

25 September 2019

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

FINAL RESULTS FOR THE YEAR ENDED 31 MAY 2019

Another year of record revenues and continued strong profitability
Robust demand for finance from smaller UK SMEs and consumers
Increased total dividend proposed in line with progressive policy

1pm plc, the AIM listed independent specialist finance provider, is pleased to announce final results for the year ended 31 May 2019 in line with market expectations, reporting robust trading and demonstrating further growth in revenue and profit before tax, exceptional items and share based payments (“PBTE”).

The Company operates a flexible ‘hybrid’ funding model, enabling it to both write business on its own book and to broke-on to third party funders. It provides a multi-product offering of Asset, Loan, Invoice and Vehicle finance generating strong demand from smaller UK SMEs and consumers.

Commenting on the Group’s performance, John Newman, Non-executive Chairman, said:

“I am pleased to report that the Group has delivered a further year of robust performance and growth. The financial year was a period of development for the Group with the businesses previously acquired as part of the Group’s “buy and build” strategy focussed on operational performance and on delivering organic growth. The achievement of a number of earn-out targets has demonstrated the success of the strategy and the continuing commitment of the local management teams. 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 SMEs and consumers.”

Financial Highlights:

- Revenue for the year of £31.8m (2018: £30.0m), an increase of 6%
- PBTE for the year of £8.1m (2018: £7.8m), an increase of 4%
- Fully diluted earnings per share of 6.61 pence per share (2018: 6.46 pence) an increase of 2%
- Total dividend for the year (combined interim paid and final proposed) of 0.84 pence per share (2018: 0.65 pence per share), an increase of 29%
- Consolidated net assets at 31 May 2019 of £53.8m (2018: £47.7m), an increase of 13%
- Return on Net tangible Assets of 24% (2018: 32%)
- Strong visibility on future earnings with approximately 50% of revenue for the current year to 31 May 2020 already secured as “unearned income”
- Aggregate funding facilities available to lend of £167.1m (2018: £162.6m), an increase of 3%
- Blended cost of borrowings reduced by 5% to approximately 3.9% (2018: 4.1%)
- Net interest margin maintained at approximately 12%
- Consistent write-off levels. Net of recoveries from previously written-off receivables, write-offs in the year amounted to £0.6m, representing approximately 1% of the year-end own book net portfolio (2018: approximately 1%)
- Bad debt provisioning increased, with a balance sheet provision held at 31 May 2019 of 1.9% of the net lending portfolio (2018: 1.5%)

Operational Highlights:

- Total new business origination up 13% in the year to £161.0m (2018: £142.9m), comprising:
 - £104.9m, or 65%, of new business origination (2018: £80.0m) broked-on for commission income, including all vehicle finance origination of £54.1m (2018 £37.3m)
 - £56.1m, or 35%, of new business origination (2018: £62.9m) for own book portfolio
- Deals written on own book from internal cross-selling of the Group's products during the year of £4.8m (2018: £1.9m), an increase of 2.5 times
- Maiden interim dividend paid and final dividend proposed in accordance with stated progressive dividend policy
- Acquisitions performing in line with management expectations with the full realisation of earn-out consideration for two more acquired entities - Positive Cashflow Finance and Bradgate Business Finance – during the year
- Senior Management team hires completed with Heads of Asset, Loan, Invoice and Vehicle Finance in situ together with Heads of Group functions - IT, HR, Risk, Marketing and Compliance
- Awarded SME Champion at the Leasing Life Awards and Highly Commended at both the Leasing World Service Excellence and the International Asset Finance Network awards.

On current trading and prospects, Ian Smith, Chief Executive Officer, added:

"In what have remained uncertain prevailing business conditions, we are delighted to be reporting continued year-on-year growth in revenue and underlying profits. The results for the year ended 31 May 2019 demonstrate the strength of our market position, our multi-product offering and our flexible operating model. The Group is well positioned to deliver further strategic growth in order to increase shareholder value over the next five years."

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About 1pm:

1pm's strategy is to focus on providing or arranging the finance UK SMEs require to fund their businesses and arranging vehicle and property-backed finance for consumers. The multi-product range for SMEs includes asset, vehicle, loan and invoice finance facilities. The Group operates a "hybrid" lending and broking model enabling it to optimize business levels through market and economic cycles.

