Private & Commercial
FINANCE

Interim Report
2011

Private & Commercial Finance Group plc

Private & Commercial FINANCE

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.

Chairman's Statement

for the six months ended 30 September 2011

I am pleased to report our half-year results for the period ended 30 September 2011. During the period the Group's profits increased to £241,901 (2010 - £150,302) representing a 61% improvement on the same period last year.

Our portfolio continues to perform well, with the number of past due accounts falling steadily throughout the period.

We recognise the need for further improvement in profit before tax and now intend to make a fresh start. Our medium-term objective is to improve the return on average portfolio assets to 2% from its present level of 0.5% (2010 - 0.3%). We will do this by finding new routes to market, improving margins, driving down operating and bad debt costs and growing the portfolio.

Financial review

Turnover was down in the period and receivables declined by 3% (2010 - 5%), but profit before tax increased. This resulted from the continuing improvement in the quality of the portfolio, the acquisition of the North Herts Credit Company portfolio and further cost reductions. The full year results will attract a tax rate higher than the standard rate of Corporation Tax owing to the effect of the reduction in the main rate of Corporation Tax on our deferred tax asset and we have applied an estimated tax rate of 47% to these results.

Current trading

While the continued profitability of the Group is encouraging, increasing concerns over the Eurozone and the UK economy, together with the tight market for wholesale funding, require a continued strong focus on portfolio quality and collections. Arrears and impairments are within management expectations and we are confident that adequate staff resource has been allocated to this part of our business. Organic growth of the portfolio has been challenging as both businesses and consumers have reduced their willingness to take on new debt and are deferring investment decisions. New business originations fell by £2.6 million during the period since we will not sacrifice quality or forego margin for short-term gain. Our IT infrastructure and long-standing relationships with introducers stand us in good stead and, while there are signs, particularly in the business finance sector, of the return of competitive pricing pressures, there is still adequate opportunity for an independent finance company to differentiate itself through customer service, niche sectors, experienced underwriting and structured transactions.

The acquisition of the £6 million of motor finance receivables in July this year has integrated well and is delivering returns in line with our expectations. The Group continues to look for similar opportunities.

We re-launched our website in October to make it more customer-facing and to provide returning customers with easier access to eQuote, our internet-based proposal system. We also intend to commence new marketing initiatives to make greater use of our extensive database of 40,000 past and existing customers. Repeat business from our existing customer base provides quality customers with a known credit history and helps to cement brand awareness.

Funding and equity

In the period the Group has been successful in attracting £10 million of new medium-term funding facilities and increased its existing facilities by £5 million which will be used to grow the business.

In August, Bermuda Commercial Bank ('BCB') acquired an 8.8% stake in the Company, which it recently increased to 19.9%. BCB is the third largest bank in Bermuda with net assets of $75million and a focus on innovation, quality service and conservative risk management. We welcome BCB as an investor and look forward to working with them.

Directorate change and staff

During the period, the Board welcomed Nick Winks as a non-executive director and I assumed the role of non-executive Chairman. Together with Tony Nelson, who remains a non-executive director, the new composition of the Board provides a range of sector and wider business experience to the Group.

I would like to thank all our staff for their continued professionalism and commitment.

Outlook

Despite the economic environment, which has never been more challenging, we are intent on growing both profit and the business.

David G Anthony
Chairman

13 December 2011

Group Income Statement

for the six months ended 30 September 2011

	Six months ended 30 September 2011 unaudited £000's	Six months ended 30 September 2010 unaudited £000's	Year ended 31 March 2011 audited £000's
Group turnover	**26,894**	29,443	**57,940**
Cost of sales	**(19,227)**	(20,738)	**(41,203)**
Gross profit	**7,667**	8,705	**16,737**
Administration expenses	**(4,693)**	(5,811)	**(10,625)**
Operating profit	**2,974**	2,894	**6,112**
Interest payable	**(2,732)**	(2,744)	**(5,657)**
Profit on ordinary activities before taxation	**242**	150	**455**
Income tax expense	**(113)**	(42)	**(417)**
Profit on ordinary activities after taxation	**129**	108	**38**
Profit for the period attributable to equity holders	**129**	108	**38**
Earnings per 5p ordinary share – basic and diluted	**0.2p**	0.2p	**0.1p**

Group Statement of Comprehensive Income

for the six months ended 30 September 2011

	Six months ended 30 September 2011 unaudited £000's	Six months ended 30 September 2010 unaudited £000's	Year ended 31 March 2011 audited £000's
Profit for the period	**129**	108	**38**
Cash flow hedges – fair value gains	**236**	688	**1,620**
Income tax effect	**(61)**	(193)	**(472)**
Other comprehensive income for the period	**175**	495	**1,148**
Total comprehensive income for the period	**304**	603	**1,186**

