Distribution Finance Capital Holdings plc

Interim Report
For the six months ended 30 June 2020

Contents

Company Information	page 3
Chief Executive's Statement	pages 4 - 5
Financial Review	pages 6 - 8
Statement of Directors' Responsibilities	page 9
Independent Review Report to Distribution Finance Capital Holdings plc	page 10
Condensed Consolidated Statement of Comprehensive Income	page 11
Condensed Consolidated Statement of Financial Position	page 12
Condensed Consolidated Statement of Changes in Equity	page 13
Condensed Consolidated Statement of Cash Flows	page 14
Notes to the Interim Financial Report	pages 15 - 40

Directors	<u>Executive Directors</u> Carl D'Ammassa Gavin Morris <u>Non-Executive Directors</u> John Baines Mark Stephens Carole Machell Thomas Judd Grathwohl Stephen Greene Haakon Stenrød
Company Secretary	Sarah Clark
Registered Office	196 Deansgate Manchester M3 3WF
Company Number	10198535
Independent Auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ
Nominated Adviser and Broker	Investec Bank plc 30 Gresham Street London EC2V 7QP
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DF Capital is a trading name of Distribution Finance Capital Holdings plc. Distribution Finance Capital Holdings plc is referred to throughout this report in the following ways; 'the Company', 'the Group', 'DF Capital', 'DFC' and 'DFCH plc'. 'Distribution Finance Capital Ltd' is a wholly owned subsidiary of Distribution Finance Capital Holdings plc.

I am delighted to be sharing our interim results as a newly authorised bank. We were informed of the regulators' decision to grant a bank licence on 29 September 2020. DF Capital Bank will be the new name of our banking franchise.

The pursuit of a banking licence has dominated much of our time as a listed company and is the culmination of more than two years of hard work. Having sought full authorisation from the outset, accordingly our licence has been granted without restrictions. We have been bank-ready for some time; the governance structures, policies, technology and people are in place as well as the required capital to fulfil our near-term ambitions, albeit these will evolve as we grow. Becoming a bank will provide us with a sustainable and lower cost funding source on which to execute our growth ambitions as a specialist lender to SMEs. Our maiden range of personal savings products will be launched in October 2020.

I look forward to providing regular updates on our progress as a newly authorised bank.

Results for the six months ended 30 June 2020

As reported in our Annual Report for the year ended 31 December 2020, the impact of COVID-19 has been disruptive for our customers, their supply chains and accordingly our business. We responded quickly to the impact of the pandemic and that has positioned us well as we now progress through the aftermath of lockdown and look to support the increasing demand for new loans from our dealers.

During lockdown, as expected, we saw minimal appetite for our lending products combined with limited ability to support new loans given restrictions placed on our funding. We provided modest levels of forbearance to dealers (less than 2% of the deals in the loan book by value), rescheduling principal repayments where required, to help during the period their businesses remained closed. As restrictions were eased and dealers reopened, our customers started to see retail sales improve on an increasing basis, which in turn saw many loans repaid in full, given our lending product is predominantly repaid as assets are sold. At 30 June 2020 our loan book stood at approximately £164m (2019: £168m), down significantly from £208m as at 31 December 2019.

Gross revenues for the 6 month period to 30 June increased 37% from the same period in 2019 to £7.4m (2019: £5.4m). Gross yield reduced 30bp to 7.6% (2019: 7.9%) in light of lower levels of stock turn and a reduction in associated fee generation throughout the lockdown period.

Net interest margin reduced 180bp to 2.0% (2019: 3.8%) due to higher wholesale funding costs largely driven by the senior mezzanine facility being in place throughout the year. The mezzanine facility was originally put in place as a short term measure at a time the Group expected its banking licence to be granted imminently. As we move forward with our retail deposit raising activities, we expect to see our funding costs materially improve.

Net losses for the period were £7.2m (2019: £7.3m), the result of being at an early stage of our business plan and the continued heavy investment in building our niche lending franchise and pursuing a banking licence.

During the period we took action to reduce our cost base at the start of the lockdown and we anticipate the benefits of this to flow through the balance of 2020, with our current headcount being 71 (excluding NEDs), down from 90 at year-end 2019.

Throughout lockdown we have continued to develop and invest in our proposition. We launched DF Check, an app-based audit tool, to complement our existing approach and enhance our portfolio monitoring. This helped reduce our asset audit duration from 28 days in June 2020 to 20 days in September 2020.

