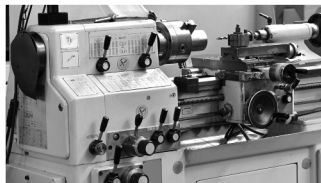


Interim Report 2015

Private & Commercial Finance Group plc



Company Information

Directors

D G Anthony *Non-executive Chairman*
D J Morgan *Non-executive*
A N Nelson *Non-executive*
N P D Winks *Non-executive* (resigned 30 October 2015)
A J Brook *Non-executive* (appointed 1 December 2015)
M F Brown *Non-executive* (appointed 1 December 2015)
S D Maybury *Chief Executive*
R J Murray *Managing Director*
Z R Kerse *Finance Director* (resigned 31 July 2015)
D R Bull *Finance Director* (appointed 3 August 2015)

Company Secretary

R J Murray

Registered Office

Pinners Hall
105-108 Old Broad Street
London EC2N 1ER

Registered Number

02863246

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Nominated Adviser & Broker

Panmure Gordon (UK) Limited
One New Change
London EC4M 9AF

Joint Broker

Westhouse Securities Limited
Beaufort House
15 St Botolph Street
London EC2A 7BB

Solicitors

Maclay Murray & Spens LLP
One London Wall
London EC2Y 5AB

Registrars

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 7NH

Media & Investor Relations

Tavistock Communications Limited
131 Finsbury Pavement
London EC2A 1NT

Private & Commercial Finance Group plc ordinary shares are listed on the Alternative Investment Market of the London Stock Exchange.

Details of the Group, its products, recent developments, share price and analysts' research can be found on our website, www.pcfg.co.uk

Chairman's Statement

for the six months ended 30 September 2015

Profit before tax for the six months ended 30 September 2015 increased by 80% to £1.53 million (2014 - £0.85 million) and profit after tax increased by 87% to £1.22 million (2014 - £0.65 million). These results were achieved after expensing £67,000 of costs relating to our banking licence application.

The improved profits were due to strong portfolio performance in terms of both quality and margin. The portfolio grew by 15% in the period to £108 million (2014 - £94 million). Gross profit increased by 12.6%, while administration expenses, thanks to a reducing impairment charge, fell by 2.6%. The operating profit margin increased to 16.4% from 14.4%.

Fully diluted earnings per share increased by 50% to 0.9p, up from 0.6p in 2014, and our key performance indicators of Return on Average Assets ('ROAA') and fully diluted after tax Return on Equity ('ROE') reached record levels. ROAA increased by 61% to 2.9% (2014 - 1.8%) and ROE increased by 49% to 14% (2014 - 9.4%). These indicators are ahead of our medium-term targets, but will moderate as additional infrastructure and capital are introduced to support our strategic objective of becoming a bank.

We now have £25.7 million (2014 - £22.8 million) of unearned finance income on the balance sheet which will underpin earnings for the next three years. Portfolio performance remains good and impairment levels remain low, reflecting the expertise of our staff in underwriting, risk evaluation and credit control.

Balance sheet

In the period, our largest shareholder Bermuda Commercial Bank Limited ('BCB') converted their holding of convertible unsecured loan notes into equity. This resulted in the issue of new shares to the value of £8.5 million which contributed significantly to the Group's net assets, almost doubling them to £21.5 million (2014 - £11.1 million). The enhanced net asset position and a more conservative gearing ratio of 409% (2014 - 769%) will provide the resources and balance sheet strength necessary for transition into a regime of capital adequacy and liquidity regulation.

We are looking forward to developing closer ties with BCB as the two businesses provide the opportunity for synergies on costs, funding, infrastructure and expertise. These initiatives, including the possible alignment of our accounting reference date, will deliver considerable benefit to both companies and work has begun to deliver these synergies.

On 18 November 2015, following the resolutions passed at the Annual General Meeting, the legal mechanism to reclassify the share premium account and capital reserve to distributable profits was approved by the court, which completed the preparations necessary to pay a dividend. The board is committed to returning to the dividend list at the appropriate time, after taking into account the Group's capital needs, including the response to our capital model from the regulatory authorities.

Funding and banking licence application

Available facility headroom in the period increased to £32 million (2014 - £12 million). This headroom and the total available committed facilities of £120 million (2014 - £98 million) provide the necessary funding for our current growth plans.

We have submitted our Regulatory Business Plan to the Prudential Regulation Authority and the Financial Conduct Authority and, further to some revisions and the imminent lodgement of capital and liquidity plans, the pre-application phase of the banking licence application process should be completed in the near future. The regulatory business, capital and liquidity plans are an agreed framework for operating as a regulated bank and include the creation of a more robust control structure in terms of internal audit, compliance and governance.

