PCF Group PLC

General Meeting

6th February 2024

Share Suspension May 21

- Shares suspended in May 21 – the reasons for this were covered in RNS announcement in June 21 and further detail in the ARA FY 20/21 (specifically the audit opinion)
- Focus of the team was to a) ensure no other issues b) get the 'house in order' and c) regularise statutory reporting with the aim of getting shares unsuspended
- Significant remediation work including a new financial controls submission to AIM and appointment of new external auditor following EY resignation
- Suspension lifted but then shares subsequently suspended again in April 22 for 'technical' reasons whilst 'catch up' took place on producing the ARA for FY 21/22

Strategic Options

- Having achieved stability and the second share suspension being lifted in May 22 we looked to raise growth capital and/or execute a strategic transaction being to sell or merge with assistance from the Group's corporate finance advisers
- This process was extensive and we opened 21 data rooms for interested parties and received 5 non binding offers for the Group or parts of it – ultimately all strategic discussions failed with the uncertainty in respect of liability for historical commission claims which is now 'current' news (given the FCA industry wide investigation) being a major consideration for many prospective counterparties. This issue was referenced in our FY21/22 ARA
- During this period we aimed to preserve the brand (to increase value) by staying active in the market and Somers provided capital to facilitate this
- Ultimately, with the strategic process not delivering a transaction we concluded that exiting the market was the most appropriate action

After Exiting The Market

- Having announced the suspension of new lending in October 22 we reluctantly announced that we were exiting the market in November 22 and as part of this process delisted from AIM in December 2022
- At this point we began cost reduction measures and pursued a ‘twin track’ approach of continuing to explore an entity sale whilst also running a process to sell the loan book
- In late June 23 our last credible entity sale discussions terminated and as a result of our ‘twin tracked’ approach we were able to execute the sale of our loan portfolios within days to a single buyer – being the most attractive option of 4 bids received for the assets
- The priority then was to repay depositors as quickly as possible which we achieved in early October 23
- This is we believe the fastest repayment of depositors process ever executed in the UK with the resultant impact on the speed (and therefore cost) that we could move to the next stage of the wind down process

Liquidation of the Group

- Having repaid depositors our aim continued to be to complete the run off process and liquidate the Group as quickly as possible
- We surrendered our licenses to the FCA and PRA in December 23 and now await their acceptance of these surrenders – they have six months to do this
- In the intervening period we need to retain the operational and reporting structure to run a regulated financial services entity – we continue to do this on as cost efficient basis as we can
- The Group now has fewer than 20 employees including directors and nearly 100 people have been made redundant without a single Employment Tribunal claim. Caroline, as announced, will leave the Group tomorrow

