

**Oakam Limited**  
**Annual report and financial statements**  
**for the year ended 31 December 2016**

Registered number: 05878249



# **Oakam Limited**

## **Contents**

<b>Officers and professional advisers</b>	<b>1</b>
<b>Strategic report</b>	<b>2</b>
<b>Directors' report</b>	<b>5</b>
<b>Directors' responsibilities statement</b>	<b>6</b>
<b>Independent auditor's report to the members of Oakam Ltd</b>	<b>7</b>
<b>Profit and loss account</b>	<b>9</b>
<b>Statement of financial position</b>	<b>10</b>
<b>Statement of Changes in Equity</b>	<b>11</b>
<b>Notes to the financial statements</b>	<b>12</b>

# **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**

Moore Stephens  
150 Aldersgate Street  
London  
EC1A 4AB

# Oakam Limited

## Strategic report

The directors present their Strategic report on the Company for the year ended 31 December 2016.

### 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 increased from £16.4m in 2015 to £21.2m in 2016 (30% increase).

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 Indicators

	2016	2015
NEA (£m)	29.66	19.42
Net Loss Margin (%)	-17.1%	-13.6%
Variable Margin (%)	56.1%	68.6%
Admin Expense Ratio	67.4%	82.3%
Gearing Ratio	2.8	2.6
Asset Liability Ratio	0.7	0.6
Tax Ratio	8.9	0.0
Current Ratio	8.11	7.23
Acid Test	8.11	7.40
Customer Franchise	23,922	22,382

### Financial risk management

The main financial risks arising from the Company'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. 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 limited to the funding from the RBS syndicated facility, as all other funding and liquidity is provided by the Company's shareholders on agreed terms. The loan is secured by a fixed and floating charge over the assets of the group.

# 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 accurate lending decisions, reviewing underwriting criteria regularly and the development of in house credit risk assessment technology.

#### 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 Company received authorisation from Financial Conduct Authority in February 2016 and it continues to abide by all the regulations.
- We have a compliance function in place which monitors compliance with relevant regulations and reports 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 Financial Conduct Authority introduced a cap on the cost of High Cost Short-Term Credit (HCSTC) in January 2015 which is still applicable to date. All our HCSTC products comply with the cap.
- In 2016 a requirement for HCSTC providers to ensure their products were listed on one or more price comparison websites was introduced. Oakam met this requirement and continues to do so.

#### Credit Risk

- Our loans are underwritten face – to- face in one of our stores via our virtual store on the phone or through our mobile application. 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. Although the competitive landscape in the micro lending market remains largely unchanged, there is evidence of some industry consolidation materialising as a result of more exacting regulation under the Financial Conduct Authority (FCA). 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 entered a long-term funding agreement with our main bank RBS in early 2016.
- Cabot Square Capital continues to support Oakam and has committed support for the next period.
- In January 2016, Oakam entered long term funding agreement with RBS. In December 2016, the agreement was transferred into a syndicated facility with RBS and LDI Solutions Plus plc investment.
- Due to the short term life of our receivables, our cash position is also managed by balancing repayments received against new loans granted.

#### 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:

# Oakam Limited

## Strategic report

- 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
  - 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 2016.

### 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 financial statements.

In reaching the conclusion that the Company may be regarded as a going concern, the Directors have noted that the Oakam Group 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 Oakam Group 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 June 2017



30 June 2017  
Frederic Nze  
Chief Executive Officer

# **Oakam Limited**

## **Directors' report**

The Directors present their report and the audited financial statements for the year ended 31 December 2016.

### **Results and dividends**

The profit and loss account is set out on page 9 and shows the loss for the year of £3.6m (2015: loss of £2.2m)

The Directors do not recommend the payment of a dividend (2015: £nil).

### **Charitable and political donations**

During the year there were no charitable donations (2015: £nil). There were no political contributions (2015: £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.

In January 2016, Oakam entered long term funding agreement with RBS. In December 2016 the agreement was extended into a syndicated facility and with RBS and LDI Solutions Plus plc. 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.

The Company is exposed to interest risk over its wholesale funding. This is mitigated by the company's ability to re-price its asset book.

### **Post Balance Sheet Events**

From 1st January 2017, the Company have engaged in restructuring programme related to downsizing retail employees and certain activities, designed to reduce cost structure and improve productivity.