More information is available on the Company website www.1pm.co.uk

Chairman's Statement

For the year ended 31 May 2019

Performance and dividend

On behalf of the Board of Directors, I am pleased to report that our business has delivered another year of robust performance and growth. The Group's revenue was £31.8m (2018: £30.0m) an increase of 6% and Group profit before tax and exceptional items was £8.1m (2018: £7.8m), an increase of 4%.

Fully diluted earnings per share, taking account of shares issued relating to the successful achievement of acquisition earn-out targets, were 6.61p (2018: 6.46p), an increase of 2%.

At 31 May 2019 the Group's net assets stood at £53.8m (2018: £47.7m), an increase of 13% and the return on net tangible assets (excluding goodwill) was 24% (2018: 32%).

The financial year was a period of development for the Group with the businesses acquired as part of the Group's "buy and build" strategy focusing on operational performance and delivering organic growth. The achievement of earn-out targets has demonstrated the success of the strategy and the continuing commitment of the management teams.

As announced on 26 July 2018, the Board had reviewed its dividend policy and the outcome was the introduction of an enhanced and progressive policy. The first step was taken with the Board's recommendation of a dividend of 0.65p per share for the year ended 31 May 2018, which was an increase of approximately 30% over the previous year. This policy also included for the first time an interim dividend and a payment of 0.28p was paid to shareholders on 1 May 2019. The Board are now recommending, subject to shareholder approval, a final dividend of 0.56p per share which will be payable on 12 December 2019 to shareholders who are on the Company's register of members on 1 November 2019. This total dividend of 0.84p is an increase of 29% over the previous year.

Our strategy

The Group Strategic Report 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.

The balancing and management of risk is an important responsibility for the Board at all times but particularly so where there exists considerable economic and political uncertainty. 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. We are confident that this flexibility within our business model ensures that the Group can balance its risk exposure in a prudent manner, while maintaining competitive levels of customer service.

The successful pursuit of our "buy and build" strategy over the last three years has delivered significant growth in our business. In considering the opportunities for further development from this enlarged platform, the Board has decided to extend the Group's investment in people and our business infrastructure. This will include a rebranding project that will give the Group a single identification across its core business product lines.

These developments will involve additional costs but represent an investment that will support further and sustainable growth. This is referred to in more detail in the Chief Executive Officer's Review.

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. Our Head of Compliance and Governance, Jennifer Bodey, who has extensive regulatory experience and is now also our Company Secretary, has continued our programme to enhance our independent compliance department.

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.

Our people

Our expectations for the year under review were high and were dependent on the continued success of acquired businesses. The achievement of those expectations as evidenced by the Group's results, reflects 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

The economic and political uncertainties we are experiencing are casting a shadow over UK business generally. In these conditions, we will continue to be prudent in our lending and ensure that our impairment provisions are adequate and continue to be increased in these more uncertain times.

The investment in people and the business infrastructure I have referred to carries with it additional costs and will constrain our profit growth in the current year. However, these costs are largely exceptional or non-recurring and are essential in securing our planned strategic growth and increased shareholder value over the next five years.

The level of new business generation remains satisfactory and our range of financial products provides flexible sources of financing options for our customers. We are fortunate in having an excellent management team and the support of colleagues at every level who share the Board's vision and determination to achieve our strategic objectives this year and beyond.

John Newman
Chairman
25 September 2019

Chief Executive Officer's Review For the year ended 31 May 2019

Introduction

The 1pm group is a multi-product, speciality finance business providing funding for UK SMEs as a lender and arranging funding for both UK SMEs and consumers as a broker. This 'hybrid' lending and broking model enables the Group to optimally manage credit risk, capital allocation, revenues and customer service through changing market and economic conditions.

The Group comprises four product divisions, namely Asset Finance, Vehicle Finance, Loan Finance and Invoice Finance, supported by group functions, namely Risk, Compliance, Finance, IT, Human Resources and Marketing. The financial results for the Group for the year ended 31 May 2019 consolidate the results of the parent company, 1pm plc, plus each of the trading entities that form the product divisions and group functions.

Following a period of sustained organic and inorganic growth during the recent “buy and build” phase of the Group’s successful strategic expansion, the financial year ended 31 May 2019 saw a focus on organic growth and a series of operational initiatives designed to enhance performance and to begin the transition of the business from a series of individual companies towards a more integrated Group. Given that focus, I am delighted to report further year-on-year organic growth in deal origination, revenue, profit before tax and fully diluted earnings per share, as well as notable progress in the Group’s capabilities and operational performance.

