

Orchard Funding Group PLC

("Orchard Funding Group" or the "company" or the "group")

Half Year Results for the Six Months ended 31 January 2025

Half Year Results

Orchard Funding Group, the finance group which specialises in insurance premium finance and the professions funding market, announces its unaudited results for the six months ended 31 January 2025.

Highlights in the six months to 31 January 2025, compared to the six months to 31 January 2024:

All amounts are £m unless otherwise stated	6 months to 31 January 2025	6 months to 31 January 2024	% increase/ (decrease)
Lending volume	60.06	58.41	2.83%
Average income earning assets	67.88	62.03	9.43%
Total revenue	5.32	4.65	14.42%
Net interest income	3.48	2.73	27.75%
Profit before tax	2.10	1.08	94.42%
Profit after tax	1.53	0.81	89.21%
EPS (pence)	7.15	3.78	89.15%
Operating costs (excluding impairment provisions)	2.07	1.83	12.75%
Impairment provisions	0.06	0.49	-86.87%
Net interest margin (%)	13.17%	11.20%	11.59%
Return on average equity	15.44%	8.83%	8.56%
Average external funding	12.25	11.79	3.90%
Own resources (net financial assets)	22.16	19.18	15.53%

A more detailed breakdown of the Highlights is contained within the Chief Financial Officer's summary below.

Ravi Takhar, Chief Executive Officer of the company, stated:

"The company has successfully increased its lending and revenues over the first half of the year. We have nearly doubled our profits from the same period last year and intend to maintain our growth momentum. We are continuing to lend, compete and succeed in an extremely competitive market. I thank our staff for their hard work and our finance providers Toyota and NatWest for their great support to our business."

"The board has not changed its view that the continued admission of Orchard's shares to trading on AIM may not be in the best long-term interests of the company or its shareholders. We do not have short-term plans to address this issue and will therefore, for current purposes, continue with the AIM admission. In light of our strong first half performance the board has agreed to pay an interim dividend of 1p and an additional special dividend of 1p."

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Chairman's statement

I am pleased to report that we have achieved strong half year financial results. Lending volumes have increased in our core insurance premium funding markets and together with the gradual reduction in Base lending rates, this has resulted in improved margins and significant growth in revenues. Underpinning this success in a highly competitive market is our highly experienced and stable executive team and supporting colleagues. The board continues to believe that in the long term it is not in our best interest to continue the admission of the company's ordinary shares to trading on AIM. However, we recognise the importance of the dividend to our shareholders. We have therefore decided to reinstate the 1p interim dividend and to also make a special dividend payment of an additional 1p, making a total of 2p per share to reflect the exceptional first six months results.

Looking ahead, global geopolitical risks and uncertainties persist, but subject to unforeseen events, the board is optimistic that we will continue the current trajectory for the rest of this financial year.

Steven Hicks
Chairman

Chief Financial Officer's statement

There remains a great deal of turbulence in the markets, primarily due to the two main conflicts at present – Ukraine and Gaza. To these we now have to add the issue of tariffs being imposed by the USA and reciprocation by other countries. The full impact of these will take some time to feed through into the economy but it is unlikely that there will be any benefits from these actions.

Inflation and interest rates have both fallen since the last half-year report. Inflation was 2.98% for the year to 31 January 2025 compared to 3.98% for the year to 31 January 2024. Bank of England base rate fell from 5.25% in January 2024 to 4.75% in January 2025.

Against this background the group again performed well in the half year to 31 January 2025 compared to the same period in the previous year.

The KPIs and other financial indicators have been adjusted for Toyota income which does not form part of interest income but is part of other income. This adjustment is reflected in lending and the loan book.

Lending is up by 9.94% for non-Toyota GAP products from £49.90m to £54.86m and down 38.90% for Toyota from £8.51m to £5.20m.

A reduction in the Toyota market was expected and was reported last year. As a result, we adjusted our internal forecasts substantially down in respect of this lending. However, this market has performed better than our expectations.

PBT increased by 94.42% from £1.08m to £2.10m.

This came about because of a number of factors: turnover increased in line with lending; the amount of impairment allowance fell (down from £485k in the six months to 31 January 2024 to £60k in the six months to 31 January 2025); we have improved the rates on our lending as evidenced by the gross interest margin rising from 15.03% for the six months to 31 January 2024 to 16.76% for this period.

