

Annual Report & Financial Statements 2015
Private & Commercial Finance Group plc





Private & Commercial Finance Group plc is the parent company of a group of specialist companies engaged in the provision of finance for vehicles, plant and equipment for consumers and businesses.

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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*
S D Maybury *Chief Executive*
R J Murray *Managing Director*
Z R Kerse *Finance Director*

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
110 Bishopsgate
London EC2N 4AY

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 web-site, www.pcfg.co.uk

Board of Directors



David Anthony Non-executive Chairman

David was appointed as a non-executive director in July 2011. He is a Chartered Accountant and was previously Chief Executive of Hitachi Capital (UK) PLC and Chairman of Hitachi Capital Vehicle Solutions. In these roles he built Hitachi Capital (UK) PLC into one of the UK's leading finance groups with assets of over £1.5 billion and the largest overseas operation of the Japanese parent company. He was also a non-executive director of Secure Trust Bank from 2007 to 2010.



David Morgan Non-executive Director

David was appointed as a non-executive director in July 2012. He has over thirty-five years' experience in international banking, building his career at Standard Chartered Bank in Europe and the Far East and becoming Chief Executive for the UK and Europe in 1998. Since leaving Standard Chartered in 2003 he has been involved in a range of business advisory and non-executive roles. He is currently a non-executive director of Somers Limited, Bermuda Commercial Bank Limited, Waverton Investment Management Limited and Ascot Lloyd Financial Services Limited. He is also Chairman of Harlequins FC, the Premiership rugby club.



Anthony Nelson Non-executive Director

Tony is one of the founding directors of Private & Commercial Finance Group plc and a member of The Association of Corporate Treasurers. After qualifying as a solicitor, he held senior management positions with various multi-nationals, including Chief Executive of McDonnell Douglas Bank Limited from 1981 to 1993 and Chief Executive of Private & Commercial Finance Group plc from 1994 to 2008.



Nick Winks Non-executive Director

Nick was appointed as a non-executive director in September 2011. He is a specialist in business change management. He is also a highly experienced businessman who has held senior positions in a wide range of businesses and who has a track record of implementing appropriate changes that significantly improve shareholder value.



Scott Maybury Chief Executive

Scott holds a degree in business studies and is a qualified accountant. He spent six years with BHP-Billiton, Australia's largest multi-national corporation, and five years with McDonnell Douglas Bank. He is one of the founding directors of Private & Commercial Finance Group plc and was previously Finance Director until October 2008.



Robert Murray Managing Director

Robert holds the ACIB Banking Diploma and has over thirty-five years banking and finance experience. He heads both the Business and Consumer Finance Divisions and has extensive experience in lending to personal, corporate and international customers. He is one of the founding directors of Private & Commercial Finance Group plc.



Zane Kerse Finance Director

Zane is a Chartered Accountant. After qualifying with Price Waterhouse Coopers in 1989, he worked in the retail motor and financial software industries before joining Private & Commercial Finance Group plc as Financial Controller in 2001. He was appointed Finance Director in October 2008.

Chairman's Statement

for the year ended 31 March 2015

Profit before tax increased by 69% to £2.1 million (2014 – £1.25 million) while profit after tax more than doubled to £1.6 million (2014 – £0.7 million). Fully diluted earnings per share were 1.3p (2014 – 0.8p), an increase of 63%. Finance receivables increased by 13% to £100 million (2014 – £89 million).

These results have been delivered without compromising on portfolio quality, which will underpin the future prospects of the Group.

In 2012, when we put in place the funding and platform to recommence growth, we decided to focus initially on Return on Average Assets ('ROAA') and set ourselves a medium-term target of 2.0% from the level at that time of 0.4%. We have now exceeded that target, delivering an ROAA of 2.2% (2014 – 1.5%), as well as a fully diluted after tax Return on Equity ('ROE') for the year of 10.4% (2014 – 6.2%), an increase of 68%.

We achieved these results through strong focus on quality and cost control, along with an improvement in operational gearing, utilising our existing infrastructure and business model to increase profitability through portfolio scale. We will remain focussed on continuing to improve our two key performance indicators as we enter the next stage in our development and are now targeting an ROAA of 2.5% and an after tax ROE of 12.5% over the medium-term.

Operational gearing has also improved our ratio of administrative costs to gross profit, with the ratio falling to 33.9% (2014 – 34.2%).

New business and market

New business originations were up by 10% in the year to £56 million (2014 – £51 million). This growth was more broadly based than in previous years with SME lending and business confidence showing improvement as the year progressed, adding to the strong growth we have seen in the consumer motor finance market over the last couple of years.

New business margins have been maintained across the Group despite an increasingly competitive market and the credit quality is matching our expectations with over 60% of originations being in our top two credit tiers. Our efforts to develop direct channels, such as retaining customers and rewarding loyalty, have continued to be successful. Repeat and direct business at £6.6 million (2014 – £5.8 million) now represents our largest single source of business at 12% of annual originations.

A successful new initiative has been the introduction of an *e-signature* product in January 2015, further automating our new business processes and providing a strong competitive advantage. *e-signature* enables customers to sign their finance agreements electronically and for us to store them digitally. After a successful pilot, this product has recently been rolled out to all introducers and 49% of customers are already using this solution. This provides our introductory sources and customers with a fast, efficient and secure method of executing our finance agreements.

Consumer finance industry regulation changed from 1 April 2014. The Financial Conduct Authority ('FCA') is the new regulator of consumer credit related activities and we have Interim Permissions for all subsidiaries engaged in such business. In January 2015 we submitted our applications for Full Authorisation and these are being dealt with under the six month authorisation process. We have always focussed on providing a high quality of service and treating customers fairly, with formal policies and procedures overseeing our activities since 1994. To strengthen our governance procedures in this area further, we have invested in an IT-based solution for maintaining our policies and procedures manuals, delivered across the Group intranet, to provide improved access and training to all staff.

Our business model

Private & Commercial Finance has a proven business model for lending to both individuals and SMEs. The use of information technology is at the heart of our operational efficiencies and the relationships with our customers. The model requires an understanding of their finance needs, an ability to deliver excellent levels of customer service to both the customers and our network of intermediaries, as well as striking the right balance, when underwriting, between risk and reward.

Chairman's Statement

The Group will continue to focus on its core sectors and, with future strategic initiatives to diversify how we fund ourselves, the opportunities to grow the business will become even greater.

We will continue to operate a model that minimises risk by financing assets which have strong collateral characteristics and average low transaction sizes, spread over a diverse customer base. This is a robust model that has been tested in the most difficult of economic conditions and provides us with confidence for the future.

Portfolio and balance sheet

The Group operates in two different markets, consumer finance and business finance, which complement each other in terms of the infrastructure required and balancing the risk profile. Each market also provides distinct growth opportunities at different points in the economic cycle.

The portfolio is reported net of £23.6 million (2014 – £20.1 million) of unearned finance charges which are attributable to future years. These will be recognised over the next four years and provide the Group with predictability and quality of earnings going forward.

The quality of the portfolio continues to improve. The loan loss provisioning charge fell from £2.0 million in 2014 to £1.5 million this year, a 24% reduction that represents a charge-off rate for the year of 1.6% of the average portfolio (2014 – 2.4%). The improved credit quality is also reflected in the percentage of the portfolio that is reported as neither past due nor impaired, which was 90% this year (2014 – 85%). This compares to an equivalent 73% at the worst point during the global financial crisis. With the quality of new business originations being maintained and the Group operating in markets in which it has invaluable experience through historic performance, the portfolio should continue to perform well throughout its lifecycle.

The net assets of the Group increased by 14% to £11.8 million at 31 March 2015 (2014 – £10.4 million).

Capital and funding

We have £112 million of committed debt facilities (2014 – £96 million). These are drawn to £89 million, leaving headroom available for future growth of £23 million (2014 – £14 million) at the year end. Increased facilities were granted throughout the year by our existing funders. Since the year end, a new £10 million facility has been awarded by British Business Bank Investments Ltd, the commercial division of the UK Government's economic development bank. This facility has further increased the Group's available headroom and it promotes Private & Commercial Finance to a small group of asset finance providers chosen to support the British Business Bank Investment Programme.

In addition to maintaining adequate debt facilities, a key objective is to obtain a banking licence, thereby accessing retail depositors and providing a more diversified and lower cost treasury platform for the Group. The Group has submitted its business plan for consideration by the relevant authorities and is looking forward to progressing the application. We have invested considerable time researching a suitable target operating model and selecting suitable IT systems and remain committed to achieving this objective, albeit behind our original schedule. This strategy will initially incur costs but will transform the business, supporting our long-term strategy to grow beyond the constraints of wholesale funding and into a substantial financial services group.

The Group's capital base continues to strengthen and the gearing ratio, excluding unsecured convertible debt, stands at 6.7 (2014 – 6.9).

Staff and resources

We are fortunate to have high quality and long-serving staff with a strong commitment to customer service and I thank them for their efforts.

After fourteen years' service with the Group, Zane Kerse, our Finance Director, has advised the Board that he wishes to pursue other interests which will eventually take him back to his native New Zealand. The Board wishes him well and would like to thank him for his diligence and financial stewardship through a critical period for the Group.

This advance notice has allowed the Group to secure an excellent candidate as his proposed replacement and will also allow for a period of handover. A further announcement will be made in due course.

The Group relocated to new offices in the City of London in October 2014, providing premises commensurate with our long-term growth plans.

