

Octagonal PLC
Trading Update for Trading Subsidiary

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Octagonal PLC

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Octagonal plc

("Octagonal" or the "Company")

Trading Update for Trading Subsidiary

Following completion of the reporting period to 31 March 2017, Octagonal provides the following trading update for its principal and wholly owned trading subsidiary - Global Investment Strategy UK Ltd ("GIS").

Highlights

- Cash in the bank or equivalents as at 31 March 2017 of £3.75m
- Sales increase 34% against FY2016
- EBITDA increased 109% against FY2016

The Board is very pleased to announce that GIS expects to report earnings of EBITDA £2.26 million, a record for the Group, on sales of £5.64m for the period ended 31 March 2017. This is a 109% increase in profits and 34% in sales from the previous year. This result reflects the ongoing work we have undertaken to improve processing efficiencies, client reporting and reducing frictional costs as well as offering a broader range of services to clients.

At the same time, the GIS expects to make an impairment charge this year against two of its pre-RTO non-core legacy investments: specifically it expects a charge of £306,000 against its Level 1 and Level 3 investments, namely Inspirit Energy Holdings PLC, reducing the carrying value of this investment to approximately £106,000 and also expects to make a full impairment charge this year against its investment and loan notes in City Golf Club Limited of £233,000.

The Group's audited results will be announced in due course.

John Gunn CEO commented;

"This year has seen the benefit of the work we have done to further streamline our operations. Margin improvements have enabled us to deliver strong profit growth, whilst we have also increased our top line sales.

The year ahead looks positive as we expect to continue seeing improvement in our operational capabilities and a greater contribution from our Wealth management, Foreign Exchange and derivatives activities, which are now all fully integrated into the business.

This year we expect to book significant write downs against our pre-RTO non-core investments. As disappointing as this is, it will simplify the balance sheet and focus the business on our cash generative goals.

As previously outlined, the Board is committed to making only long term investments in core activities that are related to our regulatory permissions and industry sector.

I am also pleased to announce that our regulator the FCA have now granted GIS additional regulatory permission as an Authorised Payment Institution. As an Authorised Payment Institution, GIS can provide payment services in the UK as well as other European Economic Area ("EEA") states through a cross-border notification arrangement (known as 'passporting'). GIS can apply to establish a physical presence in any member state, for example opening an office, or using an agent based in that state, to provide cross-border services. This will assist in making GIS better positioned for Brexit as well as providing further services to our clients.

Our application for type 1 and 2 regulatory approval in Hong Kong is underway, but we would not expect to be in operation until towards the end of this year. This is expected to allow GIS to expand into Asia offering similar services to those currently provided to our clients. We will closely monitor these costs, but we do not see them having any significant impact on our operating costs. We will start soft marketing in the region shortly and hope to build on the existing client base we already have there.

We anticipate that our SynerGIS Bond offering, as announced on 22 March 2017, will launch in the next quarter. This activity will enable SynerGIS to offer depositors (including ISA's) secured fixed rate deposits. SynerGIS will in turn provide innovative asset backed acquisition and investment grade financing solutions, leveraging our international market access and operational treasury and technology capabilities.

A significant amount of development has gone into building this opportunity with the creation of Fintech Web and APP based applications that will enable the depositor to open their GIS account with automated AML/KYC and payments solutions. Bank Standard Treasury and portfolio management systems are also being implemented to support our lending activities.

SynerGIS has also made several significant appointments of personnel who have considerable experience and expertise in marketing, sales, treasury and lending.

The SynerGIS Bond represents a very exciting opportunity for the Group, but, as ever, we have remained careful to manage the costs associated with this for the Group and, to this end, whilst retaining a 72% interest in Synergis Capital Ltd, the manager of the SynerGIS Bond, we have now raised funding totalling £1.25m to fund its roll out with GIS investing £200k in this funding to support its majority owned subsidiary.

We will further update Shareholders once the Bond is ready to be launched."

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014.

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