

**Oakam Limited**  
**Annual report and financial statements**  
**for the year ended 31 December 2015**

Registered number: 5878249

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# **Oakam Limited**

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# **Oakam Limited**

## **Officers and professional advisers**

### **Directors**

James Roy Clark  
Frederic Nze

### **Registered office**

172 Tottenham Court Road  
3<sup>rd</sup> Floor  
London W1T 7NS

### **Registered number**

5878249

### **Bankers**

National Westminster Bank Plc  
City Markets Group  
Floor 9  
280 Bishopsgate  
London EC2M 4RB

### **Auditor**

Deloitte LLP  
London

# Oakam Limited

## Strategic report

The Directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006. The accounts have been prepared in accordance with the Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). In the transition to FRS 102 from old UK GAAP, the Company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected the financial position and performance of the Company is provided in note 18.

### Principal activities

Oakam Limited (the "Company") is the trading Company for the Oakam Group (the "Group"), a specialist Financial Services provider operating through a retail network of stores and direct online distribution. The Company operates a total number of 22 retail stores, offering short to medium-term unsecured loans.

The current customer base is primarily made up of recent/first generation immigrants to the UK and UK customers with either an impaired credit rating or no credit rating history.

### Business review

Gross profit decreased from £20.3m in 2014 to £16.3 in 2015 (20% decrease). This is because revenue dropped significantly from the volume of refinances to existing clients due to FCA rule (implemented mid year in 2014) which limits the number of top ups to two per existing customer. This is in line with the average receivables decreasing by 14%. The quality of the loan book improved with distribution costs, including losses, over income reduced from 32.7% in 2014 to 31.3%.

The business successfully implemented new regulatory requirements relating to high cost short-term credit and was approved in February 2016 by the Financial Conduct Authority (FCA).

### Key Performance Indicator

	2015	2014
NEA (£m)	19.42	22.64
Net Profit Margin (%)	-13.6%	2.3%
Variable margin (%)	68.6%	67.2%
Admin Expense ratio	82.3%	64.4%
Gearing ratio	2.6	3.2
Asset Liability ratio	0.6	0.7
Tax Ratio	0.0	0.0
Current ratio	9.6	8.5
Acid test	8.1	7.7
Customer Franchise	22,382	29,646

### Financial risk management

The main financial risks arising from the Group's activities are credit risk and liquidity risk. These are monitored by the Board of Directors and were not considered to be unduly significant at the balance sheet date. In relation to this item the management was in advanced negotiations with several funders at the end of 2015 and expected to secure long-term funding early in 2016.

The Company's policy in respect of credit risk is to require appropriate credit checks on potential loan customers before contracts are completed.

The Company maintains readily accessible bank deposit accounts to ensure the Company has sufficient funds for operations. The cash deposits are held in current accounts.

The Company's exposure to interest rate risk is currently extremely limited as all funding and liquidity is provided by the Company's shareholders on agreed terms.

# Oakam Limited

## Strategic report

### Principal risks and uncertainties

#### Financial

- The Company undertakes unsecured lending which carries a risk attached to customers' changes in personal circumstances. This is mitigated by lending decisions and underwriting criteria regularly being reviewed and criteria and pricing modified as necessary.

#### UK & EU Regulation

- The regulation of consumer finance activities transferred from the Office of Fair Trading to the Financial Conduct Authority on 1 April 2014. The change of regulator has also seen the introduction of new and tighter regulations. In readiness for the new regime, the Group has strengthened its management team with the appointment of certain key hires. The new regulations have been implemented and the application for Oakam Ltd full authorisation was submitted within the allocated time frame on 25 February 2015. Oakam was formally approved in February 2016.
- We have a compliance function in place which monitors compliance with relevant regulations and report to the credit and executive committee. An experienced team is in place which monitors legislative changes and supports divisional compliance and legal functions. Expert third-party legal advice is taken where necessary.
- Ongoing constructive dialogue is maintained with regulators and Oakam wants to play a full and active part in all relevant regulatory reviews and consultation processes.
- The FCA introduced a cap on the cost of High Cost Short-Term Credit (HCSTC) in January 2015 and all our products comply fully with the new regulation.

#### Credit Risk

- Our loans are underwritten face to-face in one of our stores, or via our virtual store on the phone. Our loans are small-sum and short-term in nature. We utilise a 'low and grow' approach to granting credit appropriately as the customer demonstrates sustainability and affordability.
- We operate a three tier risk control framework with store managers and area managers acting as the first level of control with regards to the quality and risk of the underwriting done in store. Our second level of risk management is conducted by a central underwriting team that reviews loans both in real-time and after closure to monitor the standards of underwriting and that the customer's best interest is at the forefront of our employees decisions. The third level of control is run by our internal audit team, which conduct quarterly store audits.
- We also operate a monthly credit committee that reviews risk performance as well as underwriting and collection policies at least on a yearly basis. Other committees support the work of the credit risk committee to manage the company credit risk:
  - Risk performance and appetite is discussed during a weekly Exco meeting.
  - A quarterly compliance review and audit supports the 3 tier risk framework.