Current trading and outlook

We have delivered excellent profitability in the year as the result of a growing portfolio, combined with further gains in portfolio quality and a continued focus on margin and costs.

March 2015 was the best month for originations in nearly seven years and the new financial year has also started extremely well.

I have strong confidence in the future success of the business and, in this regard, we will be proposing resolutions to shareholders at the Annual General Meeting in September to restructure the Company balance sheet to facilitate a return to the dividend list in due course.

D G Anthony
Chairman

14 July 2015

Strategic Report

for the year ended 31 March 2015

Our Business

Private & Commercial Finance Group plc is the parent company of a group of specialist finance companies engaged in the provision of finance for vehicles, plant and equipment for consumers and businesses.

The Company was established in October 1993 and its shares were admitted to the Alternative Investment Market of the London Stock Exchange in September 1998. Over the last 21 years, the Group has grown both organically and by acquisition, helping over 60,000 customers with the finance of their vehicles and assets. Today, we have a portfolio of loans and finance receivables of £100 million (2014 – £89 million).

We aim to serve our customers with fast and professional levels of customer service which set us apart from our competition.



We're big enough to be able to meet your needs, but small enough to retain the personal consideration that is key to our service. We pride ourselves on being professional and accessible, seeking out a solution for individuals and businesses where others might not think to look.

The Group has two operating divisions:

- Consumer Finance Division, which provides finance for motor vehicles to consumers; and
- Business Finance Division, which provides finance for vehicles, plant and equipment to SMEs.

Both divisions transact good quality, collateralised business which is processed through *eQuote*, the Group's internet-based proposal management system. *eQuote*, which is able to filter high volumes of proposals quickly and at low cost, enables us to send information and documentation to our customers, dealers and introducers electronically, therefore speeding up the application process.

The Group's risk philosophy is to:

- Finance vehicles and assets which have strong collateral characteristics and readily identifiable second-hand markets. As such, the Group's preference is to finance assets such as motor cars, light and heavy commercial vehicles, coaches, buses, manufacturing equipment and construction equipment;
- Have a wide spread of risk. At 31 March 2015 the Group had over 11,000 live agreements (2014 – 11,500) with an average outstanding balance of approximately £8,500 (2014 – £6,900);
- Avoid large concentrations of risk. At 31 March 2015 the largest exposure to any single customer was no greater than £620,000 (2014 – £570,000), representing 0.6% (2014 – 0.6%) of the portfolio of loans and receivables; and
- Avoid the use of credit scorecards and automated decision-making processes. Instead, our team of experienced underwriters use their skills and expertise to evaluate applications on a case-by-case basis, ensuring that the customer can afford the monthly payments on their finance with us. On larger transactions, we visit the customer to find out more about their business and investment plans. Our underwriting philosophy sets us apart from many of our competitors and helps to improve the customer's experience.

Flexible but responsible, we are committed to treating customers fairly every step of the way. This means you can trust us to give you straight-talking industry expertise, finance options that offer competitive rates and swift, but balanced, decision-making.

Consumer Finance Division

The Consumer Finance Division provides hire purchase finance to retail customers to help them acquire vehicles. Typically, this is for motor cars but we also have the specialist knowledge to enable us to finance classic cars and horseboxes.



'Helping you get the vehicle you need'

The average transaction size at inception is approximately £10,800 and we provide finance for terms up to 60 months.

Business Finance Division

The Business Finance Division provides hire purchase and lease finance to sole traders, partnerships and limited companies to help them acquire vehicles, plant and equipment. The assets which we finance include motor cars, light and heavy commercial vehicles, coaches, buses, manufacturing equipment and construction equipment. Approximately 85% of finance provided is in respect of a vehicle.



'Finance solutions that work for you'

The average transaction size at inception is approximately £28,000 and we provide finance for terms up to 60 months.

The Group's portfolio of loans and finance receivables is managed by our highly efficient and experienced in-house team, supported by the Sopra Group's finance and lease management system, Instalment Credit and Collections Suite ('ICS').

As a result of our effective underwriting and collections processes, the percentage of agreements up to date across the Group increased from 96% at 31 March 2014 to 97% at 31 March 2015.

Strategic Report

Chief Executive's Review

The Group continues to go from strength to strength after successfully putting in place the necessary ingredients for growth.

Excellent profits growth

The Group's profit before tax for the year ended 31 March 2015 was £2.1 million (2014 – £1.25 million), an increase of 69%. We commented last year that portfolio growth would deliver the operational gearing necessary to increase profitability and this has proved to be the case. The result delivers a significant improvement in the ROAA from 1.5% to 2.2%, exceeding our initial target of 2.0%.

Fully diluted earnings per share increased from 0.8p to 1.3p. Fully diluted after tax return on equity increased from 6.2% to 10.4%.

Costs continue to be controlled and average staff numbers reduced by two in the year, as reflected in a fall in the ratio of administrative expenses to gross profit from 34.2% to 33.9%.

Portfolio performance

The portfolio grew to £100 million (2014 – £89 million), an increase of 13%. The quality of the portfolio continues to improve, with arrears and repossessions at record low levels. This resulted in a further fall in the loan loss provisioning charge from 2.4% of the average portfolio in 2014 to 1.6% this year. At 31 March 2015, 97.1% (2014 – 95.6%) of all live agreements, an important metric for the Group, were performing as up to date.

The portfolio of £100 million is reported net of £23.6 million (2014 – £20.1 million) of unearned finance charges which are attributable to future years.

Capital and funding

The Group has £112 million of committed debt facilities at its disposal, with undrawn headroom on these of £23 million. This is adequate for our portfolio growth plans in the current year. However, we will continue to approach new and existing funders to ensure we always have adequate headroom to support our future growth.

The capital base of the Group continues to strengthen and the gearing ratio, excluding unsecured convertible debt, stands at 6.7 (2014 – 6.9).

New business and the market

The Group originated a total of £56 million of new business advances in the year, an increase of 10%. New business originated with existing customers increased by 13% in the year, building on the growth we achieved in the previous year. A great deal of effort is focused on retaining existing customers and this now represents the largest single introductory source of new business for our Consumer Finance Division. At the same time, the credit quality of new business remains high with over 60% of originations falling into our top two credit grades.

The greatest increase in originations was seen in our Consumer Finance Division, where strong consumer activity mirrored good statistics for car sales in the UK. The consumer motor finance portfolio currently stands at £59.6 million (2014 – £52.5 million) and the business finance portfolio at £40.2 million (2014 – £36.2 million).

The Group will continue to look for ways of broadening its sources of business and routes to market in our two chosen market sectors and where we only have a small market share.

On 1 April 2014 responsibility for the regulation and supervision of consumer credit related activities passed from the Office of Fair Trading ('OFT') to the Financial Conduct Authority ('FCA'). All of our relevant subsidiaries have the necessary Interim Permissions with the FCA and our applications for Full Authorisation were submitted in January 2015 and these are being dealt with under the six month authorisation process.

Outlook and current developments

The most important strategic objective for the Group is obtaining a banking licence to provide both a diversification in funding and the ability to grow the portfolio beyond the capabilities of our current debt facilities. The benefits of taking retail deposits are not only that we will have a more robust treasury model but also that, with a reduced cost of funds, we will be able to access new segments within our chosen markets as well as be more profitable in our existing ones. We would expect customer retention to improve further and the ability to grow our portfolio is key to maximising the benefits of operational gearing. The Group has invested considerable time this year researching a suitable target operating model and selecting suitable IT systems for attracting and managing retail deposits.

Whilst working towards the above objective, the Group will continue to increase new business originations, grow our portfolio of receivables to over £115m and continue to deliver the improvement in profitability as demonstrated in these results.

We look forward to the year ahead with considerable optimism.

SD Maybury

Chief Executive

14 July 2015

Key performance indicators

	2015	Group	2014
New business originations	£56.0m		£50.8m
Loans and receivables portfolio	£99.8m		£88.7m
Profit before taxation	£2.10m		£1.25m
Return on average assets	2.2%		1.5%
Fully diluted after tax return on equity	10.4%		6.2%

Principal risks and uncertainties

Credit risk

The Group is exposed to the risk that customers owing the Group money will not fulfil their obligations. The Group regularly reviews its lending criteria as well as its credit exposure to all customers. However, default risk may arise from events which are outside the Group's control, primarily customer under-performance due to factors such as loss of employment, family circumstances, illness, business failure, adverse economic conditions or fraud.

The successful management of credit risk is central to the Group's business. The majority of the Group's lending is secured and amortised over the life of the assets. The credit risk from concentration is limited due to the relatively low value of each customer's debt and to the Group's large and diverse customer base. In order to ensure that arrears are minimised, emphasis is placed on retaining a diversified portfolio, using prudent underwriting methods and resisting the inclination to increase credit risk in the quest for increased volumes of new business.

The counterparties to the Group's financial liabilities are financial institutions. Credit risk represents operational disruption if counterparties were unable to perform completely as contracted. It is the Group's policy to monitor the financial standing of these counterparties on an on-going basis and the exposure to any individual counterparty. The Group's financial asset exposure to these counterparties is limited to derivatives and cash at bank.

Strategic Report

Inadequate security

The Group is exposed to the risk that the security upon which it makes advances may reduce in value, so that the Group may not recover some or all of its advances in the event of a customer default. This risk is mitigated by maintaining a diverse portfolio of customers, spreading risk across a variety of assets and sectors, lending for a period of time appropriate to the assets' lives and forming detailed assessments on both the value of the security and the customer's ability to service the debt. Specialist third party asset and vehicle valuations are obtained, where considered necessary.

