



Davenham Group plc

Interim Results

For the six months ended 31 December 2010

Davenham Group plc ("Davenham", "the Group") today announces its interim results for the six months ended 31 December 2010.

Financial performance summary:

- Revenue was £11.6m (2009: £17.4m)
- Finance costs were £4.3m (2009: £7.4m)
- Impairment charge of £4.7m (£12.7m inclusive of gross up)* (2009: £1.8m (£11.7m inclusive of gross up)) of which c.92% is in relation to the impairment of the property portfolio
- Pre-tax loss £10.7m (2009: pre-tax loss of £8.0m)**
- Diluted loss per share 51.6p (2009: loss per share of 34.1p)
- Net liabilities of £36.8m (2009 net assets : £3.0m)

* Gross up is defined as interest income which continues to be recognised on impaired loans, and is included within the Group's revenues, for which a corresponding loan loss charge is made

** After exceptional items including a profit on the de-designation of interest rate-swaps of £1.7million (2009: £1.4 million), redundancy and refinancing costs of £2.7 million (2009: £0.4 million) and deferred banking fees of £nil (2009: £1.3 million).

Run-off update:

- Continued progress in collecting out the portfolio:
 - Loan portfolio reduced to £65.1m at 31 December 2010 (2009: £144.2m)
 - Cost base reduced substantially
 - Administrative expenses reduced to £5.2m (2009: £6.2m)
 - Annualised cost savings of £1.8m realised from redundancies during the period
- Level of provisioning slowed; £4.9m of additional provisions (2009: £7.9m)

For further information, please contact:

Davenham Group plc
Paul Burke, Group Managing Director

0161 832 8484
www.davenham.co.uk

Hawkpoint Partners Limited (Nominated Adviser)
Lawrence Guthrie / Shaun Holmes

020 7665 4500

MHPC
Katie Hunt

020 3128 8100

Chairman's and Group Managing Director's Statement

Overview

On 30 June 2010, Davenham announced the completion of the strategic review (undertaken in conjunction with Hawkpoint Partners Limited, the Group's NOMAD and financial adviser), which concluded that Davenham should cease to write new business and that, with the support of its banking syndicate, Davenham would collect in its loan books in a prudent and orderly manner.

Following the announcement of the conclusion of the strategic review, the detailed parameters of the run-off were finalised with the banking syndicate, securing a stable platform during the run-off period and enabling the Group to access the required levels of working capital to meet its day to day liabilities as they fall due.

During the first half of the current financial year, the Group has made continued progress in reducing the size of the Group's loan portfolio and operating cost base.

On 23 February 2011, Davenham announced that it entered into an exclusivity and standstill agreement (the "Exclusivity Agreement") with Davenham's largest shareholder Kingswood Property Finance Limited Partnership ("Kingswood"), Moor Park Capital Partners LLP ("Moor Park Capital") and the members of the Group's Banking Syndicate (the "Banking Syndicate") which ceases on 31 March 2011, in order to permit more detailed discussions to take place in relation to the potential reconstruction of the Group to enable one or more of its divisions to recommence writing new business.

The Board wishes to reiterate its view that, even if Kingswood, Moor Park Capital and the Banking Syndicate reach agreement on a potential restructuring of the Group, it is likely that there will be no value for shareholders' current shareholdings in Davenham.

Financial review

As stated in the Group's final results, announced on 24 November 2010, the Board do not consider it appropriate to prepare the Group's financial statements on a going concern basis. The results for the half year ended 31 December 2010 have, therefore, been prepared on a break-up basis, as defined in the Group's accounting policies.

The results for the six months ended 31 December 2010 reflect a continuation of the challenging trading conditions for our loan books. The property loan book has been particularly impacted, with the Group continuing to face challenges due to the ongoing difficulties experienced within the UK property market. The vast majority of the property loan portfolio is non-performing, resulting in reduced income and continued operating losses.

Revenue for the six months to 31 December 2010 was £11.6 million (2009: £17.4 million), Finance costs were reduced to £4.3 million (2009: £7.4 million), reflecting the continued reduction in the levels of Bank debt. The focused run-off has seen the cost base continue to contract with administrative expenses reduced to £5.2 million (2009: £6.2 million).

