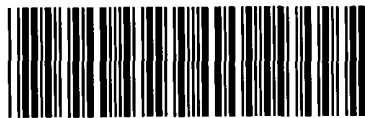


Oakam Holdings Limited
Annual report and financial statements
for the year ended 31 December 2016

Registered number: 05878446

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Oakam Holdings Limited

Report and financial statements 31 December 2016

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	6
Directors' responsibilities statement	8
Independent auditor's report	9
Consolidated profit and loss account	11
Consolidated statement of financial position	12
Company Statement of financial position	13
Consolidated statement of cash flow	14
Consolidated Statement of Changes in Equity	15
Company Statements of Changes in Equity	16
Notes to the accounts	17

Oakam Holdings Limited

Report and financial statements 31 December 2016

Officers and professional advisers

Directors

James Roy Clark
Frederic Nze

Registered office

172 Tottenham Court Road
3rd Floor
London W1T 7NS

Registered number

05878446

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 Holdings Limited

Strategic Report

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

Principal activities

Oakam Holdings Limited (the "Company") is the holding Company for the Oakam Group (the "Group"), a specialist Financial Services provider operating through a retail network of stores and direct online distribution. These financial statements consolidate the activities of the companies within the Group consisting of Oakam Holdings Limited, Oakam Limited, Oakam Finance Limited and Oakam Broking Limited. The Group 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 low income.

Business review

Gross profit increased from £16.3m 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 Indicator

	2016	2015
NEA (£m)	29.66	19.42
Net Loss Margin (%)	-78.2%	-82.2%
Variable margin (%)	56.1%	68.6%
Admin Expense ratio	67.4%	82.4%
Gearing ratio	1.35	1.30
Asset Liability ratio	0.3	0.2
Tax Ratio	-2.18%	0.02%
Current ratio	8.10	7.17
Acid test	8.10	7.34
Customer Franchise	23,922	22,382

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

The Group maintains readily accessible bank deposit accounts to ensure the Group has sufficient funds for operations. The cash deposits are held in a mixture of short-term deposits and current accounts.

The Group'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 Group's shareholders on agreed terms. The loan is secured by a fixed and floating charge over the assets of the group.

Oakam Holdings Limited

Strategic Report

Principal risks and uncertainties

Financial

- The Group 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 HCST 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.

Operational

- 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.
- The Group also recognises the operational risk as the risk of losses from inadequate or failed internal processes, systems and people or from external events, including the change in regulations. The Group mitigates this risk by adopting the Four Lines of Defence Assurance Model.

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.

Oakam Holdings Limited

Strategic Report

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 Group is exposed to interest risk over its wholesale funding. This is mitigated by our ability to re-price our receivables to compensate for any changes.

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 microlending 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 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.
- 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:
 - 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 firmly embedded into the business since they were introduced by the FSA and helping customers' interests at the heart of the business.
- In addition to our monthly board meeting and weekly executive committee, we 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.

Oakam Holdings Limited

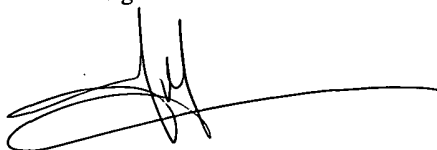
Strategic Report

Going concern

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

In reaching the conclusion that the Group may be regarded as a going concern, the Directors have noted that the Group is reliant upon the continued financial support of CS Capital Partners III, L.P., the major shareholder in the Group. 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 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

A handwritten signature in black ink, appearing to be 'Frederic Nze', with a long horizontal line extending to the right.

30 June 2017
Frederic Nze
Chief Executive Officer

Oakam Holdings Limited

Directors' Report

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

Going concern

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

Further details regarding the adoption of the going concern basis can be found in Note 1 of the financial statements.

