

15 December 2009

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

Private & Commercial Finance Group plc, the AIM quoted finance house, announces its results for the six months period ended 30 September 2009.

**Overview**

- Continuing profitability for the six months ended 30 September 2009 of £121,474 despite the economic downturn
- Balance Sheet strengthened by £1.4 million of new share capital and the repayment of loan stock
- Total borrowings reduced by £8.2 million reflecting the Group's strong cash generation
- Portfolio of receivables reduced by 6.1% to £154.8 million – which includes £27.5 million of unearned income to be released over the next three to four years
- Loan loss charge steady at 4.6% (2009: 4.9%)
- Supportive banks with committed facilities of £126 million
- Strongly positioned for 2010, with reduced competition, attractive margins on new business and a well-collateralised portfolio

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

"During what has been a difficult period for the financial services sector, we have shown that PCFG has the resilience and strong foundations to ride out the worst of the recession. There is currently a significant market opportunity for PCFG due to many of our main competitors reducing their lending activities and I believe with our strengthened financial position, a first rate team of people and the high quality business we are writing at good margins, we can look forward to 2010 with confidence."

**Chairman's Statement**

I am pleased to report a profit for the six months period ended 30 September 2009 which is in line with management's expectations. The profit before tax for the period was £121,474 (2008: £496,390) on turnover of £29.9 million (2008: £31.9 million). Although this is below the level of profitability which we are capable of achieving in a normal economic environment, I consider that we have again shown our robustness in

difficult financial conditions, described by one of our peers as 'the most challenging in recent memory'. Our commendable performance can be attributed to a number of factors including our prudent approach to new lending, our broker-introduced business model, our use of information technology, our diversified portfolio of receivables and our policy of avoiding concentrations of risk.

### **The Business & Trading**

PCFG is a long-established finance group with a highly efficient and scaleable infrastructure and business model. The Group has two operating divisions: a Business Finance Division, which provides finance for equipment, plant and vehicles for SMEs; and a Consumer Finance Division, which provides finance for cars for consumers.

During the period we wrote £21 million of new business compared with a figure of £36.5million in the corresponding period last year. We have remained cautious in setting terms for writing new business and continue to be highly selective in order to maintain the quality of our book during these uncertain economic times. In turn, that caution led to a 6.1% reduction in our portfolio. The business we have been writing is of exceptional quality and the rates and terms are also excellent. It is somewhat frustrating that, because of the lack of availability of senior debt in the current tight funding markets, we are unable to satisfy fully the demand from our customers, which would not only help to improve the flow of new funding to SMEs, but would also boost our operational gearing and profitability. We are continually seeking new sources of funding.

### **Competitive Environment**

Our willingness to support our customers and brokers through difficult times has been increasingly recognised and appreciated in our chosen market segments. Furthermore, our standing within the secured lending arena has been boosted by the withdrawal of many competitors.

### **Impairments and Provisioning**

As is to be expected in a recession, our profitability has been affected by impairment charges, although these have continued to be within manageable limits, with some early signs of improvements to come. We have a rigorous, computerised system for providing against past due accounts which inhibits subjective adjustment or over-optimism as to the amounts to be collected on defaulting accounts. It is an unyielding but very valuable disciplinarian.

## **Balance Sheet Strengthened**

We significantly strengthened our balance sheet, first by a placing of £1.3 million of new ordinary shares and £0.6 million of new convertible loan stock, raising a total of £1.9 million after expenses and secondly by redeeming £2.3 million of 8% loan stock. A further £0.1 million of ordinary shares were issued on 14 October 2009. The positive benefits of the new equity, coupled with a reduction in the Group's borrowings, will be further enhanced by lower interest costs going forward.

## **Funding Extended**

I am pleased to report that during the period we reached agreement with all of our major lenders for extensions of the terms of their facilities. Our loan facilities total £126 million from four main lenders including Barclays Bank, The Royal Bank of Scotland, Lloyds TSB and Singers Corporate Asset Finance. All banks are understandably extremely cautious at the present time and we are grateful to all our lenders for their confidence in us and for their on-going support.

## **Underwriting and IT Infrastructure**

Over the years we have systematically upgraded and refined our methodology for underwriting lending proposals. This has included the checks incorporated into eQuote, our bespoke, web-based proposal management system. In particular, in addition to many other tests, we have, for several years, taken into account the levels of applicants' overall indebtedness and scrutiny of their income and outgoings, thus enabling us to judge their ability to service new loans. This cautious forward-looking approach has stood us in good stead during the downturn.

Our careful underwriting processes are one of a number of initiatives which have allowed PCFG to remain profitable through this recession. Another is the professional management of our portfolio of receivables by our in-house team. I am delighted to report that in September 2009 we successfully completed the installation of a new computer system for controlling and accounting for our portfolios, which will greatly supplement and enhance the efforts of our staff as well as reduce costs and impairments. The new system, the Instalment Credit and Collections Suite ('ICS') is provided by specialist IT solutions company Tieto and is a market leading finance and lease management system. ICS is as advanced in terms of technology as eQuote and we believe our whole IT infrastructure and the carefully developed processes which it operates will increase the yield from our portfolio of receivables and further enhance the value of our enterprise.