Our security position improved during the period with loan to wholesale value improving to 79% (2019: 85%) and loan to retail value down to 66% (2019: 70%). Our portfolio remains well diversified across sectors and single name obligors. Additionally, the amount we borrow from wholesale lenders has dropped from 76% at year-end to 66% at June 2020 and further to 48% at 31 August 2020 (June 2019: 75%).

We have continued to intensively manage arrears, whilst supporting our dealers through lockdown. This has delivered significant reductions in arrears balances since year-end, which are now materially lower than pre-pandemic levels. The highly secured nature of our lending and the mix quality of our obligors has seen modest write-offs (£76k) through to 30 June 2020. Whilst we report an increase in cost of risk to 0.95% (2019: 0.75%), this is driven predominantly by changes to our IFRS9 provision assumptions in light of COVID-19. We are pleased with the overall performance of our portfolio, particularly relative to widely reported adverse dynamics elsewhere in the SME lending space.

Current trading and outlook

Following the period end, our loan book has continued to reduce standing at £90m as at 28 September 2020. This is a function of sales of existing dealer stock combined with limited availability of new assets to replenish forecourts. Many of the sectors that we support are reporting record levels of sales for the time of year, particularly in leisure related sectors, where there is obvious pent up demand particularly in those sectors associated with the renewed enthusiasm towards "staycation" from UK holidaymakers. This trend has positively impacted used values across most asset classes.

At the time of this report, our manufacturer partners have stabilised their supply chains and new assets are starting to flow more freely to dealers. Accordingly, we expect demand for our lending products to increase as we head through the autumn. Our immediate efforts, as we build a sustainable funding base from retail deposits, will be to re-build our loan book in line with increasing requirements of our dealers. We see a significant runway of growth ahead of us given pent up demand from existing relationships, alongside a solid pipeline of new opportunities.

At the time of our full year results, we shared near-term management actions that would address, in part, the material uncertainties the Group faced at that time. We have outperformed many of the downside scenarios we considered at the start of lockdown, which has placed us on solid foundations as we look to the future as a regulated bank. We have successfully rescheduled the sizeable bullet loan repayment originally due to TruFin plc in December 2020. We are currently in discussion with our wholesale lenders to extend the current waiver which ends on 30 September 2020. Additionally, continued progress has been made with the British Business Bank to move our ENABLE funding application forward, as a complementary and diversified funding source, alongside retail deposits.

Whilst we are cautious about the future with the potential impact of localised and any second national lockdown, at this point we are pleased with the progress. The grant of a bank licence will be transformational for the Group and allows the Company to focus on our ambitious growth plans. Notwithstanding the economic uncertainty, we see material opportunity ahead for DF Capital over the medium term and believe we can deliver superior shareholder returns as a digitally led growth platform, whilst achieving strong margin performance.

I'd like to thank, on behalf of the board, our employees and shareholders for supporting our ambitions and our customers for their trust and partnership through a difficult and challenging period of uncertainty.

	30 June 2020 6-month	30 June 2019 6-month	31 December 2019 12-month
Financial Highlights			
Gross revenues (£'000s)	7,405	5,406	12,655
Loans and advances to customers (£'000s)	163,704	168,027	207,636
Net assets (£'000s)[1]	56,967	70,780	64,556
Gross yield[2]	7.6%	7.9%	7.8%
Net interest margin[3]	2.0%	3.8%	2.8%
Cost of risk[4]	0.95%	0.75%	0.99%
Impairment loss coverage on loans to customers (%)[5]	1.31%	0.38%	0.67%
Cost income ratio[6]	426%	275%	317%
Key Performance Indicators			
Loans advanced to customers (£million)	115	206	490
Number of dealer customers[7]	779	658	747
Number of manufacturer partners[8]	77	66	77
Total credit available to dealers (£million)[9]	364	290	382

[1] The equity held in the Group
[2] The effective interest rate we charge our customers including fees
[3] Gross yield less interest expense
[4] Impairments and provisions in the period as a % of average gross receivables. This figure further reduced to 0.53% for the eight months ended 31 August 2020.
[5] Impairment allowance as a % of gross receivables at the period end
[6] Operating cost as a % of total operating income. The definition of this calculation has been updated from the 2019 financial statements to give a more relevant measure in relation to our peers.
[7] Number of borrower relationships
[8] Number of vendors and manufacturers with whom we have programs that support our lending
[9] Amount of credit available to our customers to draw