Treasury management

The Group is exposed to the liquidity and interest rate risk arising from the requirement to fund its operations. Liquidity risk is the risk arising from unplanned decreases or changes in funding sources. The Group funds itself through bi-lateral facilities with UK and international banks and finance houses with original maturities of up to four years. The Group has a successful track record in fund-raising and equity placements.

All the Group's loans and receivables are at fixed rates over the term of the contract. Facilities provided by banks and finance houses are at fixed and floating rates. Interest rate swaps are used, to the extent considered appropriate, to reduce interest rate fluctuations on floating rate borrowings. To the extent that the Group's loans and receivables are not matched by borrowings at fixed rates or by interest rate swaps, the Group has risk from changes in market interest rates. It is, and has been throughout the year, the Group's policy that no trading in financial instruments shall be undertaken. The Group does not operate in, nor has exposure to, currencies other than Pounds Sterling.

Capital management

The Group's objective is to maintain a strong capital base to support its current operations in line with relevant forecasts. Capital base for these purposes comprises shareholders' equity less the hedging reserve and at 31 March 2015 amounted to £12.0 million (2014 – £10.3 million). The Group is not subject to external regulatory capital requirements. It is, however, required within certain of its subsidiaries' borrowing facilities to maintain a ratio of borrowings to net worth. The Group complied with these ratios throughout the year.

Funding

The Group's financial instruments include borrowings, derivatives, convertible loan notes and overdraft facilities. The main purpose of these financial instruments is to raise finance to fund the Group's principal activities. Continued, sustainable growth is dependent on the Group seeking further debt facilities or increases to those already in place. However, the Group has adequate facility headroom for the current year and will continue to source new facilities and funding relationships.

Regulatory and conduct risk

The Group is subject to legislative and regulatory change within the consumer credit sector as supervised by the FCA. Conduct risk is the risk that the Group does not comply with regulatory requirements such as the way it conducts its business and treats its customers. These risks are managed through internal procedures and utilising expert external advice.

The main risks arising from the Group's financial instruments are detailed in note 21 to the Financial Statements.

Approved by order of the Board on 14 July 2015.

Directors' Report

for the year ended 31 March 2015

The directors present their report and audited financial statements for the year ended 31 March 2015 (the 'year').

Results and dividends

The Group profit for the year before taxation was £2,099,451 (2014 – £1,244,476). The taxation charge for the year was £485,662 (2014 – £512,740).

The directors do not recommend the payment of a final dividend (2014 – £nil).

Financial highlights

	2015 £'000	Group 2014 £'000
Turnover	45,293	42,656
Gross profit	13,447	12,558
Profit before taxation	2,099	1,245
Loans and receivables (net of unearned income and impairment charges)	99,829	88,655
Shareholders' equity	11,858	10,412
Net assets per share (undiluted)	22.3p	19.6p

Principal activities

The Group's principal activities are the purchase, hire, financing and sale of vehicles and equipment and the provision of related fee-based services. The Group will continue to administer its portfolio of financial assets to improve profitability for both its Consumer Finance and Business Finance Divisions.

Directors and their interests

The directors of the Company during the year were those listed on page 3.

The directors' interests in the shares of the Company, all of which were beneficial interests, at 31 March 2015 are listed below.

	At 31 March 2015 No. of ordinary shares of 5p each	At 31 March 2014 No. of ordinary shares of 5p each
A N Nelson	1,656,543	1,657,003
S D Maybury	1,600,006	1,600,006
R J Murray	998,340	998,340
D G Anthony	936,275	654,609

The following directors also held options in the Company share option plans as listed below. Further details are provided in note 7.

	At 31 March 2015 No. of ordinary shares of 5p each subject to option	At 31 March 2014 No. of ordinary shares of 5p each subject to option
S D Maybury	700,000	350,000
R J Murray	500,000	250,000
Z R Kerse	500,000	250,000

The Company's Articles of Association permit it to indemnify directors in accordance with the Companies Act.

Directors' Report

Substantial shareholdings

At 30 June 2015 the Company had been notified of the following interests of 3% or more in its issued ordinary share capital.

	Percentage
Somers Limited	29.28
Hendrik van Heijst	5.74
Aberdeen Holdings Limited	5.52
Beleggingsclub 'T Stockpaert	3.77
HSBC Global Custody Nominee (UK) Limited	3.43
A N Nelson	3.12
S D Maybury	3.02

Hedge accounting

The fair value of derivative financial instruments is recorded on the Group's balance sheet. The cumulative gain or loss of hedging instruments recognised directly to equity is reported net of tax in 'Other reserves' in the balance sheet. Any gains or losses on hedge instruments deemed as ineffective are recognised directly in the income statement.

Supplier payment policy and practice

It is the Group's policy that payments to suppliers are made in accordance with the terms and conditions agreed between the Group and its suppliers, provided that trading terms have been complied with.

At 31 March 2015 the Group had an average of 32 days purchases outstanding in trade payables (2014 – 30 days) and the Company had an average of 36 days (2014 – 49 days).

Statement of 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 Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out in the Financial Statements. The Group's policies and processes for managing its capital are described in the Strategic Report. Details of the Group's financial risk management objectives, its financial instruments and hedging activities and its exposures to credit risk and liquidity risk are also set out in the notes to the Financial Statements.

The directors have completed a formal assessment of the Group's financial resources including the forecasts. Based on this review, the directors believe that the Group is well placed to manage its business risks successfully within the expected economic outlook.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Corporate governance

The Company has had non-executive directors since May 1995. Meetings of the board of directors are held ten times a year. The Board has adopted the requirements of the 'Corporate Governance Code for Small and Mid-Size Quoted Companies' published by the Quoted Companies Alliance to the extent that it considers it appropriate and having regard to the Company's size and nature.

The Audit Committee consists of David Anthony (Chairman), David Morgan, Anthony Nelson and Nick Winks. The Audit Committee meets twice a year and is responsible, *inter alia*, for ensuring that the financial performance of the Group is properly reported and monitored and also for meeting the auditors and reviewing the reports from the auditors in relation to the Financial Statements and internal control systems.

The Remuneration Committee consists of Anthony Nelson (Chairman), David Anthony, David Morgan and Nick Winks. The Remuneration Committee is responsible, *inter alia*, for reviewing the performance of the executive directors and for setting the scale and structure of their remuneration and the basis of their service contracts, bearing in mind the interests of shareholders. The Remuneration Committee also determines the overall level of the allocation of share options to employees under the Company Share Option Plans.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the Group Financial Statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

Company law requires the directors to prepare Financial Statements for each financial year. Under that law the directors must not approve the Group Financial Statements unless they are satisfied they present fairly the financial position, financial performance and cash flows of the Group for that period. In preparing those Financial Statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors' and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the Financial Statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group Financial Statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Reappointment of auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

R J Murray
Director and Secretary

14 July 2015

Independent Auditor's Report

to the members of Private & Commercial Finance Group plc

We have audited the Financial Statements of Private & Commercial Finance Group plc for the year ended 31 March 2015 which comprise the Group Income Statement and Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Changes in Equity, the Group and Company Statement of Cash Flows and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union and, as regards the Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 15, the directors are responsible for the preparation of the Group and Company 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 Group and Company 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 Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and the Company's affairs at 31 March 2015 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company Financial Statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception

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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Michael-John Albert (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London

14 July 2015

Group Income Statement

for the year ended 31 March 2015

	Note	2015 £'000	2014 £'000
Group turnover	2	45,293	42,656
Cost of sales	3	(31,846)	(30,098)
Gross profit		13,447	12,558
Administration expenses		(6,686)	(6,935)
Operating profit		6,761	5,623
Interest receivable		4	8
Interest payable	4	(4,666)	(4,386)
Profit on ordinary activities before taxation	5	2,099	1,245
Income tax expense	6	(485)	(513)
Profit on ordinary activities after taxation	19	1,614	732
Profit for the year attributable to equity holders		1,614	732
Earnings per 5p ordinary share – basic	8	3.0p	1.4p
Earnings per 5p ordinary share – diluted	8	1.3p	0.8p

Group Statement of Comprehensive Income

for the year ended 31 March 2015

	Note	2015 £'000	2014 £'000
Profit for the year		1,614	732
Other comprehensive income that may be reclassified to the income statement in subsequent years			
Cash flow hedges – fair value (losses)/gains	21	(303)	422
Income tax effect	6	63	(93)
	19	(240)	329
Total comprehensive income for the year		1,374	1,061

Group and Company Balance Sheets

at 31 March 2015

	Note	2015 £'000	Group 2014 £'000	2015 £'000	Company 2014 £'000
Non-current assets					
Goodwill	10	397	397	-	-
Other intangible assets	11	514	646	514	-
Investment in subsidiary undertakings	9	-	-	1,000	1,000
Property, plant and equipment	12	105	84	105	-
Loans and receivables	13	63,680	53,134	3,500	3,000
Derivative financial instruments		-	137	-	-
Deferred tax	20	1,694	1,840	60	-
		66,390	56,238	5,179	4,000
Current assets					
Loans and receivables	13	36,149	35,521	9,598	10,710
Trade and other receivables	14	1,134	930	280	167
Corporation Tax		-	136	-	-
Cash and cash equivalents		139	283	-	-
		37,422	36,870	9,878	10,877
Total assets		103,812	93,108	15,057	14,877
Current liabilities					
Interest-bearing loans and borrowings	16	10,733	8,241	-	-
Trade and other payables	15	1,643	1,302	857	447
Derivative financial instruments		22	40	-	-
Corporation Tax		176	-	-	-
Bank overdrafts	16	703	329	11	4
		13,277	9,912	868	451
Non-current liabilities					
Derivative financial instruments		156	-	-	-
Interest-bearing loans and borrowings	16	78,521	72,784	9,763	9,635
		78,677	72,784	9,763	9,635
Total liabilities		91,954	82,696	10,631	10,086
Net assets		11,858	10,412	4,426	4,791
Capital and reserves					
Issued share capital	18	2,656	2,651	2,656	2,651
Share premium	19	4,398	4,395	4,398	4,395
Capital reserve	19	3,873	3,873	3,873	3,873
Other reserves	19	(127)	115	-	-
Own shares	19	(305)	(355)	(305)	(355)
Profit and loss account	19	1,363	(267)	(6,196)	(5,773)
Shareholders' equity		11,858	10,412	4,426	4,791

The financial statements were approved and authorised for issue by the board of directors on 14 July 2015.

