,825	1,215

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.

Operating lease receivables

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

	2018 £'000	2017 £'000
Within 1 year	648	558
More than 1 year but less than 5 years	761	652
More than 5 years	–	–
	1,409	1,210

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Bank accounts	2,070	2,078	249	28

19. CALLED UP SHARE CAPITAL

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

On 8 June 2017 the Company issued 28,861,117 Ordinary shares at £0.45 per share as part of the share placing to enable the purchase of Gener8 (Holdings) Limited and Positive Cashflow (Holdings) Limited.

On 6 November 2017 the Company issued 1,960,270 Ordinary shares at £0.667 per share to the vendors of MH Holdings Limited (the parent company of Academy Leasing Limited) as part of the Share Purchase Agreement.

19. CALLED UP SHARE CAPITAL (continued)

On 6 November 2017 the Company issued 337,568 Ordinary shares at £0.543 per share to the vendors of Bradgate Business Finance Limited pursuant to the Share Purchase Agreement.

During the year 108,370 £0.10 Ordinary shares were issued by the Company under the Employee Share Option Scheme.

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

	No. of shares No.	Ordinary shares £'000	Share Premium £'000	Total £'000
At 1 June 2017	54,940,215	5,494	14,170	19,664
Share issues	31,267,325	3,127	10,551	13,678
At 31 May 2018	86,207,540	8,621	24,721	33,342

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

20. RESERVES

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

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Current:				
Trade payables	67,109	24,470	–	–
Social security and other taxes	234	163	–	–
Other payables	1,560	1,900	381	–
VAT	495	–	–	–
	69,398	26,533	381	–
Non-current:				
Trade payables	33,256	32,097	–	–
Aggregate amounts	102,654	58,630	381	–

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

Trade payables comprise commercial loans, invoice finance “back-to-back” funding facilities and 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 2.5% to 8.8% (2017: 4.5% to 8.8%).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2018

22. FINANCIAL LIABILITIES – BORROWINGS

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Current borrowings at amortised cost				
Bank overdrafts	764	–	–	–
Other loans	1,861	949	106	–
	2,625	949	106	–
Non-current borrowings at amortised cost				
Other loans	1,603	250	27	–

Other loans comprise Loan Notes payable to the vendors of Academy Leasing Ltd, Positive Cashflow Finance Ltd and Car Finance 2U Ltd, a bank loan held by Positive Cashflow Finance Ltd and a loan payable to UK Private Healthcare Ltd (see Note 25).

23. PROVISIONS

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Provisions	3,121	4,033	1,064	4,033
Analysed as follows:				
Current	1,218	1,733	532	1,733
Non-current	1,903	2,300	532	2,300
	3,121	4,033	1,064	4,033

Provisions comprise contingent acquisition costs recognised on the acquisition of MH Holdings (UK) Limited (the parent company of Academy Leasing Limited), Bradgate Business Finance Limited, Intelligent Financing Limited, Positive Cashflow (Holdings) Limited and Car Finance 2U Limited.

Movement in provisions

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Balance brought forward	4,033	3,078	4,033	3,078
Additional provisions arising from acquisitions	2,056	2,200	–	2,200
Provisions settled	(2,311)	(1,245)	(2,312)	(1,245)
Release to profit and loss (see Note 11)	(657)	–	(657)	–
Balance carried forward	3,121	4,033	1,064	4,033

24. DEFERRED TAX

	Group	
	2018 £'000	2017 £'000
Asset balance at 1 June	411	208
Non-current assets timing differences	139	221
Transferred on acquisition	18	(18)
Asset balance at 31 May	568	411

There are no deductible temporary differences, unused tax losses and unused tax credits for which deferred tax assets have not been recognised.

The deferred tax included within the Consolidated Statement of Financial Position relates to non-current asset timing differences and is included in non-current assets.

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

25. TRANSACTIONS WITH DIRECTORS

R Russell, a director of the Group, is also a director and 25% shareholder of UK Private Healthcare Ltd ("UKPHL"). During the year UKPHL loaned the Group an additional £300,000, of which, the Group repaid £250,000. At the year end, a total of £600,000 (2017: £550,000) was outstanding to UKPHL and is included in current liabilities. Interest is charged at 4% (2017: 3%) and the loan is repayable with 3 months' notice. Interest paid in the year was £18,863 (2017: £11,568).

26. EVENTS AFTER THE REPORTING PERIOD

Dividends

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).

27. SHARE-BASED PAYMENT TRANSACTIONS

The Group seeks to facilitate equity ownership by employees principally through schemes which encourage and assist the purchase of the Company's shares.