The Group incurred a net loss of £16.59m during the year ended 31 December 2016 and, at that date it had total net liabilities of £82.99m. In reaching the conclusion that the Group may be regarded as a going concern the Directors have noted that the Group is reliant upon the continued financial support of CS Capital Partners III, L.P., the major shareholder in the Group. The Directors have confirmed that CS Capital Partners III, L.P. has stated that it is their present intention to maintain its support for the Group in the execution of their business plans for the 12 months from the date the statement of financial position was signed in the form of the continuation of the loan note issuance facility. For this reason the Directors continue to adopt the going concern basis of preparation as set out in Note 1 of the financial statements.

Results and dividends

The consolidated profit and loss account is set out on page 11 and shows the loss for the year of £16.59m (2015: loss of £13.5m). 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 group utilises funds raised by the issue of unsecured Deep Discounted Bonds to CS Capital Partners III, L.P.

In January 2016, Oakam have entered long term funding agreement with RBS. In December 2016 the agreement was extended into a syndicated facility 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.

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

Oakam Holdings Limited

Directors' Report

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 Holdings Limited

Directors' responsibilities statement

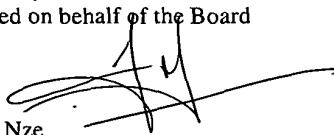
The Directors are responsible for preparing the Strategic Report, Directors' report and the financial statements in accordance with applicable law and regulations.

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
3rd Floor
London
W1T 7NS

Independent auditor's report to the members of Oakam Holding Limited

We
have

audited the financial statements of Oakam Holdings Limited for the year ended 31 December 2016 which are set out on pages 11 to 40. 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 8, 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.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 group financial statements are prepared is consistent with the group financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.


Independent auditor's report to the members of Oakam Holding Limited (Continued)

Matters on which we are required to report by exception

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

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

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



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 Holdings Limited

Consolidated profit and loss account Year ended 31 December 2016

		31 December 2016 £	31 December 2015 £
	Notes		
Turnover	1 & 4	21,211,987	16,378,134
Cost of sales		(21,626)	(31,803)
Gross profit		<u>21,190,361</u>	<u>16,346,331</u>
Distribution expenses		(9,295,296)	(5,127,203)
Administrative expenses		(14,274,954)	(13,476,238)
Provisions		-	19,326
Operating loss	6	<u>(2,379,889)</u>	<u>(2,237,784)</u>
Other interest receivable and similar income		99	1,208
Interest and fees payable and similar charges	7	(14,576,665)	(11,215,828)
Loss on ordinary activities before taxation		<u>(16,956,455)</u>	<u>(13,452,404)</u>
Taxation on loss	8	<u>367,519</u>	<u>(3,073)</u>
Loss for the financial year		<u><u>(16,588,936)</u></u>	<u><u>(13,455,477)</u></u>

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 2016.

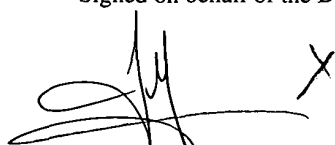
Oakam Holdings Limited

Consolidated statement of financial position 31 December 2016

	Notes	31 December 2016 £	31 December 2015 £
Intangible assets			
	9	<u>1,435,472</u>	<u>689,637</u>
Fixed assets			
Tangible assets	10	<u>282,775</u>	<u>583,213</u>
Current assets			
Debtors within one year	12	20,878,180	14,250,871
Cash at bank and in hand		<u>475,271</u>	<u>936,499</u>
		21,353,451	15,187,370
Debtors due after one year	12	8,613,400	5,290,714
Creditors: amounts falling due within one year	13	(2,637,114)	(2,101,427)
Provisions for liabilities	14	<u>-</u>	<u>(50,322)</u>
Net current assets		<u>27,329,737</u>	<u>18,326,335</u>
Total assets less current liabilities		29,047,984	19,599,185
Creditors: amounts falling due after more than one year	15	<u>(112,034,276)</u>	<u>(85,996,542)</u>
		<u>(82,986,292)</u>	<u>(66,397,357)</u>
Capital and reserves			
Called up share capital	17	1,417	1,417
Profit and loss account		<u>(82,987,709)</u>	<u>(66,398,774)</u>
Shareholders' deficit		<u>(82,986,292)</u>	<u>(66,397,357)</u>

The financial statements of Oakam Holdings Limited, registered number 05878446 were approved by the Board of Directors on 30 June 2017.

