5 September 2018

1pm plc

(the "Group" or the "Company")

IFRS 9 guidance: no material impact expected upon adoption

1pm plc, the AIM listed alternative finance provider, is pleased to provide guidance on adoption of the accounting standard, IFRS 9 'Financial Instruments' ("IFRS 9" or the "Standard").

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 is pleased to report, for illustration, that had the Standard applied to the financial year ended 31 May 2018, the estimated impact on the Group's financial results would have been negligible at 0.25% of net assets. The directors believe this reflects the cautious approach to provisioning against receivables already adopted across the Group.

IFRS 9 and IAS 39

IFRS 9 is effective for accounting periods commencing from 1 January 2018 and will replace the existing IAS 39 'Financial Instruments: Recognition and measurement' ("IAS 39").

Whilst there are a number of detailed technical differences between IFRS 9 and IAS 39, at a high level, under IFRS 9 impairment provisions will be recognised on the inception of any lending based on the probability of expected default and the typical loss arising on defaults. In effect, IFRS 9 requires the recognition of impairment on client receivables through an *expected* loss model. This differs from IAS 39 which follows an *incurred* loss model with specific provisions only being reflected when there is '*objective evidence of impairment*'.

Potential impact on 1pm

As the Group's financial year end is 31 May, the first year in which adoption of IFRS 9 will be applicable is for the current financial year, which began on 1 June 2018. This adoption will mean that the financial year recently ended on 31 May 2018 will become the prior year comparative. As such, the directors considered it prudent to advance the work on IFRS 9 to ascertain any potential impact on the results for the year ended 31 May 2018.

1pm welcomes the implementation of IFRS 9, since IAS 39 can be challenging to apply, particularly in respect of the lease and loan portfolios where borrowers may be delayed in making, or even miss, a payment for a variety of often understandable and acceptable reasons. It can therefore be far from clear-cut to classify arrears as being an '*objective evidence of impairment*', as an occasional delayed or missed payment does not necessarily indicate that recovery of the receivable is at risk. The Group's historical data indicates that receivables with sporadic delayed or missed payments can, and often do, perform well over the full life of the borrowing term.

As a result, under IAS 39, provisioning is assessed on a case by case basis with any expected income and cash shortfall provided for on a specific basis. The Group also currently adopts a cautious policy of maintaining and, where deemed appropriate, increasing an additional provision factoring in historical industry wide-data for potential future loss.

It is this approach to provisioning that enables the directors to be confident that the result of adopting IFRS 9 will be immaterial to the Group's financial results. Furthermore, the detailed work and analysis undertaken confirms that the impact of moving to a position of recognising a likely impairment at the initiation of any lending transaction is materially equal to both the sensible provisioning policy already adopted in the Group's balance sheet and the charge for impairments being incurred in the Group's profit and loss account.

For illustration, as at 31 May 2018, the Group held impairment provisions equal to 1.5% of the entire 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 and probability modelling.

James Roberts, Chief Financial Officer, commented:

"I am very pleased that on the back of very detailed and thorough work undertaken internally and with the help of appropriate external advisers, the Group is not expected to be materially impacted by the adoption of IFRS 9. This reflects the careful approach to provisioning the Group has already implemented.

It is also worth highlighting that the adoption of the Standard will have no impact either on the Group's ability to declare and pay dividends or on meeting its asset-based lending covenants with wholesale finance providers where there is, and will remain, significant headroom. Additionally, as an accounting adjustment only, the adoption of IFRS 9, will have no impact on revenue recognition, the underlying profitability of the Group's lending, or on cash flows."

For further information, please contact:

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