#### Competition: The risk that new or existing competitors impact business performance unexpectedly

- High-cost, short-term competitors have reduced in scale, having had to adapt to a rate cap, a tougher regulatory regime and go through a number of redress processes during 2015.
- We continue to monitor our competition closely.

#### Capital and funding: The risk that we might have insufficient capital to meet our regulatory and/or business requirements

- Oakam has a tight cash flow control policy and we have made significant progress on ensuring long-term funding is agreed with our main bank RBS in early 2016.
- Cabot Square Capital continues to support Oakam and has committed support for the next period.

#### Conduct Risk

- The risk of poor outcomes for customers in any of the group's divisions.
- Oakam has policies, practices and procedures in place to:
  - Minimise the risk of customers potentially receiving loans or lines of credit that are unaffordable or unsustainable;
  - Ensure that financial promotions are clear, fair and not misleading; and

# Oakam Limited

## Strategic report

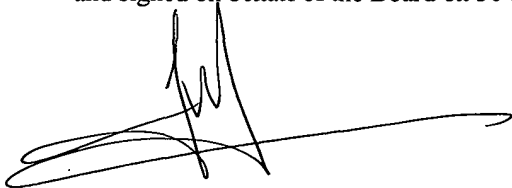
- Ensure effective complaints handling. Regular customer satisfaction surveys are undertaken. Treating customers fairly (TCF) principles are firmly embedded into the business and helping customers' interests is at the heart of the business.
- In addition to our monthly board meeting and weekly executive committee, we also conduct a risk committee overseeing all risks and compliance, focused on credit risk, underwriting criteria as well as FCA rules and guidelines and a customer experience forum to ensure issues are considered from a customer perspective.
- Customer satisfaction has remained high and complaints low during 2015.

### Going concern

After reviewing the Company's forecasts and projections, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

In reaching the conclusion that the Company may be regarded as a going concern, the Directors have noted that the Company is reliant upon the continued financial support of CS Capital Partners III, L.P., the major shareholder in the Company. The Directors have confirmed that CS Capital Partners III, L.P. have stated that it is their present intention to maintain its support for the Company in the execution of their business plans for the next 12 months in the form of the continuation of the loan note issuance facility.

Approved by the Board of Directors  
and signed on behalf of the Board on 30 September 2016



30 September 2016  
Frederic Nze  
Chief Executive Officer

# **Oakam Limited**

## **Directors' report**

The Directors present their annual report and the audited financial statements for the year ended 31 December 2015.

### **Results and dividends**

The profit and loss account is set out on page 9 and shows the loss for the year of £2.2m (2014: profit of £0.4m)

The Directors do not recommend the payment of a dividend (2014: £nil).

### **Charitable and political donations**

During the year there were no charitable donations (2014: £nil). There were no political contributions (2014: £nil).

### **Liquidity risk**

To maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses intergroup financing in order to make sure sufficient funds are available.

The company reviews and updates its cash flow predictions through the year via its forecasting process ensuring sufficient cash to manage its operations is available at all times.

### **Market risk**

Oakam loans are based on a fixed interest rate and therefore are not exposed to market driven fluctuations. Due to the inherent interest rates the impact of changes in Bank of England Base rates is limited.

### **Post Balance Sheet Events**

On 26 January 2016, Oakam secured a wholesale funding facility from the Royal Bank of Scotland for a total of £25m.

On 22 February 2016, Oakam was fully authorised by the Financial Conduct Authority.

### **Directors served during the year**

The Directors, set out below have held office during the whole period from the date of appointment to the date of this report:

James Roy Clark (from 17 July 2006 to date)

Frederic Nze (from 17 August 2006 to date)

### **Directors' indemnities**

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which are made during the year and remain in force at the date of this report.

# **Oakam Limited**

## **Directors' responsibilities statement**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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 the Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. 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;
- comply with UK Accounting Standards subject to any material departures disclosed and explained in the financial statements; and
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board of Directors  
and signed on behalf of the Board



Frederic Nze  
Chief Executive Officer

30 September 2016

172 Tottenham Court Road  
3<sup>rd</sup> Floor  
London  
W1T 7NS



## **Independent auditor's report to the members of Oakam Limited**

We have audited the financial statements of Oakam Limited for the year ended 31 December 2015 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom FRS 102 Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

### **Respective responsibilities of Directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"); and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**


In our opinion 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.

## **Independent auditor's report to the members of Oakam Limited (continued)**

### **Matters on which we are required to report by exception**

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.



Caroline Britton  
Senior Statutory Auditor  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

30 September 2016

# Oakam Limited

## Profit and loss account For the year ended 31 December 2015

	Notes	2015 £	2014 £
<b>Turnover</b>	3	16,378,134	20,341,264
Cost of sales		(31,803)	(50,268)
<b>Gross profit</b>		16,346,331	20,290,996
Distribution expenses		(5,127,203)	(6,656,598)
Administrative expenses		(13,460,478)	(13,066,086)
Provisions		19,326	(104,416)
<b>Operating loss</b>	6	(2,222,024)	463,896
Other interest receivable and similar income		1,187	388
Interest payable and similar charges		-	-
<b>(Loss) / profit on ordinary activities before taxation</b>		(2,220,837)	464,284
Tax on profit on ordinary activities	7	-	-
<b>(Loss) / profit for the financial year after taxation</b>	16	(2,220,837)	464,284

- There are no recognised gains or losses other than the profit for the year ended 31 December 2015 and in the prior year.
- There is no other comprehensive income and thus a statement of other comprehensive income has not been prepared.
- The Group is operating continuously with no discontinued operations during 2015.

