

23 June 2009

Private & Commercial Finance Group Plc ('PCFG' or 'the Group')

Final Results

Private & Commercial Finance Group Plc, the AIM quoted finance house, announces its results for the year ended 31 March 2009 ("the year").

Overview

- Robust performance – delivered a profit despite financial market conditions
- Profit before tax of £262,978 is stated after charging £427,422 in respect of non-cash mark to market adjustments for interest rate derivatives to protect the Group's portfolio against future increases in cost of borrowings
- Turnover increased 22 % to £62.9million (2008:£51.7million)
- Funding banks continue to be supportive of PCFG, providing committed facilities to support our current plans. Terms for the renewal of the bank facility with RBS/Lloyds now agreed.
- Business Finance Division and Consumer Finance Division wrote £36.7million and £23.9million of new business respectively during year ended 31 March 2009
- Combined portfolios grew 3% to £134.5million (2008: £130.3million) - includes £30.4million of unearned income (2008: £29.1million) to be released over the next three to four years
- Strong team delivering business of exceptional quality, well-collateralised and with attractive margins
- Increasing market opportunity – many direct competitors have ceased trading or exited the market

Chairman's Statement

To have survived the turmoil in the financial sector, which has seen more than half our direct competitors cease trading or exit the market, is an achievement in itself. To be able to report a profit for the 12 month period ended 31 March 2009 during which the UK entered a severe recession is even more commendable. The profit before tax for the twelve month period was £262,978 (2008: £934,197). However, it is important to note that the profit is stated after charging £427,422 on certain interest rate derivatives which protect our portfolio against future increases in the cost of borrowings but for accounting purposes are required to be marked to market. The profit before these non-cash items would have been £690,400 (2008: £1,069,548). This accounting treatment is required by the International Financial Reporting Standards ('IFRS') rules. However, we have no intention of

crystallising these losses as the derivatives form part of our long term hedging strategy. Further comment on the interest rate derivatives is included in the section on “Funding” below.

The fall in profits compared to the preceding year is not unexpected and is largely attributable to the charge related to interest rate derivatives referred to above but also to increased impairment charges and a reduction in fee income from the sale of payment protection insurance. In my Interim Statement I commented on the relentless campaign of adverse publicity about this product, which has since resulted in the Competition Commission proposing new legislation which will make it even harder to sell to customers. It is ironic that this should happen at a time when unemployment levels are increasing.

The Group’s robust performance in these exceptionally difficult times is due to a number of factors including our prudent approach to new lending over the past two years, our broker-introduced business model, our use of state of the art technology, our diversified portfolio of receivables and our policy of avoiding concentrations of risk.

Our business

Private & Commercial Finance Group plc is a long-established finance group with a highly efficient infrastructure and scalable business model. The original Private and Commercial Finance Company Limited, which we acquired in 1995, was formed in 1972 and has demonstrated the robustness of a finance house with a well spread portfolio, having come through several previous recessions.

As planned, our Business Finance and Consumer Finance divisions wrote new business at slower rates than in 2008, conserving headroom on our banking facilities and generating cash. The focus has been and continues to be on cautiously underwriting high quality business at the most attractive rate possible. Nevertheless, the combined portfolios grew by 3% to £134.5million (2008: £130.3million) and include £30.4million of unearned income (2008: £29.1million) which will be released over the next three to four years.

- The Business Finance Division, which provides finance for equipment, plant and vehicles for SMEs, wrote £36.7million of new business during the year. At 31 March 2009, this division had a portfolio of receivables which totalled £70.6million spread over 7,256 customers; and

- The Consumer Finance Division, which provides finance for cars for consumers, wrote £23.9million of new business during the year. At 31 March 2009, this division had a portfolio of receivables which totalled £63.9million spread over 12,546 customers.

Both divisions underwrite proposals received from long-established networks of finance brokers using advanced technology, namely our proposal management and underwriting system, *e-Quote*, in tandem with old fashioned lending principles, thorough and consistent underwriting, and careful checking of proposals.