Staff

I would like to thank all our staff for their commitment and effort throughout the period.

Nick Winks left the board at the end of October and I would like to thank him for his highly regarded advice and contribution as a non-executive director over the last four years.

I am delighted to welcome three new members to the board. David Bull joined as our new Finance Director in August and we are already benefitting from his previous experience at a UK 'challenger' bank and, before that, at the Bank of England.

Andrew Brook and Mark Brown have taken up their appointments as non-executive directors with immediate effect and will add extensive knowledge and experience as we enter the next stage of our development.

Current trading and outlook

New business levels remain buoyant with a 13% increase in originations in the period to £32.1 million (2014 - £28.3 million). As always, there is a competitive environment in both the consumer and business finance markets. However, healthy progress in the UK economy has supported UK car sales and the demand from businesses for business-critical assets. The outlook for both our markets is positive with increases in real incomes and corporate profits expected to support sustained growth in our origination levels.

We have delivered excellent profits for the first six months of the year and anticipate that trading for the current financial year will be ahead of market expectations. The business is well placed to deliver further scale and profitability growth as we execute our strategies to diversify funding sources and expand our new business channels. As a result, we are confident of the Group's long-term prospects.

David G Anthony

Chairman

7 December 2015

Group Income Statement

for the six months ended 30 September 2015

	Six months ended 30 September 2015 unaudited £'000	Six months ended 30 September 2014 unaudited £'000	Year ended 31 March 2015 audited £'000
Group turnover	24,940	21,994	45,293
Cost of sales	(17,507)	(15,392)	(31,846)
Gross profit	7,433	6,602	13,447
Administration expenses	(3,342)	(3,430)	(6,686)
Operating profit	4,091	3,172	6,761
Interest receivable	3	3	4
Interest payable	(2,569)	(2,327)	(4,666)
Profit on ordinary activities before taxation	1,525	848	2,099
Income tax expense	(305)	(195)	(485)
Profit on ordinary activities after taxation	1,220	653	1,614
Profit for the period attributable to equity holders	1,220	653	1,614
Earnings per 5p ordinary share – basic	2.1p	1.2p	3.0p
Earnings per 5p ordinary share – diluted	0.9p	0.6p	1.3p

Group Statement of Comprehensive Income

for the six months ended 30 September 2015

	Six months ended 30 September 2015 unaudited £'000	Six months ended 30 September 2014 unaudited £'000	Year ended 31 March 2015 audited £'000
Profit for the period	1,220	653	1,614
Other comprehensive income that may be reclassified to the income statement in subsequent periods			
Cash flow hedges – fair value losses	(115)	(37)	(303)
Income tax effect	23	7	63
	(92)	(30)	(240)
Total comprehensive income for the period	1,128	623	1,374

Group Balance Sheet

as at 30 September 2015

	30 September 2015 unaudited £'000	30 September 2014 unaudited £'000	31 March 2015 audited £'000
Non-current assets			
Goodwill	397	397	397
Other intangible assets	472	581	514
Property, plant and equipment	100	77	105
Loans and receivables	69,079	58,638	63,680
Derivative financial instruments	-	109	-
Deferred tax	1,717	1,653	1,694
	71,765	61,455	66,390
Current assets			
Loans and receivables	38,427	35,247	36,149
Trade and other receivables	1,043	710	1,134
Corporation Tax	-	-	-
Cash and cash equivalents	510	338	139
	39,980	36,295	37,422
Total assets	111,745	97,750	103,812
Current liabilities			
Interest-bearing loans and borrowings	17,033	8,803	10,733
Trade and other payables	1,349	984	1,643
Derivative financial instruments	40	29	22
Corporation Tax	305	-	176
Bank overdrafts	459	357	703
	19,186	10,173	13,277
Non-current liabilities			
Derivative financial instruments	261	-	156
Interest-bearing loans and borrowings	70,808	76,486	78,521
	71,069	76,486	78,677
Total liabilities	90,255	86,659	91,954
Net assets	21,490	11,091	11,858
Capital and reserves			
Issued share capital	7,656	2,651	2,656
Share premium	7,898	4,395	4,398
Capital reserve	3,873	3,873	3,873
Other reserves	(219)	85	(127)
Own shares	(305)	(305)	(305)
Profit and loss account	2,587	392	1,363
Shareholders' funds	21,490	11,091	11,858