The operating loss before taxation and exceptional items was £9.7 million (2009: £7.7 million), after an impairment charge for the period of £12.7 million (2009: £11.7 million).

Exceptional items comprised mainly of redundancy and refinancing costs of £2.7 million (2009: £0.4 million) which were partially offset by a profit on the de-designated interest rate swaps of £1.7 million (2009 1.4 million). As a result of the redundancies made during the period, Davenham will realise annualised cost savings of £1.8m.

After exceptional items, the operating loss before taxation was £10.7 million (2009: £8.0 million). Fully diluted losses per share for the period were 51.55p (2009: 34.06p).

The net liabilities of the Group were £36.8 million as at 31 December 2010 (as at 31 December 2009 net assets: £3.0 million), primarily reflecting impairment in the property portfolio and the impact of continuing trading losses.

The work to realise cash from the loan book has resulted in a net reduction in borrowings of £31.2 million in the period (2009: £32.7 million). Net cash at the period end was £4.1 million (2009: £6.9 million).

Loan portfolio, loss provisioning and recoveries:

Overall the net loan book has reduced from £144.2 million at 31 December 2009 to £65.1 million at 31 December 2010.

The net property loan portfolio represented £38.8 million at 31 December 2010 (2009: £81.0 million), the net trade loan portfolio represented £7.7 million (2009: £20.1 million) and the net asset loan portfolio represented £18.6 million (2009: £43.0 million).

Loan loss provisions stood at £46.2 million at 31 December 2010 (2009: £44.0 million), representing £39.2 million in the property book (2009: £37.5 million), £3.5 million in the trade book (2009: £2.4 million), and £3.5 million in the asset book (2009: £4.1 million).

Since 30 June 2010, the Group has continued to make progress with the run-off of the book including the transfer of Manor Credit operations to Davenham's head office and the closure of its office. As at 30 March 2011, the key financial indicators for the Group were as follows:

- Loan portfolio reduced to c.£46.0m
- Bank facility reduced to £86.3m

In the absence of a successful conclusion to the discussions with Kingswood and Moor Park Capital, further reductions to the cost base/ headcount are expected as the Group continues to run-off its loan portfolios.

Funding

As announced on 28 March 2011 the current facility, which was negotiated in March 2009 has been extended until 30 September 2011. The facility remains on demand.

Dividend

Davenham is not in a position to pay a dividend during the current financial period.

People

We would like to take this opportunity to thank all of our staff for their continued hard work and commitment to the Group during the run-off of the business.

Summary

Davenham continues to collect in its loan book with the support of the banking syndicate.

James Kerr-Muir
Chairman
30 March 2011

Paul Burke
Group Managing Director

Consolidated Income Statement
For the six months ended 31 December 2010

	Notes	6 months ended 31 December 2010	6 months ended 31 December 2009	Year ended 30 June 2010
		£'000 *	£'000 *	£'000*
Revenue	4	11,619	17,423	31,973
Finance costs		(4,335)	(7,444)	(13,940)
Gross profit		7,284	9,979	18,033
Administrative expenses		(5,248)	(6,204)	(17,877)
Loan loss impairment	7	(12,695)	(11,726)	(29,944)
Operating loss before taxation		(10,659)	(7,951)	(29,788)
Operating loss before exceptional items		(9,709)	(7,719)	(23,315)
Exceptional costs relating to				
Profit/(loss) on de-designated interest rate swaps		1,705	1,449	(1,080)
Redundancy & refinancing		(2,655)	(372)	(2,001)
Deferred banking fees		-	(1,309)	(1,889)
Impairment of goodwill		-	-	(1,909)
Release of share based payment reserve		-	-	406
Operating loss before taxation		(10,659)	(7,951)	(29,788)
Taxation	5	(2,105)	(484)	(9,610)
Loss for the period		(12,764)	(8,435)	(39,398)
Loss per share	6			
- Basic		(51.55p)	(34.06p)	(159.11)p
- Diluted		(51.55p)	(34.06p)	(159.11)p
Dividends per share				
- Paid during the period		Nil	Nil	Nil
- Proposed		Nil	Nil	Nil

*The figures contained within the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cashflow and related notes for the six months ended 31 December 2010 have been reviewed by the auditors and are unaudited. The figures contained in the same statements in respect of the six months to 31 December 2009 are unaudited. Those in respect of the year ended 30 June 2010 have been extracted from the Group's audited consolidated financial statements.

Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2010

	6 months ended 31 December 2010	6 months ended 31 December 2009	Year ended 30 June 2010
	£'000	£'000	£'000
Loss for the period	(12,764)	(8,435)	(39,398)
Other comprehensive income:			
Effective portion of changes in fair value of interest rate cashflow hedges			
- Fair value adjustment	-	524	-
- Tax on fair value adjustment	-	(147)	-
Total comprehensive income for the period	(12,764)	(8,058)	(39,398)

**Consolidated Balance Sheet
As at 31 December 2010**

	Notes	31 December 2010	31 December 2009	30 June 2010
		£'000	£'000	£'000
ASSETS				
Non-current assets				
Goodwill		-	1,909	-
Other intangible assets		-	324	-
Property, plant & equipment		128	800	771
Loans & advances to customers	7	10,331	52,421	40,583
Deferred taxation asset		2,808	13,892	4,913
Derivative financial instruments		710	224	718
		13,977	69,570	46,985
Current assets				
Loans & advances to customers	7	54,800	91,744	66,728
Other receivables, prepayments & accrued income		518	326	591
Derivative financial instruments		129	34	120
Cash and cash equivalents		4,146	6,926	5,470
		59,593	99,030	72,909
Total assets		73,570	168,600	119,894
LIABILITIES				
Current liabilities				
Borrowings	8	98,189	148,891	129,407
Current tax liabilities		2,898	2,898	2,898
Derivative financial instruments		2,157	4,825	3,151
Trade and other payables		4,123	5,719	4,753
		107,367	162,333	140,209
Non-current liabilities				
Derivative financial instruments		2,967	3,253	3,685
Total liabilities		110,334	165,586	143,894
Net Assets (liabilities)/assets		(36,764)	3,014	(24,000)
SHAREHOLDERS' EQUITY				
Share capital		261	261	261
Share premium		26,528	26,528	26,528
Own shares held reserve		(1,507)	(1,507)	(1,507)
Retained earnings		(62,046)	(18,319)	(49,282)
Share based payment reserve		-	556	-
Hedging reserve		-	(4,505)	-
Total Shareholders' equity		(36,764)	3,014	(24,000)

**Consolidated Statement of Changes in Equity
For the six months ended 31 December 2010**

Group	Called up share capital	Share premium account	Own shares held reserve	Profit and loss account	Share based payment reserve	Hedging Reserve	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
6 months to 31 December 2010							
At beginning of the period	261	26,528	(1,507)	(49,282)	-	-	(24,000)
Comprehensive Income							
Loss for the financial period	-	-	-	(12,764)	-	-	(12,764)
Total comprehensive income	-	-	-	(12,764)	-	-	(12,764)
Closing shareholders' equity at 31 December 2010	261	26,528	(1,507)	(62,046)	-	-	(36,764)

Group	Called up share capital	Share premium account	Own shares held reserve	Profit and loss account	Share based payment reserve	Hedging Reserve	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
6 months to 31 December 2009							
At beginning of the period	261	26,528	(1,507)	(9,884)	406	(4,882)	10,922
Comprehensive Income							
Loss for the financial period	-	-	-	(8,435)	-	-	(8,435)
Other comprehensive income							
Fair value gains on cash flow hedges	-	-	-	-	-	524	524
Tax on fair value gains on cash flow hedges	-	-	-	-	-	(147)	(147)
Total comprehensive income	-	-	-	(8,435)	-	377	(8,058)
Increase in Share Based Payment Reserve	-	-	-	-	150	-	150
Closing shareholders' equity at 31 December 2009	261	26,528	(1,507)	(18,319)	556	(4,505)	3,014