The Group's portfolio of receivables is managed by a highly effective, well-resourced and experienced credit control division.

Risks and economic background

Our portfolio demonstrated its robustness during the period, although it was by no means immune to the downturn in the wider economy. The percentage of accounts in arrears increased in both divisions during the last two quarters of the period. The "Sales Aid leasing" component of the Business Finance portfolio (which represents 12.5% of the Group's total portfolio), showed the most marked deterioration, although arrears remained within manageable levels. We took action to restrict this business in 2008 and ceased underwriting it altogether in February 2009. Since the end of the accounting period, the economic outlook has shown some signs of improvement and this has been reflected in lower arrears levels in the Consumer Finance Division and improved prices being achieved for remarketed vehicles and equipment. Since my Interim Statement in December 2008, which referred to the fact that forecasters were at the time speculating as to the extent of the downturn, the mood seems to have lightened and forecasters are now speculating as to the date the recession will end, with some predicting that this will be before the end of the current calendar year.

Levels of unemployment and of business failures tend to continue to rise after the economy has turned the corner (which we believe occurred in the final quarter of our accounting period) and we expect these effects to impede our progress in the current accounting period before they gradually dissipate. The Group maintains a prudent non-subjective provisioning model and impairment provisions remain adequate at reporting date at 5.9% of the portfolio (2008: 5.7%).

Competitive environment

Competition has reduced considerably and although overall demand for finance from both SMEs and consumers has fallen, so far as we are concerned the fall-off in competition is causing a net increase in demand for our services and a continuing improvement in the quality of the proposals we are receiving. We continue to operate within an industry-wide scarcity of funding and, although it can be frustrating that we are having to turn away excellent opportunities, we believe that the business which we are writing is of exceptional quality, well-collateralised and with attractive margins.

Funding

Our funding banks continue to be supportive and committed to maintaining our facilities, albeit at increased margins and fees. I am pleased to report that we have recently concluded negotiations with all our main funders to extend their facilities although this has entailed some significant one-off costs. Based on these facilities and the progress made to date, we have secured the facilities to support our current plans.

Our 2009 Loan Notes fall due for repayment on 30 September 2009 and our stockbrokers, Daniel Stewart & Company, are in the process of marketing replacement notes which offer a yield of 10% per annum, and a conversion option at 25 pence per ordinary share. I am pleased to note that a significant number of existing holders of the 2009 loan notes have already elected to roll their investment into the new notes and thank them for their support and confidence. Apart from the 2009 loan notes, there are no other scheduled maturities in the next year.

I commented briefly above on the results of the IFRS rules relating to derivatives. As a Group, we provide term finance to our customers at fixed rates of interest. We borrow from our banks at rates of interest linked to London Inter Bank Rate ('LIBOR'). In order to protect ourselves against increases in our borrowing costs, which would reduce margins in our portfolio, we enter into interest rate swaps to fix our borrowing costs.

The IFRS rules require us to revalue our portfolio of interest rate swaps each balance sheet date.

Whilst we look to apply hedge accounting rules, the current interest rate volatility, has led us to recognise £427,422 of the movement in the fair value in the profit and loss statement and £2,044,651 directly to reserves in the balance sheet.

We believe the likely direction for interest rates is upwards and therefore our policy of match-funding our portfolio is the only prudent course of action, notwithstanding the impact of the accounting treatment on our profits from applying IFRS rules.

Technology

In order to complement our leading-edge proposal management system, *e-Quote*, we commissioned a new portfolio management and accounting system in 2008 which we expected to have fully implemented by 1 May 2009. Those familiar with IT projects will not be surprised to learn that the implementation has been subject to delays but we are now confident that the new system, with its attendant improvements in efficiency, will be in place by 30 September 2009.

Staff

Our professional and experienced team performed exceptionally well in the period and continue to demonstrate their qualities both in successfully managing our portfolio and in taking advantage of the opportunities to write profitable new business whilst exercising appropriate caution. I thank them on behalf of the Board for their support and hard work during the year.