Group Statement of Changes in Equity

for the six months ended 30 September 2015

	Six months ended 30 September 2015 unaudited £'000	Six months ended 30 September 2014 unaudited £'000	Year ended 31 March 2015 audited £'000
Total comprehensive income for the period	1,128	623	1,374
New share capital subscribed	8,500	–	8
Share-based payments	4	6	14
Issue of own convertible debt	0	50	50
Net addition to shareholders' funds	9,632	679	1,446
Opening shareholders' funds	11,858	10,412	10,412
Closing shareholders' funds	21,490	11,091	11,858

Group Statement of Cash Flows

for the six months ended 30 September 2015

	Six months ended 30 September 2015 unaudited £'000	Six months ended 30 September 2014 unaudited £'000	Year ended 31 March 2015 audited £'000
Cash flows from operating activities			
Profit before taxation	1,525	848	2,099
Adjustments for:			
Amortisation of other intangible assets	92	95	184
Amortisation of issue costs	68	68	136
Depreciation	17	18	29
Share-based payments	4	6	14
Fair value movement on derivative financial instruments	(2)	(15)	(18)
Increase in loans and receivables	(7,677)	(5,229)	(11,174)
Decrease/(increase) in trade and other receivables	91	220	(203)
(Decrease)/increase in trade and other payables	(282)	(321)	331
Cash flows used in operating activities	(6,164)	(4,310)	(8,602)
Tax (paid)/received	(177)	135	35
Net cash flows used in operating activities	(6,341)	(4,175)	(8,567)
Cash flows from investing activities			
Purchase of property, plant and equipment	(13)	(12)	(83)
Proceeds from sale of property, plant and equipment	-	-	33
Purchase of other intangible assets	(50)	(30)	(52)
Net cash flows used in investing activities	(63)	(42)	(102)
Cash flows from financing activities			
Issue of own convertible debt	-	50	50
Net proceeds from borrowings	7,019	5,314	8,842
Net repayments of borrowings	-	(1,120)	(741)
Net cash flows from financing activities	7,019	4,244	8,151
Net increase/(decrease) in cash and cash equivalents	615	27	(518)
Cash and cash equivalents at beginning of the period	(564)	(46)	(46)
Cash and cash equivalents at end of the period	51	(19)	(564)
Cash at bank	510	338	139
Bank overdrafts	(459)	(357)	(703)
	51	(19)	(564)
The amount of interest paid during the period	2,560	2,617	4,694

Notes to the Interim Report

1. The interim results are unaudited and do not constitute statutory accounts as defined by section 434 of the Companies Act 2006. The comparative figures for the year ended 31 March 2015 are based on the statutory accounts of the Group for that period and have been reported on by the Group's auditor and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 498 of the Companies Act 2006.
2. The interim results have been prepared on the basis of the accounting policies set out in the Annual Report & Financial Statements for the year ended 31 March 2015.
3. These interim consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.
4. The Group's turnover represents gross rentals and instalments from the hire, financing and sale of equipment, and the provision of related fee-based services, stated net of Value Added Tax.
5. The Group operates in the principal areas of consumer finance for motor vehicles and business finance for vehicles, plant and equipment. All revenue is generated in the United Kingdom.

Turnover, profit on ordinary activities before taxation and loan loss provisioning charge are detailed below.

	Six months ended 30 September 2015 £'000	Six months ended 30 September 2014 £'000	Year ended 31 March 2015 £'000
Consumer finance	13,104	11,690	24,270
Business finance	11,836	10,304	21,023
Group turnover	24,940	21,994	45,293
Consumer finance	1,008	630	1,624
Business finance	630	425	1,087
Central costs	(113)	(207)	(612)
Profit on ordinary activities before taxation	1,525	848	2,099
Consumer finance	(477)	(562)	(1,060)
Business finance	(169)	(348)	(486)
Loan loss provisioning charge	(646)	(910)	(1,546)

6. The income tax rate is 20%, representing the best estimate of the annual effective tax rate applied to operating profit before tax for the six month period.
7. The calculation of basic earnings per ordinary share is based on a profit of £1,219,782 for the period on 59,061,612 ordinary shares, being the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings per ordinary share is based on profit of £1,451,827 for the period, before deducting interest on the convertible loan notes of £290,057, on 170,378,204 ordinary shares, being the dilutive weighted average number of ordinary shares in issue during the period.

8. The Group's loans and receivables portfolio of £107,505,905 is reported net of unearned future finance income of £25,708,562.
9. The 2015 Interim Report will be posted to all shareholders and convertible loan note holders on 7 December 2015. Further copies can be obtained from the Company Secretary at Pinners Hall, 105-108 Old Broad Street, London EC2N 1ER or downloaded from our website, www.pcfg.co.uk



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