Signed on behalf of the Board of Directors



Frederic Nze
(Director)

Oakam Holdings Limited

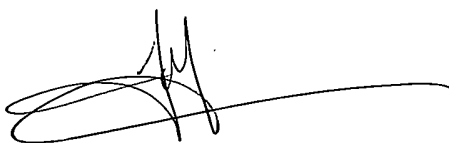
Company statement of financial position

31 December 2016

	Notes	31 December 2016 £	31 December 2015 £
Current assets			
Debtors	12	8	(5)
Cash at bank and in hand			-
		<u>8</u>	<u>(5)</u>
Net current assets		8	(5)
Total assets less current liabilities		8	(5)
Creditors: amounts falling within one year	13	(35,341)	(35,328)
		<u>(35,333)</u>	<u>(35,333)</u>
Capital and reserves			
Called up share capital	17	1,417	1,417
Profit and loss account		<u>(36,750)</u>	<u>(36,750)</u>
Shareholders' deficit		<u>(35,333)</u>	<u>(35,333)</u>

The financial statements of Oakam Holdings Limited, registered number 05878446 were approved by the Board of Directors on 30 June 2017.

Signed on behalf of the Board of Directors



Frederic Nze
(Director)

Oakam Holdings Limited

Consolidated statement of cash flows Year ended 31 December 2016

		2016	2015
	Note	£	£
Cash flows from operating activities	18	(10,804,069)	1,230,720
Interest Received		99	1,208
Interest Paid		(437,202)	-
Tax Paid		-	(3,073)
Net Cash flows from operating activities		(11,241,172)	1,228,855
Capital expenditure		(1,485,850)	(1,077,603)
Cash flows from investing activities		(1,485,850)	(1,077,603)
Increase in financing		13,100,000	-
Decrease in Loan Notes		(132,100)	(305,922)
Finance facility paid		(702,106)	-
Cash flows from financing activities		12,265,794	(305,922)
(Decrease) in cash in the year	19	(461,228)	(154,670)

Oakam Holdings Limited

Consolidated Statement of Changes in Equity As at 31 December 2016

	Called-up share capital	Profit and Loss Account	Total
	£	£	£
At 1 January 2015	1,417	(52,943,296)	(52,941,879)
	<hr/>	<hr/>	<hr/>
Loss for the financial year	-	(13,455,477)	(13,455,477)
	<hr/>	<hr/>	<hr/>
Total Comprehensive Income	-	(66,398,773)	(66,397,356)
	<hr/>	<hr/>	<hr/>
At 31 December 2015	1,417	(66,398,773)	(66,397,356)
	<hr/>	<hr/>	<hr/>
Loss for the financial year	-	(16,588,936)	(16,588,936)
	<hr/>	<hr/>	<hr/>
Total Comprehensive Income	-	(82,987,709)	(82,986,292)
	<hr/>	<hr/>	<hr/>
At 31 December 2016	1,417	(82,987,709)	(82,986,292)
	<hr/>	<hr/>	<hr/>

Oakam Holdings Limited

Company Statement of Changes in Equity

As at 31 December 2016

	Called-up share capital	Profit and Loss Account	Total
	£	£	£
At 1 January 2015	1,417	(31,750)	(30,333)
Loss for the financial year	-	(5,000)	(5,000)
Total Comprehensive Income	-	(36,750)	(35,333)
At 31 December 2015	1,417	(36,750)	(35,333)
Loss for the financial year	-	-	-
Total Comprehensive Income	-	(36,750)	(35,333)
At 31 December 2016	1,417	(36,750)	(35,333)
	=	=	=

Oakam Holdings Limited

Notes to the accounts Year ended 31 December 2016

1. Accounting policies

Oakam Holding Limited is a holding 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 5.