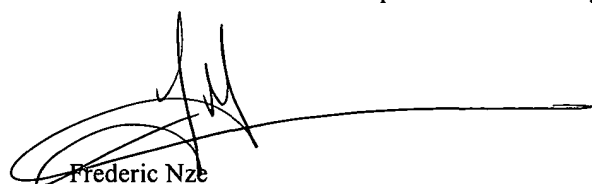
# Oakam Limited

## Balance sheet

At 31 December 2015

	Notes	2015 £	2014 £
<b>Fixed assets</b>			
Intangible assets	8	<u>689,638</u>	<u>136,735</u>
Tangible assets	9	<u>583,213</u>	<u>872,429</u>
<b>Current assets</b>			
Debtors			
- other due within one year	10	14,712,581	18,585,296
- due after one year	10	4,864,881	4,281,128
Cash at bank and in hand		<u>934,499</u>	<u>926,358</u>
		20,511,961	23,792,782
<b>Creditors: amounts falling due within one year</b>	11	(2,088,380)	(2,225,541)
<b>Provisions for liabilities</b>	12	<u>(50,323)</u>	<u>(560,611)</u>
<b>Net current assets</b>		<u>18,373,258</u>	<u>21,006,630</u>
<b>Total assets less current liabilities</b>		19,646,109	22,015,794
<b>Creditors: Amounts falling due more than one year</b>	13	<u>(31,799,929)</u>	<u>(31,948,777)</u>
<b>Net liabilities</b>		<u>(12,153,820)</u>	<u>(9,932,983)</u>
<b>Capital and reserves</b>			
Called up share capital	15	-	-
Profit and loss account	16	<u>(12,153,820)</u>	<u>(9,932,983)</u>
<b>Shareholders' deficit</b>		<u>(12,153,820)</u>	<u>(9,932,983)</u>

The financial statements of Oakam Limited (Registered No. 5878249) were approved by the Board of Directors and authorised for issue on 30 September 2016. They were signed on its behalf by:



Frederic Nze  
(Chief Executive Officer)

# Oakam Limited

## Statement of Changes in Equity

As at 31 December 2015

	Profit and Loss Account	Total
	£	£
At 31 December 2013 as previously stated	(12,114,631)	(12,114,631)
Changes on transition to FRS 102 (see note 18)	1,674,957	1,674,957
At 1 January 2014 as restated	(10,439,674)	(10,439,674)
Profit for the financial year	506,691	506,691
Total Comprehensive Income	(9,932,983)	(9,932,983)
At 31 December 2014	(9,932,983)	(9,932,983)
Profit for the financial year	(2,220,837)	(2,220,837)
Total Comprehensive Income	(12,153,820)	(12,153,820)
At 31 December 2015	(12,153,820)	(12,153,820)

# Oakam Limited

## Notes to the financial statements For the year ended 31 December 2015

### 1 Accounting policies

Oakam Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the group's operations and its principal activities are set out in the strategic report on pages 2 to 4.

The financial statements have been prepared in accordance with the Financial Reporting Standard 102, *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*").

The Company is a member of a group where its parent of the group prepares publicly available consolidated financial statements and that its financial statements are included in the consolidation. Hence, the Company has taken FRS 102 disclosures exemptions in paragraph 1.12 in preparing its financial statements, in accordance with paragraphs 1.8 to 1.10 of FRS102. The Company has taken disclosure exemptions under FRS102 to present cash flows, reconciliation of each class of share capital, related party transaction and key management personnel compensation for its subsidiary companies.

The presentation currency of these financial statements is sterling.

In the transition to FRS 102 from old UK GAAP, the Company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected the financial position and performance of the Company is provided in note 18.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these annual accounts.

#### Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Business Review which forms part of the Strategic Report. The Strategic Report also describes the financial position of the Company; its liquidity position and funding; the Company's objectives; key performance indicators; its financial risk management objectives; and its exposure to credit risk and liquidity risk.

The financial statements have been prepared on the going concern basis. In reaching the conclusion that the Company may be regarded as a going concern, the Directors have noted that the Company is reliant upon the continued financial support of CS Capital Partners III, L.P., the major shareholder in the Company. The Directors have confirmed that CS Capital Partners III, L.P. have stated that it is their present intention to maintain its support for the Company in the execution of their business plans for the next 12 months in the form of the continuation of the loan note issuance facility.

If the Company was unable to obtain additional finance through the loan note facility, or obtain funding from alternative sources to fund the Company's business plan, then adjustments may be necessary to write down assets to their recoverable amounts, reclassify fixed assets and long-term liabilities as current and provide for additional liabilities.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### Revenue recognition and classification of financial assets

##### i) Classification of financial assets

The Company classifies its financial assets, mainly loans and receivables as a '*Basic Financial Instrument*' in line with *FRS 102 Section 11 guidelines*.

# **Oakam Limited**

## **Notes to the financial statements For the year ended 31 December 2015**

‘Loans and advances’ are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term.