Operating costs excluding impairment losses are 10.70% higher from £1.87m to £2.07M.

Impairment charge has fallen by 87.86% from £0.49m to £0.06m.

The main increases in operating costs were employee costs (up £165k) and commissions (up £105k). There have been small savings across other cost headings. The large impairment charge in the previous year arose as a result of the fraud which was reported last year.

Impairment reviews are carried out at each reporting period on all financial assets. The method employed for assessing assets arising from lending is shown in the audited accounts to 31 July 2024 and is based on expected credit losses (ECLs). As part of this exercise we review debts to establish whether they have moved from one ECL stage to another. There have been substantial material movements from Stage 1 and Stage 2 since the 31 January 2024. These amounted to £664k in debt and £591k in impairment allowance. These were accounted for in the year end financial statements to 31 July 2024. At 31 January 2025 the provision was £1,223k (31 January 2024 £789k). Other assets (fixed assets and investments) are also subject to impairment reviews but none is needed this period.

Net financial assets (all financial assets less all financial liabilities) are up by 14.70% to £22.16m from £19.32m.

Unused borrowing availability was up 8.40% from £12.54m to £13.21m.

Liquidity (net current assets) was up by 1.20% from £18.27m to £21.90m.

On 15 August 2024, Open B Gateway Limited became a 90% subsidiary of the parent.

On 19 March 2024, the group took a further 30% stake by way of transfer from an existing shareholder in Open B Gateway Limited at a cost of £Nil. The intention was to get better control of the company which provided open banking software to the group. The group also took over the management of the company. It therefore became a 60% subsidiary on that date. On 15 August 2024 a further 300 shares were transferred from a shareholder in Open B to the company, giving it a 90% share in Open B. These were transferred at £Nil cost.

Principal risks:

Credit risk;
Liquidity risk;
Interest rate risk
Non-repayment risk
Systems risk;
Conduct risk.

Our principal risks are shown in the full year financial statements to 31 July 2024. A full explanation of each of them together with their impact and mitigation are detailed in those financial statements.

Key Performance Indicators (KPIs)

Our KPIs are set so that fluctuations outside a certain tolerance would trigger an examination of our operations to establish why these fluctuations have occurred and, if necessary, take any remedial action deemed necessary.

The table below gives a breakdown of group KPIs as well as indicators not considered KPIs but which give a better understanding of the figures.

Key performance indicators

All amounts are £m unless otherwise stated and are annualised in respect of ratios	6 months to 31 January 2025	6 months to 31 January 2024	Year to 31 July 2024
Lending volume (non-Toyota products)	54.86	49.90	101.32
Lending volume (Toyota products)	5.20	8.51	13.38
Average interest earning assets (non-Toyota products) ¹	52.90	48.71	49.72
Average income earning assets (Toyota products) ¹	14.98	13.32	13.26
Total revenue	5.32	4.65	9.64
Average external funding ²	14.26	11.79	23.92
Cost of external funds	0.95	0.93	1.91
Cost of funds/funds ratio ³	6.64%	7.90%	7.99%
Own resources (net financial assets)	22.16	19.18	20.11
Operating costs (excluding impairment provisions) ²	2.07	1.87	3.60
Impairment charges	0.06	0.49	1.17
Net interest margin (%) ⁴	13.17%	11.20%	11.59%
Return on average equity ⁵	15.44%	8.83%	8.56%

Financial summary – other performance indicators

All amounts are £m unless otherwise stated and are annualised	6 months to 31 January 2025	6 months to 31 January 2024	Year to 31 July 2024
Net interest income	3.48	2.73	5.76
Profit before tax	2.10	1.08	2.12
Profit after tax	1.52	0.81	1.57
Gross interest margin ⁶	16.76%	11.80%	15.44%
EPS (pence) ⁷	7.15	3.78	7.39
DPS (pence) ⁸	-	2	-
Return on capital employed annualised ⁹	6.95%	3.85%	3.83%

1. Average interest and income earning assets consist of the average of the opening and closing loan book after taking account of the impairment provision.
2. Average external funding comprises amounts borrowed on a daily basis net of repayments.