This has been achieved as a result of the commitment, hard work and sense of purpose consistently shown by all colleagues in the Group. It is a privilege to lead a talented management team and such an enthusiastic group of colleagues, now comprising 189 personnel. I congratulate and extend my thanks to all fellow employees for delivering this performance.

Sustainable, robust business model

In addition to the hybrid commercial model of being a lender and a broker, which is important in mitigating risk, the 1pm group is operated on sound principles designed for the development of a sustainable, robust business, with Spread, Security and Margin all core to our operating policies.

Spread is maintained in all our lending activities, across new business introduction channels, asset types and categories, lending products, geography, deal size and deal quality. The Group’s lending portfolios comprise multiple ‘small-ticket’ lease, loan and invoice finance arrangements, with no major concentrations. Equally, spread and diversity are maintained in respect of our own borrowing and funding facilities, which are sourced from a range of wholesale funding providers.

Security is always taken, ranging from company debentures, charges on property and assets, title to assets and, for lower-value lending, personal guarantees from directors and proprietors. Where receivables become impaired, the Group has a strong track record of recovering value through its security, in particular, following up on personal guarantees, which has proven to be a successful recovery instrument for ‘small-ticket’ low-value exposures.

Margin is maintained through appropriate risk pricing for the type of lending entered into and a relentless drive to gradually reduce the cost of borrowing as the Group scales-up. The blended net interest margin achieved in the year to 31 May 2019 was approximately 12% (2018: 13%). Competitive pressures increased during the year, but the Board’s policy is not to reduce prices or relax credit rules in order to chase top-line growth, but rather to maintain interest rates charged and credit quality. Furthermore, interest rates charged are fixed for the lending term and interest rates

incurred on borrowings drawn are equally fixed. The Group matches the term of borrowings drawn to the term of lending provided.

These core operating policies are supported by human underwriting as opposed to fully automated algorithms for credit decisions. Whilst an essential element of the Group's development is the deployment of greater digital capability, for example to assist with underwriting processes, credit decisions are taken by people. This is considered essential for the lending market in which the Group operates.

The final core principle is our cautious approach to provisioning. The net write off rate (the gross value of receivables written-off less recoveries) in the year to 31 May 2019 was approximately 1% of the averaged gross lending portfolio, a similar level to 2018 and previous years. The stock of provisions carried in the balance sheet at 31 May 2019 was, however, 1.9% (2018: 1.5%) of the net lending portfolio at year-end, hence approximately twice the write-off rate historically experienced. Provisions continue to be gradually increased during this period of economic uncertainty.

The board is confident that these factors – the lending and broking model, the focus on Spread, Security and Margin, fixed interest and matched term borrowing, human underwriting and a cautious approach to growth and provisioning – all combine to form a sustainable, robust business, delivering strong financial results. This confidence underpins the Group's progressive dividend policy. The details of the proposed dividend are set out in the Chairman's Report.

Market positioning and new business origination

The recent expansion strategy was designed and implemented to deliberately position the Group as a provider of all the main finance products that smaller UK SMEs require, namely funding for expansion in the form of assets and vehicles, loans and invoice finance facilities, the latter often replacing the traditional and formerly common-place bank overdraft. For those SME borrowers, the funding required is often for business-critical assets without which a small business would not function and, as such, repayments tend to be prioritised, leading generally to a higher level of 'borrower resilience' in this sector than might otherwise be expected.

The Group's market positioning as a multi-product provider of business-critical finance for UK SMEs has therefore proven effective and, despite the continuing effect of uncertainty from the UK's current macro-political and economic situation, demand has been steadily increasing. New business origination in the year to 31 May 2019 amounted to £161.0m, a like for like increase of 13% over the previous financial year.

Of this origination, given the flexibility afforded by the hybrid lending and broking model and prevailing market conditions, 35% was funded on balance sheet and 65% was broked-on, compared with 44% and 56% respectively in the prior year. The Group's policy is to not carry residual balance sheet risk in respect of light commercial vehicles and cars and so 100% of all finance deals originated for such assets are broked-on. Excluding vehicle finance origination, 53% of new business was funded on balance sheet and 47% broked-on, compared with 60% and 40% respectively in the prior year illustrating the 'hybrid' operating model in action.

