

**Octagonal plc**

(“Octagonal” or the “Company”)

**Trading Update for Trading Subsidiary**

Following completion of the reporting period to 31 March 2019, Octagonal provides the following trading update for its principal and wholly owned trading subsidiary - Global Investment Strategy UK Limited (“GIS”).

The Board is pleased to announce that GIS expects to report EBITDA of £1.77million, on sales of £5.4 million for the year ended 31 March 2019. Although this is a 41.2% decrease in profits (2018: £3.01 million) and 17.6% decrease in sales (2018: £6.53 million) from the previous year, these results reflect the reduction of £0.8m in non-core Corporate finance income reported in 2018. We further experienced challenging geopolitical uncertainties in the current market that impacted volatility and market volumes.

As a highlight and included within our longer-term business plan, GIS has incurred costs associated with the regulatory governance of the SynerGis business brand in key areas of oversight, IT infrastructure, and mandatory control. This increased level of commitment is commensurate with our future growth expectations that are seen as integral in supporting the long term strategy in all areas of the business. These benefits have been embedded within our future business plan and are expected to be downstream. More immediately the Board will maintain focus on improving efficiencies and reducing transaction costs as well as offering a broader range of services to clients.

**Highlights**

- Cash in the bank or equivalents as at 31 March 2019 was more than £5.4m
- Sales decreased 17.6% against FY2018
- EBITDA reduced by 41.2% against FY2018 - the majority owing to a reduction in non-core Corporate Finance income and impact of geopolitical events on world markets.
- Net profit margins 33%
- Grant of SFC approval for wholly owned subsidiary to carry out Type 1 regulated activity in Hong Kong.
- Further progress towards launch of the SynerGis Bond
- Financial Services Compensation Scheme (FSCS) for eligible claimants has increased from £50,000 to £85,000 as of 1<sup>st</sup> April 2019 providing increased protection to SynerGIS bondholders.

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

John Gunn CEO commented;

“The first half of the year saw sales and earnings come in-line with expectations, as detailed in the interim statement, with the second half of the financial year presenting many challenges. Political deadlock and shut down in Washington during our 3rd quarter coupled with the domestic concerns over Brexit have undoubtedly had its impact on equity and bond markets both domestically and overseas.

We don't believe that either of these events represent a trend and are therefore not unduly concerned. The business continues to deliver meaningful returns and is focused on expanding the franchise. We are not

immune from the volatility and lower volumes, but we must not allow the short-term turmoil to impact our strategy of developing a global diversified financial services group.

We were naturally pleased with the outcome of our application to the Securities and Futures Commission in Hong Kong for permission to conduct regulatory activity. We are currently undertaking a further review of this opportunity and we have recently moved to a new office location in the Central District of Hong Kong. The businesses tri-lingual website ([www.gishkltd.com](http://www.gishkltd.com)) has been launched and operations will commence shortly once the system implementations have been satisfied and further personnel recruited. We anticipate this will be in the month of May or early June. GIS has invested approximately £190,000 towards setting up and obtaining Hong Kong regulatory approvals during the reporting period. These costs have been capitalised until the Hong Kong/Asia-Pac trading activity commences.

Discussions continue with the FCA as regards SynerGis activity.

The business is undergoing an evaluation process with our regulator and we believe we've made good progress in demonstrating the businesses robust processes and controls that are essential for intended specialist lending activity.

We believe that these discussions are nearing their conclusion and we'll shortly be in a position to update you further.

On a very positive point and following a long-term consultation open to all regulated financial firms, the FCA and Financial Services Compensation Scheme (FSCS) announced an update to their compensation limits on 1st April 2019. Effective immediately, the compensation limit for eligible claimants has risen from £50,000 to £85,000. This brings the level of FSCS compensation for investment products in line with that of bank and savings accounts at £85,000.

During the reporting period, GIS invested a further £200,000 in Synergis Capital Plc and the effective shareholding holding at the year end was approximately 77%".

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

**For further information please visit [www.octagonalplc.com](http://www.octagonalplc.com) or contact:**

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