

14 December 2010

Private & Commercial Finance Group plc ('PCFG' or 'the Group')
Interim Results Statement

Private & Commercial Finance Group plc, the AIM quoted finance house, announces its results for the six month period ended 30 September 2010.

Overview

- Profit before tax up 24% to £150,302 (2009- £121,474)
- New business advances totalled £22.3m for the period compared to £21.0m in the corresponding period in 2009
- Sustained improvement in the quality of the portfolio and continued reductions in the level of overdue accounts
- Strongly positioned, with fewer competitors, increased margins on new business, new IT platform and a well spread portfolio
- Net assets increased by 9% since 31 March 2010 to £7.3m
- Availability of new wholesale funding remained tight
- Significant improvement in loan loss provisioning charge

Commenting on the interim results, Scott Maybury, PCFG's Chief Executive said:

“We have achieved another creditable result in the first half against a background that remains challenging. The second half of our accounting year is typically stronger than the first half and the sustained performance of our portfolio with steadily reducing impairments and increasing margins augurs well for the outcome for the full year. The tight worldwide market for wholesale funding in our sector has restrained our growth, but there are some positive indications of an improvement as the stronger banks recover from the downturn.

“Michael Cumming, our Non-executive Chairman for the last seven years, will be stepping down on 31 March 2011 and I pay tribute to the level-headedness, shrewd insights and humour with which he has performed his role through what has been a challenging era for the Group. Michael will be succeeded by Tony Nelson, currently Deputy Chairman, whose in-depth knowledge and experience of our sector will be invaluable as the prospects for a more expansionary course for the Group improve.”

Chairman's Statement

I am pleased to report a profit for the six months ended 30 September 2010 which is in line with management's expectations. The profit before tax for the period was £150,302 (2009: £121,474), a 24% increase on the corresponding period last year. During the period our portfolio performed strongly, margins on new lending increased and the number of past due accounts continued to fall steadily month by month.

The business and trading

Notwithstanding the current economic conditions PCFG is performing well, we are writing good quality new business and improving the overall quality of our portfolio through prudent underwriting and highly efficient and effective administration.

We are very pleased with the quality of new business we wrote during the period, which totalled £22.3 million compared to £21.0 million in the corresponding period last year. We continue to be highly selective and are regularly updating and refining our underwriting criteria. Although our new business levels increased, our portfolio reduced by 5.3% in the period to £115.4 million (31 March 2010: £121.9 million), which is reported net of future finance income of more than £23 million. The portfolio continues to go from strength to strength as the business written three to four years ago becomes more seasoned and the quality of business written over the last two years becomes increasingly apparent. The result of this is a sustained improvement in the profitability of the portfolio and continued reductions in the level of overdue accounts.

Competitive environment

Our longstanding relationships with introductory sources who value our consistent presence in the market stand us in good stead. We have also benefitted from the withdrawal from our market of a number of competitors, some temporarily but others permanently. Whilst there are signs, particularly in the business finance sector, of competition returning, conditions remain favourable and we are constantly being presented with ample opportunities for new business.

Impairments and provisioning

I am delighted to report that the robust performance of our portfolio of finance receivables referred to in my last report has been maintained. This is a tribute to our skilled and cautious underwriting of new business and to our management of the portfolio.

Throughout the period the percentage of accounts where one or more payments was overdue continued to improve month by month to levels not seen for some years. This is a remarkable achievement, particularly when viewed against the economic background and has resulted in improved levels of impairment and a significant reduction in the loan loss provisioning charge.

Regulatory environment

We have recently completed all work on the requisite documentation, systems and procedures to ensure compliance with the regulations implementing the Consumer Credit Directive and are well prepared for the effective date of 1 February 2011.

Funding

As the banks maintain their efforts to repair their balance sheets, access to new and increased funding remains challenging. Although our lenders continue to be supportive and indeed one lender has extended the maturity of their facility by more than three years, we did not achieve any new or increased facilities during the period. We are however having preliminary and tentative discussions with potential lenders, whose doors would have been closed to new lending to our sector six months ago.

The reasons that your Company has received on-going support and remained profitable include the following:

- longstanding relationships with our introductory sources, banks and customers
- a well spread and carefully underwritten portfolio with no significant concentrations of risk
- sophisticated systems for evaluating new business, supported by experienced underwriters
- experienced and professional credit control team
- an automated, conservative and non-subjective system for providing for overdue accounts which does not permit us to accumulate concealed credit losses
- the integrity and experience of our 'hands-on' executive directors and senior management
- scalable business model
- highly developed IT systems
- compliance systems, procedures and staff training

IT infrastructure

Our new computer system for controlling and accounting for our portfolios, the Instalment Credit and Collections Suite, is proving its worth by both reducing costs and contributing to the improved performance of our portfolio.

