Orchard Funding Group PLC

("Orchard Funding Group" or the "Company" or the "Group")

Half Yearly Results

For the 6 months ended 31 January 2017

Orchard Funding Group, the finance group which specialises in insurance premium finance and the professions funding market, is pleased to announce its unaudited results for the six months ended 31 January 2017.

Highlights

- The Group lent £31.1 million for the six months to 31 January 2017; on a like for like basis, an extra £7.5 million of lending and a 31.7% improvement on the six months to 31 January 2016;
- Group turnover has increased by 29.2% from £1.6 million in the six months to January 2016 to £2.1 million in the six months to 31 January 2017;
- Group profit before tax was £0.8 million, up by 15.5% on the six months to 31 January 2016;
- Barclays Bank plc has increased the amount of funding available to the Group from £10 million to £15 million during the period since 31 January 2016.
- The Board is recommending an interim dividend of 1 pence per share. This reflects its decision to adopt a policy of giving greater weight to the final dividend.

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

"The benefits of raising capital from our flotation are just starting to show in our numbers. We are lending more and making more profits for the benefit of all our stakeholders. Our improved capital base has also enabled us to increase our leverage, which is still at very conservative levels. We are confident that we will continue to increase our lending going forward and will be able to fund that growth with our existing capital base and existing leverage. Our capital base and historic track record has also significantly improved our ability to raise further leverage in the future. It's a great time to be in our business and we are all very excited about the future. We have commenced our bank licence application and, as part of that process we have been fortunate to recruit Iacovos Koumi to the Board as a non-execurive director. Iacovos spent 16 years at Bank of Cyprus UK, joining as chief financial officer and later being appointed as chief executive. He will lead the application process."

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For Investor Relations please go to: www.orchardfundinggroupplc.com

Chairman's statement

This has proved a very satisfactory period for Orchard Funding Group, posting an increase in revenue of 29.2% and an increase in profit before tax of 15.5%, all the while keeping operational costs well under control. Overall lending continues to be strong and our new business pipeline remains robust and healthy.

The insurance premium finance market is expected to grow from around £8.5bn annually currently to circa £11.6bn by 2019. Orchard has but a very small proportion of this market and therefore has considerable scope to grow, as evidenced by the growth in lending in the period under review of 31.7% compared to the same period last year. Currently, we have over 100 partnerships with insurance brokers and it is our intention to increase this further over the coming years, but always in a measured and controlled fashion.

Lending to the professions continues to grow, and more and more professional businesses are seeking our help with their working capital requirements. We have relationships with about 450 professional firms and lending in this area has grown over 7.7% compared to the same period last year.

During the second half of 2016, I am happy to say we successfully launched Orchard Lending Club, the first peer-to-peer lender in the insurance premium finance market.

There remains stiff competition, especially in the professions finance market, but we continue to grow and develop whilst maintaining healthy margins on the business we write.

Investment in staff and software continues and we have recently moved to larger premises in Luton more suited to our needs and providing ample scope for the foreseeable future.

Our debt line from Barclays has been increased to £15m and the Board continues to examine other potentially suitable sources of finance for the Group.

The Board is pleased with the progress made by the group in the period under review, and feels confident that the business will continue to expand the number and quality of loans written while delivering results satisfying all stakeholders in the business.

David A Clark
Chairman

Chief Financial Officer's summary

The figures for the six month period ended 31 January 2017 indicate that we have continued to grow from the baseline laid down in our first full year as a plc group. This should lead to sustainable growth in revenues and profitability and therefore shareholder value.

Gross revenue is 29.2% up compared with the equivalent six month period in 2016 and this is reflected in a 15.5% increase in profit before tax. The investment made in additional staff, and associated marketing and other costs, have begun to bear fruit. There are plans to further expand our workforce which should lead to revenue increases in line with expectations.

The launch of Orchard Lending Club has given the Group supplementary liquidity, albeit still small at this stage. Together with the additional finance which has been made available by Barclays Bank, this has meant that we have been able to grow our lending.

Key Performance Indicators (KPIs)

KPIs for the Group revolve around good quality lending, evidenced by a sound underwriting process and multiple layers of credit protection – the incidence of bad debt in the last eight years has been nil. Income and profits flow from this. There are two core areas - insurance premium funding and funding for professionals. Insurance premium funding is subdivided between broker finance companies and direct lending. At present the level of direct lending (although growing) does not warrant it being treated as a core area. The Board does, however, continue to monitor activity in direct lending.