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. Cross selling has progressed steadily during the year and approximately £4.8m of deals originated and written during the year were internally generated.

Financial results

Total revenue for the year to 31 May 2019 was £31.8m, a purely organic increase of 6% year-on-year. Revenue comprises, firstly, interest and other income (such as facility fees, document fees and asset assurance income) of £25.4m from own-book lending (2018: £24.8m), an increase of 2% and, secondly, commission income of £6.4m from broking activities (2018: £5.2m), an increase of 23%. Interest and other income from lending therefore accounts for 80% and commission income from broking accounts for 20% of total revenues.

The business enjoys 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 2019 amounted to £17.6m, which represents approximately 50% of market guidance for total revenue in the current financial year ending 31 May 2020.

The Group's profit before tax and exceptional items for the year ended 31 May 2019 was £8.1m (2018: £7.8m), an increase of 4%. Profit before tax was £7.9m (2018: £7.9m), and profit after tax was £6.4m (2018: £6.4m). At 31 May 2019, consolidated net assets stood at £53.8m (2018: £47.7m), an increase of 13%. The return on capital employed was therefore 12% (2018: 13%) and the return on net tangible assets (excluding goodwill held in the balance sheet) was 24% (2018: 32%).

As at 31 May 2019, there were 87,596,428 shares in issue (2018: 86,207,540). The increase during the year consisted of 1,388,888 shares issued in relation to earn-out arrangements for previous acquisitions. Given this issue of shares, earnings per share were 7.30p (2018: 7.57p), and on a fully diluted basis were 6.61p (2018: 6.46p).

Lending portfolio performance

As at 31 May 2019, the lending portfolio, stated gross of unearned interest income, was £141.7m compared with £143.9m in the prior year, the decrease reflecting the increased proportion of new deal origination brokered during the year.

During the year the Group recovered £0.7m from previously fully written-off impaired receivables and incurred £1.3m of new write-offs, resulting in net write-offs in the year of £0.6m, representing 0.5% of the year-end portfolio and 1.9% of revenue (2018: £1.4m, representing 1.0% of the year-end portfolio and 4.6% of revenue).

At year-end, the Group's balance sheet included £2.4m of bad debt provision, representing 1.9% of the year-end net portfolio (2018: £1.8m, representing 1.5% of the year-end portfolio). The additional provision charged during the year amounted to £0.2m with a £0.4m restatement to the prior year reflecting the adoption of IFRS 9.

Borrowing facilities

The Group continues to be supported by a range of wholesale funding facility providers and high net worth individual debt providers, the vast majority of whom either renewed or increased facilities during the year. Aggregate borrowing facilities as at 31 May 2019 were £167m, an increase of 2% over the prior year. The blended cost of borrowing was maintained at approximately 4%. Facilities in place provide sufficient headroom for the Group's current requirements. Future organic growth plans are being supported by an active initiative that will optimise the range of borrowing facilities in respect of quantum, term, cost and flexibility of use that will match the Group's multi-product offering and spread of lending.

Transitional progress

As set out in more detail in the Chief Operating Officer's report, the year to 31 May 2019 was one of substantial progress in the on-going transition from a collection of individual companies assembled in the buy-and-build phase of expansion, towards a more integrated group. Central to this transition has been the evolution of the four customer and operations focused product divisions, Asset Finance, Vehicle Finance, Loan Finance and Invoice Finance, supported by the development of the core business functions of Risk, Finance, Compliance, Human Resources, IT and Marketing.

The evolution of the product divisions has coincided with a number of the acquired entities reaching the end of their earn-out periods and successfully achieving their targets, each validating the initial decision to acquire. Reaching the end of earn-out periods has provided and continues to provide opportunities for promotion and management succession, further integration and alignment. The Asset Finance division, for example, which previously comprised three sites, now comprises two and is being reorganised into origination channels, namely broker-introduced business, vendor-introduced (sales-aid) business and direct origination.

Successful integration into a group also creates the right conditions and impetus for re-positioning the business in its chosen markets. The Group's marketing efforts in the current financial year will include a project to rebrand the business into a single, nationally recognised business and operational integration will include further IT improvements, systems developments and digital capability enhancements under the "Platform1" project, both at the customer interface and in back-office processing.