The Company considers its loan portfolio as a basic financial instrument as it complies with points 11.8(b) “a debt instrument (such as an account, note, or loan receivable or payable) that meets the conditions in paragraph 11.9 and is not a financial instrument described in paragraph 11.6(b).”

Oakam loans meet the conditions a debt instrument shall satisfy in accordance with paragraph 11.8(b) and 11.9 as a basic financial instrument. These are:

- a) Return to the lender - The contractual return to the lender, assessed in the currency in which the debt instrument is denominated is a positive fixed rate.
- b) The loans are not inflation linked.
- c) No variation in returns.
- d) Loss of principle - the fact that a debt is subordinated to other debt instruments, does not, in itself, affect the loan’s classification. In other words Oakam loans do not automatically fail to qualify as basic.
- e) Early repayment option - Oakam allows the borrower to voluntarily prepay a debt at par. No fees are charged on early repayment.
- f) Extension terms - For our extended loans i.e. ‘top up’ the original agreement of the loan is cancelled via termination of contract agreement and issuing of new contract.

### **ii) Recognition**

The Company initially recognises loans and advances and deposits on the date on which they are originated. All other loans are recognised on the date on which the Company becomes a party to the contractual provisions of the instrument.

Interest income is recognised using the effective interest method. The ‘effective interest rate’ is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Turnover presented in the profit and loss account include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.
- Fee income and transaction related expenses: Fee income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.
- Other: Bonus rewards generated from our previous ‘Bonus Loan’ product are recognised on a receipt basis.

### **Impairments and Provisions**

#### *Identification and measurement of impairment*

At each reporting date, the Company assesses whether there is objective evidence that financial assets not carried at fair value through the income statement are impaired. A financial asset or a group of financial assets is

# Oakam Limited

## Notes to the financial statements For the year ended 31 December 2015

‘impaired’ when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- Significant financial difficulty of the borrower or issuer;
- Default or delinquency by a borrower;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise; and
- Indications that a borrower will enter bankruptcy.

The Company considers evidence of impairment for loans and advances at both a specific asset and a collective level. All individually significant loans and advances are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans that are not individually significant are collectively assessed for impairment by grouping together loans with similar risk characteristics.

In assessing collective impairment, the Company uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends.

Default rates, loss rates and the expected timing of future recoveries are benchmarked at least once a year against actual outcomes to ensure that they remain appropriate.

### *Provisioning for impairment*

Provision is made against all accounts that are 1 month or more in arrears. The propensities of accounts at each stage (i.e. 0, 1, 2 or 3 months) of arrears likely to progress to write off are derived by reference to a three month transition matrix.

Based upon the transition matrix and allowing for predicted recoveries, the percentages applied to both outstanding capital and interest is:

<i>Arrears Bucket</i>	<i>%</i>
B0 (less than 1 month in arrears)	1.4%
B1 (1 month in arrears)	49.3%
B2 (2 months in arrears)	76.4%
B3 (3 months in arrears)	87.0%

Once accounts become 4 months in arrears they are written off on the basis that historically 99% of such debts are not recoverable.

From an accounting perspective, capital write offs and movements in provision are reported as a separate item. Interest write offs and movements in provision are reflected in interest income.

Any recoveries from written off accounts are recognised on a cash received basis.



# **Oakam Limited**

## **Notes to the financial statements For the year ended 31 December 2015**

### *Derecognition*

Financial assets are derecognised only when the rights to the cash flows from the asset have expired or are settled; or the entity has transferred all the risks and rewards of ownership, or where ownership is transferred but control is relinquished.

### **Intercompany loans**

Oakam Limited is the trading company for Oakam Group. Oakam Finance Limited (intermediate parent) provides funding to Oakam Limited (subsidiary) through an intercompany loan.

### *Classification*

The Company considers intercompany loans as 'Basic Financial Instruments' on the basis that this being a financing transaction. Therefore the Company measures the debtor or creditor at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

### *Recognition*

As per FRS102.11.13, if the arrangement constitutes a financing transaction, the entity shall measure the financial asset or liability at the present value of the future payments discounted as a market rate of interest for a similar debt instrument. Oakam Limited has external debt with RBS, as initiated on 26 January 2016 and disclosed in draft accounts, at a rate of 5.5%. This rate is used as the discounted rate.

Where the loan is made at a non-market rate of interest and the lender and borrower are related parties because one owns the other or lender and borrower owned the same entity or person, the difference arising on initial recognition of the loan would be generally accounted for as a distribution or capital contribution. The Board of Directors assessed that the difference in the loan is treated as capital contribution rather than distribution.

The market rate would be with reference to the date of initial recognition per FRS102.11.13. The introduction of the agreement in 2013 substantively changed the terms; the Company recognised the date in 2013 as the initial date of recognition. This intercompany loan is treated as non current as no notice was served at the year end or post balance sheet, therefore it is greater than a year.

### *Measurement*

#### Year 1

The loan, held as a basic financial instrument, is measured at amortised cost using effective interest rate method. The effective interest rate determined in the valuation of the loan (based on initial recognition date) will be applied going forward.