## **Staff**

The quality of our well trained and experienced staff has been a major factor in our sustained performance. In particular the project team has done an outstanding job of implementing and adapting to the new ICS system. I thank them on behalf of the Board.

## **Outlook**

As to the economic outlook for the next calendar year, we remain circumspect. If the recession turns out to be “W-shaped”, we do not expect the second dip to be as pronounced as the first, but we do expect any recovery to be slow and fragile.

Our Group ended the last six months stronger and better placed than when we entered it. With the high quality business we are currently writing, improved position in our markets, new IT infrastructure and strengthened balance sheet, we are well placed to surmount any downturn in the UK economy, to improve margins steadily and to prosper increasingly as economic conditions improve.

Michael R Cumming  
Chairman  
15 December 2009

**Group Income Statement**

for the six months ended 30 September 2009

	<i>Six months ended 30 September 2009 £000's unaudited</i>	<i>Six months ended 30 September 2008 £000's unaudited</i>	<i>Year ended 31 March 2009 £000's audited</i>
<b>Group turnover</b>	29,863	31,856	62,922
Cost of sales	<u>(20,337)</u>	<u>(20,269)</u>	<u>(41,069)</u>
<b>Gross profit</b>	9,526	11,587	21,853
Administration expenses	<u>(6,264)</u>	<u>(6,581)</u>	<u>(13,039)</u>
<b>Operating profit</b>	3,262	5,006	8,814
Interest receivable	-	2	4
Interest payable	<u>(3,141)</u>	<u>(4,512)</u>	<u>(8,555)</u>
<b>Profit on ordinary activities before taxation</b>	121	496	263
Income tax expense	<u>(34)</u>	<u>(139)</u>	<u>(104)</u>
<b>Profit on ordinary activities after taxation</b>	<u>87</u>	<u>357</u>	<u>159</u>
<b>Profit for the period attributable to equity holders</b>	<u>87</u>	<u>357</u>	<u>159</u>
<b>Earnings per 5p ordinary share</b> - basic and diluted	0.3p	1.3p	0.6p

**Group Statement of Comprehensive Income**

for the six months ended 30 September 2009

<b>Profit for the period attributable to equity holders</b>	<u>87</u>	<u>357</u>	<u>159</u>
Cash flow hedges – fair value gains/(losses)	560	196	(2,839)
Income tax thereon	<u>(157)</u>	<u>(55)</u>	<u>795</u>
<b>Other comprehensive income for the period</b>	<u>403</u>	<u>141</u>	<u>(2,044)</u>
<b>Total comprehensive income for the period</b>	<u><u>490</u></u>	<u><u>498</u></u>	<u><u>(1,885)</u></u>

## Group Balance Sheet

as at 30 September 2009

	<i>30 September</i> <i>2009</i> <i>£000's</i> <i>unaudited</i>	<i>30 September</i> <i>2008</i> <i>£000's</i> <i>unaudited</i>	<i>31 March</i> <i>2009</i> <i>£000's</i> <i>audited</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	397	397	397
Other intangible assets	504	194	302
Property, plant and equipment	161	137	190
Loans and receivables	77,679	97,393	84,912
Deferred tax	<u>4,058</u>	<u>2,166</u>	<u>4,215</u>
	<u>82,799</u>	<u>100,287</u>	<u>90,016</u>
<b>Current assets</b>			
Loans and receivables	49,583	42,502	49,555
Trade and other receivables	546	1,096	500
Corporation Tax	-	102	-
Cash and cash equivalents	<u>1007</u>	<u>22</u>	<u>437</u>
	<u>51,136</u>	<u>43,722</u>	<u>50,492</u>
<b>Total assets</b>	<u>133,935</u>	<u>144,009</u>	<u>140,508</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	1,279	2,754	37,370
Trade and other payables	1,619	3,489	1,154
Derivative financial instruments	360	-	291
Corporation tax	525	-	1,116
Bank overdrafts	<u>815</u>	<u>-</u>	<u>-</u>
	<u>4,598</u>	<u>6,243</u>	<u>39,931</u>
<b>Non-current liabilities</b>			
Derivative financial instruments	3,381	623	4,016
Interest-bearing loans and borrowings	<u>120,082</u>	<u>130,685</u>	<u>92,445</u>
	<u>123,463</u>	<u>131,308</u>	<u>96,461</u>
<b>Total liabilities</b>	<u>128,061</u>	<u>137,551</u>	<u>136,392</u>
<b>Net assets</b>	<u>5,874</u>	<u>6,458</u>	<u>4,116</u>
<b>Capital and reserves</b>			
Called-up share capital	2,555	1,426	1,428
Share premium	4,333	4,154	4,192
Capital reserve	3,873	3,873	3,873
Other reserves	(2,261)	(480)	(2,664)
Own shares	(243)	(243)	(243)