Signed on behalf of the board of directors by:

S D Maybury
Director

Z R Kerse
Director

Group and Company Statements of Changes in Equity

for the year ended 31 March 2015

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Total comprehensive income for the year	1,374	1,061	(437)	(177)
New share capital subscribed	8	25	8	25
Share-based payments	14	2	14	2
Issue of own convertible debt	50	-	50	-
Net addition to shareholders' equity	1,446	1,088	(365)	(150)
Opening shareholders' equity	10,412	9,324	4,791	4,941
Closing shareholders' equity	11,858	10,412	4,426	4,791

Group and Company Statements of Cash Flows

for the year ended 31 March 2015

	Note	2015 £'000	Group 2014 £'000	2015 £'000	Company 2014 £'000
Cash flows from operating activities					
Profit/(loss) before taxation		2,099	1,245	(553)	(278)
Adjustments for:					
Amortisation of other intangible assets	11	184	173	-	-
Amortisation of issue costs		136	142	136	142
Depreciation	12	29	44	-	-
Share-based payments		14	2	14	2
Fair value movement on derivative financial instruments	4	(18)	30	-	-
(Increase)/decrease in loans and receivables		(11,174)	(8,628)	668	(1,061)
(Increase)/decrease in trade and other receivables		(203)	(230)	(113)	19
Increase in trade and other payables		331	251	410	14
Cash flows used in operating activities		(8,602)	(6,971)	562	(1,162)
Tax received/(paid)		35	(55)	-	-
Net cash flows used in operating activities		(8,567)	(7,026)	562	(1,162)
Cash flows from investing activities					
Purchase of property, plant and equipment	12	(83)	(8)	(105)	-
Proceeds from sale of property, plant and equipment		33	-	-	-
Purchase of other intangible assets	11	(52)	(172)	(514)	-
Net cash flows used in investing activities		(102)	(180)	(619)	-
Cash flows from financing activities					
Issue of own convertible debt		50	-	50	-
Proceeds from borrowings		8,842	9,517	-	4,003
Repayments of borrowings		(741)	(2,586)	-	(2,841)
Net cash flows from financing activities		8,151	6,931	50	1,162
Net decrease in cash and cash equivalents		(518)	(275)	(7)	-
Cash and cash equivalents at beginning of the year		(46)	229	(4)	(4)
Cash and cash equivalents at end of the year		(564)	(46)	(11)	(4)
Cash at bank		139	283	-	-
Bank overdrafts	16	(703)	(329)	(11)	(4)
		(564)	(46)	(11)	(4)
The amount of interest paid during the year		4,694	4,355	598	596

Notes to the Financial Statements

for the year ended 31 March 2015

1 Accounting policies

General information

Private & Commercial Finance Group plc ('the Company') is a public company domiciled in the United Kingdom. Its ordinary shares are listed on the Alternative Investment Market ('AIM') of the London Stock Exchange. The Group Financial Statements for the year ended 31 March 2015 were authorised for issue in accordance with a resolution of the board of directors on 14 July 2015.

Basis of preparation

These Financial Statements are prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, interpretations issued by the International Accounting Standards Board ('IASB') and the Companies Act 2006.

The Financial Statements have been prepared under the historical cost convention, modified to include the mark-to-market valuation of derivatives and in accordance with applicable accounting standards. The Financial Statements are presented in Pounds Sterling and all values are rounded to the nearest thousand (£'000), except where otherwise indicated.

Changes in accounting policies

The accounting policies adopted are consistent with those used in the previous financial year except that the Group has adopted all standards, amendments and interpretations which became effective during the year. The adoption of these standards, amendments and interpretations did not have any effect on the financial position or performance of the Group but have resulted in additional disclosures.

Basis of consolidation

The Group Financial Statements consolidate the Financial Statements of Private & Commercial Finance Group plc and all of its subsidiary undertakings, of which there were thirteen at 31 March 2015 (thirteen at 31 March 2014). The Financial Statements of the subsidiaries are prepared for the same reporting year as the parent undertaking, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions which are recognised in assets or liabilities, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

No income statement is presented for Private & Commercial Finance Group plc as permitted by section 408 of the Companies Act 2006. Of the profit for the financial year, a loss of £439,410 (2014 – loss of £176,994) was attributable to the Company.

Significant accounting judgments, estimates and assumptions

The preparation of Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors which are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of IFRS which have a significant effect on the Financial Statements and estimates with a significant risk of material adjustment within the next financial year are provided below.

Interest Income

Interest income is recognised for all financial assets measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and allocating the interest income over its expected life.

The Group reviews the expected remaining life of all financial assets measured at amortised cost at each reporting date and, where there is a change in those estimates, it makes an adjustment so that income continues to be recognised at the effective interest rate.

Impairment of goodwill

The Group determines whether goodwill is impaired on at least an annual basis. This requires an estimation of the value-in-use of the cash-generating units ('CGU') to which the goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2015 was £379,149 (2014 – £379,149). Further details are provided in note 10.

Loan loss provisioning

The Group reviews its loans and receivables on an on-going basis to assess the level of impairment. Future cash flows are estimated on the basis of the contractual cash flows of the assets and historical loss experience. Historical loss experience is adjusted on the basis of current observable data to reflect the effect of current conditions, which did not affect the period on which the historical loss experience is based, and to remove the effect of conditions in the historical period which do not exist currently. The carrying amount of loans and receivables at 31 March 2015 was £99,828,796 (2014 – £88,654,833). Further details are provided in note 13.

Property, plant and equipment

Plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

Depreciation is calculated on a straight-line basis over the useful life of the assets, as follows:

Computer hardware	-	3 to 4 years
Office equipment, fixtures and fittings	-	5 years
Operating lease equipment	-	1 to 7 years

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is de-recognised.

The assets' residual values, useful lives and methods of depreciation are reviewed and adjusted, if appropriate, at each reporting date.

Investment in subsidiary undertakings

Investments in subsidiary undertakings are initially recognised at cost. The Company recognises income from the investment only to the extent that it receives distributions from post-acquisition accumulated profits. Distributions received in excess of such profits are regarded as a recovery of investment and recognised as a reduction in the cost of the investment.

At each reporting date an assessment is made as to whether there is any indication that the investment may be impaired. If such an indication exists, the Company estimates the investment's recoverable amount. The investment is written down to the recoverable amount if this is lower than its carrying value. The impairment loss is recognised in the Company's income statement.

Notes to the Financial Statements

1 Accounting policies (continued)

Borrowing costs

Borrowing costs are recognised as an expense when incurred in accordance with the effective interest rate method.

Intangible assets

Goodwill

Goodwill arising on acquisition represents the excess of the cost of a business combination over the fair values of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is not amortised but is reviewed at least annually for impairment. For the purpose of impairment testing, goodwill is allocated to each CGU. Each CGU is consistent with the Group's primary reporting segments. Any impairment is recognised immediately through the income statement and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Computer software

Acquired software and subsequent enhancements are capitalised as intangible assets and amortised over their useful lives (3 to 8 years) on a straight-line basis. All other software development and maintenance costs are recognised as an expense as incurred. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Impairment of non-financial assets

At each reporting date an assessment is made as to whether there is an indication that an asset may be impaired. If any such indication exists or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of the asset's or CGU's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount and a previously recognised impairment is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount nor exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

Financial assets

The Group classifies its financial assets as either loans and receivables or derivative financial instruments used for hedging. In accordance with IAS 17 'Leases', leases where the Group does not transfer substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases. All other leases are treated as finance leases within loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market.

Conditional sale agreements, hire purchase contracts and finance leases are initially recognised at the lower of fair value of the leased asset or the present value of the minimum lease payments. These loans and receivables are subsequently measured at an amount equal to the net investment in the contract, less any provision for impairment. Other loans and receivables, including personal loans, are initially recognised at fair value plus directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment.

The Group has not held any financial assets at fair value through profit or loss, held to maturity or available for sale during the year.

Impairment of financial assets

The Group assesses, on an on-going basis, whether a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of a loan loss provision. The amount of the loss is recognised in the income statement as loan loss provisioning charge.