Basis of accounting

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 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.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable law and Financial Reporting Standards 102 (FRS102).

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Going concern

The Group'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 financial statements have been prepared on the going concern basis. In reaching the conclusion that the Group may be regarded as a going concern, the Directors have noted that the Group is reliant upon the continued financial support of CS Capital Partners III, L.P., the major shareholder in the Group. 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 Group in the execution of their business plans for the next 12 months from the date the balance sheet was signed in the form of the continuation of the loan note issuance facility.

If the Group was unable to obtain additional finance through the loan note facility, or obtain funding from alternative sources to fund the Group'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 and the Group have 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 Group 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 Group does not intend to sell immediately or in the near term.

Oakam Holdings Limited

Notes to the accounts

Year ended 31 December 2016

The Group 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 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 Group 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 Group 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 Group 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 Group 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 '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;

Oakam Holdings Limited

Notes to the accounts

Year ended 31 December 2016

- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- and indications that a borrower or issuer will enter bankruptcy;

The Group 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 Group 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>	Factors 2016	Factors 2015
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.

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.

Intergroup loans

Oakam Holdings Limited

Notes to the accounts

Year ended 31 December 2016

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

Classification

The Group considers intergroup loans as a Basic Financial Instruments on the basis that this being a financing transaction. Therefore the Group 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. The discounted market rate used is in line with the Group's 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 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 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 Group recognised the date in 2013 as the initial date of recognition. This intergroup 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 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.

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.

Oakam Holdings Limited

Notes to the accounts Year ended 31 December 2016

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 Group 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.

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 Group'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.

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 Group 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

Oakam Holdings Limited

Notes to the accounts

Year ended 31 December 2016

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 Group 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 Group 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 Group 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.

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 Group'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.

Oakam Holdings Limited

Notes to the accounts Year ended 31 December 2016

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 risk and capital risk management

Financial risk management

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

(a) Credit risk

Credit risk is the risk that the group 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 Group provide for any amounts of loan principal and interest that is estimated to be irrecoverable from customers.

The Group 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 a severe credit risk stress scores.

Oakam Holdings Limited

Notes to the accounts

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:

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

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

Oakam Holdings Limited

Notes to the accounts

Year ended 31 December 2016

(b) Liquidity risk

Liquidity risk is the risk that the group 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 Group finance team monitors forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs and satisfying the Group's banking covenants.

The group has three main sources of funding:

- Bank funding - committed syndicated bank facility from RBS and LDI Solutions Plus plc
- Long term subordinated unsecured debt (deep discounted bonds) from CS Capital Partners III LP
- Long term unsecured management loan notes

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

Oakam Holdings Limited

Notes to the accounts Year ended 31 December 2016

Maturity Analysis

Financial liability 2016

	<1 year	>1 year < 3 years	More than 5 years	Total
Bank facility	27,412	13,100,000	-	13,127,412
Unsecured long term subordinated deep discounted bonds	-	97,956,549	-	97,956,549
Unsecured long term loan notes	-	977,727	-	977,727
Trade payable and accruals	2,609,703	-	-	2,609,703
	2,637,114	112,034,276	-	114,671,390

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	849,836	-	-	849,836
Cash and cash equivalent	475,271	-	-	475,271
	20,563,441	8,209,317	-	28,772,758

Financial liability 2015

	<1 year	>1 year < 3 years	More than 5 years	Total
Unsecured long term subordinated deep discounted bonds	-	85,146,996	-	85,146,996
Unsecured long term loan notes	-	849,546	-	849,546
Trade payable and accruals	2,101,427	-	-	2,101,427
	2,101,427	85,996,542	-	88,097,969