### **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  
Frederic Nze

### **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.

### **Auditor**

Each of the persons who are a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Moore Stephens have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

# Oakam Limited

## Directors' responsibilities statement

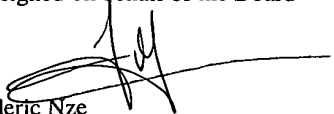
The Directors are responsible for preparing the Strategic Report, Directors' report and the financial statements in accordance with applicable law and regulations.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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.

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



Frederic Nze  
Chief Executive Officer

30 June 2017

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



# **Oakam Limited**

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

We have audited the financial statements of Oakam Limited for the year ended 31 December 2016 which are set out on pages 9 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom 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 set out on page 6, 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 (APB's) Ethical Standards for Auditors.

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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

## Oakam Limited

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

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

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

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.



Simon Fowles, *Senior Statutory Auditor*

For and on behalf of Moore Stephens LLP, Statutory Auditor

150 Aldersgate Street  
London  
EC1A 4AB

DATE 30 June 2017

## Oakam Limited

### Profit and loss account For the year ended 31 December 2016

	Notes	2016 £	2015 £
<b>Turnover</b>	4	21,211,987	16,378,134
Cost of Sales		(21,626)	(31,803)
<b>Gross Profit</b>		21,190,361	16,346,331
Distribution expenses		(9,295,296)	(5,127,203)
Administration expenses		(14,274,921)	(13,460,478)
Provisions		-	19,326
<b>Operating Loss</b>	7	(2,379,856)	(2,222,024)
Other interest receivable and similar income		29,325	1,187
Interest and fees payable and similar charges	8	(1,638,931)	-
<b>Loss on ordinary activities before taxation</b>		(3,989,462)	(2,220,837)
Tax on loss on ordinary activities	9	354,472	-
<b>Loss for the financial year after taxation</b>		(3,634,990)	(2,220,837)


- There is no comprehensive income and thus a statement of comprehensive income has not been prepared.
- The Company is operating continuously with no discontinued operations during 2016.

# Oakam Limited

## Statement of financial position At 31 December 2016

	Notes	2016 £	2015 £
<b>Fixed assets</b>			
Intangible assets	10	1,435,472	689,638
Tangible assets	11	282,775	583,213
<b>Current assets</b>			
Debtors			
- due within one year	12	20,914,057	14,286,748
- due after one year		8,613,400	5,290,714
Cash at bank and in hand		459,927	934,499
		29,987,384	20,511,961
<b>Creditors: amount falling due within one year</b>	13	(2,637,114)	(2,088,380)
<b>Provisions for liabilities</b>	14	-	(50,323)
<b>Net current assets</b>		27,350,270	18,373,258
<b>Total assets less current liabilities</b>		29,068,517	19,646,109
<b>Creditors: Amounts falling due more than one year</b>	15	(44,857,327)	(31,799,929)
<b>Net liabilities</b>		(15,788,810)	(12,153,820)
<b>Capital and reserves</b>			
Called up share capital	17	-	-
Profit and loss account		(15,788,810)	(12,153,820)
<b>Shareholders' deficit</b>		(15,788,810)	(12,153,820)

The financial statements of Oakam Limited (Registered No. 5878249) were approved by the Board of Directors and authorised for issue on 30 June 2017. They were signed on its behalf by:



Frederic Nze

(Chief Executive Officer)

## **Oakam Limited**

### **Statement of Changes in Equity As at 31 December 2016**

	<b>Profit and Loss Account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
<b>At 1 January 2015</b>	<b>(9,932,983)</b>	<b>(9,932,983)</b>
Loss for the financial year	(2,220,837)	(2,220,837)
<b>Total Comprehensive Income</b>	<b>(12,153,820)</b>	<b>(12,153,820)</b>
<b>At 31 December 2015</b>	<b>(12,153,820)</b>	<b>(12,153,820)</b>
Loss for the financial year	(3,634,990)	(3,634,990)
<b>Total Comprehensive Income</b>	<b>(15,788,810)</b>	<b>(15,788,810)</b>
<b>At 31 December 2016</b>	<b>(15,788,810)</b>	<b>(15,788,810)</b>
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# Oakam Limited

## Notes to the financial statements For the year ended 31 December 2016

### 1 Accounting policies

Oakam Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office and the principal place of business is given on page 1. The nature of the Company'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 and related party transactions.

The presentation currency of these financial statements is sterling, rounded to the nearest pound.