Group Balance Sheet

as at 30 September 2011

	30 September 2011 unaudited £000's	30 September 2010 unaudited £000's	31 March 2011 audited £000's
Assets			
Non-current assets			
Goodwill	**397**	397	**397**
Other intangible assets	**797**	852	**816**
Property, plant and equipment	**85**	144	**100**
Loans and receivables	**53,153**	63,235	**55,599**
Deferred tax	**4,489**	4,774	**4,602**
	58,921	69,402	**61,514**
Current assets			
Loans and receivables	**49,444**	52,148	**50,366**
Trade and other receivables	**420**	388	**417**
Cash and cash equivalents	**258**	861	**1,047**
	50,122	53,397	**51,830**
Total assets	**109,043**	122,799	**113,344**
Liabilities			
Current liabilities			
Interest-bearing loans and borrowings	**3,143**	8,350	**29,611**
Trade and other payables	**895**	1,156	**1,281**
Derivative financial instruments	**312**	249	**393**
Corporation Tax	**169**	257	**306**
Bank overdrafts	**493**	353	**645**
	5,012	10,365	**32,236**
Non-current liabilities			
Derivative financial instruments	**462**	1,949	**698**
Interest-bearing loans and borrowings	**95,380**	103,179	**72,525**
	95,842	105,128	**73,223**
Total liabilities	**100,854**	115,493	**105,459**
Net assets	**8,189**	7,306	**7,885**
Capital and reserves			
Called-up share capital	**2,637**	2,636	**2,637**
Share premium	**4,384**	4,377	**4,384**
Capital reserve	**3,873**	3,873	**3,873**
Other reserves	**(525)**	(1,353)	**(700)**
Own shares	**(255)**	(243)	**(255)**
Profit and loss account	**(1,925)**	(1,984)	**(2,054)**
Equity shareholders' funds	**8,189**	7,306	**7,885**

Group Statement of Changes in Equity

for the six months ended 30 September 2011

	Six months ended 30 September 2011 unaudited £000's	Six months ended 30 September 2010 unaudited £000's	Year ended 31 March 2011 audited £000's
Total comprehensive income for the period	**304**	603	**1,186**
New share capital subscribed	**–**	–	**8**
Purchase of own shares	**–**	–	**(12)**
Net addition to shareholders' funds	**304**	603	**1,182**
Opening shareholders' funds	**7,885**	6,703	**6,703**
Closing shareholders' funds	**8,189**	7,306	**7,885**

Group Statement of Cashflows

for the six months ended 30 September 2011

	Six months ended 30 September 2011 unaudited £000's	Six months ended 30 September 2010 unaudited £000's	Year ended 31 March 2011 audited £000's
Cash flows from operating activities			
Profit before taxation	**242**	150	**455**
Adjustments for:			
Amortisation of other intangible assets	**73**	85	**163**
Amortisation of issue costs	**17**	17	**33**
Depreciation	**23**	30	**54**
Profit on sale of property, plant and equipment	**–**	–	**(2)**
Fair value movement on derivative financial instruments	**(33)**	(84)	**(194)**
Decrease in loans and other receivables	**3,368**	6,509	**15,927**
(Increase)/decrease in trade and other receivables	**(3)**	184	**155**
Decrease in trade and other payables	**(432)**	(772)	**(712)**
Cash flows from operating activities	**3,255**	6,119	**15,879**
Tax paid	**(200)**	(750)	**(1,183)**
Net cash flows from operating activities	**3,055**	5,369	**14,696**
Cash flows from investing activities			
Purchase of property, plant and equipment	**(12)**	–	**(3)**
Proceeds from sale of property, plant and equipment	**4**	–	**24**
Purchase of other intangible assets	**(54)**	(82)	**(124)**
Net cash flows used in investing activities	**(62)**	(82)	**(103)**
Cash flows from financing activities			
Purchase of own shares	**–**	–	**(12)**
Proceeds from borrowings	**2,225**	–	**–**
Repayments of borrowings	**(5,855)**	(5,139)	**(14,539)**
Net cash flows used in financing activities	**(3,630)**	(5,139)	**(14,551)**
Net (decrease)/increase in cash and cash equivalents	**(637)**	148	**42**
Cash and cash equivalents at beginning of the period	**402**	360	**360**
Cash and cash equivalents at end of the period	**(235)**	508	**402**
Cash at bank	**258**	861	**1,047**
Bank overdrafts	**(493)**	(353)	**(645)**
	(235)	508	**402**
The amount of interest paid during the period is as follows:			
Interest paid	**2,811**	2,896	**5,985**

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 2011 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 2011.
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 rental and instalment credit income 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 and profit on ordinary activities before taxation are stated below:

	Six months ended 30 September 2011 £000's	Six months ended 30 September 2010 £000's	Year ended 31 March 2011 £000's
Group turnover			
Consumer finance	12,381	12,174	24,885
Business finance	14,513	17,269	33,055
Turnover	26,894	29,443	57,940
Group profit before taxation			
Consumer finance	488	366	949
Business finance	51	407	620
Central costs	(297)	(623)	(1,114)
Profit on ordinary activities before taxation	242	150	455

6. The income tax rate is 47%, 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 26% 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 £128,690 for the period and on 52,731,151 ordinary shares, being the weighted average number of ordinary shares in issue during the period.
8. The Group's loans and receivables portfolio of £102,597,066 is reported net of unearned future finance income of £20,118,371.
9. A copy of the Interim Report is being sent to all shareholders and convertible loan note holders. Further copies can be obtained from the Secretary of the Company at 39 Victoria Street, London SW1H 0EU or can be downloaded from our website, *www.pcfg.co.uk*

Avocette Limited, London

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39 Victoria Street, London SW1H 0EU

Tel 020 7222 2426
Fax 020 7222 2985
email customerservices@pcfg.co.uk

www.pcfg.co.uk