The Group currently operates two share option plans, the Long-Term Incentive Plan ("LTIP") and the Employee Share Option Plan ("ESOP"). The LTIP replaced the previous Executive Share Option Scheme ("ESOS") on 5 June 2018. All awarded options in each scheme are forfeited (in most circumstances) if the employee leaves the Group before the options vest.

LTIP

Under the LTIP, 7,900,000 options were granted, exercisable at nil cost, but subject to service-based and market-based performance conditions. Under the service-based performance condition options granted will vest only on the option holders' completion of three years of employment service from the date of the granting of the option, namely on 5 June 2020. Under the market-based performance condition, no granted options vest at a quoted share price of 60 pence per share or less and all granted options vest at a quoted share price of 110 pence or more. The number of granted options that vest in the range of 60 pence to 110 pence is proportionate to the increase in share price over the vesting period. The service-based performance condition takes precedence over the market-based condition. The LTIP contains certain other rules in respect of share price volatility and measurement during the three-year vesting period.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2018

27. SHARE-BASED PAYMENT TRANSACTIONS (continued)

As at 31 May 2018, 7,675,000 of the granted options had been awarded, subject to the above conditions, to the directors and certain senior managers. Details of the LTIP options awarded during the year and the assumptions used to determine the fair value for the accounting charge are as follows:

Grant Date	Number of options outstanding	Share price on grant date £	Vesting Date	Expiry Date	Expiry Period (years)	Volatility %	Risk Free interest rate %	Dividend Yield %	Weighted average fair value per option £	Total P&L charge over vesting period £'000	P&L charge in current year £'000
05/07/17	7,900,000	0.43	05/07/20	05/07/21	4	35.0	0.34	1.2	0.0828	654	204

The LTIP was valued using the Monte Carlo share price model, which allows the share price movements to be tested to the required level of intricacy to factor in the performance conditions attached to the scheme. The model was run over 20,000 iterations and a mean option value calculated from the range of outcomes. For option grants the volatility range reflects the historical volatility based on share transactions of the Company over a 4 year period.

ESOP

Under the ESOP, options granted vest over a period of three years with no other performance conditions. At 31 May 2018 151,502 (2017: 126,199) options were granted, had vested and were exercisable as at that date. At the vesting date these shares had a market value of 51 pence with an exercise price of 10 pence per share.

ESOS

Under the ESOS, options granted vest over a period of two years with no other performance conditions. At 31 May 2018, 261,625 (2017: 177,691) options were granted, had vested and were exercisable at 31 May 2018. At the vesting date these shares had a market value of 51 pence with an exercise price of 61 pence per share. During the year 37,371 options lapsed and 121,305 further options were issued. There will be no further option grants under the ESOS as it has been replaced by the LTIP.

28. CASH AND CASH EQUIVALENTS

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

Year ended 31 May 2018

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash and cash equivalents	2,070	2,078	249	28
Bank overdrafts	(764)	–	–	–
	1,306	2,078	249	28

Year ended 31 May 2017

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

29. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash and liquid resources, including receivables and payables that are also financial instruments that arise directly from operations. The main purpose of the financial instruments is to fund the Group's operations. As a matter of policy the Group does not trade in financial instruments, nor does it enter into any derivative transactions. The operations of the Group have principally been financed to date through the funds raised from the placing of shares on the Alternative Investment Market, block funding payables, secured loans notes and back-back facilities for providing invoice finance. The Group has an overdraft facility in place with the Group's principal bankers totalling £1,000,000 (2017: £1,000,000).

The Group's main objectives for the management of capital are to ensure there is sufficient cash available to be able to provide finance to customers and to be able to pay debts as they fall due. The Group is not subject to any externally imposed capital requirements from these finance providers. Working capital requirements are constantly monitored including the interest rates from the key providers of finance. The main risks to the Group, and the policies adopted by the directors to minimise the effects on the Group are as follows:

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

Interest rate and liquidity risk – All of the Group's cash balances and short-term deposits are held in such a way that an optimal balance of access to working capital and a competitive rate of interest is achieved. If market interest rates had been higher or lower with all other variables held constant, post-tax profits would not be materially affected. Exposure to both trade receivables and trade payables is minimised as both block funding and advances to clients are made at fixed rates over largely matched terms.

Categories of financial instruments

	2018 £'000	2017 £'000
Financial assets		
Cash and bank balances	2,070	2,078
Gross trade receivables	142,078	92,887
Financial liabilities		
Gross trade payables and loans	136,129	62,304
Contingent consideration	3,121	4,033

In the table above loans, trade receivables and trade payables are grossed up for unearned interest and therefore differ to the figures in Statement of Financial Position and table below.