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*.

'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 Limited

## Notes to the financial statements

### For the year ended 31 December 2016

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 2016

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.

The following are the different stages.

<i>Arrears Bucket</i>	<b>Factors 2016</b>	<b>Factors 2015</b>
B0 (less than 1 month in arrears)	0.72%	1.40%
B1 (1 month in arrears)	42.25%	49.30%
B2 (2 months in arrears)	72.86%	76.40%
B3 (3 months in arrears)	87.94%	87.00%

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 2016**

#### *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 uses the market discounted rate based on the average cost of debt. 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 by 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.

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.

# Oakam Limited

## Notes to the financial statements

### For the year ended 31 December 2016

#### Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use or sale;
- The intention to complete the software and use or sell it;
- The ability to use the software or to sell it;
- How the software will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the software; and
- The ability to measure reliably the expenditure attributable to the software during its development.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. A typical software has an economic useful life between 2 to 5 years. The Company assessed that the estimated useful life of internally generated software is 3 years.

Where software is developed by third party contractors, this software is capitalised and depreciated over its expected useful life.

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

#### Research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the Company is expected to benefit. This period is three years. Provision is made for any impairment.

#### Property, plant and equipment

Assets are stated at cost net of depreciation and impairment in value. Depreciation is provided to write off the cost or valuation, less estimated residual values, of all assets within this category, except freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Lease property improvements	-	33% per annum straight-line basis
IT and telecoms equipment	-	33% per annum straight-line basis
Motor Vehicles	-	33% per annum straight-line basis

#### Taxation

UK corporation tax is provided at amounts expected to be paid/recovered using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the

Company's taxable profits and its results as stated in the financial statements that arise from the 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.

# Oakam Limited

## Notes to the financial statements

### For the year ended 31 December 2016

#### **Taxation (continued)**

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.

In 2016 an R&D tax credit exercise was carried out for year ending 2014 and 2015. This resulted in an estimated tax credit of £23,245 for 2014, and £331,228 for 2015.

#### **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 Profit and Loss account 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 2016

#### 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 Financial and Capital risk management.

### 2.1 Financial risk management

The Company's business is exposed to a variety of financial risks. The financial risks are mainly categorised as credit risk, liquidity risk and market risk (including interest rate risk). The objective of the company's risk management framework is to identify and assess the risks facing the company and to minimise the potential adverse effects of these risks on the company's financial performance. Financial risk management is overseen by the risk committee.

#### (a) Credit risk

Credit risk is the risk that the company will suffer from loss in the event of a default by a customer. A default occurs when the customer fails to honour repayments as they fall due. The Company provides for any amounts of loan principal and interest that is estimated to be irrecoverable from customers.

The Company has at least 66 historical risk performance *cohorts* showing very stable risk performance throughout the credit cycle [standard deviation of 6%], and therefore is sufficiently provisioned to cope with severe credit risk stress scores.

# Oakam Limited

## Notes to the financial statements

### For the year ended 31 December 2016

At the end of the financial year, the total trade debtor is £30,296,467 with maximum potential credit exposure of £6,577,244. The breakdown is as follows:

<u>Credit risk exposure analysis</u>	2016 £
Trade debtors due within one year	22,087,150
Trade debtors due after more than one year	8,209,317
<b>Total trade debtors</b>	<b>30,296,467</b>
	2016 £
Due in arrears	4,281,280
Not due expected amount	1,591,259
<b>Maximum total exposure – Arrears method</b>	<b>5,872,539</b>
<b>Maximum total exposure statistical method</b>	<b><u>£6,577,244</u></b>

\* 2 standard deviation of 6% [Based on 66 cohorts for Oakam loan]

#### (b) Liquidity risk

Liquidity risk is the risk that the company will have insufficient liquid resources available to meet its operational plans and/or to meet its financial obligations as they fall due. Liquidity management includes maintaining sufficient cash reserves to facilitate timing differences between cash outflows and receipt of customer loan repayments and growth. Cash positions are monitored daily and forecasting is used to manage the stability of the projected liquidity changes. The Company's finance team monitors forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs and satisfying the Company's banking covenants.

The Company has three main sources of funding:

- Bank funding - committed syndicated bank facility from RBS and LDI Solutions Plus plc
- Long term subordinated unsecured debt from Oakam Finance Limited financed by deep discounted bonds from CS Capital Partners III, L.P.
- Long term loan from Oakam Finance Limited through unsecured management loan notes

The Company has limited liquidity exposure due to the short-term nature of the company's main loan products.