	31 January 2017		31 January 2016	
	£000s	%	£000s	%
Lending				
Broker finance companies	20,598	66.2%	16,455	69.6%
Direct insurance	3,693	11.9%	845	3.6%
Professions funding	6,822	21.9%	6,329	26.8%
Total lending	31,113	100.0%	23,629	100.0%
Loan book				
Broker finance companies	16,049	61.8%	13,458	66.8%
Direct insurance	3,167	12.2%	756	3.8%
Professions funding	6,773	26.0%	5,921	29.4%
Total loan book	25,989	100.0%	20,135	100.0%
Group income				
Broker finance companies	1,429	67.4%	1,062	64.8%
Direct insurance	197	9.3%	87	5.3%
Professions funding	493	23.3%	491	29.9%
Total income	2,119	100.0%	1,640	100.0%

Costs have also risen over the period, again in line with expectations and our increased income.

	31 January 2017		31 January 2016	
	£000s	%	£000s	%
Group costs				
Broker finance companies	725	55.5%	492	52.6%
Professions funding	319	24.4%	200	21.4%
Central costs	263	20.1%	244	26.0%
Total costs	1,307	100.0%	936	100.0%

Group contribution to parent overheads*				
Broker finance companies	705	65.6%	569	60.1%
Direct insurance	196	18.2%	87	9.2%
Professions funding	174	16.2%	291	30.7%
Total contribution to parent overheads	1,075	100.0%	947	100.0%

* This consists of subsidiaries' profits and excludes the parent company costs.

66.2% of the Group's lending is to broker finance companies. It is still the largest part of the business so, as might be expected, broker finance companies account for the largest proportion of income and profits.

Direct insurance lending has risen substantially. We see this as becoming a larger part of the business in future.

We currently have a facility with Barclays Bank plc of £15 million of which approximately 79% was in use at 31 January 2017 (£10 million and 87% respectively at 31 January 2016). With this additional availability of bank funding, together with our own net current assets of £12.63 million at 31 January 2017 (£12.18 million - 31 January 2016), the Group is well set for continued growth.

The Board is pleased to declare an interim dividend of 1 pence per share to be paid on 30 June 2017 to shareholders on the register on 23 June 2017.

Liam McShane
Chief Financial Officer

Consolidated income statement

	Notes	6 months ended 31 January 2017 £	6 months ended 31 January 2016 £	Year ended 31 July 2016 £
Continuing operations				
Revenue	2	2,119,449	1,639,910	3,468,864
Finance costs	2	(146,990)	(110,183)	(238,079)
Other operational costs	2	(38,775)	(38,350)	(76,025)
Gross profit		1,933,684	1,491,377	3,154,760
Administrative expenses	2	(1,121,100)	(788,068)	(1,884,030)
Operating profit before income tax		812,584	703,309	1,270,730
Income tax expense	3	(172,450)	(137,150)	(266,653)
Profit for the period		640,134	566,159	1,004,077
Other comprehensive income		-	-	-
Total comprehensive income for the period attributable to the owners of the parent		640,134	566,159	1,004,077
Earnings per share attributable to the owners of the parent during the period (pence)				
Basic and diluted	4	3.00	2.65	4.70

Consolidated statement of financial position

	At 31 January 2017 £	At 31 January 2016 £	At 31 July 2016 £
Assets			
Non-current assets			
Property, plant and equipment	85,055	23,731	95,058
Intangible assets	39,226	-	43,873
	124,281	23,731	138,931
Current assets			
Trade and other receivables	26,192,653	20,237,991	22,003,868
Tax receivable	-	-	-
Cash and cash equivalents:			
Bank balances and cash in hand	1,439,981	2,282,929	1,390,098
Bank overdrafts	-	(18,162)	-
	27,632,634	22,502,758	23,393,966
Total assets	27,756,915	22,526,489	23,532,897
Equity and liabilities			
Equity attributable to the owners of the parent			
Called up share capital	213,542	213,542	213,542
Share premium	8,691,910	8,691,910	8,691,910
Merger reserve	890,725	890,725	890,725
Retained earnings	2,885,557	2,407,557	2,545,449
Total equity	12,681,734	12,203,734	12,341,626
Liabilities			
Non-current liabilities			
Borrowings	60,951	-	27,318
Deferred tax	8,925	590	10,078
	69,876	590	37,396
Current liabilities			
Trade and other payables	2,503,625	1,202,763	1,657,030
Borrowings	12,103,712	8,695,845	9,207,927
Tax payable	397,968	423,557	288,918
	15,005,305	10,322,165	11,153,875
Total liabilities	15,075,181	10,322,755	11,191,271
Total equity and liabilities	27,756,915	22,526,489	23,532,897

Consolidated statement of changes in equity

	Called up Share capital £	Retained earnings £	Share premium £	Merger reserve £	Total Equity £
Balance at 1 August 2015	213,542	1,841,398	8,691,910	890,725	11,637,575
Changes in equity					
Total comprehensive income	-	566,159	-	-	566,159
Transactions with owners:					
Dividends paid	-	-	-	-	-
Balance at 31 January 2016	213,542	2,407,557	8,691,910	890,725	12,203,734
Changes in equity					
Total comprehensive income	-	437,918	-	-	437,918
Transactions with owners:					
Dividends paid	-	(300,026)	-	-	(300,026)
Balance at 31 July 2016	213,542	2,545,449	8,691,910	890,725	12,341,626
Changes in equity					
Total comprehensive income	-	640,134	-	-	640,134
Transactions with owners:					
Dividends paid	-	(300,026)	-	-	(300,026)
Balance at 31 January 2017	213,542	2,885,557	8,691,910	890,725	12,681,734

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.

