

Interim Report 2014
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.

Contents

| | |
|----|---|
| 3 | Company Information |
| 4 | Chairman's Statement |
| 6 | Group Income Statement |
| 6 | Group Statement of Comprehensive Income |
| 7 | Group Balance Sheet |
| 8 | Group Statement of Changes in Equity |
| 9 | Group Statement of Cash Flows |
| 10 | Notes to the Interim Report |

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

Pinnars 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

Chairman's Statement

for the six months ended 30 September 2014

Group profit before tax for the period ended 30 September 2014 increased strongly by 69% to £847,806 (2013 - £503,277). Profit after tax doubled to £652,806 (2013 - £327,133).

The strategies we have put in place to improve the profitability and quality of the portfolio are continuing to bear fruit. Return on assets during the period increased by 50% to 1.8% and we expect to achieve our initial target of 2.0% in 2015, when we intend to set ourselves a new and ambitious medium-term target reflecting our confidence in the Company's continued growth.

The portfolio grew by 9% in the period to £94 million (2013 - £86 million) and the resultant operational gearing has contributed to the improved profitability. The growth of the portfolio, however, has not been at the expense of credit quality or margins, with the gross profit margin increasing to 30.0% (2013 - 29.3%) and the loan loss provision falling by 16% to £0.9 million (2013 - £1.1 million). We remain committed to further improving the quality of the loan book, as well as growing it in size.

In October we relocated our offices to the City of London. We agreed an early termination of the lease of our existing premises and took the opportunity and the incentives on offer to secure premises which are commensurate with our future ambition and appropriate for our planned growth.

Financial review

Turnover in the period increased in line with new business growth and, as the portfolio grows, the amount of finance charges attributable to future periods continues to increase. We now have £22.2 million (2013 - £19.6 million) of unearned finance income on the balance sheet which will underpin profits over the next three years.

In the period, basic earnings per share increased by 100% to 1.2p (2013 - 0.6p) whilst our fully diluted earnings per share showed 50% growth to 0.6p (2013 - 0.4p). The dilution takes into account the conversion of all unsecured convertible loan notes in accordance with the terms of their issue.

Operational gearing has seen administrative expenses as a percentage of gross profit fall from 56.8% to 52.0% and we expect this reduction to continue as the portfolio grows.

Portfolio arrears continue to fall, reflecting the quality of the Group's lending criteria, underwriting and collection expertise.

Capital and Funding

Net assets of the Group increased by 12% to £11.1 million (2013 - £9.9 million) and the balance sheet continues to strengthen, with the leverage ratio (excluding unsecured convertible debt) falling to 6.8 (2013 - 7.2).

As at 30 September 2014 the Group had adequate funding resources for its immediate growth plans, with £11.8 million of headroom available from a total of £98 million of committed facilities (2013 - £96 million) and since that date a further £8 million of headroom has been documented and made available by our existing funders.

Following the unscheduled disruption of our office relocation, efforts will now be refocused on the strategic initiative of obtaining a Banking Licence. We are currently selecting suitable IT systems and completing the regulatory business plan and, whilst this project is approximately three months behind plan, we remain confident it will progress in the first half of 2015.

Current Trading

There has been a distinct improvement in consumer sentiment as the economy improves. This is most apparent in our Consumer Finance Division, where the strong performance in the UK car market has seen good levels of new business in the period, up by 10% to £17.4 million (2013 - £15.9 million). This was slightly offset by a small decrease in business finance lending as a number of new entrants made market conditions more challenging, whilst at the same time investment in capital assets by businesses remains subdued. Originations in this division were £10.9 million (2013 - £11.4 million). Overall new business lending for the Group was up 4% to £28.3 million (2013 - £27.3 million).

Repeat customers increased by 19% in the period and they now account for 12.6% of all new business lending, representing a strong source of originations across both divisions.

From 1 April 2014 the Financial Conduct Authority took over responsibility for the regulation of the UK consumer credit market. The Group has the required permissions to operate in this regulated environment and, whilst adding new compliance obligations, we see this as an opportunity for a business such as ours which has the infrastructure, knowledge and responsibility to operate within a regulated regime.

Staff

I would like to thank our staff for their efforts throughout the period. This cannot be better illustrated than by the professionalism and skill applied to an office relocation undertaken within a challenging timescale. This was achieved with no disruption to the ongoing business or our levels of customer service.

Outlook

We have delivered excellent profits growth in the period through portfolio growth, along with a focus on quality and cost control. For the future we intend to increase the scale of the business both by diversifying our funding and developing new routes to market. I anticipate satisfactory full-year results and have strong confidence in the longer term future of the business.