Culture, compliance and governance

The Group's stated purpose; "to grow together" and our core values; "flexible, fair, trusted and personal" form the basis of a distinct emerging culture, which continues to develop as we transition and mature. The business is customer outcome-led and sets its compliance and governance standards for all its lending and broking activities by reference to the principles and guidelines of the Financial Conduct Authority and the codes of conduct of relevant industry bodies. Further details are set out in the Group Culture and Governance Report.

Strategic development

The success of Phase 1 of the Group's recent expansion, underpinned by the financial results delivered and the transitional changes now in progress, have given us the platform to set out our plans for Phase 2 of our strategic growth through to the year 2024, the details of which are set out in the Strategic Review. The next phase of organic growth will consist of adhering to the core principles and policies that form the foundations of our sustainable, robust business model and then adding scale to each of our product divisions in order to deliver further growth in profits and returns.

Planned investment

Laying the foundations for further strategic growth requires investment. This includes leadership, management capabilities and experience. During the year ended 31 May 2019, investment was made in senior management positions, including leadership of certain of the Group's product divisions and core group functions and, as a consequence, a full year's worth of related employment costs will be incurred in the current financial year. In addition, the Board has agreed to make further investments in sales and new business personnel and, as noted, to reorganise its Asset Finance division operations and to rationalise the Group into a single, nationally recognised brand. The Group will also continue the upgrading of its IT and communications systems to deliver online offerings, improve processing times and make its infrastructure more robust, enabling it to deliver future growth.

Additional costs will therefore be incurred in the financial year ending 31 May 2020, some of which are non-recurring, but the benefits will be derived in ensuing years. The Group's sound funding position supports the investment required to deliver the growth plan and enables these actions to be taken.

Summary

The results for the year ended 31 May 2019 demonstrate the strength of our market position and multi-product offering, together with a sustainable, robust operating model, risk and provisioning policies. In current uncertain business conditions, the Group is delighted to report year-on-year growth in new business origination, revenue and underlying profits. Following a successful strategic buy-and-build phase in recent years, the year ended 31 May 2019 was one of organic growth and operational transition with the foundations being laid for the next phase of expansion through to 2024. We look forward with confidence to further developing the Group and to building value for our shareholders.

Ian Smith
Chief Executive Officer
25 September 2019

Group Strategic Report

For the year ended 31 May 2019

Strategic Objectives

The strategic objectives set out in Phase 1 of the Group's buy-and-build expansion devised in 2014 were as follows:

- 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'

These strategic objectives are complete with the exception of the 'Platform1' digital capability and systems integration project, which is on-going. 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.

During the financial year ended 31 May 2019, plans were specified for Phase 2 of the Group's strategic growth for the period through to the financial year ended 31 May 2024. In the next phase of development, the Group's overall goal is to build on the market position attained, adding scale in each of its product divisions in order to become the non-bank, speciality finance provider of choice for UK SME lending. To achieve this goal, the Group's strategic objectives now are to:

- Continue to add scale through both organic growth and carefully selected acquisitions with a view to building a lending portfolio of approximately £350m by 2024.
- Continue to reduce the cost of borrowing through optimising the size, term, cost and mix of funding facilities
- Increase the amount of new business origination funded on balance sheet while maintaining the flexibility to act as a broker to other lenders
- Invest in marketing, branding, business intelligence, innovation and systems to further enhance our digital capability and the use of 'FinTech'
- Invest in key hires, training and succession
- Exploit the leverage available to the Group from its multi-product offering, cross selling and operational synergies
- In due course, consider new products and additional territories for further expansion.

The Board is pleased with early progress in delivering these objectives and comments on each as follows:

Adding scale:

The Board has agreed to invest in additional sales personnel in each division and to organise the Asset Finance and Loans divisions by introduction channel with a view to increasing organic new business origination for all its products. In addition, as the sectors in which the Group operates continue to be fragmented, there are opportunities to add scale through carefully selected acquisitions. The Board will continue to evaluate such opportunities with a focus, at present, on smaller strategic 'bolt-on' acquisitions that would ideally be funded from cash resources and applicable debt facilities.