Interest received in the parent should be recognised as interest income in profit and loss, and in the subsidiary an interest expense in profit and loss

#### Subsequent years

There are two views under FRS102 with regards to ongoing treatment in terms of unwinding of the interest. The Company takes a view that the adjustment in FRS102.11.20 is continuous. This means that at each date, the financial asset and financial liability is continually measured at the net present value discounted by the effective rate of interest. This has the effect that unwinding of the discount does not commence until the lender exercises the demand feature right. The impact is that the Oakam Limited only recognises the discount unwinding from the point the demand feature is exercised, similarly in respect of the lender.

## Notes to the financial statements

### For the year ended 31 December 2015

# **Oakam Limited**

## **Notes to the financial statements For the year ended 31 December 2015**

inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less / (more) than the value at which it is recognised, a deferred tax liability / (asset) is recognised for the additional tax that will be paid / (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided / (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### **Other loans treatment and recognition**

#### *Amortised cost measurement*

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

#### *Fair value measurement*

'Fair value' is the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction. When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is recognised in the income statement on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

### **Leases**

Where Oakam has risks and rewards, the classification is a finance lease but all other leases are operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Premiums, reverse premiums and similar incentives received to enter into operating lease agreements are released to the profit and loss account over the length of the lease.

# **Oakam Limited**

## **Notes to the financial statements For the year ended 31 December 2015**

### **Trade debtors**

Trade debtors are made up of customer loan repayments due. For all loans, instalments are included in the balance sheet at their current capital value plus accrued interest.

### **Provision for doubtful debts and write-offs**

Provision is made against all loan accounts that are 1 month or more in arrears. The propensity of accounts at each stage 1, 2, or 3 months of arrears likely to progress to write off are derived by reference to a three month transition matrix. A provision is also made against all cases less than 1 month in arrears. Once accounts become 4 months in arrears they are written off.

### **Pension costs**

Contributions to the Company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable. The assets of the scheme are held separately in an independently administered fund.

### **Dividends**

Equity dividends are recognised when they become legally payable. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Dividends on shares wholly recognised as liabilities are recognised as expenses and classified within interest payable.

### **Recognition for redress provision**

This provision is only referring to impacted customer accounts from 1 January 2008 to 31 August 2014. Where the accounts for a customer can be fully constituted their amount of redress is exactly as calculated through running a simulation of their account plus a one off 8% compensation. Where the account cannot be fully constituted the interest has been estimated.

### **Financial liabilities and equity**

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

## **2 Critical accounting judgement and key sources of estimation of uncertainty**

As part of the preparation of the financial statements, the Company makes estimates and judgements that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on many factors including historical experience and expectations of future events that are believed to be reasonable under the circumstances.

These estimates and judgements are described below:

### *Impairment losses on loans to customers*

Loan impairment losses represent the Company's best estimate of losses incurred in the loan portfolios at the balance sheet date. The Company is required to exercise judgement in making assumptions and estimates when calculating loan impairment losses.

Impairment provisions are calculated using historical arrears experience, modelled credit risk characteristics and information from external data agencies.

Estimates are applied to determine prevailing market conditions, customer behaviour (e.g. default rates), changes in law and regulations and other influences on customer payment patterns. The accuracy of the provision would therefore be affected by unexpected changes to these assumptions.

# Oakam Limited

## Notes to the financial statements For the year ended 31 December 2015

Impairment losses and also write offs are explained in detail in accounting policy under the category of *Impairment and Provision*.

### *Financial instruments*

#### *Financial Assets – Oakam Loan.*

The recognition of Oakam loans as basic financial asset is discussed in detail in the Note 1 to financial statements, under the section 'Revenue treatment and recognition of financial assets'. The Board of Directors have conducted assessment of the loan portfolio to determine whether or not it is a basic financial instrument. The loan portfolios satisfy all the conditions mentioned in FRS102 paragraph 11.8 and 11.9, as a Basic Financial Instrument.

#### *Financial Liabilities – Intercompany loan*

This section is further explained in the Note 1 to financial statements, under the section 'Intercompany loans'.

The Company considered this as a 'Basic Financial Instrument' on the basis that it is a financing transaction and satisfy conditions mentioned in FRS102 paragraph 11.8 and 11.9. The loan is categorised as non current as no notice was served at the year end or post balance sheet, therefore it is greater than a year.

Oakam Limited has external debt with RBS, as initiated on 26 January 2016 and disclosed in draft accounts, at a rate of 5.5%. This rate is used as the discounted rate.

Where the loan is made at a non-market rate of interest and the lender and borrower are related parties because one owns the other or lender and borrower owned the same entity or person, the difference arising on initial recognition of the loan would be generally accounted for as a distribution or capital contribution. The Board of Directors assessed that the difference in the loan is treated as capital contribution rather than distribution.

The loan, held as a basic financial instrument, is measured at amortised cost using effective interest rate method. The effective interest rate determined in the valuation of the loan (based on initial recognition date) will be applied going forward. The interest received in the parent is recognised as interest income in profit and loss, and in the subsidiary an interest expense in profit and loss.

With regards to ongoing treatment in terms of unwinding of the interest, the Company takes a view that the adjustment in FRS102.11.20 is continuous. This means that Oakam Limited only recognises the discount unwinding from the point the demand feature is exercised, similarly in respect of the lender.