Oakam Holdings Limited

Notes to the accounts Year ended 31 December 2016

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	156,693	-	-	156,693
Cash and cash equivalent	936,499	-	-	936,499
	14,552,627	4,864,881	-	20,478,084

Oakam Holdings Limited

Notes to the accounts

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 Group'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 Group LIBOR exposure arises from the current wholesale loan agreement with RBS and LDI Solutions Plus plc with total exposure of £13.1m. The Group currently does not use derivatives to hedge its interest rate exposure. The sensitivity analysis is shown below:

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

Capital risk management

The Group manages its capital to maintain efficient capital structure which includes ensuring all its entities are able to continue as going concern, maximizing returns whilst satisfying the Group's banking covenants and regulatory required by FCA. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Group, comprising issued capital, reserves and retained earnings. The Group also considers its subordinated debt from CS Capital Partners III LP as capital. Currently the Group does not pay any dividends.

	2016	2015
Cash & cash equivalent, share capital and subordinated debt	£	£
Cash at bank and in hand	475,271	936,499
Share capital	1,417	1,417
Retained earnings	(82,987,709)	(66,398,774)
Non-callable quasi equity long term debt (deep discounted bonds)	97,956,549	85,146,995
Long term unsecured loan notes	977,727	849,546
	<hr/>	<hr/>
	16,423,255	20,535,683
	<hr/>	<hr/>

Oakam Holdings Limited

Notes to the accounts

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 Group 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 Group's best estimate of losses incurred in the loan portfolios at the balance sheet date. The Group 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 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 Basic Financial Instrument.

Financial Liabilities – Intergroup loan

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

Financial Liabilities – Deep discounted bonds and loan notes

This section is further explained in Note 1 to financial statements, under section 'Other loan treatments and recognition'. The 'amortised cost' of these financial liabilities is the amount at which the 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.

The unsecured deep discounted bonds were issued to CS Capital Partners III, L.P., the major shareholder in Oakam Holdings Limited, on 17 May 2006 and have a redemption date of 17 August 2017. The interest is calculated to provide an annually compounded rate of 15%.

The loan notes were issued to the founder members on 17 May 2006 and have a redemption date of 17 August 2017. The interest is calculated to provide an annually compounded rate of 15%. Both the deep discounted loan note and the loan notes are unsecured

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 16th 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.

Oakam Holdings Limited

Notes to the accounts

Year ended 31 December 2016

4.1 Turnover

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

4.2 Effective Interest Rate (EIR) Implementation Methodology

Introduction

At the end of 2015 the Group 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 Group 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.

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 2016 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.

Oakam Holdings Limited

Notes to the accounts

Year ended 31 December 2016

5. Information regarding Directors and employees

	2016	2015
	£	£
Director's remuneration		
Director's emoluments	267,444	441,715
	<hr/>	<hr/>
Emoluments of the highest paid director during the year	267,444	441,715
	<hr/>	<hr/>

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

	2016	2015
	£	£
Staff costs during the year (including Directors)		
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 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 Holdings Limited

Notes to the accounts

Year ended 31 December 2016

6. Loss on ordinary activities before taxation

	2016 £	2015 £
This has been arrived at after charging:		
Depreciation and amortisation	1,040,451	813,9166
Operating leases – land and buildings	1,390,946	1,365,817
Fees payable to the Company's auditor and its associates for the audit of the company's annual account		
subsidiaries	48,000	44,000
Group	8,400	10,433
 Fees payable for taxation	 <u>6,180</u>	 <u>11,400</u>

7. Interest payable and similar charges

	2016 £	2015 £
Bank loan and overdraft	464,614	-
Arrangement fees for bank loan facility	1,174,317	-
Deep discounted bond interest	12,809,554	11,106,112
Loan Notes	128,180	109,716
	<u>14,576,665</u>	<u>11,215,828</u>