The Group first assesses whether objective evidence of impairment exists individually for financial assets which are individually significant and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Future cash flows for a group of loan assets that are collectively evaluated for impairment are estimated on the basis of contractual cash flows and historical loss experience for assets with similar credit characteristics.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Treasury shares

Own equity instruments which are re-acquired treasury shares and convertible debt are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and at hand and short-term deposits with an original maturity of three months or less. For the purpose of the Group Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the liabilities are de-recognised as well as through the amortisation process.

Convertible debt

The component of the convertible debt which exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. The coupon on the debt is charged as interest expense in the income statement. On issuance of the convertible debt, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not re-measured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible debt based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Notes to the Financial Statements

1 Accounting policies (continued)

De-recognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when the rights to receive cash flows from the asset have expired or where the Group has transferred substantially all the risks and rewards of ownership.

Financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Issue costs

The costs of issue of share capital are offset against the share premium reserve created at the time of issue. If there is insufficient premium arising on the issue, the costs would be offset against any pre-existing share premium. The costs of issue of the convertible debt are offset against the financing on origination and are subsequently amortised over the term.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employee benefits

Short-term benefits

Wages, salaries, commissions, bonuses, social security contributions, paid annual leave and non-monetary benefits, including death-in-service premiums, are accrued in the period in which the associated services are rendered by employees of the Group.

Pensions

Permanent staff are eligible for a contribution by the Company to their personal pension schemes equal to a fixed percentage of the staff member's basic salary. The cost to the Company is charged to the income statement as incurred and is disclosed in note 7 of the Financial Statements.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either the termination of employment or a voluntary redundancy offer.

Share-based payment transactions

The Company operates an approved and an unapproved equity-settled share option plan for its employees. For awards granted after 7 November 2002 (and not vested by 1 January 2006) and in accordance with IFRS 2 'Share-based payment', an expense is recognised in respect of the fair value of employee services received in exchange for the grant of share options. A corresponding amount is recorded as an increase in equity within retained earnings. The expense is spread over the relevant vesting period and is calculated by reference to the fair value of the share options granted.

In arriving at fair values, the Black-Scholes pricing model is used and estimates are made of dividend yields, share price volatility, risk-free rates and expected life of the share options.

Operating leases

Group as a lessee

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Group as a lessor

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. The following criteria must also be met:

Interest income

Interest income is recognised in the income statement for all financial assets measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the contractual life, or expected life, if shorter, of the financial asset to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instruments, such as early settlement options, but does not include an expectation for future credit losses. The calculation includes all fees charged to customers, such as acceptance or similar fees, and direct and incremental transactions costs, such as broker commissions.

Finance income in respect of conditional sale agreements, hire purchase contracts and finance leases is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment, before tax, outstanding in respect of the contract.

Insurance commission

Commission received from third party insurers for all insurance broking business, for which the Group does not bear any underlying insurance risk, is credited to the income statement at inception of the policies.

Other income

Other income includes fees and commissions charged to customers and third parties for the collection of debts and fees charged for other services, which are credited to the income statement when the service has been provided.

Taxes

Current tax

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using rates of tax that have been enacted, or substantively enacted, by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements.

Deferred tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Deferred tax is determined using tax rates and laws which have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Notes to the Financial Statements

1 Accounting policies (continued)

Taxes (continued)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The carrying amount of the deferred tax asset in respect of tax losses at 31 March 2015 was £nil (2014 – £nil) and the unrecognised deferred tax asset at 31 March 2015 was £24,517 (2014 – £25,109). Further details are provided in note 20.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set-off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax ('VAT')

Revenues, expenses and assets are recognised net of the amount of VAT except in the case of overdue loans and receivables, other receivables and other payables which are shown inclusive of VAT.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in the balance sheet.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as interest rate swaps to hedge its exposure to interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year which do not qualify for hedge accounting are taken directly to the income statement.

The fair value of interest rate swap contracts is determined by discounted cash model analysis with reference to relevant market interest rates and yield curves.

The Group uses cash flow hedges when hedging exposure to variability in cash flows which is attributable to a particular risk associated with a recognised asset or liability. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges which meet the strict criteria for hedge accounting are accounted for as follows:

- the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, whilst any ineffective portion is recognised immediately in the income statement;
- amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs; and
- if the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

Future changes in accounting policies

The following accounting standards, amendments and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee are effective for the Group's accounting periods beginning on or after 1 April 2015.

	Effective from
● IFRS 2 (amendment) 'Share-based Payment'	1 July 2014
● IFRS 8 (amendment) 'Operating Segments'	1 July 2014
● IFRS 9 'Financial Instruments'	1 January 2018
● IFRS 11 (amendment) 'Joint Arrangements'	1 January 2016
● IFRS 13 (amendment) 'Fair Value Measurement'	1 July 2014
● IFRS 15 'Revenue from Contracts with Customers'	1 January 2017
● IAS 16 (amendment) 'Property Plant and Equipment'	1 January 2016
● IAS 19 (amendment) 'Employee Benefits'	1 July 2014
● IAS 24 (amendment) 'Related Party Disclosures'	1 July 2014
● IAS 38 (amendment) 'Intangible Assets'	1 January 2016

IFRS 9 is replacing the 'incurred loss' approach of IAS 39 to impairment with a new 'expected loss' model. It is not practical to provide a reasonable estimate of the effect until more guidelines become available nearer the required implementation date. Other than IFRS 9, adoption of these standards and interpretations is not expected to have a material impact on the Group or Company Financial Statements.

Notes to the Financial Statements

2 Turnover and segmental analysis

Turnover represents gross rental and instalment credit income from the hire, financing and sale of equipment, and the provision of related fee-based services, stated net of VAT.

The Group operates in the principal areas of consumer finance for motor vehicles and business finance for vehicles, plant and equipment. Segment assets include loans and receivables, trade and other receivables, cash and cash equivalents and tax assets. Segment liabilities comprise trade and other payables, derivative financial instruments, tax liabilities and certain borrowings that can be attributed to the segment but exclude borrowings that are for general corporate purposes.

No geographical analysis is presented because the Group only operates within the United Kingdom.

Turnover, profit on ordinary activities before taxation and assets and liabilities are analysed in the following tables.

	Consumer finance £'000	Business finance £'000	Central £'000	Total £'000
Year ended 31 March 2015				
Group Turnover	24,270	21,023	–	45,293
Profit/(loss) on ordinary activities before taxation	1,624	1,087	(612)	2,099
Year ended 31 March 2014				
Group Turnover	22,935	19,721	–	42,656
Profit/(loss) on ordinary activities before taxation	865	599	(219)	1,245
Year ended 31 March 2015				
Group Total assets	63,982	38,979	851	103,812
Total liabilities	54,459	29,930	7,565	91,954
Other segment items				
Interest payable	(2,501)	(1,567)	(598)	(4,666)
Loan loss provisioning charge	(1,060)	(486)	–	(1,546)
Income tax expense	(341)	(237)	93	(485)
Year ended 31 March 2014				
Group Total assets	60,922	31,174	1,012	93,108
Total liabilities	52,349	24,411	5,936	82,696
Other segment items				
Interest payable	(2,393)	(1,397)	(596)	(4,386)
Loan loss provisioning charge	(1,388)	(636)	–	(2,024)
Income tax expense	(202)	(383)	72	(513)

3 Cost of sales

Cost of sales represents the amortisation of finance leases and instalment credit contracts (the difference between gross rental and income recognised, in accordance with note 1) and the depreciation of operating lease assets.

4 Interest payable

	2015 £'000	2014 £'000
Interest-bearing loans and borrowings and bank overdrafts	(4,684)	(4,356)
Fair value movements on derivative financial instruments	18	(30)
	(4,666)	(4,386)

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after crediting/(charging):

(a) Finance revenue

	2015 £'000	2014 £'000
Net income from finance leases	3,199	2,975
Net income from instalment credit contracts	10,219	9,432
Insurance commission and other income	29	151
Gross profit	13,447	12,558

(b) Other revenue and expenses

	2015 £'000	2014 £'000
Included in administration expenses:		
Loan loss provisioning charge	(1,546)	(2,024)
Depreciation of property, plant and equipment	(29)	(44)
Operating lease rentals payable	(53)	(72)
Amortisation of other intangible assets	(184)	(173)
Auditors' remuneration		
- audit of the Group and Company Financial Statements	(60)	(62)
- audit of the Company's subsidiaries' Financial Statements	(65)	(61)
- other services relating to taxation	(53)	(35)

Notes to the Financial Statements

6 Taxation

(a) Analysis of tax charge in the year	2015 £'000	2014 £'000
Current tax		
UK Corporation Tax on profit of the year	(284)	(30)
Adjustments in respect of prior years	8	–
Total current tax	(276)	(30)
Deferred tax		
Origination and reversal of temporary differences	(189)	(209)
Adjustments in respect of prior periods	(9)	(17)
Change in tax rate	(11)	(257)
Total deferred tax	(209)	(483)
Total tax charge for the year	(485)	(513)
(b) Deferred tax on items recognised directly in equity	2015 £'000	2014 £'000
Relating to cash flow hedges	63	(97)
Change in tax rate	–	4
	63	(93)

(c) Factors affecting current tax charge for the year

The tax assessed for the year differs from the standard rate of Corporation Tax in the UK of 21% (2014 – 23%). The differences are explained below.

As part of the Finance Act 2014, the UK Government legislated to reduce the main rate of Corporation Tax from 23% to 21% with effect from 1 April 2014 and to 20% with effect from 1 April 2015, which has been reflected in the amount of the recognised deferred tax asset.