### **3.1 Turnover**

Turnover is wholly attributable to the principal activities of the Company and arises solely within the United Kingdom.

### **3.2 Effective Interest Rate (EIR) Implementation Methodology**

#### **Introduction**

At the end of 2015 the company moved its accounting reporting standards from old UK GAAP to the Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). In the transition to FRS 102 from old UK GAAP, the Company has made measurement and recognition adjustments.

The main impact of the conversion relates to the recognition of the fees and expenses related to the origination of our loans under the effective interest rate methodology.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

# Oakam Limited

## Notes to the financial statements For the year ended 31 December 2015

### Effective Interest Rate

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the carrying amount of the financial asset or financial liability.

The effective interest rate is determined on the basis of the carrying amount of the financial asset or liability at initial recognition. Under the effective interest method:

- (a) The amortised cost of a financial asset / (liability) is the present value of future cash receipts / (payments) discounted at the effective interest rate; and
- (b) The interest expense / (income) in a period equals the carrying amount of the financial liability / (asset).

### Methodology for recognising Fees

Oakam charges a fee on its non high cost short-term credit origination business. Those fees are aimed at covering the costs related to the origination of all loans and are usually capitalised to the loan on origination.

To implement the recognition of our fees using the EIR method we have carried out a loan by loan analysis for the year 2015 segmented the fees into:

- 1) Fees for loans originated in 2015 that closed in 2015, and therefore are recognised in 2015.
- 2) Fees for loans originated in 2015 that remained open at the end of the year are recognised according to the time passed since inception, using their contractual life.
- 3) Fees for loans originated in 2015 that were written off during the year or beyond are recognised until the point of default as they were collected through the repayment of the capital for those loans. The remaining payable fees are provisioned as part of the provisioning of the unpaid capital.

## 4 Employees

	2015	2014
Staff costs (including Directors) consist of:	£	£
Wages and salaries	6,599,864	6,535,506
Social security costs	614,526	601,600
Employers pension costs (defined contribution scheme)	68,622	71,294
	<hr/>	<hr/>
	7,283,012	7,208,400
	<hr/>	<hr/>
	2015	2014
Average number of employees by function:		
Retail	145	166
Administration	105	84
	<hr/>	<hr/>
	250	250
	<hr/>	<hr/>

The average number of employees (including Directors) during the year was 250 (2014: 250).

There were no outstanding or prepaid contributions on the balance sheet as at 31 December 2015.

# **Oakam Limited**

## **Notes to the financial statements For the year ended 31 December 2015**

### **5 Directors' remuneration**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Director's remuneration consists of:		
Director's emoluments	441,715	305,250
	<hr/>	<hr/>
Emoluments of the highest paid director during the year	441,715	305,250
	<hr/>	<hr/>

There was one director in the Company's defined contribution pension scheme during the year (2014: one). Company contributions to the defined contribution pension scheme for the highest paid director amounted to £7,522 (2014: £6, 853).

### **6 Loss on ordinary activities before taxation**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
This has been arrived at after charging:		
Depreciation	813,916	799,773
Operating leases - land and buildings	1,365,817	1,399,003
Fees payable to Company's auditor -Deloitte LLP	44,000	34,000
Fees payable to Company's non – audit (taxation services) -Deloitte LLP	11, 400	10,000
	<hr/>	<hr/>

# Oakam Limited

## Notes to the financial statements For the year ended 31 December 2015

### 7 Taxation on profit from ordinary activities

	2015 £	2014 £
(Loss)/Profit on ordinary activities before tax	(2,220,837)	464,284
Expected UK corporation tax charge at 20.25% (2014: 21.49%)	(449,643)	99,775
Effects of:		
Expenses not deductible for tax purposes	47,360	77,598
Group relief claimed	31,283	-
UK Transfer pricing adjustment	(425,562)	(324,904)
Losses carried forward not recognised for deferred tax purposes	706,422	(167,823)
Deferred tax not provided	90,140	315,354
<b>Current tax charge for year</b>	<u>-</u>	<u>-</u>
<b>Deferred tax</b>		
<b>Amounts not recognised (at the closing tax rate)</b>		
Fixed assets	(571,113)	(421,136)
Timing differences - trading	(22,725)	(39,552)
Losses	(2,897,015)	(2,346,069)
	<u>(3,490,853)</u>	<u>(2,806,757)</u>

The Company did not recognise a closing balance sheet deferred tax asset as at 31 December 2015 of £3,490,853 in respect of fixed asset timing differences, short-term timing differences and losses (2014: £2,806,757). This is because it is uncertain whether profits will be available against which such timing differences can reverse in the foreseeable future.

From 1 April 2015, (Finance Act 2015) there is a single corporation tax of 20% for non-bearing fence profits. The standard rate of corporation tax has not changed, but the effective tax rate for the year 2015 is 20.25%. (2014:21.49%).