Oakam Holdings Limited

Notes to the accounts Year ended 31 December 2016

8. Tax on loss on ordinary activities

	2016 £	2015 £
Loss on ordinary activities before tax	(16,956,455)	(13,452,404)
Expected United Kingdom corporation tax (credit) / charge at 20.00% (2015: 20.25%)	(3,391,291)	(2,723,651)
Effects of:		
Expenses not deductible for tax purposes	16,571	47,361
Enhanced deduction	(2,202)	-
Group relief claimed	-	(1)
Adjustments from previous periods	(367,519)	3,073
Interest deductible on paid basis	2,435,651	1,879,729
Deferred tax not recognised	190,534	90,140
Utilisation of brought forward losses	750,737	883,837
FRS102 transitional adjustments		(177,415)
	<u>(367,519)</u>	<u>3,073</u>
Deferred tax		
Amounts not recognised (at the closing tax rate)		
Fixed assets	(654,205)	(571,113)
Timing differences - trading	(2,796)	(22,725)
Timing differences – non trading	(11,818)	(204,632)
Losses	(3,356,323)	(2,897,015)
	<u>(4,025,142)</u>	<u>(3,695,485)</u>

The group did not recognise a closing balance sheet deferred tax asset as at 31 December 2016 of £4,025,142 in respect of short-term timing difference and losses (2015: £3,695,485). This is because it is uncertain whether profits will be available against such timing differences and 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 group'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 Holdings Limited

Notes to the accounts

Year ended 31 December 2016

9. 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	(2,134,895)
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>689,637</u>

Oakam Holdings Limited

Notes to the accounts Year ended 31 December 2016

10. 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/>

11. Investments

The Group is 100% owner of Oakam Finance Limited (the financing company of the group).

Through its ownership of Oakam Finance Limited (which fully owns Oakam Limited and Oakam Broking Limited, currently dormant), the Group is also 100% owner of Oakam Limited (a specialist financial services provider).

All of the above companies are incorporated in the United Kingdom and registered in England and Wales. The companies make up the Oakam Group which is a Specialist Financial Services provider operating through a retail network of money stores.

Oakam Holdings Limited

Notes to the accounts Year ended 31 December 2016

12. Debtors

	Group 31 December 2016 £	Company 31 December 2016 £	Group 2015 £	Company 2015 £
Trade debtors	22,087,150	-	15,024,318	-
Provision for doubtful debt	(2,848,816)	-	(1,564,883)	-
Other debtors	495,364	8	156,693	(5)
Corporation Tax	354,472	-	-	-
Prepayments and accrued income	790,010	-	634,743	-
	<u>20,878,180</u>	<u>8</u>	<u>14,250,871</u>	<u>(5)</u>
Amounts falling due within one year				
Amounts falling due after one year				
Trade debtors	8,209,317	-	4,864,881	-
Prepayments and accrued income	404,083	-	425,833	-
	<u>8,613,400</u>	<u>-</u>	<u>5,290,714</u>	<u>-</u>
Total debtors	<u>29,491,580</u>	<u>8</u>	<u>19,541,585</u>	<u>(5)</u>

13. Creditors: amounts falling due within one year

	Group 31 December 2016 £	Company 31 December 2016 £	Group 2015 £	Company 2015 £
Bank loan and overdraft	27,412	-	-	-
Trade creditors	620,963	-	418,058	-
Other taxation and social security	182,900	-	153,801	-
Other creditors	18,469	-	-	-
Accruals and deferred income	1,787,370	-	1,516,521	-
Intergroup	-	35,341	-	35,328
Corporation tax	-	-	13,047	-
	<u>2,637,114</u>	<u>35,341</u>	<u>2,101,427</u>	<u>35,328</u>

Oakam Holdings Limited

Notes to the accounts Year ended 31 December 2016

14. Redress Provisions

	Group 31 December 2016 £	Group 31 December 2015 £
Redress Provision		
Opening Balance as at 01/01/2016	(50,322)	(560,610)
Realised/(Charged) during the period	50,322	510,288
Closing Balance as at 31/12/2016	-	(50,322)

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 customer from 2014 to June 2015.