Summarised Statement of Comprehensive Income

	30 June 2020 6-month £'000	30 June 2019 6-month £'000	31 December 2019 12-month £'000
Gross revenues	7,405	5,406	12,655
Interest expense	(5,420)	(2,814)	(8,207)
Net income	**1,985**	**2,592**	**4,448**
Operating expenses	(8,474)	(7,130)	(14,080)
Impairment charges	(932)	(513)	(1,582)
Other provisions	193	(31)	(165)
Exceptional items	-	(2,187)	(2,125)
Loss before taxation	**(7,228)**	**(7,269)**	**(13,504)**
Taxation	-	-	-
Loss after taxation	**(7,228)**	**(7,269)**	**(13,504)**
Other comprehensive Income	(1)	9	4
Total comprehensive loss	**(7,229)**	**(7,260)**	**(13,500)**

Summarised Statement of Financial Position

	30 June 2020 £'000	30 June 2019 £'000	31 December 2019 £'000
Cash held at bank	26,533	34,544	14,122
Loans and advances to customers	163,704	168,027	207,636
Other assets	10,131	24,723	13,242
Total assets	**200,368**	**227,294**	**235,000**
Financial liabilities	136,650	141,459	164,663
Other liabilities	6,751	15,055	5,781
Total liabilities	**143,401**	**156,514**	**170,444**
Total equity	**56,967**	**70,780**	**64,556**

Portfolio By Sector

	30 June 2020		30 June 2019		31 December 2019	
	£'000	%	£'000	%	£'000	%
Motorhomes and caravans	47,541	29%	53,881	32%	60,266	29%
Lodges and holiday homes	43,087	26%	32,143	19%	43,205	21%
Marine	29,648	18%	28,827	17%	37,851	18%
Industrial equipment	18,892	12%	27,190	16%	27,553	13%
Motor vehicles	14,666	9%	18,014	11%	20,656	10%
Agricultural equipment	9,869	6%	7,971	5%	18,106	9%
Loans and advances to customers	**163,704**	**100%**	**168,027**	**100%**	**207,636**	**100%**

Our Security Position – loan to wholesale and loan to retail value

	31 August 2020	30 June 2020	30 June 2019	31 December 2019
Loan to wholesale value[1]	75%	79%	84%	85%
Loan to retail value[2]	63%	66%	70%	70%

[1] Wholesale price is the invoice value paid by the dealer to the manufacturer
[2] Retail price is the invoice value paid by the end user or purchaser of the asset

Our security position has improved from December 2019 to June 2020 with loan to wholesale value and loan to retail value reducing from 84% to 79% and from 70% to 66% respectively. This improvement has continued since June 2020, with loan to wholesale value and loan to retail value reducing further to 75% and 63% respectively at 31 August 2020.

Arrears

	31 August 2020 £'000	30 June 2020 £'000	30 June 2019 £'000	31 December 2019 £'000
Arrears - principal repayment, fees and interest				
1-30 days past due	107	1,351	1,243	643
31-60 days past due	47	112	103	225
61-90 days past due	63	141	200	87
91 days + past due	902	892	105	762
	1,119	**2,496**	**1,651**	**1,717**
Associated principal balance				
1-30 days past due	685	9,777	10,212	5,505
31-60 days past due	236	822	743	482
61-90 days past due	233	216	695	226
91 days + past due	886	1,250	1,544	857
	2,040	**12,065**	**13,194**	**7,070**

The June 2020 1-30 days past due balance includes £1.0m arrears past due and associated principal of £7.0m in respect of two related dealers who settled these outstanding balances on 3 July 2020. We have seen significant reductions in arrears to 31 August 2020 with total arrears of £1.1m and associated principal balance of £2.0m at this date, with these arrears balances being materially lower than pre-pandemic levels.

Alternative Performance Measures

Certain financial measures disclosed in the Interim Financial Report do not have a standardised meaning prescribed by International Financial Reporting Standards (IFRS) and may therefore not be comparable to similar measures presented by other issuers. These measures are deemed to be” alternative performance measures”.

The Directors confirm, to the best of their knowledge, that the condensed consolidated set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union, and that the Interim Financial Report herein includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

By order of the Board

……………………………
Carl D'Ammassa
Director
29 September 2020

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 30 June 2020 which comprises the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 21. 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 of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs 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 International Accounting Standard 34 "Interim Financial Reporting," as adopted by the European Union.

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.

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 Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, 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 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 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules of the London Stock Exchange.