## Oakam Limited

### Notes to the financial statements For the year ended 31 December 2015

#### 8 Intangible Asset

	Software £
<i>Cost</i>	
At 1 January 2015	2,074,886
Additions	749,646
At 31 December 2015	<u>2,824,532</u>
<i>Amortisation</i>	
At 1 January 2015	(1,938,151)
Charge for the year	(196,743)
At 31 December 2015	<u>(2,134,894)</u>
<i>Net book value</i>	
At 31 December 2015	<u>689,638</u>
At 31 December 2014	<u>136,735</u>

# Oakam Limited

## Notes to the financial statements For the year ended 31 December 2015

### 9 Property, Plant and Equipment

	Lease property Improvements £	IT and telecoms equipment £	Motor Vehicles £	Total £
<i>Cost</i>				
At 1 January 2015	2,693,615	1,720,369	5,210	4,419,194
Additions	158,820	169,137	-	327,957
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	2,852,435	1,889,506	5,210	4,747,151
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 January 2015	(2,244,611)	(1,296,944)	(5,210)	(3,546,765)
Charge for the year	(358,250)	(258,923)	-	(617,173)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	(2,602,861)	(1,555,867)	(5,210)	(4,163,938)
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2015	249,574	333,639	-	583,212
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	449,375	423,054	-	872,429
	<hr/>	<hr/>	<hr/>	<hr/>

### 10 Debtors

	2015 £	2014 £
Amounts falling due within one year:		
Trade debtors	15,024,318	18,363,167
Other debtors	156,699	578,545
Amount due from group undertaking	35,872	25,877
Prepayments and accrued income	1,060,575	1,494,000
	<hr/>	<hr/>
	16,277,464	20,461,589
	<hr/>	<hr/>
Amounts falling due after one year:		
Loan provision	4,864,881 (1,564,883)	4,281,128 (1,876,293)
	<hr/>	<hr/>
Total debtors	19,577,462	22,866,424
	<hr/>	<hr/>

# Oakam Limited

## Notes to the financial statements For the year ended 31 December 2015

### 11 Creditors: amounts falling due within one year

	2015 £	2014 £
Trade creditors	418,058	451,365
Other taxation and social security	153,801	225,522
Accruals and deferred income	1,516,521	1,548,654
	<u>2,088,380</u>	<u>2,225,541</u>

### 12 Redress Provisions

	2015 £	2014 £
Opening Balance as at 1 January 2015	(560,610)	(475,198)
Additions	-	(104,416)
Releases	-	-
Realised/(Charged) during the period	510,288	19,003
Closing Balance as at 31 December 2015	<u>(50,322)</u>	<u>(560,611)</u>

Where the accounts for a customer can be fully constituted their amount of redress is exactly as calculated through running a simulation of their account plus a one off 8% compensation. Where the account cannot be fully constituted the interest has been estimated.

# Oakam Limited

## Notes to the financial statements For the year ended 31 December 2015

### 13 Creditors: amounts falling after one year

	2015 £	2014 £
Amounts due to group undertakings	31,799,929	31,948,777
	<u>31,799,929</u>	<u>31,948,777</u>

### 14 Commitments under operating leases

As at 31 December 2015, the Company's total future minimum lease payments under non-cancellable operating leases as set out below:

	2015 Land and Buildings £	2014 Land and buildings £
Operating leases which expire:		
I) within one year	1,436,358	1,311,002
ii) Between 1 and five years	4,212,272	3,657,866
iii) After five years	1,585,438	603,117
	<u>7,234,068</u>	<u>5,571,985</u>

The Company had no commitments under finance leases.

### 15 Share capital

#### Authorised

	2015 Number	2014 number	2015 £	2014 £
Ordinary shares of £0.01 each	100,000	100,000	1,000	1,000

#### Allotted, called up fully paid

	2015 Number	2014 number	2015 £	2014 £
Ordinary share of £0.01 each	1	1	0.01	0.01

# Oakam Limited

## Notes to the financial statements For the year ended 31 December 2015

### 16 Reserves

	2015 £	2014 £
At 1 January 2015	(9,932,983)	(10,397,267)
(Loss)/Profit for the financial year	(2,220,837)	464,284
At 31 December 2015	<u>(12,153,820)</u>	<u>(9,932,983)</u>

### 17 Related party transactions

#### Subsidiary, parent and ultimate controlling party

The Company is fully owned by Oakam Finance Limited, (a subsidiary company which is fully owned by Oakam Holdings Limited).

At 31 December 2015 the Company's intermediate parent undertaking is Oakam Holdings Limited, which is the parent of the smallest and largest groups into which the results of the Company are consolidated. The financial statements of Oakam Holdings Limited are available from Companies House. The ultimate controlling party is CS Capital Partners III L.P.

### 18 Explanation of transition to FRS 102

This is the first year that the Company has presented its financial statement under Financial Reporting Standard 102 (FRS102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014. As a consequence of adopting FRS102, a number of accounting policies have changed to comply with that standard.

The Company adopted FRS102 for the year ending 2015 and has restated the comparative prior year amounts.

The Company has changed its accounting policies in line with the changes shown below on transition to FRS102. They are explained in the 'Accounting Policy' section within 'Notes to the Financial Statements'.

- a) Financial assets and revenue
- b) Intercompany
- c) Holiday pay
- d) Intangible

From 1 January 2015 financial instruments are amortised using the effective interest rate ('EIR') method of amortisation. The change in measurement of such instruments has been applied retrospectively, and primarily affects the loans and advances issued by the Company.