15. Creditors: amounts falling due after more than one year

	Group 31 December 2016 £	Group 31 December 2016 £	Group 2015 £	Group 2015 £
Bank Loan	13,100,000	-	-	-
Unsecured deep discounted bonds	34,831,758	-	34,831,758	-
Loan notes	550,738	-	250,000	-
Interest accrual	63,551,780	-	50,914,784	-
	112,034,276	-	85,996,542	-

Bank loan and facility fees 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 loan is three years from the effective date (yearly extendable) wholesale revolving facility. The loan is secured by a fixed and floating charge over the assets of the group. The loan carries interest of LIBOR plus 5% p.a.

Interest accruals are related to interests due to loan notes and the unsecured deep discounted bonds. The unsecured deep discounted bonds were issued to CS Capital Partners III, L.P., the major shareholder in Oakam Holdings Limited, on 17 May 2006 and have a redemption date of 17 August 2017. The interest is calculated to provide an annually compounded rate of 15%.

The loan notes were issued to the founder members on 17 May 2006 and have a redemption date of 17 August 2017. The founder member confirmed not to call the loan due and made clear his intention to support the Group for the next 12 months. The interest is calculated to provide an annually compounded rate of 15%. Both the deep discounted loan note and the loan notes are unsecured.

Oakam Holdings Limited

Notes to the accounts Year ended 31 December 2016

16. Commitments under operating leases

The Group'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
	<u>5,850,527</u>	<u>7,234,068</u>

The Group had no commitments under non-cancellable finance leases.

The Company had no commitments under non-cancellable finance or operating leases.

17. Called up share capital

Group and Group

Authorised, issued, called up and fully paid.

Date	Transaction	"A" Shares £0.01	"B" Shares £0.01	"C" Shares £0.01	"D" Shares £0.01	"E" Shares £0.01	Total Shares £0.01
As at 31 December 2015 and 31 December 2016	Number	71,891	50,000	3,271	3,000	13,500	141,662
Amount (£)		<u>719</u>	<u>500</u>	<u>33</u>	<u>30</u>	<u>135</u>	<u>1,417</u>

The "A" Shares and the "C" Shares have certain rights to returns on the profit or dividends ahead of the "B", "D" and "E" Shares.

Only "A" and "E" classes of shares have voting rights.

Oakam Holdings Limited

Notes to the accounts

Year ended 31 December 2016

18. Reconciliation of operating profit to net cash outflow from operating activities

	Group 2016 £	Group 2015 £
Operating (loss)/profit	(2,379,889)	(2,237,784)
Depreciation	1,040,451	813,917
(Increase) / decrease	(9,949,996)	3,298,962
(Decrease) / increase	535,687	(134,088)
Decrease in provisions	(50,322)	(510,287)
(Decrease) in interest accrual	-	-
Net cash (outflow) / inflow from operating activities	<u>(10,804,069)</u>	<u>1,230,720</u>

19. Related party transactions

a) Subsidiary, parent and ultimate controlling party

The ultimate controlling party is CS Capital Partners III L.P. CS Capital Partners III L.P provides the capital to the group structure by way of non-callable quasi equity long term debt (deep discounted bonds).

	2016 £	2015 £
Non-callable quasi equity long term debt (deep discounted bonds)	<u>34,831,758</u>	<u>34,831,758</u>

	2016 £	2015 £
Interest accrued to date	<u>63,124,791</u>	<u>50,315,237</u>

b) Directors' loan and transactions

During the year the Company had loan agreement with the following director:

	2016 £	2015 £
Amount due to director at year end	<u>550,737</u>	<u>250,000</u>

	2016 £	2015 £
Interest accrued to date	<u>426,989</u>	<u>599,546</u>

Oakam Holdings Limited

Notes to the accounts Year ended 31 December 2016

20. 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.