Staff

The quality, skill and hard work of our highly trained and experienced staff has been a major factor in our sustained performance, especially in the careful underwriting of new business and in the control of our portfolio. I thank them on behalf of the Board.

Directorate change

I was appointed Chairman of your Company on 13 March 2003 and having served in this role for seven years and having recently passed my 70th birthday, I reluctantly feel that the time has come to step down, which I will do on 31 March 2011. I have enjoyed my time as Chairman and have been impressed by the quality, skill and integrity of my co-directors. Succession planning has ensured that I have a highly experienced and well qualified successor, Tony Nelson, currently Deputy Chairman, ready to step into the role upon my retirement.

Outlook

As to the economic outlook for the remainder of the current accounting period, we maintain our cautiously optimistic stance. We have amply demonstrated our robustness and continued profitability since the beginning of the financial downturn in 2007, which has seen the demise of so many competitors, and our Group has ended the six months period even stronger.

We are frustrated that new funding has so far not been forthcoming to enable us to take advantage of the undoubted opportunities open to us, both for acquisitions and organic growth, but we continue our efforts and are confident of eventual success as the banking environment improves.

Michael R Cumming
Chairman
14 December 2010

Group Income Statement

for the six months ended 30 September 2010

	<i>Six months ended 30 September 2010 unaudited £000's</i>	<i>Six months ended 30 September 2009 unaudited £000's</i>	<i>Year ended 31 March 2010 audited £000's</i>
Group turnover	29,443	29,863	60,200
Cost of sales	<u>(20,738)</u>	<u>(20,337)</u>	<u>(41,516)</u>
Gross profit	8,705	9,526	18,684
Administration expenses	<u>(5,811)</u>	<u>(6,264)</u>	<u>(12,007)</u>
Operating profit	2,894	3,262	6,677
Interest payable	<u>(2,744)</u>	<u>(3,141)</u>	<u>(6,149)</u>
Profit on ordinary activities before taxation	150	121	528
Income tax expense	<u>(42)</u>	<u>(34)</u>	<u>(150)</u>
Profit on ordinary activities after taxation	<u>108</u>	<u>87</u>	<u>378</u>
Profit for the period attributable to equity holders	<u>108</u>	<u>87</u>	<u>378</u>
Earnings per 5p ordinary share - basic and diluted	0.2p	0.3p	0.9p

Group Statement of Comprehensive Income

for the six months ended 30 September 2010

Profit for the period	<u>108</u>	<u>87</u>	<u>378</u>
Cash flow hedges – fair value gains/(losses)	688	560	1,134
Income tax effect	<u>(193)</u>	<u>(157)</u>	<u>(318)</u>
Other comprehensive income for the period	<u>495</u>	<u>403</u>	<u>816</u>
Total comprehensive income for the period	<u>603</u>	<u>490</u>	<u>1,194</u>

Group Balance Sheet

at 30 September 2010

	<i>30 September 2010 unaudited £000's</i>	<i>30 September 2009 unaudited £000's</i>	<i>31 March 2010 audited £000's</i>
Assets			
Non-current assets			
Goodwill	397	397	397
Other intangible assets	852	504	855
Property, plant and equipment	144	161	173
Loans and receivables	63,235	77,679	69,195
Deferred tax	<u>4,774</u>	<u>4,058</u>	<u>4,968</u>
	<u>69,402</u>	<u>82,799</u>	<u>75,588</u>
Current assets			
Loans and receivables	52,148	49,583	52,697
Trade and other receivables	388	546	572
Cash and cash equivalents	<u>861</u>	<u>1,007</u>	<u>660</u>
	<u>53,397</u>	<u>51,136</u>	<u>53,929</u>
Total assets	<u><u>122,799</u></u>	<u><u>133,935</u></u>	<u><u>129,517</u></u>
Liabilities			
Current liabilities			
Interest-bearing loans and borrowings	8,350	1,279	8,761
Trade and other payables	1,156	1,619	1,860
Derivative financial instruments	249	360	320
Corporation tax	257	525	965
Bank overdrafts	<u>353</u>	<u>815</u>	<u>300</u>
	<u>10,365</u>	<u>4,598</u>	<u>12,206</u>
Non-current liabilities			
Derivative financial instruments	1,949	3,381	2,719
Interest-bearing loans and borrowings	<u>103,179</u>	<u>120,082</u>	<u>107,889</u>
	<u>105,128</u>	<u>123,463</u>	<u>110,608</u>
Total liabilities	<u><u>115,493</u></u>	<u><u>128,061</u></u>	<u><u>122,814</u></u>
Net assets	<u><u>7,306</u></u>	<u><u>5,874</u></u>	<u><u>6,703</u></u>
Capital and reserves			
Called-up share capital	2,636	2,555	2,636
Share premium	4,377	4,333	4,377
Capital reserve	3,873	3,873	3,873
Other reserves	(1,353)	(2,261)	(1,848)
Own shares	(243)	(243)	(243)
Profit and loss account	<u>(1,984)</u>	<u>(2,383)</u>	<u>(2,092)</u>
Equity shareholders' funds	<u><u>7,306</u></u>	<u><u>5,874</u></u>	<u><u>6,703</u></u>