The application of effective interest results in the recognition income/expenses evenly and proportionally over the life of the underlying financial instrument, ensuring the income/expenses are recognised in the period to which it relates. In practice this involves a number of individual adjustments to the carrying value of the loan book, such as; i) deferment of the net expenses incurred on origination of the loans (for those still deemed to be amortising on transition); ii) reclassification of certain fee income and expenses as interest income; and iii) deferment of fee income/expenses collections relating to pipeline applications.

# Oakam Limited

## Notes to the financial statements For the year ended 31 December 2015

On transition the EIR adjustments on the fees, and attribute costs resulted in an increase to equity of £285,957 (31 December 2014: cumulative EIR adjustments and decrease in equity was £793,020).

The impact on the turnover of the transition from UK GAAP to FRS 102 is illustrated as below:

	<b>MEMO FRS102 YE2014 adjusted in YE2015 £</b>	<b>FRS102  YE2014 £</b>	<b>Original  YE2014 £</b>	<b>Difference</b>
Interest Income		17,841,497	17,841,497	-
Other Income		40,841	40,841	-
Fees 2014 as per UK GAAP			3,621,298	(3,621,298)
Fees 2014 as per FRS102	698,972	2,458,925		2,458,925
<i>Fee restated</i>	<i>698,972</i>	<i>2,458,925</i>	<i>3,621,298</i>	<i>(1,162,373)</i>
<b>TURNOVER</b>	<b>698,972</b>	<b>20,341,263</b>	<b>21,503,636</b>	<b>(1,162,373)</b>
<b>Distribution Costs (capital write offs)</b>				
Write offs 2014 as per UK GAAP			(7,025,951)	7,025,951
Write offs 2014 as per FRS102	188,122	(6,802,692)		(6,802,692)
	<b>188,122</b>	<b>(6,802,692)</b>	<b>(7,025,951)</b>	<b>223,259</b>
<b>Admin Costs Direct Loan Costs</b>				
Direct cost 2014 as per UK GAAP			(881,649)	881,649
Direct cost 2014 as per FRS102	(146,094)	(735,555)		(735,555)
	<b>(146,094)</b>	<b>(735,555)</b>	<b>(881,649)</b>	<b>146,094</b>
<b>Net effect</b>	<b>741,000</b>	<b>12,803,016</b>	<b>13,596,036</b>	<b>(793,020)</b>

# Oakam Limited

## Notes to the financial statements For the year ended 31 December 2015

	<b>MEMO FRS102 YE2014 &amp; YE2015 adjusted in YE2016 £</b>	<b>FRS102  YE2015 £</b>	<b>Original  YE2015 £</b>	<b>Difference</b>
Interest Income		15,077,462	15,077,461	-
Other Income		185,105	185,105	-
Fees 2014 as per FRS102	29,097	698,972		698,972
Fees 2015 as per UK GAAP			917,312	(917,312)
Fees 2015 as per FRS102	282,477	416,595		416,595
<i>Fees</i>	<b>311,574</b>	<b>1,115,567</b>	<b>917,312</b>	<b>198,255</b>
<b>TURNOVER</b>	<b>311,574</b>	<b>16,378,134</b>	<b>16,179,878</b>	<b>198,255</b>
<b>Distribution Costs (capital write offs)</b>				
Write offs 2015 as per UK GAAP			(5,214,904)	5,214,904
Write offs 2015 as per FRS102	54,596	(5,189,713)		(5,189,713)
Loan in 2014 write off in YE 2015 as per FRS102	5,640	188,122		188,122
	<b>60,237</b>	<b>(5,001,591)</b>	<b>(5,214,904)</b>	<b>213,313</b>
<b>Admin Costs Direct Loan Costs</b>				
Direct cost 2015 as per UK GAAP			(618,589)	618,589
Direct cost 2015 as per FRS102	(20,483)	(598,106)		(598,106)
Direct cost 2014 as per FRS102		(146,094)		(146,094)
	<b>(20,483)</b>	<b>(744,200)</b>	<b>(618,589)</b>	<b>(125,611)</b>
<b>Net effect</b>	<b>351,327</b>	<b>10,632,342</b>	<b>10,346,385</b>	<b>285,957</b>

# Oakam Limited

## Notes to the financial statements For the year ended 31 December 2015

### Reconciliation of equity

	Ref:	As At 1 January 2014 £	As At 31 December 2014 £
Equity reported under previous UK GAAP		(12,114,631)	(10,811,758)
<b>Adjustments to equity on transition to FRS 102:</b>			
Intercompany loan under effective interest rate method	(b)	1,717,364	1,717,364
Accrued Holiday Pay	(c)	(42,407)	(45,569)
Effective interest rate on financial assets	(a)		(793,020)
Equity reported under FRS 102		<u>(10,439,674)</u>	<u>(9,932,983)</u>

### Reconciliation of profit and loss for 31 December 2014

	2014 £
Profit and loss under previous UK GAAP	1,302,873
<b>Adjustments to profit and loss on transition to FRS 102:</b>	
Holiday pay accrual 2014	(45,569)
Effective interest rate on income as part of financial assets	(793,020)
Profit for the financial year under FRS 102	<u>464,284</u>