Group	Called up share capital	Share premium account	Own shares held reserve	Profit and loss account	Share based payment reserve	Hedging Reserve	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Year ended 30 June 2010							
At beginning of the year	261	26,528	(1,507)	(9,884)	406	(4,882)	10,922
Comprehensive Income							
Loss for the financial year	-	-	-	(39,398)	-	-	(39,398)
Other comprehensive income							
Impairment of Share Based Payment Reserve	-	-	-	-	(406)	-	(406)
Fair value gains on cash flow hedges	-	-	-	-	-	913	913
Tax on fair value losses on cash flow hedges	-	-	-	-	-	(257)	(257)
Transfer of hedging reserve on de-designation	-	-	-	-	-	4,226	4,226
Closing shareholders' equity at 30 June 2010	261	26,528	(1,507)	(49,282)	-	-	(24,000)

Consolidated Statement of Cashflow
For the six months ended 31 December 2010

	6 months ended 31 December 2010	6 months ended 31 December 2009	Year ended 30 June 2010
	£'000	£'000	£'000
Cash flows from operating activities			
Cash (used in)/generated from operations	(4,773)	5,816	4,291
Tax repaid	-	429	429
Net cash (outflow)/inflow from operating activities	(4,773)	6,245	4,720
Cash flows from investing activities			
Purchase of property, plant and equipment	-	(7)	(20)
Purchase of intangible assets	-	-	(5)
Proceeds from sale of property, plant and equipment	605	5	21
Net cash outflow from investing activities	605	(2)	(4)
Net (decrease)/increase in cash and cash equivalents	(4,168)	6,243	4,716
Cash and cash equivalents at the beginning of the period	5,399	683	683
Cash and cash equivalents at the end of the period	1,231	6,926	5,399
For the purposes of the cash flow statement, cash and cash equivalents comprise:			
Cash at bank and in hand	4,146	6,926	5,470
Bank overdrafts included within current borrowings	(2,915)	-	(71)
Total	1,231	6,926	5,399

Notes to the Interim Report For the six months ended 31 December 2010

1. Basis of preparation

The interim report has been prepared in accordance with the Alternative Investment Market (AIM) Rule 18 and the accounting policies described below.

The Group is required to prepare its annual consolidated financial statements and its interim report in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

The financial information included in this interim report for the six months ended 31 December 2010 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006 and is unaudited, but subject to a review opinion. The comparative figures for the six months ended 31 December 2009 were also subject to a review opinion. The comparative figures for the year to 30 June 2010 have been extracted from the Group's consolidated financial statements, on which the auditors gave an unqualified opinion and did not make a statement under section 498 of the Companies Act 2006 and which were approved by the Board on 24 November 2010 and delivered to the Registrar of Companies.

Going Concern

Company Law requires the Directors to prepare financial statements that give a true and fair view of the state of the affairs of the Group and of the profit or loss of the Group for the period under review. Fundamental to this requirement is that the Directors consider whether it is appropriate to prepare the financial statements on a going concern basis.

As noted within the Annual Report and Accounts for the year ended 30 June 2010, following detailed discussions held with the Group's lenders, the banking syndicate agreed on 31 July 2010 to certain amendments to the Group's Revolving Credit Facility ('RCF') whereby previous facility step-downs were removed and the facility became of a repayable on demand type nature. The contractual maturity of the facility has been extended to 30 September 2011 (albeit that it remains repayable on demand).

The Group has ceased writing new business and is in the process of collecting in its outstanding loan books.

As the Directors still consider the Group to no longer be a going concern, the financial statements have been prepared on a break-up basis and all assets and liabilities stated at their recoverable value.

Break-up Basis

The accounting policies have been applied to derive the recoverable amounts of the Group's assets and liabilities. The assets and liabilities have not been prepared using fair values, except where stated, but based upon expected cashflows following an orderly collect out of outstanding loans. No provision has been made for future operating losses in accordance with IAS 37 requirements.

2. Accounting Policies

The accounting policies applied are consistent with those set out in the 2010 Annual Report and Accounts on pages 23 to 28.

3. Risks and uncertainties

The Group is exposed to a number of risks arising from the nature of its business and the environment in which it operates. The Group operates in an environment that potentially exposes it to higher risks than other mainstream business to business asset secured finance providers, this being especially true of the Group's exposure to the property sector.