Outlook

Although we are realists and expect the economic environment in the coming months to remain challenging, we believe that some areas of the economy are showing signs of improvement, albeit that funding shortages and increases in unemployment and business failures will persist for some time to come. We have products which are very much in demand, a robust portfolio, supportive banks, firm control of costs, a strong Board and a very capable and experienced team. The improved competitive environment, coupled with the more prudent lending terms now being offered by our remaining competitors is highly advantageous to us. The business we are currently writing is of exceptional quality which augurs well for the future. In short, we have all the resources and qualities needed to manage the business through the remainder of the recession and to prosper in the long-term.

Michael R Cumming

Chairman

23 June 2009

Group Income Statement

for the year ended 31 March 2009

	<i>Year ended 31 March 2009 £'000</i>	<i>Year ended 31 March 2008 £'000</i>
Group turnover	62,922	51,749
Cost of sales	<u>(41,069)</u>	<u>(33,745)</u>
Gross profit	21,853	18,004
Administration expenses	<u>(13,039)</u>	<u>(9,524)</u>
Operating profit	8,814	8,480
Interest receivable	4	11
Interest payable	<u>(8,555)</u>	<u>(7,557)</u>
Profit on ordinary activities before taxation	263	934
Income tax expense	<u>(104)</u>	<u>(32)</u>
Profit on ordinary activities after taxation	<u>159</u>	<u>902</u>
Profit for the year attributable to equity holders	<u>159</u>	<u>902</u>
Earnings per 5p ordinary share		
- basic and diluted	0.6 p	3.6 p

Group Statement of Recognised Income and Expense

for the year ended 31 March 2009

	<i>Year ended 31 March 2009 £'000</i>	<i>Year ended 31 March 2008 £'000</i>
<i>Profit for the year</i>	<u>159</u>	<u>902</u>
Cashflow hedges – fair value losses net of tax	<u>(2,044)</u>	<u>(620)</u>
<i>Expense recognised directly in equity</i>	<u>(2,044)</u>	<u>(620)</u>
<i>Total recognised income for the year attributable to equity holders</i>	<u><u>(1,885)</u></u>	<u><u>282</u></u>

Group Balance Sheet

as at 31 March 2009

	<i>31 March</i>	<i>31 March</i>
	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>
ASSETS		
Non-current assets		
Goodwill	397	397
Other intangible assets	302	223
Property, plant and equipment	190	159
Loans and receivables	84,912	87,751
Deferred tax	<u>4,215</u>	<u>2,221</u>
	<u>90,016</u>	<u>90,751</u>
Current assets		
Loans and receivables	49,555	42,520
Trade and other receivables	500	1,357
Corporation tax	-	241
Cash and cash equivalents	<u>437</u>	<u>-</u>
	<u>50,492</u>	<u>44,118</u>
Total assets	<u>140,508</u>	<u>134,869</u>
LIABILITIES		
Current liabilities		
Interest-bearing loans and borrowings	37,370	155
Trade and other payables	1,154	2,176
Derivative financial instruments	291	-
Corporation tax	1,116	-
Bank overdrafts	<u>-</u>	<u>1,121</u>
	<u>39,931</u>	<u>3,452</u>
Non-current liabilities		
Derivative financial instruments	4,016	876
Interest-bearing loans and borrowings	<u>92,445</u>	<u>124,584</u>
	<u>96,461</u>	<u>125,460</u>
Total liabilities	<u>136,392</u>	<u>128,912</u>
Net assets	<u>4,116</u>	<u>5,957</u>
Capital and reserves		
Called up share capital	1,428	1,426
Share premium	4,192	4,150
Capital reserve	3,873	3,873
Other reserves	(2,664)	(620)
Own shares	(243)	(243)
Profit and loss account	<u>(2,470)</u>	<u>(2,629)</u>