Use of our report

This report is made solely to the Company 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 Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, UK
29 September 2020

	Notes	30 June 2020 Unaudited £'000	30 June 2019 Unaudited £'000	31 December 2019 Audited £'000
Interest and similar income	5	7,230	5,208	12,230
Interest and similar expenses		(5,420)	(2,814)	(8,207)
Net interest income		**1,810**	**2,394**	**4,023**
Fee income	6	97	180	358
Net fee income		**97**	**180**	**358**
Gains on debt securities		15	18	67
Other operating income		63	-	-
Total operating income		**1,985**	**2,592**	**4,448**
Staff costs	8	(6,101)	(5,467)	(9,854)
Other operating expenses[1]		(2,352)	(1,664)	(4,226)
Provisions	10	193	(31)	(165)
Other gains and losses	7	(21)	-	-
Exceptional items		-	(2,187)	(2,125)
Total operating loss before impairment losses		**(6,296)**	**(6,757)**	**(11,922)**
Net impairment loss on financial assets	11	(932)	(513)	(1,582)
Loss before taxation		**(7,228)**	**(7,270)**	**(13,504)**
Taxation	12	-	-	-
Loss after taxation		**(7,228)**	**(7,270)**	**(13,504)**
<u>Other comprehensive income:</u>				
Items that may subsequently be transferred to profit or loss:				
Fair value movements on debt securities		(1)	9	4
Total other comprehensive income/(loss) for the year, net of tax		**(1)**	**9**	**4**
Total comprehensive loss for the period attributable to equity holders		**(7,229)**	**(7,261)**	**(13,500)**
<u>Earnings per share</u>		**pence**	**pence**	**pence**
Basic and diluted EPS	19	(7)	(17)	(18)

[1] The Group has consolidated a number of lines into 'other operating expenses' which were previously shown separately, for all periods shown. This included finance costs, depreciation and amortisation and loss on disposal of fixed assets.

	Notes	30 June 2020 Unaudited £'000	30 June 2019 Unaudited £'000	31 December 2019 Audited £'000
Assets				
Cash and cash equivalents		26,533	34,544	14,122
Loans and advances to customers	13	163,704	168,027	207,636
Debt securities		6,341	19,042	7,994
Trade and other receivables	14	2,361	4,298	3,506
Property, plant and equipment	15	199	226	242
Right-of-use assets		388	448	638
Intangible assets		842	687	862
Assets classified as held for sale		-	22	-
Total assets		**200,368**	**227,294**	**235,000**
Liabilities				
Trade and other payables		6,414	14,179	5,248
Financial liabilities	17	136,650	141,459	164,663
Provisions	10	337	877	533
Total liabilities		**143,401**	**156,515**	**170,444**
Equity				
Issued share capital	16	1,066	1,066	1,066
Merger relief[1]	16	94,911	94,911	94,911
Merger reserve		(20,609)	(20,626)	(20,609)
Own shares	16	(364)	-	-
Retained (loss) / earnings		(18,037)	(4,572)	(10,812)
Total equity		**56,967**	**70,779**	**64,556**
Total equity and liabilities		**200,368**	**227,294**	**235,000**

[1] In the six month period ended 30 June 2020 the Group has received professional advice in regards to its capital structure, in particular the classification of the share premium account. Following this advice, the Group has reclassified its share premium as merger relief in accordance with the Companies Act 2006 Section 612. The Group has made this adjustment to all periods shown in these financial statements.

	Share capital £'000	Share premium account £'000	Merger relief £'000	Merger reserve £'000	Own shares £'000	Retained (loss) / earnings £'000	Total £'000
Balance at 31 December 2018	**17**	**35,994**	**-**	**-**	**-**	**18,541**	**54,551**
Effect of change in accounting policy for IFRS 16[1]	-	-	-	-	-	-	-
Balance at 1 January 2019	**17**	**35,994**	**-**	**-**	**-**	**18,541**	**54,551**
Loss after taxation	-	-	-	(3,221)	-	(4,048)	(7,269)
Other comprehensive income	-	-	-	-	-	9	9
Redeemed preference shares	-	-	-	-	-	(964)	(964)
New issue of shares	7	24,993	-	-	-	-	25,000
Arising on consolidation	(24)	(60,987)	-	(17,405)	-	(17,577)	(95,993)
Initial public offering[2]	1,066	-	94,911	-	-	(532)	95,445
Balance at 30 June 2019	**1,066**	**-**	**94,911**	**(20,626)**	**-**	**(4,571)**	**70,780**
IFRS 16 adjustment[3]	-	-	-	16	-	-	16
Loss after taxation	-	-	-	-	-	(6,235)	(6,235)
Other comprehensive income	-	-	-	-	-	(5)	(5)
Balance at 31 December 2019	**1,066**	**-**	**94,911**	**(20,609)**	**-**	**(10,812)**	**64,556**
Loss after taxation	-	-	-	-	-	(7,228)	(7,228)
Other comprehensive income	-	-	-	-	-	(1)	(1)
Employee Benefit Trust	-	-	-	-	(364)	-	(364)
Share based payments	-	-	-	-	-	4	4
Balance at 30 June 2020	**1,066**	**-**	**94,911**	**(20,609)**	**(364)**	**(18,037)**	**56,967**