Optimising borrowing facilities:

The Group's raw material is cash to lend and its cash management objective is to maintain a strong capital base to support its current operations and planned growth whilst continuing to reduce the cost of capital in order to provide increasing returns for shareholders. The total borrowing facilities now in place provide the headroom the Group requires to meet organic growth targets for the foreseeable future. The Group operates a centralised Treasury function and a policy of sourcing different funding instruments appropriate to each of the financial products it provides, as follows:

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

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

As at 31 May 2019, the Group's gearing ratio was 3.4 times its net tangible assets (2018: 4.8 times) and 1.7 times its net assets (2018: 2.0 times). This is considered appropriate for the nature of business undertaken by the Group and is comfortably within the most stringent own book funding covenants of 5.5 times net tangible assets or 3.0 times net assets. The Group is not subject to any external regulatory capital requirements.

Increase own-book lending whilst maintaining flexibility from broking:

Lending on the Group's balance sheet is more profitable than broking over the term of a lease, loan or invoice finance facility. With increasing scale and the headroom in the Group's funding facilities, more new business origination is being funded on balance sheet and will continue to increase, provided market conditions allow our pricing, margin and credit quality to be maintained. It continues to be the Group's policy to broke-on consumer finance deals, such as for bridging, and second charge property loans and for all vehicle financing.

Investing in operational capability:

The Group has two key projects in progress, the first to increase marketing activities and to rebrand each of the Group's trading entities under one nationally recognised name and the second to enhance digital capability under a continuation of the Platform1 IT and Systems project. Progress on both projects is in line with management expectations as to timing and costs.

Investing in key hires, training and succession:

The Board is pleased with the addition of skills, capabilities and experience through key hires at Operating Board level and has progressed, and is progressing, succession plans at certain of the Group's subsidiary undertakings where acquisition earn-out arrangements have come to a successful conclusion.

Exploiting leverage and synergies:

Related to the completion of earn-out arrangements and reorganisation by introducer channel and group functions, progress has been made in delivering synergies from integrating operations, such as the reduction of three sites to two in the Asset Finance division and the operation of the Risk function, including Underwriting, Recoveries and Collections, on a group-wide basis. New business origination

from cross selling continues to increase with a mix of both customer-facing and office-based personnel identifying cross selling opportunities for follow-up.

New products and territories:

As the Group is in the early stages of its Phase 2 strategic plan, new products and territories for further expansion are not yet under consideration, although the Group has obtained appropriate regulatory permissions for broking certain additional consumer finance products to augment its organic growth aspirations.

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 6% to £31.8m (prior year £30.0m)

Profit Before Tax and Exceptional Items - increased 4% to £8.1m (prior year £7.8m)

Diluted Earnings Per Share - increased 2% to 6.61p (prior year 6.46p)

New Business Origination - increased 13% to £161m (prior year £143m)

Number of 'live' accounts - increased 9% to 21,100 (prior year 19,300)

Funding interest rate - reduced to a blended rate of 3.9% (prior year 4.1%)

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 Risk who reviews all significant Group credit exposures and a Head of Compliance and Governance 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 £167m with ample headroom to meet its growth targets for the foreseeable future. The Board is also actively engaged in securing additional facilities to enable it to exploit any further future business opportunities.

Acquisition Risk - the risk that the Group's acquisition programme does not deliver value, overstretches resource beyond its capacity or has failed to identify problems within the acquired businesses. The Group has paid appropriate consideration for its acquired businesses with post synergy price-to-earnings multiples expected to be in the range 5.5 to 6.5 times. It has also spent considerable time and effort, and will continue to do so, to bolster its central resources and infrastructure to assist in integrating and generating synergies from the acquisitions. Finally, the Group has conducted thorough and detailed internal and external due diligence on all acquisitions, ensured appropriate warranties, indemnities and lock-in periods are included in the purchase agreements and has purchased well-established businesses with successful and respected management teams.

Regulatory Risk - the risk of legal or regulatory action resulting in fines, penalties and sanctions that could arise from the Group's failure to identify and adhere to regulatory requirements in the UK. In addition, there is the risk that new or enhanced regulations could adversely impact the Group. The Group has appointed a Head of Governance and Compliance, who reports to the Board and who manages a well-established and independent compliance department with appropriate resources and access to external advisors. The department looks both internally at the Group ensuring its practices are appropriate and externally at future developments to ensure the Group is prepared to adopt any changes in regulation as and when they arise.

Future Strategy:

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

The alternative finance sector generally and in particular, the leasing, loans and invoice finance segments in the UK, are fragmented which presents opportunities for further acquisition activity. The Board will continue to consider such opportunities as they arise.