Consolidated statement of cash flows

	6 months ended 31 January 2017 £	6 months ended 31 January 2016 £	Year ended 31 July 2016 £
Cash flows from operating activities:			
Profit before income tax	812,584	703,309	1,270,730
Adjustment for depreciation and amortisation	19,236	4,709	20,520
Hire purchase interest	1,342	-	-
	833,162	708,018	1,291,250
Increase in trade and other receivables	(4,188,785)	(2,322,994)	(4,088,870)
Increase/(decrease) in trade and other payables	846,595	(633,145)	(178,878)
	(2,509,028)	(2,248,121)	(2,976,498)
Income tax (paid)/received	(64,552)	1,411	(253,245)
Net cash absorbed by operating activities	(2,573,580)	(2,246,710)	(3,229,743)
Cash flows from investing activities			
Purchases of property, plant and equipment	(510)	(24,014)	(61,924)
Expenditure on software development	(4,077)	-	(50,949)
Net cash absorbed by investing activities	(4,587)	(24,014)	(112,873)
Cash flows from financing activities			
Dividends paid	(300,026)	-	(300,026)
Net proceeds from borrowings	2,934,134	1,680,690	2,185,099
Borrowings repaid	(6,058)	-	(7,160)
Net cash generated by financing activities	2,628,050	1,680,690	1,877,913
Net increase/(decrease) in cash and cash equivalents	49,883	(590,034)	(1,464,703)
Cash and cash equivalents at the beginning of the period	1,390,098	2,854,801	2,854,801
Cash and cash equivalents at the end of period	1,439,981	2,264,767	1,390,098

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 to insurance brokers and professional firms through the trading subsidiaries. The group operates in the United Kingdom.

The Company is a public Company listed on the Alternative Investment Market of the London Stock Exchange, incorporated and domiciled in the United Kingdom. The address of its registered office is 721 Capability Green, Luton, Bedfordshire LU1 3LU.

The condensed consolidated interim financial information for the six months ended 31 January 2017 has been prepared in accordance with the presentation, recognition and measurement requirements of applicable International Financial Reporting Standards adopted by the European Union ('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 2016 which are prepared in accordance with International Financial Reporting Standards and International Reporting Interpretations Committee pronouncements as adopted by the European Union.

The accounting policies used in the preparation of condensed consolidated interim financial information for the six months ended 31 January 2017 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 2017.

A number of IFRSs and Interpretations have been endorsed by the EU that will apply for the first time in the period to 31 July 2017 and, although they have been adopted by the Group, none of them has had a material impact on the Group's financial statements.

The Group's 2016 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 2016 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 operates wholly within the United Kingdom, therefore there is no meaningful information that could be given on a geographical basis. It does have, however, two discrete operating segments – insurance premium funding and professional fee funding.

The Board assesses the performance of each sector based on operating profit (before tax and exceptional items, but after interest which is a cost of sale). The relative sales, operating costs and operating profit are shown below.

Notes to the financial statements

2. Segmental reporting

6 months ended 31 January 2017

	Total £	Central £	Insurance premium funding £	Professional fee funding £
Sales	2,119,449	-	1,625,958	493,491
Interest payable	(146,990)	-	(143,091)	(3,899)
Other operational costs	(38,775)		(38,775)	-
Administrative expenses	(1,121,100)	(262,712)	(542,940)	(315,448)
Operating profit/(loss) before tax	812,584	(262,712)	901,152	174,144

6 months ended 31 January 2016

	Total £	Central £	Insurance premium funding £	Professional fee funding £
Sales	1,639,910	-	1,148,890	491,020
Interest payable	(110,183)	-	(110,183)	-
Other operational costs	(38,350)	-	(38,350)	-
Administrative expenses	(788,068)	(244,245)	(343,853)	(199,970)
Operating profit/(loss) before tax	703,309	(244,245)	656,504	291,050

Year ended 31 July 2016

	Total £	Central £	Insurance premium funding £	Professional fee funding £
Sales	3,468,864	-	2,259,577	1,209,287
Interest payable	(238,079)	-	(238,079)	-
Operational costs and administrative expenses	(1,960,055)	(514,161)	(961,771)	(484,123)
Operating profit/(loss) before tax	1,270,730	(514,161)	1,059,727	725,164

Notes to the financial statements

3. Taxation

The tax assessed for the period differs from the main corporation tax rates in the UK (20% for both half years and the full year) 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.