[1] In the interim report for the period ended 30 June 2019, the Group originally accounted for the IFRS 16 adoption, which was effective from 1 January 2019, by adjusting retained earnings by £16,000. These figures are unaudited. Subsequently, the Group amended its methodology for the audited financial statements for the year ended 31 December 2019 whereby the Group recognised the remaining discounted cashflows on the leases from 1 January 2019 with a corresponding right-of-use asset. By taking this approach the Group was required to make a £nil adjustment to retained earnings as at 1 January 2019.

[2] In the six-month period ended 30 June 2020 the Group received professional advice in regard to its capital structure, in particular the classification of the share premium account. Following this advice, the Group has reclassified its share premium as merger relief in accordance with the Companies Act 2006 Section 612. The Group has made this adjustment to all periods shown in these financial statements.

[3] As stated above in point 1, the change in IFRS 16 methodology and adjustment made to retained earnings impacted the Merger Reserve account given the proceeds from initial public offering in May 2019 were used to purchase the subsidiary of Distribution Finance Capital Ltd which takes into account the net assets (equity balance) of the subsidiary at the point of purchase.

	Note	30 June 2020 (Unaudited) £'000	30 June 2019 (Unaudited) £'000	31 December 2019 (Audited) £'000
Cash flows from operating activities:				
Loss before taxation		(7,228)	(7,260)	(13,504)
Adjustments for:				
Depreciation of property, plant and equipment	15	66	53	118
Depreciation of right-of-use assets		73	-	185
Loss on disposal of fixed assets	15	2	-	22
Loss on disposal of intangible assets		5	-	-
Amortisation of intangible assets		111	70	155
Finance costs		10	-	29
Losses on modification of financial assets		21	-	-
Share-based compensation	8,9	4	-	-
Interest income on debt securities		(15)	(27)	(67)
Impairment allowances on receivables	11	932	524	1,582
Movement in other provisions	10	(196)	20	(313)
Taxation paid	12	-	-	-
Operating cash flows before movements in working capital		**(6,215)**	**(6,620)**	**(11,793)**
Increase in loans and advances to customers		43,223	(54,863)	(95,178)
Decrease/(increase) in trade and other receivables		560	(1,345)	163
Increase in trade and other payables		5,979	13,920	9,574
Increase in financial liabilities	17	12,283	67,257	99,272
Repayment of financial liabilities	17	(39,975)	-	(8,430)
Interest paid	17	(4,915)	(2,154)	(8,382)
Cash used in operations		**17,155**	**22,815**	**(2,981)**
Net cash used in operating activities		**10,940**	**16,195**	**(14,774)**
Cash flows from investing activities:				
Purchase of debt securities		(20,598)	(35,089)	(92,045)
Proceeds from sale and maturity of debt securities		22,265	21,068	89,116
Purchase of property, plant and equipment	15	(25)	(49)	(152)
Purchase of intangible assets		(96)	(137)	(397)
Net cash used in investing activities		**1,546**	**(14,207)**	**(3,478)**
Cash flows from financing activities:				
Issue of new shares	16	-	25,000	25,000
Repayment of lease liabilities	17	(75)	-	(182)
Net cash from financing activities		**(75)**	**25,000**	**24,818**
Net increase in cash and cash equivalents		12,411	26,988	6,566
Cash and cash equivalents at start of the year		14,122	7,556	7,556
Cash and cash equivalents at end of the period		**26,533**	**34,544**	**14,122**

1. Basis of preparation

1.1 General information

The condensed interim financial report of Distribution Finance Capital Holdings plc (the "Company" or "DFCH plc") include the assets, liabilities and results of its wholly owned subsidiary, Distribution Finance Capital Ltd ("DFC Ltd"), together form the "Group".

DFCH plc is a public limited company registered and incorporated in England and Wales whose company registration number is 11911574. The registered office is 196 Deansgate, Manchester, M3 3WF. The Company's ordinary shares are listed on the Alternative Investment Market (AIM) of the London Stock Exchange.