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	2,099	1,245
Profit on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 21% (2014 – 23%)	(441)	(286)
Effects of:		
Expenses not deductible for taxation purposes	(33)	(7)
Adjustments in respect of prior periods	(1)	(17)
Change in tax rate	(11)	(257)
Utilisation of previously unrecognised losses	1	54
Total tax charge for the year	(485)	(513)

7 Directors' remuneration and staff costs

The aggregate payroll costs of the Group (including directors and Chairman) were:

	2015 £'000	2014 £'000
Salaries and fees	1,979	1,898
Social security costs	213	236
Pension costs	124	125
Share-based payments	14	2
	2,330	2,261

The average monthly number of persons employed by the Group was:

	2015 No.	2014 No.
Directors and administration	7	7
Consumer finance	20	22
Business finance	17	17
	44	46

Directors' remuneration	Salary and fees £'000	Bonus £'000	Benefits in kind £'000	Pension contributions £'000	2015 £'000	2014 £'000
Executive directors						
S D Maybury	100	–	1	41	142	137
R J Murray	114	–	1	11	126	124
Z R Kerse	103	–	1	10	114	113
Non-executive directors						
D G Anthony	24	–	–	–	24	24
D J Morgan	15	–	–	–	15	15
A N Nelson	17	–	–	–	17	17
N P D Winks	15	–	–	–	15	15
	388	–	3	62	453	445

There are three directors receiving company contributions to personal pension schemes (2014 – three).

Notes to the Financial Statements

7 Directors' remuneration and staff costs (continued)

Share-based payments

Company equity-settled share option plans

The grant price is determined by reference to the average mid-market price of the Company's ordinary shares for the three days immediately preceding the date of the grant. The options are conditional on continued employment and have a minimum vesting period of three years. If options remain unexercised after a period of ten years from the date of the grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest. The weighted average remaining contractual life is nine years (2014 – five years).

	Group 2015 No.	Company 2015 No.	Weighted average exercise price (pence)	Group 2014 No.	Company 2014 No.	Weighted average exercise price (pence)
Outstanding at the beginning of the year	941,500	941,500	27	173,000	173,000	47
Granted during the year	850,000	850,000	10	850,000	850,000	9
Expired during the year	(91,500)	(91,500)	43	(81,500)	(81,500)	51
Outstanding at the end of the year	1,700,000	1,700,000	9	941,500	941,500	27
Exercisable at the end of the year	-	-	-	91,500	91,500	43

The fair value was measured at the grant date using the Black-Scholes model. The inputs were as follows:

Grant date	3 December 2013	10 June 2014
Share price at grant date	8.5p	9.6p
Exercise price	8.5p	9.6p
Shares under option	850,000	850,000
Vesting period	3 – 10 years	3 – 10 years
Expected volatility	30%	30%
Expected life	6.5 years	6.5 years
Risk-free rate	0.5%	0.5%
Expected dividends	nil	nil
Fair value per model at grant date	2.6p	3.0p

The expected volatility is based on historical volatility over a period consistent with the expected option life. The risk-free rate is based on UK Government bonds.

8 Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on profit after taxation of £1,613,789 for the year (2014 – £731,736) on 53,066,335 (2014 – 52,980,732) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per ordinary share is based on profit after taxation of £2,193,948 for the year (2014 – £1,198,495), before deducting interest on the convertible loan notes of £580,159 (2014 – £466,759), on 170,378,206 (2014 – 146,371,439) ordinary shares, being the dilutive weighted average number of ordinary shares in issue during the year.

	2015 No. of ordinary shares of 5p each	2014 No. of ordinary shares of 5p each
Basic weighted average number of shares	53,066,335	52,980,732
Effect of dilutive convertible loan notes	117,311,871	93,390,707
Dilutive weighted average number of shares	170,378,206	146,371,439

9 Investments

Company

The subsidiary undertakings of Private & Commercial Finance Group plc at 31 March 2015, all of which are incorporated and operate in the United Kingdom and are registered in England and Wales, were as follows:

Name of company	Proportion held	Nature of business
PCF Group Holdings Limited	100%	Holding Company
AMC Trust Limited	100%*	Holding Company
PCF Group Limited	100%*	Holding Company
Private and Commercial Finance Company Limited	100%*	Instalment credit
PCF Asset Finance Limited	100%*	Hire purchase
PCF Business Finance Limited	100%*	Hire purchase
PCF Leasing Limited	100%*	Leasing
PCF Portfolio Management Limited	100%*	Leasing
The Asset Management Corporation Limited	100%*	Leasing
Henry Butcher Industrial Finance Limited	100%*	Dormant
PCF Equipment Leasing Limited	100%*	Dormant
PCF Financial Leasing Limited	100%*	Dormant
TMV Finance Limited	100%*	Dormant

*Held by a subsidiary of the Company

All the companies have an Accounting Reference Date of 31 March.

Notes to the Financial Statements

9 Investments (continued)

	Investment in subsidiary undertakings 2015 £'000	Investment in subsidiary undertakings 2014 £'000
Cost and net book value: At 1 April 2014 and 31 March 2015	1,000	1,000

The Company has an investment in PCF Group Holdings Limited. The net asset value of PCF Group Holdings Limited at 31 March 2015 was £757,063 (2014 – £1,007,063). If the investment had been sold at this valuation, any potential capital gains arising on the sale would have been exempt under the substantial shareholdings legislation. If the disposal had given rise to a loss, the loss would not be an allowable loss for tax purposes.

It is the opinion of the directors that the recoverable amount of the Company's investment in PCF Group Holdings Limited is not less than the amount at which it is stated in the Company's Financial Statements.

10 Goodwill

	2015 £'000	2014 £'000
Cost and net book value: At 1 April 2014 and 31 March 2015	397	397

Goodwill relates entirely to the Group's Consumer Finance Division and arises from the acquisition of TMV Finance Limited in November 2000. There has been no impairment to goodwill in the current or prior year.

The recoverable amount of goodwill is determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding discount rates, growth rates, loan loss rates and direct costs. Management estimates discount rates using pre-tax rates which reflect current market assessments of the time value of money and estimates cash flows adjusted for risks specific to the Consumer Finance Division. Changes in loan loss rates and direct costs are based on historic experience and expectations of future changes in the market. The Group produces a cash flow forecast for a five year period which assumes a constant growth rate consistent with current market conditions and recent historic growth. The risk-adjusted cash flows are discounted using a pre-tax discount rate of 6.0 % (2014 – 6.0%).

11 Other intangible assets

Other intangible assets are comprised solely of computer software.

Group	2015 £'000	2014 £'000
Cost		
At 1 April	2,219	2,047
Additions in the year	52	172
Disposals in the year	–	–
At 31 March	2,271	2,219
Amortisation and impairment		
At 1 April	1,573	1,400
Amortisation for the year	184	173
Disposals in the year	–	–
At 31 March	1,757	1,573
Net book value at 31 March	514	646

The Company purchased the other intangible assets from another Group company on 31 March 2015 at net book value.

12 Property, plant and equipment

Group	2015 £'000	2014 £'000
Cost		
At 1 April	185	177
Additions in the year	83	8
Disposals in the year	(100)	–
At 31 March	168	185
Depreciation		
At 1 April	101	57
Depreciation charge for the year	29	44
Disposals in the year	(67)	–
At 31 March	63	101
Net book value at 31 March	105	84

The Company purchased the property, plant and equipment from another Group company on 31 March 2015 at net book value.

Notes to the Financial Statements

13 Loans and receivables

Maximum exposure and maturity

	Instalment credit £'000	Finance leases £'000	Total £'000
2015			
Group			
Maturity profile:			
Within one year	38,996	12,430	51,426
One to five years	61,117	15,100	76,217
Gross loans and receivables	100,113	27,530	127,643
Unearned future finance income	(19,578)	(4,050)	(23,628)
Loan loss provision	(2,952)	(1,234)	(4,186)
	77,583	22,246	99,829
Comprising:			
Current assets	26,960	9,189	36,149
Non-current assets	50,623	13,057	63,680
	77,583	22,246	99,829
2014			
Group			
Maturity profile:			
Within one year	37,780	12,644	50,424
One to five years	50,553	12,975	63,528
Gross loans and receivables	88,333	25,619	113,952
Unearned future finance income	(16,663)	(3,464)	(20,127)
Loan loss provision	(3,571)	(1,599)	(5,170)
	68,099	20,556	88,655
Comprising:			
Current assets	26,264	9,257	35,521
Non-current assets	41,835	11,299	53,134
	68,099	20,556	88,655

For terms relating to financial assets, loans and receivables refer to note 21.

Credit quality	Instalment credit £'000	Finance leases £'000	Total £'000
2015			
Group			
Neither past due nor impaired	90,580	23,706	114,286
Past due but not impaired – one day up to one month	2,047	507	2,554
– one month up to two months	312	11	323
Impaired	7,174	3,306	10,480
Gross loans and receivables	100,113	27,530	127,643

	Instalment credit £'000	Finance leases £'000	Total £'000
2014			
Group			
Neither past due nor impaired	76,999	19,622	96,621
Past due but not impaired – one day up to one month	1,995	1,550	3,545
– one month up to two months	289	65	354
Impaired	9,050	4,382	13,432
Gross loans and receivables	88,333	25,619	113,952

The credit risk inherent in loans and receivables is reviewed under impairment policies as detailed in note 1. Under this review, the credit quality of assets which are neither past due nor impaired were considered to be good. In the case of assets where there was evidence of non-payment or other objective evidence of impairment the assets are considered as impaired. The carrying amount of gross loans and receivables whose terms have been renegotiated which would otherwise be past due or impaired is £0.4 million at 31 March 2015 (2014 – £0.4 million).