3. Cost of funds/funds ratio is the cost of external funds divided by average external funding.
4. Net interest margin is net interest income divided by the average loan book. This has been adjusted this year to remove Toyota GAP assets income from which does not form part of interest income and the comparatives restated.
5. ROAE consists of profit after tax divided by average equity. Average equity is the average of opening and closing equity.
6. Gross interest margin is gross interest income divided by the average loan book, again adjusted for Toyota assets.
7. There are no factors which would dilute earnings therefore fully diluted earnings per share are identical. EPS is based on the half-year results divided by shares in issue.
8. Dividends per share are based on interim dividends paid in the year and proposed final dividend for the year.
9. ROCE consists of earnings before interest, tax, depreciation and amortisation divided by capital employed. Capital employed comprises capital and reserves together with borrowings, less cash held. The annualised figures contain estimates of profit for the next six months.

In summary, the next six months will remain a challenge because of ongoing international issues and the loss of some GAP business. However, the results for the half-year show that the business has moved in a healthy direction and, notwithstanding the global situation, growth is expected to continue through the next half-year. The board feels that no further provisions or estimates (based on our forecasts) are needed at this time.

The board has an ongoing review into how and where we spend our capital as well as reviewing the benefits of the company's shares being admitted to trading on AIM. The board also recognises the importance of giving shareholders a return on their investment.

With this in mind the board has therefore decided to reinstate the 1p interim dividend, In addition, particularly as there has been an exceptional first six months trading, it has decided to make a special dividend payment of an additional 1p. Both dividends will be paid on 25 June 2025 to shareholders on the register at 13 June 2025 with an ex-dividend date of 12 June 2025.

Liam McShane
Chief Financial Officer

Consolidated statement of comprehensive income

		6 Months to 31 January 2025	6 Months to 31 January 2024	Year to 31 July 2024
	Notes	£000	£000	£000
Continuing operations				
Interest receivable and similar income	2	4,432	3,659	7,674
Interest payable and similar charges		(948)	(932)	(1,910)
Net interest income		3,484	2,727	5,764
Other trading income	2	884	987	1,965
Other direct costs		(137)	(276)	(844)
Net other income		747	711	1,121
Net total income		4,231	3,438	6,885
Other operating costs		(2,061)	(1,875)	(3,601)
Net impairment (losses)/gains on financial assets		(64)	(485)	(1,235)
Reversal of impairment loss on investment at fair value through profit and loss		-	-	75
Goodwill on consolidation written off		-	-	(11)
Operating profit		2,106	1,078	2,113
Interest receivable		2	3	6
Profit before tax		2,108	1,081	2,119
Tax	3	(583)	(275)	(552)
Profit and total comprehensive income for the period from continuing operations attributable to:				
Owners of the parent		1,533	806	1,579
Non-controlling interests		(8)	-	(12)
		1,525	806	1,567
Earnings per share attributable to the owners of the parent during the period (pence)				
Basic and diluted	4	7.15	3.78	7.39

Consolidated statement of financial position

	At 31 January 2025 £000	At 31 January 2024 £000	At 31 July 2024 £000
Assets			
Non-current assets			
Property, plant and equipment	445	450	448
Intangible assets	107	68	145
Investment at fair value through profit and loss	6	6	6
Loans to customers	8,616	9,481	9,038
	9,174	10,005	9,637
Current assets			
Loans to customers	60,168	55,586	57,944
Other receivables and prepayments	110	205	122
Cash and cash equivalents:			
Bank balances and cash in hand	908	345	1,482
	61,186	56,136	59,548
Total assets	70,360	66,141	69,185
Liabilities and equity			
Current liabilities			
Trade and other payables	8,224	9,064	9,488
Borrowings	29,937	28,077	29,693
Tax payable	1,121	724	542
	39,282	37,865	39,723
Non-current liabilities			
Borrowings	10,620	10,146	10,529
Deferred tax	1	2	1
	10,621	10,148	10,530
Total liabilities	49,903	48,013	50,253
Equity attributable to the owners of the parent			
Called up share capital	214	214	214
Share premium	8,692	8,692	8,692
Merger reserve	891	891	891
Retained earnings	10,637	8,331	9,104
Total equity attributable to:			
Owners of the parent	20,434	18,128	18,901
Non-controlling interests	23	-	31
Total equity	20,457	18,128	18,932
Total equity and liabilities	70,360	66,141	69,185