The principal risk categories facing the Group are outlined on pages 6 to 9 of our 2010 Annual Report and Accounts. These risks remain relevant for the foreseeable future and comprise primarily of Credit and Treasury Risk, including Counterparty Risk. In addition, risks associated with the funding position of the Group are set out in Note 1 above "Basis of Preparation".

Notes to the Interim Report continued
For the six months ended 31 December 2010

3. Risks and uncertainties (continued)

The Group's current goals and its expectations in relation to the future run-off of the Group's portfolio involve risks and uncertainties which are dependent on future events and circumstances which may be beyond its control. These include, among others, UK economic and business conditions and market related risks (such as fluctuations in interest rates) and any decision by the Group's banking syndicate to call in the facility (or not to extend it beyond its expiry on 30 September 2011).

4. Segmental Information

A business segment is a distinguishable component of the Group that provides products that are subject to risks and returns that are different from those of other business segments. Management has determined the operating segments based on the reports reviewed by the Directors that are used to make strategic decisions. The reportable operating segments derive their revenue primarily from the granting of credit to businesses including loans, hire purchase, finance lease arrangements and working capital facilities. The three operating segments are Property Finance, Trade Finance and Asset Finance.

	Property finance £'000	Trade finance £'000	Asset finance £'000	Central £'000	Group £'000
Income					
Revenue	7,872	1,492	2,255	-	11,619
Finance costs	(2,519)	(448)	(1,169)	(199)	(4,335)
Gross profit/(loss)	5,353	1,044	1,086	(199)	7,284
Result					
Segment result	(7,840)	(257)	(314)	(1,298)	(9,709)
Exceptional items					(950)
Taxation					(2,105)
Loss for the period					(12,764)

The segmental income and results for the six months ended 31 December 2009 were as follows:

	Property finance £'000	Trade finance £'000	Asset finance £'000	Central £'000	Group £'000
Income					
Revenue	9,932	2,995	4,490	6	17,423
Finance costs	(5,294)	(427)	(1,232)	(491)	(7,444)
Gross profit/(loss)	4,638	2,568	3,258	(485)	9,979
Result					
Segment result	(5,625)	252	179	(2,525)	(7,719)
Exceptional items					(232)
Taxation					(484)
Loss for the period					(8,435)

Notes to the Interim Report continued
For the six months ended 31 December 2010

4. Segmental Information (continued)

The segmental income and results for the year ended 30 June 2010 were as follows:

	Property finance £'000	Trade finance £'000	Asset finance £'000	Central £'000	Group £'000
Income					
Revenue	19,048	4,941	7,984	-	31,973
Finance costs	(10,115)	(801)	(2,233)	(791)	(13,940)
Gross profit/(loss)	8,933	4,140	5,751	(791)	(18,033)
Result					
Segment result					(23,315)
Exceptional items	(16,904)	(281)	(1,485)	(4,645)	(6,473)
Taxation					(9,610)
Loss for the year					(39,398)

5. Taxation

The Group has continued to maintain its position of only recognising deferred tax assets in respect of temporary differences in relation to IFRS portfolio adjustments and derivatives because it is probable that these assets will be recovered. Any deferred tax arising on unclaimed capital allowances and losses carried forward have not been recognised as the Group is unlikely to make any future taxable profits against which to offset these. The tax charge period to date of £2,105k reflects the positive movement of the IFRS portfolio adjustments and derivatives.

A deferred tax asset of £10.6m in respect of losses carried forward has not been recognised as the directors do not consider there will be any future taxable profits available against which to offset these losses.

6. Earnings per share

	6 months ended 31 December 2010	6 months ended 31 December 2009	Year ended 30 June 2010
	£'000	£'000	£'000
Loss attributable to all equity shareholders	(12,764)	(8,435)	(39,398)
Weighted average number of shares:	'000	'000	'000
Ordinary shares	24,762	24,762	24,762
Basic EPS	(51.55p)	(34.06p)	(159.11p)
Dilutive impact of share options:	'000	'000	'000
Ordinary shares	24,762	24,762	24,762
Diluted EPS	(51.55p)	(34.06p)	(159.11p)