Loan loss provision	Instalment credit £'000	Finance leases £'000	Total £'000
2015			
Group			
At 1 April 2014	3,571	1,599	5,170
Utilised	(1,734)	(796)	(2,530)
Additional provisions created	1,115	431	1,546
At 31 March 2015	2,952	1,234	4,186

	Instalment credit £'000	Finance leases £'000	Total £'000
2014			
Group			
At 1 April 2013	4,878	2,062	6,940
Utilised	(2,977)	(817)	(3,794)
Additional provisions created	1,670	354	2,024
At 31 March 2014	3,571	1,599	5,170

Notes to the Financial Statements

13 Loans and receivables (continued)

Collateral	2015 £'000	2014 £'000
Loans secured on equipment, plant and vehicles under conditional sale/hire purchase agreements	98,250	84,765
Unsecured loans	1,862	3,568
Finance leases of equipment, plant and vehicles	27,531	25,619
Gross loans and receivables	127,643	113,952

An estimate of the fair value of collateral on past due or impaired loans and receivables is not disclosed as it would be impractical to do so.

Company

The non-current loans and receivables as shown on the Company balance sheet of £3,500,000 (2014 – £3,000,000) comprise amounts due from subsidiary companies with repayment terms of five years or more. In current assets there are amounts of £9,597,857 (2014 – £10,710,440) due from subsidiary companies, all of which are repayable on demand.

14 Trade and other receivables

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Trade receivables	188	–	81	–
Prepayments	126	126	144	64
Other receivables	820	154	705	103
	1,134	280	930	167

Trade and other receivables are not interest-bearing and are generally on terms of up to 30 days. The maximum exposure to credit risk and the fair value of trade and other receivables equates to the carrying amount.

15 Trade and other payables

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Trade payables	353	142	438	156
Taxes and social security costs	52	52	55	55
Other payables	491	–	472	–
Accruals	747	663	337	236
	1,643	857	1,302	447

Trade and other payables are not interest-bearing and are normally settled on 30 day terms.

16 Interest-bearing loans and borrowings

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Current				
Secured loans and borrowings	10,733	–	8,241	–
	10,733	–	8,241	–
Non-current				
Secured loans and borrowings	68,758	–	63,149	–
Convertible debt	9,763	9,763	9,635	9,635
	78,521	9,763	72,784	9,635
Total interest-bearing loans and borrowings	89,254	9,763	81,025	9,635

Loans and borrowings are stated net of unamortised issue costs of £0.5 million (2014 – £0.6 million). These costs are allocated to the income statement over the term of the facility using the effective interest method.

Bank overdrafts

The bank overdraft has an effective interest rate of base rate plus a margin and is secured by a debenture over the individual group undertaking to which it applies. The facility is repayable on demand.

Interest-bearing loans and borrowings

£55.0 million term loan facility

This loan has an effective interest rate of LIBOR plus a margin and a maturity date of 30 September 2016. The loan is secured by both a charge over the loans and receivables and a debenture over the assets of the group undertaking to which it applies and the guarantee of the Company.

£12.0 million term loan facility

This loan has an effective interest rate of LIBOR plus a margin and a maturity date of 9 January 2017. The loan is secured by both a charge over the loans and receivables and a debenture over the assets of the group undertaking to which it applies and the guarantee of the Company.

£8.0 million term loan facility

This loan has fixed interest rates and maturity dates of up to four years. The loan is secured by both a charge over the loans and receivables and a debenture over the assets of the group undertaking to which it applies and the guarantee of the Company.

£10.5 million block discounting facility

This loan has a fixed interest rate and maturity dates of up to four years. The facility is secured by both a charge over the loans and receivables and a debenture over the assets of the group undertaking to which it applies and the guarantee of the Company.

£17 million block discounting facilities

These loans have fixed interest rates and maturity dates of up to four years. The facilities are secured by charges over the loans and receivables of the group undertaking to which they apply.

Notes to the Financial Statements

16 Interest-bearing loans and borrowings (continued)

Convertible debt

In November 2012 the Company issued £5,930,000 of £1 convertible unsecured loan notes at par, by way of a placing and open offer. In 30 September 2013 the Company placed an additional £4,070,000 of £1 convertible unsecured loan notes at par. The loan notes can be converted into ordinary shares at the price of 8.5p on any interest date before 30 September 2016 subject to the proviso that any loan note holder holding a nominal value of loan notes of £1 million or more may convert their loan notes into ordinary shares on any Business Day between 1 December 2012 and 30 September 2016. The loan notes have a final maturity date of 30 September 2016 and carry an interest rate of 6%. The unamortised issue costs of the loan notes have been offset against the debt. At 31 March 2015 £32,499 of loan notes had been converted at 8.5p.

The Company is unable to call and redeem the loan notes until the maturity date.

	2015 £'000	2014 £'000
Maturity of financial liabilities		
In one year or less or on demand	11,300	8,434
In more than one year but not more than two years	74,162	59,680
In more than two years but not more than five years	4,495	13,240
	89,957	81,354

	2015 £'000	2014 £'000
Undrawn committed borrowing facilities		
Expiring in one year or less	16,442	8,523
Expiring in more than one year but not more than two years	6,346	5,881
Expiring in more than two years but not more than five years	-	-
	22,788	14,404

Principal covenants

The subsidiary companies must comply with principal lending covenants in respect of the ratio of borrowings to net worth and the ratio of profit before interest and tax to net interest expense. In both years, none of these covenants had been breached.

17 Operating lease arrangements

Operating lease arrangements where the Group or Company is lessee

Future minimum rentals payable under non-cancellable property leases are as follows:

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Not later than one year	203	203	91	91
After one year but not more than five years	831	831	114	114
	1,034	1,034	205	205

A 108 month property lease was entered into on 5 September 2014. The Company has an option to determine the lease on 5 September 2019.

Operating lease arrangements where the Group or Company is lessor

Future minimum rentals receivable under non-cancellable operating leases are £nil (2014 – £nil).

18 Issued share capital

	Number	£'000
Authorised ordinary shares		
At 1 April 2013, 1 April 2014 and 31 March 2015 – 5p each	250,000,000	12,500
Allotted and fully paid ordinary shares		
At 1 April 2013 – 5p each	52,731,151	2,637
Exercise of convertible debt options	290,550	14
At 1 April 2014 – 5p each	53,021,701	2,651
Exercise of convertible debt options	91,786	5
At 31 March 2015 – 5p each	53,113,487	2,656

Notes to the Financial Statements

19 Movements in reserves

Group	Share premium £'000	Capital reserve £'000	Other reserves £'000	Own shares £'000	Profit and loss account £'000
At 1 April 2013	4,384	3,873	(214)	(355)	(1,001)
Fair value gains on cash flow hedges net of tax	-	-	299	-	-
Transfer to net profit	-	-	30	-	-
Net gains recognised directly in equity	-	-	329	-	-
Profit for the year	-	-	-	-	732
Total recognised income and expense for the year	-	-	329	-	732
Share-based payments	-	-	-	-	2
Issue of new shares	11	-	-	-	-
At 1 April 2014	4,395	3,873	115	(355)	(267)
Fair value losses on cash flow hedges net of tax	-	-	(224)	-	-
Transfer to net profit	-	-	(18)	-	-
Net losses recognised directly in equity	-	-	(242)	-	-
Profit for the year	-	-	-	-	1,614
Total recognised income and expense for the year	-	-	(242)	-	1,614
Share-based payments	-	-	-	-	16
Issue of new shares	3	-	-	-	-
Issue of own convertible debt	-	-	-	50	-
At 31 March 2015	4,398	3,873	(127)	(305)	1,363

Capital reserve

On 23 May 2006 the ordinary shares of 25p of the Company were divided into five new ordinary shares of 5p. Four of each of the five newly sub-divided ordinary shares were designated deferred shares. The deferred shares were purchased by the Company at nil value and cancelled, resulting in the creation of a capital reserve.

Other reserves

From 1 April 2007 the Group adopted hedge accounting for the existing and any new derivative financial instruments. The hedging reserve includes the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions which have not yet occurred. The hedging reserve appears in 'Other reserves'. Further information on derivative financial instruments and hedging is contained in note 1.

Own shares (Employee Share Option Plan)

Own shares represents 645,015 (2014 – 645,015) ordinary shares held by The PCFG Employees Benefits Trust 2003 ('EBT') to meet obligations under the Company's Share Option Plans. The shares are stated at cost and their market value at 31 March 2015 was £87,077 (2014 – £54,826). If they had been sold at this value, there would have been a capital loss of £168,070 (2014 – £200,321) arising on the sale.

In November 2012 EBT purchased 100,000 of £1 convertible unsecured loan notes at par to provide awards under the long-term incentive plan. The EBT issued 50,000 loan notes to key employees in the year subject to their continued employments until 30 September 2016. The remaining 50,000 loan notes are stated at cost and their market value at 31 March 2015 was £66,000.