# Oakam Limited

## Notes to the financial statements

### For the year ended 31 December 2016

The company at any time, and in order to mitigate risk can reduce the rate of repeat lending and therefore accelerate the repayment of its trade debtor account, to deal with any short or medium term liquidity constraints.

#### Maturity analysis

##### Financial liabilities 2016

	<1 year	>1 year < 3 years	More than 5 years	Total
Bank facility	27,412	13,100,000	-	13,127,412
Intercompany loan	-	31,757,327	-	31,757,327
Trade payable and accruals	2,609,702	-	-	2,609,702
	<b>2,637,114</b>	<b>44,857,327</b>	<b>-</b>	<b>47,494,441</b>

##### Financial assets 2016

	<1 year	>1 year < 3 years	More than 5 years	Total
Trade debtors	19,238,334	8,209,317	-	27,447,651
Other receivables	885,714	-	-	885,714
cash and cash equivalent	459,927	-	-	459,927
	<b>21,373,975</b>	<b>8,209,317</b>	<b>-</b>	<b>28,793,292</b>

##### Financial liabilities 2015

	<1 year	>1 year < 3 years	More than 5 years	Total
Bank facility	-	-	-	-
Intercompany loan	-	31,799,929	-	31,799,929
Trade payable and accruals	2,088,380	-	-	2,088,380
	<b>2,088,380</b>	<b>31,799,929</b>	<b>-</b>	<b>33,888,309</b>

##### Financial assets 2015

	<1 year	>1 year < 3 years	More than 5 years	Total
Trade debtors	13,459,435	4,864,881	-	18,324,316
Other receivables	192,571	-	-	192,571
cash and cash equivalent	934,499	-	-	934,499
	<b>14,586,505</b>	<b>4,864,881</b>	<b>-</b>	<b>19,451,386</b>

# Oakam Limited

## Notes to the financial statements

### For the year ended 31 December 2016

#### (c) Market risk including interest risk

Interest rate risk is the risk of a change in external interest rates which leads to an increase in the Company's cost of borrowing. The impact of such rate increases is limited, on the liability side and would be largely mitigated by a re-price customer loans. The Company LIBOR exposure arises from the current wholesale loan agreement with RBS and LDI Solutions Plus plc with total exposure of £13.1m. The Company currently does not use derivatives to hedge its interest rate exposure. The sensitivity analysis is shown below:

LIBOR change	Exposure to LIBOR Rate hikes (EBITDA Impact) £	Exposure to LIBOR Rate hikes (Turnover Impact) %
25bps	30,038	0.00
50bps	60,075	0.00
75bps	90,113	0.00
100bps	120,150	0.01

#### 2.2 Capital risk management

The Company manages its capital to maintain efficient capital structure which includes ensuring the company is able to continue as going concern, maximizing returns whilst satisfying the Company's banking covenants and regulatory requirements of the by FCA. The capital structure of the Company consists of cash and cash equivalents, long term subordinated debt via Oakam Finance Limited and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings. The Company also considers its subordinated debt from CS Capital Partners III, L.P., received via Oakam Finance Limited, as quasi capital. Currently the Company does not pay any dividends.

	2016	2015
<b>Cash &amp; cash equivalent, share capital and subordinated debt</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand	459,927	934,499
Share capital	-	-
Retained earnings	(15,788,810)	(12,153,280)
Oakam Finance Limited via long term debt (deep discounted bonds)	31,757,327	31,799,929
	<hr/>	<hr/>
	16,428,444	20,581,148
	<hr/>	<hr/>

## Notes to the financial statements

### For the year ended 31 December 2016

#### 3 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.

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 these financial statements, under the section 'Revenue recognition and classification 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 these financial statements, under the section 'Intercompany loans'.

##### *Financial Liabilities – External Debt*

Oakam Limited entered an external debt agreement with RBS, on 26 January 2016 and additional external debt with LDI Solutions Plus plc fund, initiated on 16<sup>th</sup> December. The loan facility is a wholesale revolving facility with a total facility of £25m. At the end of 2016, the total principal outstanding debt is £13.1m. The blended funding rate in 2016 was 5.5%. The loan facility is three year term (yearly extendable). The loan is secured over the 'receivable book' of the Group.