Consolidated statement of changes in equity

	Called up share capital £000	Retained earnings £000	Share premium £000	Merger reserve £000	Attributable to the owners of the parent £000	Non- controlling interests	Total equity £000
Balance at 1 August 2023	214	7,952	8,692	891	17,749	-	17,749
Profit and total comprehensive income	-	806	-	-	806	-	806
Transactions with owners:							
Dividends paid	-	(427)	-	-	(427)	-	(427)
Balance at 31 January 2024	214	8,331	8,692	891	18,128	-	18,128
Non-controlling interests at the date of acquisition						43	43
Profit and total comprehensive income		773			773	(12)	761
Transactions with owners:							
Dividends paid		-			-		-
Balance at 31 July 2024	214	9,104	8,692	891	18,901	31	18,932
Changes in equity							
Profit and total comprehensive income		1,533			1,533	(8)	1,525
Transactions with owners:							
Dividends paid		-			-		-
Balance at 31 January 2025	214	10,637	8,692	891	20,434	23	20,457

The merger reserve arose through the formation of the group on 23 June 2015 using the consolidation method which treats the merged companies as if they had been combined throughout the current and comparative accounting periods. The accounting principles for these combinations gave rise to a merger reserve in the consolidated statement of financial position, being the difference between the nominal value of new shares issued by the company for the acquisition of the shares of the subsidiaries and each subsidiary's own share capital.

The share premium account arose on the issue of shares on the IPO on 1 July 2015 at a premium of 95p per share. Costs directly attributable to the issue of shares have been deducted from the account.

Non-controlling interests consist of equity belonging to non-group shareholders in Open B Gateway Limited in which the group has a 90% interest.

Consolidated statement of cash flows

	6 Months to 31 January 2025 £000	6 Months to 31 January 2024 £000	Year to 31 July 2024 £000
Cash flows from operating activities:			
Operating profit	2,106	1,078	2,113
Adjustment for depreciation and amortisation	45	14	95
Reversal of impairment loss on investment at fair value through profit and loss	-	-	(75)
Goodwill on acquisition written off	-	-	11
Adjustment for assets and liabilities at date of acquisition	-	-	107
	2,151	1,092	2,251
Increase in trade and other receivables	(1,790)	(5,987)	(7,838)
Increase in trade and other payables	(1,243)	109	575
	(882)	(4,786)	(5,012)
Tax paid	(6)	-	(459)
Net cash absorbed by operating activities	(888)	(4,786)	(5,471)
Cash flows from investing activities			
Interest received	2	3	6
Purchases of property, plant and equipment	(2)	(448)	(453)
Purchase of intangibles assets	-	(30)	(214)
Transfer of intangible assets purchased in the previous year	-	-	33
Net cash absorbed by investing activities	-	(475)	(628)
Cash flows from financing activities			
Dividends paid	-	(427)	(427)
Proceeds from borrowings	314	3,498	5,473
Lease repayments	-	(15)	(15)
Net cash generated by financing activities	314	3,056	5,031
Net decrease in cash and cash equivalents	(574)	(2,205)	(1,068)
Cash and cash equivalents at the beginning of the period	1,482	2,550	2,550
Cash and cash equivalents at the end of period	908	345	1,482

Cash and cash equivalents consists of bank balances.

Notes to the financial statements

1. General information

Orchard Funding Group PLC ("the company") and its subsidiaries (together "the group") provide funding and funding support systems for insurance premiums, professional and equivalent fees and other leisure activities. The group operates in the United Kingdom.

The company is a public company listed on AIM, a market operated by the London Stock Exchange, incorporated and domiciled in the United Kingdom. The address of its registered office is 222 Armstrong Road, Luton, Bedfordshire LU2 0FY.

The condensed consolidated interim financial information for the six months ended 31 January 2025 has been prepared in accordance with the presentation, recognition and measurement requirements of applicable UK adopted International Accounting Standards ('IFRS') except that the group has not applied IAS 34, Interim Financial Reporting, which is not mandatory for UK groups listed on AIM, in the preparation of the condensed consolidated interim financial information.

The financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the group for the year ended 31 July 2023 which are prepared in accordance with IFRS.

The accounting policies used in the preparation of condensed consolidated interim financial information for the six months ended 31 January 2025 are in accordance with the presentation, recognition and measurement criteria of IFRS and are consistent with those which are expected to be adopted in the annual statutory financial statements for the year ending 31 July 2023. There are a number of new standards, amendments and interpretations that have been issued but are not effective for these financial statements. They are not expected to impact the financial statements as either they are not relevant to the group's activities or are consistent with accounting policies already followed by the group.

Under the expected credit loss (ECL) model required in IFRS 9, there has been a further £64k charged to consolidated income (31 January 2024 £485). Last year included a provision for a fraud amounting to £398k. The main focus of the assessment is debt arrears as, although based on past performance, they are the best indicator of potential default. The increase over the provision at 31 July 2024 is not a large and is commensurate with the increase in the loan book. Arrears are under control and there are no other factors which would indicate potential credit losses. In assessing potential provisions, the group has adopted the simplified approach which requires the entity to recognise a loss allowance based on lifetime ECLs at each reporting date, right from origination. Part of this process has been to examine the impact of ongoing international situation.

The group's 2024 annual report provides full details of significant judgements and estimates used in the application of the group's accounting policies. There have been no significant changes to these judgements and estimates during the period.

The financial information included in this document is unaudited and does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparative figures for the financial year ended 31 July 2024 are the group's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2. Segmental reporting

The group's activities are providing funding for insurance premiums, professional fees, school fees, leisure activities and asset financing wholly within the UK.

Most of our lending meets the criteria for aggregation as the underwriting process, management of the loans, distribution channels, risks and rewards are all similar.

The group does, however, report to the board of directors in terms of two segments – lending for Toyota products which carry no credit risk and have a lower return, and other lending.

Notes to the financial statements

Revenue

	6 Months to 31 January 2025	6 Months to 31 January 2024	Year to 31 July 2024
	£000	£000	£000
Timing of revenue recognition:			
Interest receivable and similar income			
Over time – interest revenue outside the scope of IFRS 15	3,901	3,133	6,735
At a point in time – non utilisation fees	446	457	773
At a point in time – default and settlement fees	85	69	166
	4,432	3,659	7,674
Other trading income – non-Toyota products			
At a point in time – direct debit charges	193	330	558
Over time - loan administrative fees	305	307	675
Over time – licence fees	69	74	144
	567	711	1,377
Other trading income – Toyota products			
Over time - loan administrative fees	317	276	588
Gross total income	5,316	4,646	9,639
Expenses by nature			
Interest payable and similar charges			
Interest payable	936	918	1,841
Bank fees	12	14	69
	948	932	1,910
Other direct costs – non-Toyota products			
Bank fees	86	229	738
Other direct costs – Toyota products			
Bank fees	51	47	106
	137	276	844
Net total income	4,231	3,438	6,885
Other operating costs – non-Toyota products			
Employee costs	1,089	924	1,710
Advertising and selling costs	485	379	853
Professional and legal fees	161	219	315
IT costs	120	97	221
Cost of listing	34	32	83
Depreciation and amortisation	45	14	95
Other net expenses	123	203	319
	2,057	1,868	3,596

Other operating costs – Toyota products

Other net expenses	4	7	5
Total operating costs before impairment charges	2,061	1,875	3,601
Net impairment losses on financial assets	64	485	1,235
Reversal of impairment loss on investment at fair value through profit and loss	-	-	(75)
Goodwill on consolidation written off	-	-	11
Operating profit	2,106	1,078	2,113

3. Taxation

The tax assessed for the period differs from the main corporation tax rates in the UK of 25% because of the effect of items disallowed for tax and accelerated capital allowances.

4. Earnings per share

Earnings per share are based on the total comprehensive income shown above, for each relevant period, and the weighted average number of ordinary shares in issue during each period. For all three periods, this was 21,354,167. There are no options or other factors which would dilute these, therefore the fully diluted earnings per share is identical.