David G Anthony

Chairman

26 November 2014

Group Income Statement

for the six months ended 30 September 2014

| | Six months ended 30 September 2014 unaudited £'000 | Six months ended 30 September 2013 unaudited £'000 | Year ended 31 March 2014 audited £'000 |
|---|---|---|---|
| Group turnover | 21,994 | 21,125 | 42,656 |
| Cost of sales | (15,392) | (14,927) | (30,098) |
| Gross profit | 6,602 | 6,198 | 12,558 |
| Administration expenses | (3,430) | (3,521) | (6,935) |
| Operating profit | 3,172 | 2,677 | 5,623 |
| Interest receivable | 3 | 5 | 8 |
| Interest payable | (2,327) | (2,179) | (4,386) |
| Profit on ordinary activities before taxation | 848 | 503 | 1,245 |
| Income tax expense | (195) | (176) | (513) |
| Profit on ordinary activities after taxation | 653 | 327 | 732 |
| Profit for the period attributable to equity holders | 653 | 327 | 732 |
| Earnings per 5p ordinary share – basic | 1.2p | 0.6p | 1.4p |
| Earnings per 5p ordinary share – diluted | 0.6p | 0.4p | 0.8p |

Group Statement of Comprehensive Income

for the six months ended 30 September 2014

| | Six months ended 30 September 2014 unaudited £'000 | Six months ended 30 September 2013 unaudited £'000 | Year ended 31 March 2014 audited £'000 |
|--|---|---|---|
| Profit for the period | 653 | 327 | 732 |
| Other comprehensive income that may be reclassified to the income statement in subsequent periods | | | |
| Cash flow hedges – fair value (losses)/gains | (37) | 286 | 422 |
| Income tax effect | 7 | (66) | (93) |
| | (30) | 220 | 329 |
| Total comprehensive income for the period | 623 | 547 | 1,061 |

Group Balance Sheet

as at 30 September 2014

| | 30 September 2014 unaudited £'000 | 30 September 2013 unaudited £'000 | 31 March 2014 audited £'000 |
|---------------------------------------|--|--|--------------------------------------|
| Non-current assets | | | |
| Goodwill | 397 | 397 | 397 |
| Other intangible assets | 581 | 633 | 646 |
| Property, plant and equipment | 77 | 101 | 84 |
| Loans and receivables | 58,638 | 50,445 | 53,134 |
| Derivative financial instruments | 109 | - | 137 |
| Deferred tax | 1,653 | 2,174 | 1,840 |
| | 61,455 | 53,750 | 56,238 |
| Current assets | | | |
| Loans and receivables | 35,247 | 35,679 | 35,521 |
| Trade and other receivables | 710 | 1,031 | 930 |
| Corporation Tax | - | 165 | 136 |
| Cash and cash equivalents | 338 | 1,116 | 283 |
| | 36,295 | 37,991 | 36,870 |
| Total assets | 97,750 | 91,741 | 93,108 |
| Current liabilities | | | |
| Interest-bearing loans and borrowings | 8,803 | 4,283 | 8,241 |
| Trade and other payables | 984 | 732 | 1,302 |
| Derivative financial instruments | 29 | 26 | 40 |
| Bank overdrafts | 357 | - | 329 |
| | 10,173 | 5,041 | 9,912 |
| Non-current liabilities | | | |
| Derivative financial instruments | - | 4 | - |
| Interest-bearing loans and borrowings | 76,486 | 76,806 | 72,784 |
| | 76,486 | 76,810 | 72,784 |
| Total liabilities | 86,659 | 81,851 | 82,696 |
| Net assets | 11,091 | 9,890 | 10,412 |
| Capital and reserves | | | |
| Issued share capital | 2,651 | 2,648 | 2,651 |
| Share premium | 4,395 | 4,392 | 4,395 |
| Capital reserve | 3,873 | 3,873 | 3,873 |
| Other reserves | 85 | 6 | 115 |
| Own shares | (305) | (355) | (355) |
| Profit and loss account | 392 | (674) | (267) |
| Shareholders' funds | 11,091 | 9,890 | 10,412 |

Group Statement of Changes in Equity

for the six months ended 30 September 2014

| | Six months ended 30 September 2014 unaudited £'000 | Six months ended 30 September 2013 unaudited £'000 | Year ended 31 March 2014 audited £'000 |
|--|---|---|---|
| Total comprehensive income for the period | 623 | 547 | 1,061 |
| New share capital subscribed | - | 19 | 25 |
| Share-based payments | 6 | - | 2 |
| Issue of own convertible debt | 50 | - | - |
| Net addition to shareholders' funds | 679 | 566 | 1,088 |
| Opening shareholders' funds | 10,412 | 9,324 | 9,324 |
| Closing shareholders' funds | 11,091 | 9,890 | 10,412 |