Group Statement of Changes in Equity

for the six months ended 30 September 2010

	<i>Six months ended 30 September 2010 unaudited £000's</i>	<i>Six months ended 30 September 2009 unaudited £000's</i>	<i>Year ended 31 March 2010 audited £000's</i>
Total comprehensive income for the period	603	490	1,194
New share capital subscribed	-	1,268	1,393
Net addition to shareholders' funds	603	1,758	2,587
Opening shareholders' funds	<u>6,703</u>	<u>4,116</u>	<u>4,116</u>
Closing shareholders' funds	<u><u>7,306</u></u>	<u><u>5,874</u></u>	<u><u>6,703</u></u>

Group Statement of Cash Flows

for the six months ended 30 September 2010

	<i>Six months ended 30 September 2010 unaudited £000's</i>	<i>Six months ended 30 September 2009 unaudited £000's</i>	<i>Year ended 31 March 2010 audited £000's</i>
Cash flows from operating activities			
Profit before taxation	150	121	528
Adjustments for:			
Amortisation of other intangible assets	85	50	166
Amortisation of issue costs	17	20	7
Depreciation	30	41	72
Fair value movement on derivative financial instruments	(84)	(95)	(190)
Decrease in loans and receivables	6,509	7,206	12,575
Decrease/(increase) in trade and other receivables	184	(47)	(72)
(Decrease)/increase in trade and other payables	(772)	554	760
Cash flows from operating activities	6,119	7,850	13,846
Tax paid	(750)	(625)	(1,372)
Net cash flows from operating activities	5,369	7,225	12,474
Cash flows from investing activities			
Purchase of property, plant and equipment	-	(12)	(59)
Proceeds from sale of property, plant and equipment	-	-	5
Purchase of other intangible assets	(82)	(252)	(719)
Net cash flows used in investing activities	(82)	(264)	(773)
Cash flows from financing activities			
Proceeds from issue of share capital	-	1,268	1,360
Proceeds from borrowings	-	112	-
Repayments of borrowings	(5,139)	(8,586)	(13,138)
Net cash flows used in financing activities	(5,139)	(7,206)	(11,778)
Net increase/(decrease) in cash and cash equivalents	148	(245)	(77)
Cash and cash equivalents at beginning of the period	360	437	437
Cash and cash equivalents at end of the period	508	192	360
Cash at bank	861	1,007	660
Bank overdrafts	(353)	(815)	(300)
	508	192	360
The amount of interest paid during the period is as follows:			
Interest paid	2,896	3,146	6,283

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 2010 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 2010.
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 receivable, 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:

	<i>Six months ended 30 September 2010 £000's</i>	<i>Six months ended 30 September 2009 £000's</i>	<i>Year ended 31 March 2010 £000's</i>
Group turnover			
Consumer finance	12,174	11,963	26,102
Business finance	17,269	17,900	34,098
Turnover	<u>29,443</u>	<u>29,863</u>	<u>60,200</u>
Group profit before taxation			
Consumer finance	366	275	749
Business finance	407	458	1,006
Unallocated	(623)	(612)	(1,227)
Profit on ordinary activities before taxation	<u>150</u>	<u>121</u>	<u>528</u>

6. The calculation of basic earnings per ordinary share is based on a profit of £108,214 for the period and on 52,721,377 ordinary shares, being the weighted average number of ordinary shares in issue during the period.
7. The Group's loans and receivables portfolio of £115,382,976 is reported net of unearned future finance income of £23,200,579.
8. 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

****ENDS****

For further information please visit www.pcfg.co.uk

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Notes to Editors

Private & Commercial Finance Group plc, which is authorised and regulated by the FSA, is an AIM-quoted finance house.

PCFG has two main operating divisions: **Consumer Finance** - which provides a range of specially tailored finance products for consumers and **Business Finance** - which finances vehicles, plant and equipment for SMEs. The Group has a highly efficient and scalable business model, utilising its specially developed internet-based proposal system to service national networks of brokers. This allows it to handle a large volume of proposals extremely quickly with proportionately low costs.