The principal activity of the Company is that of an investment holding company. The principal activity of the Group is the provision of niche commercial lending activities including short-term financing to dealers.

The interim report is presented in pounds sterling, which is the currency of the primary economic environment in which the Group operates, and are rounded to the nearest thousand pounds, unless stated otherwise.

1.2 Basis of accounting

The condensed consolidated set of financial statements included in this Interim Financial Report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' ('IAS 34'), as adopted by the European Union and the Interim Financial Report has been prepared in accordance with the Disclosure and Transparency Rules ('DTR') of the Financial Conduct Authority.

The condensed set of financial statements included within this interim financial report for the six months ended 30 June 2020 should be read in conjunction with the annual audited financial statements of Distribution Finance Capital Holdings plc for the year ended 31 December 2019.

The annual financial statements of Distribution Finance Capital Holdings plc are prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

The statutory financial statements of Distribution Finance Capital Holdings plc for the year ended 31 December 2019 have been reported on by the Company's auditors, Deloitte LLP, and have been delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified, however the report of the auditors did indicate that a material uncertainty existed that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. The audit opinion was not modified in respect of this matter.

The condensed consolidated financial information for the six months ended 30 June 2020 has been prepared using accounting policies consistent with IFRS. The interim information does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006. The financial information for the periods ending 30 June 2020 and 30 June 2019 are unaudited but has been reviewed by the Company's auditor, Deloitte LLP, and their report appears on page 10 of this interim financial report. The results for the period ended 31 December 2019 are audited.

1.3 Principal accounting policies

The principal accounting policies adopted in the preparation of this financial information are set out below. These policies have been applied consistently to all the financial periods presented.

1.4 Going concern

The Directors have assessed the likelihood the Group will be able to meet its debts as they fall due for the foreseeable future, being a period at least twelve months after the date of approval of the Interim Financial Statements, including the impact that the COVID-19 pandemic has had on the UK economy and, therefore, the Group.

We were informed of the regulators' decision to grant a bank licence without restrictions on 29 September 2020. This will give access to retail deposit funding that is expected to become the primary source of funding for the Group going forwards.

COVID-19 impacted the Group's borrowers through the extended period of lockdown, with dealers substantively closed, their retail sales slowed, and stock turning at a slower pace than we would normally expect, which impacted repayment of the Group's loans. As restrictions were eased and dealers reopened, our customers started to see retail sales improve on an increasing basis, which in turn saw many loans repaid in full, given our lending product is predominantly repaid as assets are sold, reducing the value of our loan book to £90m as at 28 September 2020.

Additionally, as a reaction to the public health crisis, the Group's lenders tightened their own credit appetite, which has seen the Group's ability to transact new lending significantly curtailed and cash flow from the lending facility to the Group has also been constrained. This has also been a factor in the reduction of the loan book, particularly over the past few weeks as our manufacturer partners have stabilised their supply chains and new assets are starting to flow more freely to dealers. We are currently in discussion with our wholesale lenders to extend the current waiver which ends on 30 September 2020. It is expected transitional funding arrangements will be agreed with the lenders in the coming weeks as the Group moves towards retail deposit raising as its primary funding source. The facility has an expiry date of 12 December 2020, at which time there would be no new loan origination supported by the facility.

In August 2020 we successfully rescheduled the £8.9m plus interest bullet loan repayment originally due to TruFin plc in December 2020. The rescheduling of this final loan repayment allows the Group, should the outstanding loan balance not be repaid in full on 1 January 2021, to make phased payments from 1st January 2021 over nine equal monthly interest-bearing instalments.

We have also made further progress with the British Business Bank in moving our ENABLE funding application forward, as a core component of a diversified funding strategy.

In light of these points, prior to confirmation of the granting of the bank licence, the Group has performed analysis to assess the Group's resilience during an extended period of stress, assessing both capital and liquidity resilience in challenging circumstances, while also considering appropriate and reasonable management actions. This approach to analysis is in line with common practices for banks in assessing the impact of stress on the firm's business plan. In performing this stress analysis, the Directors have also assessed the going concern of the Group, by considering the wide range of information, the funding strategy, dealers facing potential further lockdown and slower loan repayments during that period, potential insolvencies and significantly elevated losses running at 4x the 2019 loss rate, whilst also taking in to account the strong security position of the lending product (c.63% of retail sales value) and the strong capital position of the Group which is currently funding in excess of 50% of the loan book. As part of our assessment, as a severe stress, the Group confirmed that it could continue as a going concern for at least 12 months from the reporting date without consideration of funding from deposits or agreement of alternative funding following the expiration of the current facility.