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
25 September 2019

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2019**

	2019	2018												
	£'000	£'000												
CONTINUING OPERATIONS														
Revenue	31,814	30,013												
Cost of sales	(10,271)	(10,118)												
GROSS PROFIT	21,543	19,895												
Administrative expenses	(13,292)	(11,979)												
Exceptional items	(221)	254												
Share-based payments	(3)	(204)												
OPERATING PROFIT	8,027	7,966												
Finance costs	(218)	(179)												
Finance income	67	63												
PROFIT BEFORE INCOME TAX	7,876	7,850												
<table> <tbody> <tr> <td>Adjusted earnings before interest, tax exceptional items and share-based payments</td> <td style="text-align: right;">8,100</td> <td style="text-align: right;">7,800</td> </tr> <tr> <td>Exceptional items</td> <td style="text-align: right;">(221)</td> <td style="text-align: right;">254</td> </tr> <tr> <td>Share-based payments</td> <td style="text-align: right;">(3)</td> <td style="text-align: right;">(204)</td> </tr> <tr> <td>PROFIT BEFORE INCOME TAX</td> <td style="text-align: right;">7,876</td> <td style="text-align: right;">7,850</td> </tr> </tbody> </table>			Adjusted earnings before interest, tax exceptional items and share-based payments	8,100	7,800	Exceptional items	(221)	254	Share-based payments	(3)	(204)	PROFIT BEFORE INCOME TAX	7,876	7,850
Adjusted earnings before interest, tax exceptional items and share-based payments	8,100	7,800												
Exceptional items	(221)	254												
Share-based payments	(3)	(204)												
PROFIT BEFORE INCOME TAX	7,876	7,850												
Income Tax	(1,524)	(1,448)												
PROFIT FOR THE YEAR	6,352	6,402												
Profit attributable to: Owners of the parent	6,352	6,402												
Earnings Per Share expressed in pence per share														
Basic	7.30	7.57												
Diluted	6.61	6.46												

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 MAY 2019

	2019	2018
	£'000	£'000
ASSETS		
NON-CURRENT ASSETS		
Goodwill	27,847	27,847
Intangible assets	493	465
Property, plant and equipment	1,418	1,612
Trade and other receivables	50,710	50,096
Deferred tax	945	568
	<u>81,413</u>	<u>80,588</u>
CURRENT ASSETS		
Inventories	-	365
Trade and other receivables	74,432	75,577
Cash and cash equivalents	1,851	2,070
	<u>76,283</u>	<u>78,012</u>
TOTAL ASSETS	<u>157,696</u>	<u>158,600</u>
EQUITY		
SHAREHOLDERS' EQUITY		
Called up share capital	8,760	8,621
Share premium	25,134	24,721
Employee shares	298	295
Treasury shares	(300)	(300)
Retained earnings	19,888	14,342
TOTAL EQUITY	<u>53,780</u>	<u>47,679</u>
LIABILITIES		
NON-CURRENT LIABILITIES		
Trade and other payables	29,805	33,256
Financial liabilities – borrowings	469	1,603
Provisions	801	1,903
	<u>31,075</u>	<u>36,762</u>
CURRENT LIABILITIES		
Trade and other payables	67,563	69,398
Financial liabilities – borrowings	3,278	2,625
Tax payable	1,309	918
Provisions	691	1,218
	<u>72,841</u>	<u>74,159</u>
TOTAL LIABILITIES	<u>103,916</u>	<u>110,921</u>
TOTAL EQUITY AND LIABILITIES	<u>157,696</u>	<u>158,600</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2019**

	Called up Share Capital £'000	Retained Earnings £'000	Share Premium £'000	Treasury Shares £'000	Employee Shares £'000	Total Equity £'000
Balance at 1 June 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	-	(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	48,679
Restated – IFRS 9 adoption	-	(396)	-	-	-	(396)
Total	8,621	14,342	24,721	(300)	295	47,679
Total comprehensive income	-	6,352	-	-	-	6,352
Transactions with owners						
Cost of treasury shares	-	-	-	-	-	-
Dividends	-	(806)	-	-	-	(806)
Issue of share capital	139	-	413	-	-	552
Value of employee services	-	-	-	-	3	3
Balance at 31 May 2019	8,760	19,888	25,134	(300)	298	53,780