Group Balance Sheet

as at 31 March 2009

Equity shareholders' funds

4,116

5,957

Group Cash Flow Statement

for the year ended 31 March 2009

	<i>Year ended 31 March 2009 £'000</i>	<i>Year ended 31 March 2008 £'000</i>
<i>Cash flows from operating activities</i>		
<i>Profit before taxation</i>	263	934
Adjustments for:		
Amortisation of other intangible assets	136	166
Amortisation of issue costs	48	48
Depreciation	62	95
Loss/(profit) on sale of property, plant and equipment	7	(4)
Fair value movement on derivative financial instruments	427	137
Increase in loans and receivables	(4,197)	(39,773)
Decrease in trade and other receivables	779	543
Decrease in trade and other payables	(779)	(651)
<i>Cash outflow from operating activities</i>	(3,254)	(38,505)
Tax received/(paid)	54	(244)
<i>Net cash outflow from operating activities</i>	(3,200)	(38,749)
<i>Cash flows from investing activities</i>		
Purchase of property, plant and equipment	(123)	(96)
Proceeds from sale of property, plant and equipment	23	105
Purchase of other intangible assets	(215)	(118)
<i>Net cash outflow from investing activities</i>	(315)	(109)
<i>Cash flows from financing activities</i>		
Proceeds from issue of share capital	-	1,057
Proceeds from borrowings	6,540	38,134
Repayments of borrowings	(1,467)	(277)
<i>Net cash inflow from financing activities</i>	5,073	38,914
<i>Net increase in cash and cash equivalents</i>	1,558	56
Cash and cash equivalents at beginning of the year	(1,121)	(1,177)
<i>Cash and cash equivalents at end of the year</i>	437	(1,121)
<i>Cash at bank</i>	437	-
<i>Bank overdrafts</i>	-	(1,121)
	437	(1,121)
<i>The amount of interest paid and received during the year is as follows:</i>		
Interest paid	8,388	7,184
Interest received	4	11

Notes to the Financial Statements

1. Financial Information – the unaudited financial information set out above does not constitute the Group's statutory accounts as defined in Section 240 of the Companies Act 1985. The comparative financial information is based on the statutory accounts for the year ended 31 March 2008.

The Financial Statements for the year ended 31 March 2008, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies. The statutory Financial Statements and audit opinion for the year ended 31 March 2009 will be signed on 29 July 2009 and will be delivered to the Registrar following the Company's Annual General Meeting.

2. Basis of Preparation – These consolidated statements have been prepared in accordance with IFRS and its interpretations issued by the International Accounting Standards Board, as adopted by the EU, and on the basis of the accounting policies set out in the 31 March 2008 Financial Statements as updated where necessary for new accounting standards adopted in the year.

The financial information contained within this preliminary statement was approved and authorised for issue by the Board on 19 June 2009.

3. Dividends – The directors are not recommending the payment of a final dividend.

4. Earnings per Ordinary Share – The calculation of basic and diluted earnings per ordinary share is based on profits of £159,265 (2008 - £902,190) and on 28,541,024 (2008 – 25,206,455) ordinary shares, being the weighted average number of shares in issue during the year.

Due to the level of the exercise prices and exercisable dates of the share options and convertible debt, they are not dilutive of earnings.

5. Hedge Accounting – Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly to equity and the ineffective portion is recognised immediately to the income statement. The cumulative gain or loss on the hedging instrument recognised directly to equity is reported net of tax in 'Other reserves' in the balance sheet.

6. New Accounting Standards – There has been no significant financial impact on the Group's financial statements as a result of any new or amended accounting standards in the year.

7. The 2009 Report & Financial Statements will be posted to all shareholders on 3 August 2009. 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.

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For further information visit www.pcfg.co.uk or contact:

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Notes to Editors:

Private & Commercial Finance Group plc, which is authorised and regulated by the Financial Services Authority, is an independent AIM-listed finance house. Through its operating subsidiaries the Company provides a carefully selected range of high quality equipment finance products tailored for both business and personal customers. The range extends from financing cars for consumers to leasing a wide range of equipment to businesses.