The Directors believe, on the basis of this information and management's analysis, that the assumptions used are plausible and present a significant downside scenario. Having regard for the financial outcomes from this scenario, alongside the success of the actions laid out previously, the Board concluded that the Group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors have adopted the going concern basis in preparing the Interim Financial statements.

1.5 Critical accounting estimates and judgements

In accordance with IFRS accounting standards, the Directors of the Group are required to make judgements, estimates and assumptions in certain subjective areas whilst preparing these financial statements. The application of these accounting policies may impact the reported amounts of assets, liabilities, income and expenses and actual results may differ from these estimates.

Any estimates and underlying assumptions used within the statutory financial statements are reviewed on an ongoing basis, with revisions recognised in the period in which they are adjusted, and any future periods affected.

Further details can be found in note 3 of these financial statements on the critical accounting estimates and judgements used within these financial statements.

1.6 Foreign currencies

The financial statements are expressed in Pounds Sterling, which is the functional and presentational currency of the Group.

Transactions in foreign currencies are translated to the Group's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the statement of income.

1.7 New accounting standards issued but not yet effective

The Group assesses on an ongoing basis the impact of new accounting standards which are not yet effective at the reporting date and the likely impact of the new accounting standard on the financial statements. At 30 June 2020, the Group has applied all new IFRS standards and foresees no additional standards with a likely material impact to consider at this time.

2. Summary of significant accounting policies

The same accounting policies, presentation and methods of computation are followed in the condensed consolidated set of financial statements as applied in the Company's latest annual audited financial statements for the year ended 31 December 2019, with the exception of share-based payments accounting policies. Furthermore, any adoption of new and amended standards are also set out below.

The preparation of interim condensed consolidated financial statements in compliance with IAS 34 requires the use of certain critical accounting judgements and key sources of estimation uncertainty. It also requires the exercise of judgement in applying the Group's accounting policies. There have been no material revisions to the nature and the assumptions used in estimating amounts reported in the annual audited financial statements of DFCH plc for the year ended 31 December 2019.

2.1 Share-based payments

The Group has introduced a number of long term incentive share schemes for all employees, including some Directors, whereby they have been granted equity-settled share-based payments in the Group. The share schemes all have vesting conditions with some schemes for senior management being subject to specific performance conditions which, in line with guidance from the Investment Association, shall be determined by the remuneration committee within six months of the date of grant. All share schemes are equity settled share-based payments.

The fair value of equity settled share-based payment awards are calculated at grant date and recognised over the period in which the employees become unconditionally entitled to the awards (the vesting period). The amount is recognised as staff costs in the income statement, with a corresponding increase in equity through the retained earnings account. The amount recognised as an expense is adjusted to reflect differences between expected and actual outcomes, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and specific performance conditions at the vesting date.

See note 9 for further details on the share schemes.

2.2 Own shares

Own equity instruments of the Group which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity. Consideration paid or received on the purchase, sale, issue or cancellation of the Group's own equity instruments is recognised directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of own equity instruments.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial information in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The judgements and estimates that have a significant effect on the amounts recognised in the historical financial information are noted below.

3.1 Critical accounting judgements

The Board Audit Committee assessed and reviewed the critical accounting judgement in respect of the recognition of transferred assets.

Loan derecognition

DFC Ltd has a funding arrangement in place whereby the majority of the loans advanced to customers are sold to a special purpose vehicle, namely DFC Funding No1 Limited. As part of this transaction DFC Funding No1 entered into an agreement with an expiry date to December 2019 with Senior and Senior Mezzanine funders, secured on this floating pool of underlying assets sold by the Group. This facility was subsequently extended to December 2020. On the basis the Group retains substantially all the risks and rewards of ownership of these transferred financial assets, the Group is satisfied the loans advanced do not meet the criteria for derecognition under IFRS 9 so continues to recognise the financial assets and also recognised a collateralised borrowing for the proceeds received.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

3.2.1 Expected Credit Losses (ECL) loan impairment

Impairment model assumptions

See the Group's Annual Report for the year ended 31 December 2019 which outlines the assumptions the Group includes to best estimate the probability of default ("PD"), exposure at default ("EAD"); and loss given default ("LGD") inputs within the impairment model in order to calculate the expected credit loss ("ECL"). The general design of the model remains unchanged for the period ended 30 June 2020 but the key area of estimates was therefore the calibration.