#### 4.1 Turnover

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

#### 4.2 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.



# Oakam Limited

## Notes to the financial statements

### For the year ended 31 December 2016

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.

#### 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 segmented the fees into:

- 1) Fees for loans originated in 2016 that closed in 2016, and therefore are recognised in 2016.
- 2) Fees for loans originated in 2016 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 2016 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.

## 5 Employees

	2016	2015
Staff costs (including Directors) consist of:	£	£
Wages and salaries	6,327,593	6,599,864
Social security costs	655,776	614,526
Employers pension costs (defined contribution scheme)	72,465	68,622
	<hr/>	<hr/>
	7,055,834	7,283,012
	<hr/>	<hr/>
	2016	2015
Average number of employees (including Directors) by function:		
Retail	113	145
Administration	133	105
	<hr/>	<hr/>
	246	250
	<hr/>	<hr/>

The outstanding pension contributions included in other creditors as at 31 December 2016 amounted to £16,445 (2015: £nil).

# Oakam Limited

## Notes to the financial statements

### For the year ended 31 December 2016

#### 6 Directors' remuneration

	2016	2015
	£	£
Director's remuneration consists of:		
Director's emoluments	267,444	441,715
Emoluments of the highest paid director during the year	267,444	441,715

There was one director in the Company's defined contribution pension scheme during the year (2015: one). Company contributions to the defined contribution pension scheme for the highest paid director amounted to £7,522 (2015: £7,522).

#### 7 Loss on ordinary activities before taxation

	2016	2015
	£	£
This has been arrived at after charging:		
Depreciation and amortisation	1,040,451	813,916
Operating leases - land and buildings	1,390,946	1,365,817
Fees payable to Company's auditor	36,000	44,000
Fees payable to Company's non – audit (taxation services)	6,180	11,400

#### 8 Interest and fees and payable and similar charges

	2016	2015
	£	£
Bank loan and overdraft	464,614	-
Other finance cost	1,174,318	-
	1,638,932	-

# Oakam Limited

## Notes to the financial statements

### For the year ended 31 December 2016

#### 9 Taxation on loss from ordinary activities

	2016 £	2015 £
Loss on ordinary activities before tax	(3,989,462)	(2,220,837)
Expected UK corporation tax charge at 20.00% (2015: 20.25%)	(797,892)	(449,643)
Effects of:		
Expenses not deductible for tax purposes	16,571	47,360
Enhanced deduction	(2,202)	-
Group relief claimed	13,897	31,283
UK Transfer pricing adjustment	(171,645)	(425,562)
Utilisation of brought forward Losses	750,737	706,422
Deferred tax not recognised	190,534	90,140
Adjustments in respect of prior periods	(354,472)	-
<b>Current tax charge for year</b>	<b>(354,472)</b>	<b>-</b>
<b>Deferred tax</b>		
<b>Amounts not recognised (at the closing tax rate)</b>		
Fixed assets	(654,205)	(571,113)
Timing differences - trading	(2,796)	(22,725)
Losses	(3,356,323)	(2,897,015)
	<b>(4,013,324)</b>	<b>(3,490,853)</b>

The company did not recognise a closing balance sheet deferred tax asset as at 31 December 2016 of £4,013,324 in respect of fixed asset timing differences, short-term timing differences and losses (2015: £3,490,853). This is because it is uncertain whether profits will be available against which such timing differences can reverse in the foreseeable future.

As at 31 December 2016, the standard rate of corporation tax in the UK was 20%. The standard rate of tax changed from 21% to 20% with effect from 1 April 2015. Accordingly, the company's profits for the year ended 31 December 2016 have been taxed at the effective rate of 20% (2015: 20.25%).

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes not recognised at the balance sheet date have been measured using these enacted tax rates.