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

	2019	2018
	£'000	£'000
Cash generated from operations		
Profit before tax	7,876	7,850
Depreciation and amortisation charges	778	571
Finance costs	218	179
Finance income	(67)	(63)
(Gain) on disposal of property plant & equipment	-	(30)
Decrease/(Increase) in inventory	365	(230)
Decrease in trade and other receivables	531	2,854
(Decrease) in trade and other payables	(5,286)	(9,854)
Movement in other non-cash items	(1,131)	(453)
	3,284	824
Cash flows from operating activities		
Interest Paid	(218)	(179)
Tax paid	(1,510)	(1,612)
Net cash from operating activities	(1,556)	(967)
Cash flows from investing activities		
Acquisition of subsidiaries	-	(9,879)
Purchase of software, property, plant & equipment	(778)	(1,034)
Proceed from sale of fixed assets	0	278
Contingent consideration paid	(533)	-
Interest received	67	63
Net cash from investing activities	(1,244)	(10,572)
Cash flows from financing activities		
Loan repayments in year	(1,237)	(1,001)
Loans issued in year	756	300
Purchase of own shares in EBT	-	(300)
Proceeds from issue of share capital	-	13,040
Transaction costs related to share issue	-	(853)
Equity dividends paid	(806)	(419)
Net cash from financing activities	(1,287)	10,767
(Decrease) in cash and cash equivalents	(975)	(772)
Cash and cash equivalents at beginning of year	1,306	2,078
Cash and cash equivalents at the end of the year	331	1,306

1. ACCOUNTING POLICIES

Basis of preparation

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

2. SEGMENTAL REPORTING

The Group has one business segment to which all revenue, expenditure, assets and liabilities relate. At present this is how information is reported to senior management. The directors regularly review the appropriateness of operating as one business segment for statutory reporting purposes. In future, the Group may report four distinct business units - Asset Finance, Loan Finance, Invoice Finance and Vehicle Finance.

3. PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging:

	2019 £'000	2018 £'000
Depreciation - owned assets	610	503
Amortisation - computer software	168	68
Net bad debt charge	553	1,513
Funding facility interest charges	4,457	4,031
Introducer commissions	3,767	3,383
Fees payable to the company's auditor for audit of company's subsidiaries	70	77
Fees payable to the company's auditor for the company's annual accounts	13	13

4. DIVIDENDS

	2019 £'000	2018 £'000
Ordinary shares £0.10 each		
Final	561	419
Interim	245	-
Total	806	419

The company paid a final dividend of £560,348 being 0.65p per Ordinary £0.10 share relating to the financial year ending 31 May 2018. For the year ending 31 May 2019, the company paid a maiden interim dividend of £245,269 being 0.28p per Ordinary £0.10 share and, subject to shareholder

approval at the Company's Annual General Meeting on 6 November 2019, the directors are recommending the payment of a final dividend of £498,318 (equivalent to 0.56p per share). Taken together, the interim and this recommended final dividend would equate to total dividends in relation to the year ending 31 May 2019 of £743,587 (equivalent to 0.84p per share).

5. EARNINGS PER SHARE

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

2019

	Earnings £'000	Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	6,352	87,048,483	7.30
Effect of dilutive securities			
Options and contingent consideration	-	9,009,945	(0.68)
Diluted EPS			
Adjusted earnings	<u>6,352</u>	<u>96,058,428</u>	<u>6.61</u>

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 dilutive securities			
Options and contingent consideration	-	14,485,055	(1.11)
Diluted EPS			
Adjusted earnings	<u>6,402</u>	<u>99,085,727</u>	<u>6.46</u>

6. PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information set out in this announcement does not comprise the Group's statutory accounts for the years ended 31 May 2019 and 31 May 2018. The financial information has been

extracted from the statutory accounts of the Group for the years ended 31 May 2019 and 31 May 2018.

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

The statutory accounts for the year ended 31 May 2018 have been delivered to the Registrar of Companies. Those for the year ended 31 May 2019 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

7. ANNUAL REPORT AND ANNUAL GENERAL MEETING

The Annual Report and Accounts will be available from the Company's website, www.1pm.co.uk, from 25 September 2019 and will be posted to shareholders on that date. The Annual Report contains notice of the Annual General Meeting of the Company which will be held at The Apex City of Bath Hotel, James Street West, Bath BA1 2DA on 6 November 2019 at 10.00 a.m.