Profit and loss account	<u>(2,383)</u>	<u>(2,272)</u>	<u>(2,470)</u>
<b>Equity shareholders' funds</b>	<u><u>5,874</u></u>	<u><u>6,458</u></u>	<u><u>4,116</u></u>

Private & Commercial Finance Group plc

## Group Statement of Changes in Equity

for the six months ended 30 September 2009

	<i>Six months ended 30 September 2009 £000's unaudited</i>	<i>Six months ended 30 September 2008 £000's unaudited</i>	<i>Year ended 31 March 2009 £000's audited</i>
<b>Total comprehensive income for the period</b>	490	498	(1,885)
New share capital subscribed	<u>1,268</u>	<u>3</u>	<u>44</u>
Net addition to shareholders' funds	1,758	501	(1,841)
<b>Opening shareholders' funds</b>	<u><u>4,116</u></u>	<u><u>5,957</u></u>	<u><u>5,957</u></u>
<b>Closing shareholders' funds</b>	<u><u>5,874</u></u>	<u><u>6,458</u></u>	<u><u>4,116</u></u>

## Group Statement of Cashflows

for the six months ended 30 September 2009

	<i>Six months ended 30 September 2009 £000's unaudited</i>	<i>Six months ended 30 September 2008 £000's unaudited</i>	<i>Year ended 31 March 2009 £000's audited</i>
<b><i>Cash flows from operating activities</i></b>			
Profit before taxation	121	496	263
Adjustments for:			
Amortisation of other intangible assets	50	71	136
Amortisation of issue costs	20	24	48
Depreciation	41	28	62
Loss on sale of property, plant and equipment	-	7	7
Fair value movement on derivative financial instruments	(95)	(18)	427
Decrease/(increase) in loans and receivables	7,206	(7,919)	(4,197)
(Increase)/decrease in trade and other receivables	(47)	221	779
Increase /(decrease) in trade and other payables	554	(392)	(779)
<b><i>Cash flows from operating activities</i></b>	<b>7,850</b>	<b>(7,482)</b>	<b>(3,254)</b>
Tax received/(paid)	(625)	-	54
<b><i>Net cash flows from operating activities</i></b>	<b>7,225</b>	<b>(7,482)</b>	<b>(3,200)</b>
<b><i>Cash flows from investing activities</i></b>			
Purchase of property, plant and equipment	(12)	(36)	(123)
Proceeds from sale of property, plant and equipment	-	23	23
Purchase of other intangible assets	(252)	(42)	(215)
<b><i>Net cash flows used in investing activities</i></b>	<b>(264)</b>	<b>(55)</b>	<b>(315)</b>
<b><i>Cash flows from financing activities</i></b>			
Proceeds from issue of share capital	1,268	-	-
Proceeds from borrowings	112	8,680	6,540
Repayments of borrowings	(8,586)	-	(1,467)
<b><i>Net cash flows used in financing activities</i></b>	<b>(7,206)</b>	<b>8,680</b>	<b>5,073</b>
<b><i>Net increase/(decrease) in cash and cash equivalents</i></b>	<b>(245)</b>	<b>1,143</b>	<b>1,558</b>
Cash and cash equivalents at beginning of the period	437	(1,121)	(1,121)
<b><i>Cash and cash equivalents at end of the period</i></b>	<b>192</b>	<b>22</b>	<b>437</b>
<b><i>Cash at banks</i></b>	<b>1007</b>	<b>22</b>	<b>437</b>
<b><i>Bank overdrafts</i></b>	<b>(815)</b>	<b>-</b>	<b>-</b>
	<b>192</b>	<b>22</b>	<b>437</b>
<b><i>The amount of interest paid and received during the period is as follows:</i></b>			
Interest paid	3,146	4,447	8,388
Interest received	-	2	4

## 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 2009 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 237(2) or (3) of the Companies Act 1985.
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 2009.
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, the financing and the 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 30.9.09 £000's</i>	<i>Year ended 31.3.09 £000's</i>
Group turnover		
Consumer finance	11,963	28,192
Business finance	17,900	34,730
Turnover	29,863	62,922
Group profit before taxation		
Consumer finance	275	1,194
Business finance	458	1,317
Unallocated	(612)	(2,248)
Profit on ordinary activities before taxation	121	263

6. Private & Commercial Finance Group plc allotted 22,526,664 fully paid 5p ordinary shares on 28 September 2008 at a placing price of 6p.
7. The calculation of basic earnings per ordinary share is based on a profit of £87,461 for the period and on 28,692,800 ordinary shares, being the weighted average number of ordinary shares in issue during the period.
8. The Group's loans and receivables portfolio of £127,262,661 is reported net of unearned future finance income of £27,546,338.
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](http://www.pcfg.co.uk)

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