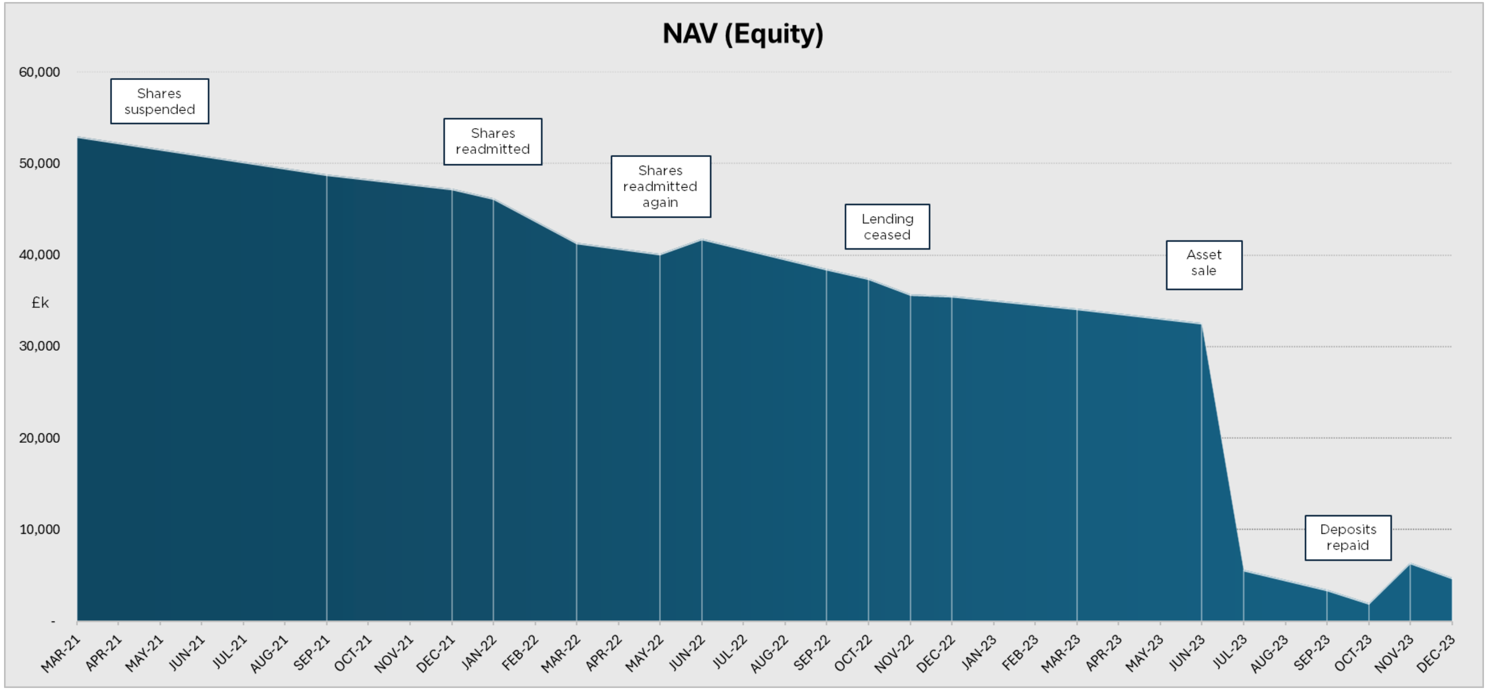
Net Asset Value

- This meeting was convened as our net asset value is below 50% of the issued share capital of c.£17m the trigger point for ‘serious loss of capital’
- The primary and material drivers for this reduction of capital are a) the impact of the sale of the loan book on capital – having been sold at a discount and b) the accumulated losses incurred by the Group as a result of remediation, professional services, operational and wind down costs including staff, professional fees, and the impact of implementing several of accounting adjustments such as impairment of intangibles
- The business of this meeting is ***‘to consider whether any, and if so what, steps should be taken to address the serious loss of capital within the Company pursuant to Section 656(1) of the Companies Act 2006’***

Net Asset Value

- The reduction in the Net Asset value is as a consequence of implementing the run off of the Group the other contributory factors as outlined earlier
- Considerable efforts were made to secure more positive growth and shareholder value enhancing alternative outcomes for shareholders and other stakeholders but these efforts were regrettably unsuccessful. This is therefore no longer a turnaround scenario
- It remains the view of the Board that the run off process should continue despite the continuing impact on capital

NAV History



NAV (Equity)
60,000
50,000
40,000
£k
30,000
20,000
10,000
-
Shares suspended
Shares readmitted
Shares readmitted again
Lending ceased
Asset sale
Deposits repaid
MAR-21
APR-21
MAY-21
JUN-21
JUL-21
AUG-21
SEP-21
OCT-21
NOV-21
DEC-21
JAN-22
FEB-22
MAR-22
APR-22
MAY-22
JUN-22
JUL-22
AUG-22
SEP-22
OCT-22
NOV-22
DEC-22
JAN-23
FEB-23
MAR-23
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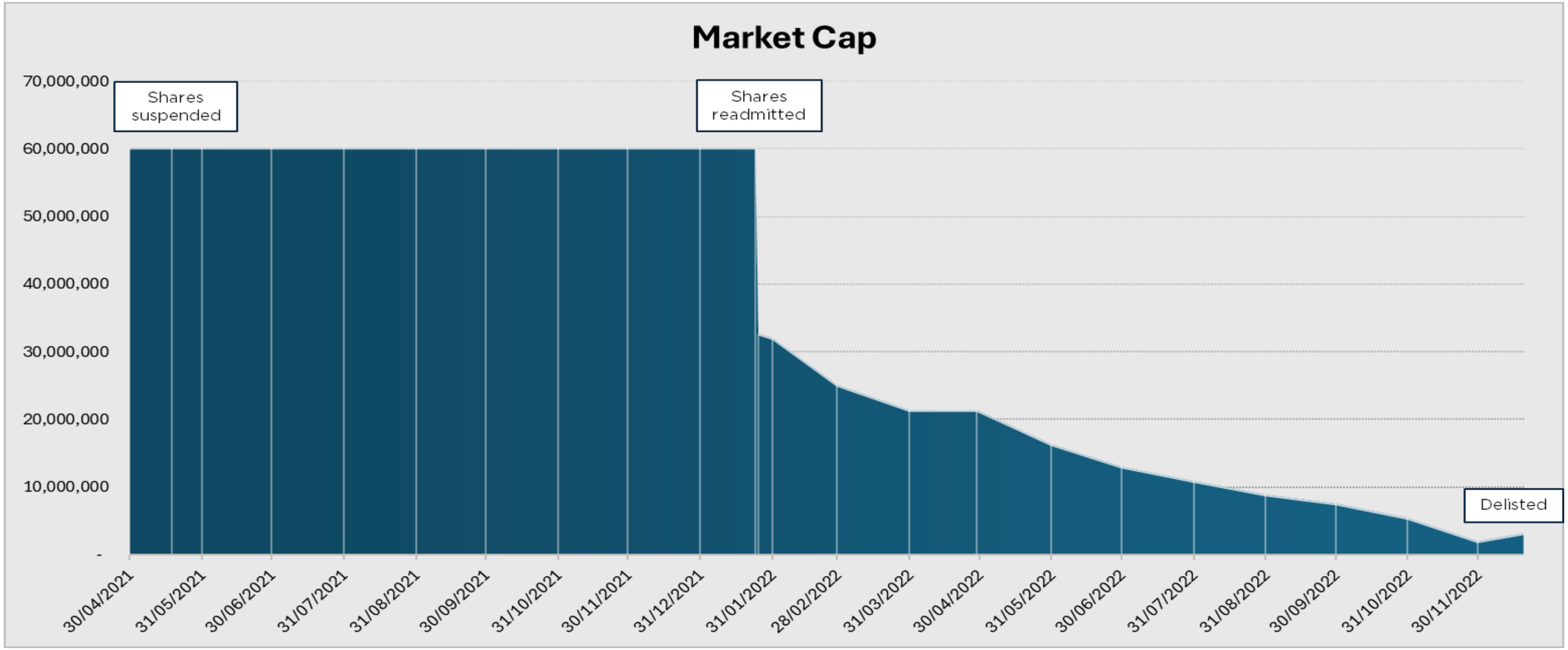
JUN-23
JUL-23
AUG-23
SEP-23
OCT-23
NOV-23
DEC-23

Market Cap History



Back to Mark to continue with the business of the meeting