Liquidity and interest risk table

	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	Carrying value £'000
2018					
Net trade payables	70,464	16,932	20,719	108,115	100,315
Borrowings	2,687	1,730	39	4,456	4,228
2017					
Net trade payables	25,331	29,653	1,583	56,567	56,567
Borrowings	949	250	–	1,199	1,199

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2018

30. BUSINESS COMBINATIONS

Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of voting equity %	Consideration transferred £'000
Positive Cashflow (Holdings) Limited	Invoice Finance	29.06.2017	100	8,156
Gener8 (Holdings) Limited	Invoice Finance	07.06.2017	100	5,250
Car Finance 2U Limited	Vehicle Finance	17.11.2017	100	1,500

Positive Cashflow (Holdings) Limited and Gener8 (Holdings) Limited were acquired to enable the Group to expand into the invoice finance sector. Car Finance 2U Limited was acquired to expand the Group's activities into the used vehicle finance broking sector.

Consideration transferred

	Positive Cashflow (Holdings) Limited £'000	Gener8 (Holdings) Limited £'000	Car Finance 2U Limited £'000
Cash	4,300	5,250	750
Loan Notes (see notes 1 and 2 below)	2,200	–	350
Contingent consideration arrangement (see notes 3 and 4 below)	1,656	–	400
	8,156	5,250	1,500

(1) Under the deferred consideration arrangements with Positive Cashflow (Holdings) Limited, the Group issued the vendors with £2.2m of Loan Notes redeemable in equal quarterly instalments over 13 quarters.

(2) Under the consideration arrangements with Car Finance 2U Limited, the Group issued the vendors with £0.35m of Loan Notes redeemable in equal quarterly instalments over 12 quarters.

(3) Under the contingent consideration arrangements with Positive Cashflow (Holdings) Limited, the Group is required to pay the vendors up to £2.5m in the form of the Company's shares based on an earn-out arrangement subject to the achievement of certain annual profit targets over a three-year period following the acquisition. Under fair value accounting reflecting the share price at the date of acquisition, this liability is recorded as £1.7m in the financial statements.

(4) Under the contingent consideration arrangements with Car Finance 2U Limited the Group is required to pay the vendors up to £0.4m subject to the achievement of certain profit targets over a three year period following the acquisition.

Acquisition-related costs amounting to £0.2m comprised £0.1m relating to Gener8 (Holdings) Limited and £0.1m relating to Positive Cashflow (Holdings) Limited.

30. BUSINESS COMBINATIONS (continued)

Assets acquired and liabilities recognised at the date of acquisition

	Positive Cashflow (Holdings) Limited £'000	Gener8 (Holdings) Limited £'000	Car Finance 2U Limited £'000
Current assets			
Cash and cash equivalents	–	8	558
Trade and other receivables	23,535	31,409	30
Non-current assets			
Plant and equipment	8	18	9
Current liabilities			
Trade and other payables	(24,028)	(29,505)	(75)
	(485)	1,930	522

Goodwill arising on acquisition

	Positive Cashflow (Holdings) Limited £'000	Gener8 (Holdings) Limited £'000	Car Finance 2U Limited £'000
Consideration transferred	8,156	5,250	1,500
Less: fair value of identifiable net assets acquired	485	(1,930)	(522)
Goodwill arising on acquisition	8,641	3,320	978

Goodwill arising in the above acquisitions is mainly attributable to the skills and technical talent of the respective work forces and the synergies expected to be achieved from integrating each company into the Group's existing business. In addition, the consideration paid for the combinations effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of each of the entities. 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

	2018 £'000
Consideration paid in cash	10,500
Less: cash and cash equivalents acquired	(621)
	9,879

Impact of acquisitions on the results of the Group

Included in the profit for the year is £0.5m attributable to the additional business generated by Gener8 Finance Limited, £1.1m attributable to Positive Cashflow Finance (Holdings) Limited and £0.1m attributable to Car Finance 2U Limited. Revenue for the year includes £2.4 million in respect of Gener8 Finance Holdings Limited, £4.1m in respect of Positive Cashflow Finance (Holdings) Limited and £1.0m in respect of Car Finance 2U Limited.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 May 2018

30. BUSINESS COMBINATIONS (continued)

Had these business combinations been affected at 1 June 2017, the revenue of the Group from continuing operations would have been £31.0m, and the profit after tax for the year from continuing operations would have been £6.5m. The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the 'pro-forma' revenue and profit of the Group had Gener8 Finance Holdings Limited, Positive Cashflow Finance (Holdings) Limited and Car Finance 2U 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; and
- calculated borrowing costs on the funding levels, credit ratings and debt / equity positions of the Group after the business combination

31. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	Within 1 year £'000	2-5 years £000	More than 5 years £'000
As at 31 May 2018	281	483	–
As at 31 May 2017	212	369	–

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

	2018 £000	2017 £'000
Operating lease rentals	280	233

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



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