Group Statement of Cash Flows

for the six months ended 30 September 2014

| | Six months ended 30 September 2014 unaudited £'000 | Six months ended 30 September 2013 unaudited £'000 | Year ended 31 March 2014 audited £'000 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Profit before taxation | 848 | 503 | 1,245 |
| Adjustments for: | | | |
| Amortisation of other intangible assets | 95 | 85 | 173 |
| Amortisation of issue costs | 68 | 73 | 142 |
| Depreciation | 18 | 26 | 44 |
| Share-based payments | 6 | - | 2 |
| Fair value movement on derivative financial instruments | (15) | 28 | 30 |
| Increase in loans and receivables | (5,229) | (6,098) | (8,628) |
| Decrease/(increase) in trade and other receivables | 220 | (331) | (230) |
| (Decrease)/increase in trade and other payables | (321) | (324) | 251 |
| Cash flows used in operating activities | (4,310) | (6,038) | (6,971) |
| Tax received/(paid) | 135 | (55) | (55) |
| Net cash flows used in operating activities | (4,175) | (6,093) | (7,026) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | (12) | (7) | (8) |
| Purchase of other intangible assets | (30) | (71) | (172) |
| Net cash flows used in investing activities | (42) | (78) | (180) |
| Cash flows from financing activities | | | |
| Issue of own convertible debt | 50 | - | - |
| Proceeds from borrowings | 5,314 | 9,496 | 9,517 |
| Repayments of borrowings | (1,120) | (2,438) | (2,586) |
| Net cash flows from financing activities | 4,244 | 7,058 | 6,931 |
| Net increase/(decrease) in cash and cash equivalents | 27 | 887 | (275) |
| Cash and cash equivalents at beginning of the period | (46) | 229 | 229 |
| Cash and cash equivalents at end of the period | (19) | 1,116 | (46) |
| Cash at bank | 338 | 1,116 | 283 |
| Bank overdrafts | (357) | - | (329) |
| | (19) | 1,116 | (46) |
| The amount of interest paid during the period | 2,617 | 2,157 | 4,355 |

Notes to the Interim Report

1. The interim results are unaudited and do not constitute statutory accounts as defined by section 434 of the Companies Act 2006. The comparative figures for the year ended 31 March 2014 are based on the statutory accounts of the Group for that period and have been reported on by the Group's auditor and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 498 of the Companies Act 2006.
2. The interim results have been prepared on the basis of the accounting policies set out in the Annual Report & Financial Statements for the year ended 31 March 2014.
3. These interim consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.
4. The Group's turnover represents gross rentals and instalments from the hire, financing and sale of equipment, and the provision of related fee-based services, stated net of Value Added Tax.
5. The Group operates in the principal areas of consumer finance for motor vehicles and business finance for vehicles, plant and equipment. All revenue is generated in the United Kingdom.

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

| | Six months ended 30 September 2014 £'000 | Six months ended 30 September 2013 £'000 | Year ended 31 March 2014 £'000 |
|--|--|--|--|
| Consumer finance | 11,690 | 11,258 | 22,935 |
| Business finance | 10,304 | 9,867 | 19,721 |
| Group turnover | 21,994 | 21,125 | 42,656 |
| Consumer finance | 630 | 415 | 865 |
| Business finance | 425 | 208 | 599 |
| Central costs | (207) | (120) | (219) |
| Profit on ordinary activities before taxation | 848 | 503 | 1,245 |
| Consumer finance | (562) | (598) | (1,388) |
| Business finance | (348) | (492) | (636) |
| Loan loss provisioning charge | (910) | (1,090) | (2,024) |

6. The income tax rate is 23%, representing the best estimate of the annual effective tax rate applied to operating profit before tax for the six month period. The effective tax rate for the period is higher than the standard rate for current Corporation Tax in the UK of 21% due to the effect of the reduction in the Corporation Tax rate on the deferred tax asset.
7. The calculation of basic earnings per ordinary share is based on a profit of £652,806 for the period on 53,022,537 ordinary shares, being the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings per ordinary share is based on profit of £942,972 for the period, before deducting interest on the convertible loan notes of £290,166, on 170,377,367 ordinary shares, being the dilutive weighted average number of ordinary shares in issue during the period.

8. The Group's loans and receivables portfolio of £93,885,311 is reported net of unearned future finance income of £22,179,551.
9. The 2014 Interim Report and Financial Statements will be posted to all shareholders and convertible loan note holders on 3 December 2014. Further copies can be obtained from the Company Secretary at Pinners Hall, 105-108 Old Broad Street, London EC2N 1ER or can be downloaded from our website, www.pcfg.co.uk.



Pinner's 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