## Oakam Limited

### Notes to the financial statements

#### For the year ended 31 December 2016

##### 10 Intangible Asset

	Software £
<i>Cost</i>	
At 1 January 2016	2,824,532
Additions	1,246,638
At 31 December 2016	<u>4,071,170</u>
<i>Amortisation</i>	
At 1 January 2016	(2,134,894)
Charge for the year	(500,803)
At 31 December 2016	<u>(2,635,698)</u>
<i>Net book value</i>	
At 31 December 2016	<u>1,435,472</u>
At 31 December 2015	<u>689,638</u>

# Oakam Limited

## Notes to the financial statements

### For the year ended 31 December 2016

#### 11 Property, Plant and Equipment

	Lease property Improvements £	IT and telecoms equipment £	Motor Vehicles £	Total £
<i>Cost</i>				
At 1 January 2016	2,852,435	1,889,506	5,210	4,747,151
Additions	170,406	68,804	-	239,210
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	3,022,841	1,958,310	5,210	4,986,361
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 January 2016	(2,602,861)	(1,555,867)	(5,210)	(4,163,938)
Charge for the year	(311,045)	(228,603)	-	(539,648)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	(2,913,906)	(1,784,470)	(5,210)	(4,703,586)
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2016	108,935	173,840	-	282,775
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	249,574	333,639	-	583,213
	<hr/>	<hr/>	<hr/>	<hr/>

#### 12 Debtors

	2016 £	2015 £
Amounts falling due within one year:		
Trade debtors	22,087,150	15,024,318
Provision for doubtful debt	(2,848,816)	(1,564,883)
Amount due from group undertaking	35,885	35,872
Corporation tax	354,472	-
Other debtors	495,356	156,699
Prepayments and accrued income	790,010	634,742
	<hr/>	<hr/>
	20,914,057	14,286,748
	<hr/>	<hr/>
Amounts falling due after one year:		
Trade debtors	8,209,317	4,864,881
Prepayments and accrued income	404,083	425,833
	<hr/>	<hr/>
Total debtors	29,527,457	19,577,462
	<hr/>	<hr/>

# Oakam Limited

## Notes to the financial statements

### For the year ended 31 December 2016

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

	2016 £	2015 £
Bank loans and overdrafts	27,412	-
Trade creditors	620,963	418,058
Other taxation and social security	182,900	153,801
Other creditors	18,468	-
Accruals and deferred income	1,787,371	1,516,521
	<u>2,637,114</u>	<u>2,088,380</u>

#### 14 Redress Provisions

	2016 £	2015 £
Opening Balance as at 1 January	(50,322)	(560,610)
Additions	-	-
Releases	-	-
Realised during the period	50,322	510,288
Closing Balance as at 31 December	<u>-</u>	<u>(50,322)</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.

In the beginning of January 2016 we have carried out an assessment; the management believe that there is no more liability for redress. All cheques have been issued to the customers from 2014 to June 2015.

# Oakam Limited

## Notes to the financial statements

### For the year ended 31 December 2016

#### 15 Creditors: amounts falling after one year

	2016 £	2015 £
Amounts due to group undertakings	31,757,327	31,799,929
Bank loans	13,100,000	-
	<hr/>	<hr/>
	44,857,327	31,799,929
	<hr/>	<hr/>

Bank loans are in relation to RBS and LDI Solutions Plus plc. The total principal amount of £13.1million was outstanding under the revolving facility as at 31 December 2016. The term of the loan is three years from the effective date. The loan is secured by a fixed and floating charge over the assets of the group. Amounts owed to group undertakings is repayable on demand, however is disclosed as due after more than one year and the loan has not been called in during the year, not post year end. The loans carry interest of a blended rate of 5.5% p.a.

#### 16 Commitments under operating leases

As at 31 December 2016, the Company's total future minimum lease payments under non-cancellable operating leases as set out below:

	2016 Land and Buildings £	2015 Land and buildings £
Operating leases which expire:		
I) within one year	1,378,042	1,436,358
ii) Between 1 and five years	3,576,887	4,212,272
iii) After five years	895,598	1,585,438
	<hr/>	<hr/>
	5,850,527	7,234,068
	<hr/>	<hr/>

The Company had no commitments under finance leases.

#### 17 Share capital

##### Authorised

	2016 Number	2015 Number	2016 £	2015 £
Ordinary shares of £0.01 each	100,000	100,000	100,000	1,000
	<hr/>	<hr/>	<hr/>	<hr/>

##### Allotted, called up fully paid

	2016 Number	2015 Number	2016 £	2015 £
Ordinary share of £0.01 each	1	1	0.01	0.01
	<hr/>	<hr/>	<hr/>	<hr/>

# Oakam Limited

## Notes to the financial statements For the year ended 31 December 2016

### 18 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 2016 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.

### 19 Key management personnel

	2016 £	2015 £
Total remuneration	400,750	663,000
Total remuneration of key management personnel	400,750	663,000

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director. The remuneration includes all employee benefits; all forms of consideration paid.