Notes to the Interim Report continued
For the six months ended 31 December 2010

7. Loans and receivables

	31 December 2010 £'000	31 December 2009 £'000	30 June 2010 £'000
Property Finance	38,764	81,043	58,899
Trade Finance	7,700	20,096	17,711
Asset Finance	18,667	43,026	30,701
Total loans and receivables	65,131	144,165	107,311
Comprising :			
Current assets	54,800	91,744	66,728
Non-current assets	10,331	52,421	40,583
	65,131	144,165	107,311

Loan loss provision

The following tables provide an analysis of the movement of the Group's loan loss provision and charge during 2010 and 2009:

Group	Property Finance £'000	Trade Finance £'000	Asset Finance £'000	Total £'000
Six months ended 31 December 2010				
At 1 July 2010	39,329	3,336	3,639	46,304
Utilised	(4,501)	-	(497)	(4,998)
Recoveries of amounts previously written off	109	-	132	241
Charged to the income statement:				
Additional provisions created	4,394	207	307	4,908
Recoveries of amounts previously written off	(109)	-	(132)	(241)
	4,285	207	175	4,667
At 31 December 2010	39,222	3,543	3,449	46,214
Loan loss charge before gross-up adjustment	4,285	207	175	4,667
Gross-up adjustment	7,486	263	279	8,028
Loan loss impairment charge	11,771	470	454	12,695

Group	Property Finance £'000	Trade Finance £'000	Asset Finance £'000	Total £'000
Six months ended 31 December 2009				
At 1 July 2009	39,798	2,917	5,408	48,123
Utilised	(5,008)	(2,143)	(4,881)	(12,032)
Recoveries of amounts previously written off	2,561	1,173	2,438	6,172
Charged to the income statement:				
Additional provisions created	2,735	1,671	3,527	7,933
Recoveries of amounts previously written off	(2,561)	(1,173)	(2,438)	(6,172)
	174	498	1,089	1,761
At 31 December 2009	37,525	2,445	4,054	44,024
Loan loss charge before gross-up adjustment	174	498	1,089	1,761
Gross-up adjustment	8,740	404	821	9,965
Loan loss impairment charge	8,914	902	1,910	11,726

Notes to the Interim Report continued
For the six months ended 31 December 2010

7. Loans and receivables (continued)

Group	Property Finance	Trade Finance	Asset Finance	Total
Year ended 30 June 2010	£'000	£'000	£'000	£'000
At 1 July 2009	39,798	2,917	5,408	48,123
Utilised	(6,781)	(966)	(5,211)	(12,958)
Recoveries of amounts previously written off	53	-	418	471
Charged to the income statement:				
Additional provisions created	6,312	1,385	3,442	11,139
Recoveries of amounts previously written off	(53)	-	(418)	(471)
	6,259	1,385	3,024	10,668
At 30 June 2010	39,329	3,336	3,639	46,304
Loan loss charge before gross-up adjustment	6,259	1,385	3,024	10,668
Gross-up adjustment	17,106	683	1,487	19,276
Loan loss impairment charge	23,365	2,068	4,511	29,944

8. Borrowings

	31 December 2010	31 December 2009	30 June 2010
	£'000	£'000	£'000
Current			
Secured bank overdraft	2,915	-	71
Secured bank loan	95,274	148,891	129,336
Total borrowings	98,189	148,891	129,407

The interest rate on the secured bank loan is 300bps over Libor and the loan is repayable on 30 September 2011.

The loan is secured on the Group's undertaking and assets including by way of fixed and floating charge.

Independent review report to Davenham Group plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2010, which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flow and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules for Companies.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the basis of preparation set out in note 1.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the AIM Rules for Companies and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2010 is not prepared, in all material respects, in accordance with the basis set out in note 1 and the AIM Rules for Companies.

Emphasis of Matter – Going concern and Basis of preparation

In forming our review conclusion, which is not modified, we have considered the adequacy of the disclosures in note 1 to the condensed set of financial statements which explain that the Group has ceased writing new business and will now collect in the existing loan portfolios. As a result, the Directors concluded that preparing the financial statements on a going concern basis was no longer appropriate, and therefore the condensed set of financial statements has been prepared on a break-up basis. The condensed set of financial statements includes the necessary adjustments in accordance with this basis of preparation.

PricewaterhouseCoopers LLP
Chartered Accountants Manchester
30 March 2011