Movements in reserves	Share premium £'000	Capital reserve £'000	Own shares £'000	Profit and loss account £'000
Company				
At 1 April 2013	4,384	3,873	(355)	(5,598)
Loss for the year	-	-	-	(177)
Total recognised income and expense for the year	-	-	-	(177)
Share-based payments	-	-	-	2
Issue of new shares	11	-	-	-
At 1 April 2014	4,395	3,873	(355)	(5,773)
Loss for the year	-	-	-	(439)
Total recognised income and expense for the year	-	-	-	(439)
Share-based payments	-	-	-	16
Issue of new shares	3	-	-	-
Issue of own convertible debt	-	-	50	-
At 31 March 2015	4,398	3,873	(305)	(6,196)

20 Deferred tax asset

Group	2015 £'000	2014 £'000
Decelerated capital allowances	1,638	1,860
Derivative financial instruments	31	(25)
Other temporary differences	25	5
	1,694	1,840
At 1 April	1,840	2,416
Recognised in income	(209)	(483)
Recognised in equity	63	(93)
At 31 March	1,694	1,840

As part of the Finance Act 2014, the UK Government legislated to reduce the main rate of Corporation Tax from 23% to 21% with effect from 1 April 2014 and to 20% with effect from 1 April 2015. The deferred tax asset has been calculated based on a rate of 20% to the extent that it is expected to reverse in future years.

There is an unrecognised deferred tax asset of £24,517 (2014 – £25,109). This asset relates to tax losses arising in prior years, which are unutilised at the reporting date.

Notes to the Financial Statements

21 Financial instruments

The Group's principal financial instruments are financial assets comprising loans and receivables and financial liabilities recorded at amortised cost, comprising overdrafts and interest-bearing loans and borrowings. The Group also enters into derivative financial instruments to reduce its exposure to interest rate fluctuations. A description of the principal risks, as well as details on how the Group manages these risks, is contained in the Strategic Report, in the section entitled 'Principal risks and uncertainties'.

Liquidity and interest rate risks

The Group's policy on funding capacity is to ensure there is always sufficient long-term funding in place. The Group endeavours to have committed borrowing facilities in place in excess of its forecast gross borrowing requirements for a minimum of the next twelve months. At 31 March 2015 the Group's principal committed borrowing facilities totalled £112.0 million (2014 – £95.4 million) of which 21% (2014 – 16%) was undrawn. In addition, it is the Group's policy to maintain uncommitted facilities for its working capital requirements. The contractual maturities of the Group's and Company's facilities are detailed in note 16 along with the Group's committed facilities.

The Group borrows at both fixed and floating interest rates and then uses derivative financial instruments to manage its exposure to interest rate fluctuations. At 31 March 2015 the proportion of the Group's borrowings at fixed rates, including borrowings matched with derivatives, was 61% (2014 – 66%), fixed for an average period of 1.9 years (2014 – 2.2 years). In January 2015 the Group entered into an additional interest rate swap for £10 million with a forward start date of July 2015. If the start date was 31 March 2015, the proportion of the Group's borrowings at fixed rates, including borrowings matched with derivatives, would have been 72%. Derivatives are interest rate swaps where the Group pays fixed rate interest on a quarterly basis. Based on the exposure to interest rate risk an increase in LIBOR by one half of one percentage point for the whole financial year would have had an adverse effect on profit for the year of £164,242 (2014 – £132,330) and a favourable impact on equity of £50,660 (2014 – £160,398).

The following tables set out the gross contractual maturities of the Group's and Company's financial instruments.

Group

Year ended 31 March 2015

Fixed rate	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	More than 5 years £'000	Total £'000
Loans and receivables – gross	51,426	33,397	23,868	14,016	4,919	17	127,643
Trade and other receivables	1,008	–	–	–	–	–	1,008
Cash and cash equivalents	139	–	–	–	–	–	139
Interest-bearing loans and borrowings	(12,057)	(7,840)	(3,491)	(1,181)	(36)	–	(24,605)
Convertible debt	(598)	(10,267)	–	–	–	–	(10,865)
Trade and other payables	(1,589)	–	–	–	–	–	(1,589)
Derivative financial instruments	(253)	(224)	(103)	–	–	–	(580)
Floating rate	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	More than 5 years £'000	Total £'000
Derivative financial Instruments	127	181	90	–	–	–	398
Bank overdrafts	(703)	–	–	–	–	–	(703)
Interest-bearing loans and borrowings	(2,592)	(58,187)	–	–	–	–	(60,779)

Group

Year ended 31 March 2014

Fixed rate	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	More than 5 years £'000	Total £'000
Loans and receivables – gross	50,424	29,124	20,048	10,731	3,617	8	113,952
Trade and other receivables	786	–	–	–	–	–	786
Cash and cash equivalents	283	–	–	–	–	–	283
Interest-bearing loans and borrowings	(9,415)	(6,937)	(3,187)	(275)	–	–	(19,814)
Convertible debt	(599)	(599)	(10,274)	–	–	–	(11,472)
Trade and other payables	(1,246)	–	–	–	–	–	(1,246)
Derivative financial instruments	(307)	(253)	(224)	(102)	–	–	(886)
Floating rate	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	More than 5 years £'000	Total £'000
Derivative financial Instruments	139	260	404	188	–	–	991
Bank overdrafts	(329)	–	–	–	–	–	(329)
Interest-bearing loans and borrowings	(2,388)	(54,513)	–	–	–	–	(56,901)

Notes to the Financial Statements

21 Financial instruments (continued)

Company

Year ended 31 March 2015

Fixed rate

	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	More than 5 years £'000	Total £'000
Loans and receivables – gross	9,598	–	–	–	–	3,500	13,098
Trade and other receivables	154	–	–	–	–	–	154
Convertible debt	(598)	(10,267)	–	–	–	–	(10,865)
Trade and other payables	(805)	–	–	–	–	–	(805)

Company

Year ended 31 March 2014

Fixed rate

	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	More than 5 years £'000	Total £'000
Loans and receivables – gross	10,710	–	–	–	–	3,000	13,710
Trade and other receivables	102	–	–	–	–	–	102
Convertible debt	(599)	(599)	(10,274)	–	–	–	(11,472)
Trade and other payables	(392)	–	–	–	–	–	(392)

The financial instruments are shown gross to reflect capital and interest. The amounts shown therefore are not the carrying amounts as included on the Group and Company balance sheets.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

The following table sets out the contractual maturities of the notional value of the Group's derivative financial instruments.

Group	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	Over 4 years £m	Total £m
2015						
Interest rate swaps	2.0	10.5	10.0	–	–	22.5
2014						
Interest rate swaps	3.0	2.0	10.5	10.0	–	25.5

The Company has no derivative financial instruments at 31 March 2015 (31 March 2014 – £nil).

Fair values of financial instruments

The following table sets out a comparison by category of carrying amounts and fair values of financial instruments that are carried in the Financial Statements.

Group	Book value 2015 £m	Fair value 2015 £m	Book value 2014 £m	Fair value 2014 £m
Financial assets				
Loans and receivables – net	99.8	115.4	88.7	101.8
Financial liabilities				
Interest-bearing loans and borrowings	(89.2)	(89.3)	(81.0)	(81.1)
Company	Book value 2015 £m	Fair value 2015 £m	Book value 2014 £m	Fair value 2014 £m
Financial assets				
Loans and receivables – net	13.1	13.1	13.7	13.7
Financial liabilities				
Interest-bearing loans and borrowings	(9.8)	(9.9)	(9.6)	(9.8)

Fair values are calculated by discounting cash flows at prevailing interest rates for equivalent debt instruments or by using the market interest rates for other financial assets or liabilities. The carrying value of all the other Group and Company financial instruments is regarded as a reasonable approximation of the fair value. Under IFRS 7 'Financial instruments: disclosures', the Group's derivative financial instruments are classed as Level 2 because they are not traded in an active market and the fair value is determined by discounted cash flow model analysis with reference to relevant market interest rates and yield curves. There have been no transfers between valuation levels during the year.

Cash flow hedges

The following table shows the impact of the Group's cash flow hedges on the income statement and equity during the year.

	2015 £'000	2014 £'000
Amount recognised in equity	(242)	329
Amount removed from equity as interest payable	18	(30)

Effective interest rates

The following profile of the Group's financial assets and liabilities is stated after taking into account the effects of interest rate swaps referred to above.

	2015 %	2014 %
Weighted-average effective interest rate		
Loans and receivables	14.2	15.1
Interest-bearing loans and borrowings	5.3	5.4

Interest on floating rate borrowing is determined by the relevant margin over LIBOR for each facility.

Notes to the Financial Statements

for the year ended 31 March 2013

22 Contingent liabilities

Guarantees and security

Group

The loan facilities in the following subsidiary undertakings are secured by a debenture over the assets of the subsidiary undertaking.

PCF Group Limited

Private and Commercial Finance Company Limited

PCF Asset Finance Limited

PCF Business Finance Limited

PCF Leasing Limited

Company

The Company has contingent liabilities of £80.4 million at the year-end (2014 – £71.9 million) in connection with guarantees relating to banking facilities of the Group companies.

23 Related parties

Apart from Directors' remuneration disclosed in note 7 and guarantees disclosed in note 22, there were no related party transactions during the year.

24 Events after the balance sheet date

No information has been identified since the balance sheet date about conditions existing at the balance sheet date which is required to be disclosed in these financial statements.



Pinners Hall, 105-108 Old Broad Street, London EC2N 1ER
T 020 7222 2426 F 020 7222 2985 customerservices@pcfg.co.uk
www.pcfg.co.uk