COVID-19

The Company was incorporated in 2019 and its subsidiary, DFC Ltd, began originating loans to customers in early 2017. Consequently, the Group has not experienced an economic decline of this nature before so has limited historical data to effectively forecast the impact of COVID-19 on impairment losses. The Group at the time of approving this interim report has incurred minimal realised losses to date and has not seen a material rise in loan receivable balances in default. Regardless, the Group is acutely aware of the potential impact on our business so is continuously monitoring the impact of the pandemic on the UK economy and its customer base whereby updating its loan impairment allowances, as necessary. At the moment, these estimates are higher than we saw from actuals during the period ended 30 June 2020 but we believe it is consistent with the broader economic indicators. As we go forward, we will review these estimates taking into account actuals and updated forecasts and would expect the two to align as the economy stabilises at a particular level.

Probability of Default ("PD")

The Group has incorporated the results of a research publication on the impact of COVID-19 on UK credit risk, which was conducted by a leading credit rating agency. The Group has applied these empirical findings, alongside its own internal expectation, to estimate the impact of COVID-19 on its PD assumptions.

Loss Given Default ("LGD")

The Group has assessed the impact of COVID-19 on LGD by stressing two main parameters within the calculation; the expected cashflows on the collateral held by the Group and the discounting factor of these expected cashflows. Firstly, the Group has applied haircuts to the underlying collateral values in order to recognise in the current macro-economic environment the value of the underlying assets funded may have dropped in value since before the pandemic. Furthermore, the Group has adjusted its discounting of these cashflows as it will likely take longer to recover these cashflows in the event of default in the current environment. The Group has also considered the impact upon the applicable effective interest rate (EIR) through the discount factor but this is considered to not be material.

The Group has assessed that if the LGD further increased by a factor of 4, this would generate an additional impairment allowance of approximately £2,600,000 at 30 June 2020 (30 June 2019: £750,000; 31 December 2019: £1,400,000), which would increase the loss allowance coverage to 2.87% from 1.31%.

Economic Stress Scenarios

The Group considers four economic stress scenarios within its impairment modelling whereby the Group stresses PD and LGD inputs in accordance with expected macro-economic outlooks. This provides an ECL impairment allowance for each scenario which is multiplied by the likelihood of occurrence over the next 12-month period from the balance sheet date to give a probability weighted ECL. As part of the model update, we have changed the probability weighting to take into account our latest forecasts for the likelihood of these different scenarios occurring.

The material impact of COVID-19 on the economic outlook has prompted the Group to revise its scenarios for 30 June 2020 from the scenarios followed at 31 December 2019. See below for the updated economic stress scenarios:

Scenario	Economic Outlook	Probability Weighting (%)	ECL Impairment (£'000)	ECL Coverage (%)
Improved	Macro-economic factors recover to pre-COVID-19 position.	25%	1,307	0.78%
Base	Current economic climate which is aligned to the Group's internal decision making processes.	40%	1,926	1.15%
Poor	Deterioration in economic outlook, midway point between base scenario and severe scenario	25%	2,777	1.66%
Severe	Aligned to equivalent financial sector losses during the 2008/09 financial crisis.	10%	3,773	2.26%

In the event one of the above scenarios occurs and applied a 100% probability weighting the impact on the impairment allowances would be as follows:

Scenario	Decrease/(increase) in impairment allowance (£'000)
Improved	862
Base	243
Poor	(608)
Severe	(1,604)

Impact on COVID-19 on net income

Extending additional support to our customers through COVID-19 has been a priority for the Group. Since the majority of dealers were closed during the COVID-19 lockdown their ability to sell assets and accordingly repay the Group on contractual due dates was constrained. The repayment of our loan principal is predominantly on the basis of assets being sold by the dealer. In light of significantly reduced forecourt footfall and reduced sales, during the six month period ended 30 June 2020, we have supported c.35% of our dealers, who passed particular credit risk checks, by temporarily deferring the repayment of loan principal. During any period of deferral, interest and fees have continued to be charged and accordingly paid by the dealers. This deferral did not therefore materially impact net income.

In addition to principal payment deferrals the Group has also waived monthly facility fees for all customers since March 2020.

4. Operating segments

IFRS 8: Operating Segments requires particular classes of entities (essentially those with publicly traded securities) to disclose information about their operating segments, products and services, the geographical areas in which they operate, and their major customers. Information is based on the Group's internal management reports, both in the identification of operating segments and measurement of disclosed segment information.

It is the Director's view that the Group's products and the markets to which they are offered are so similar in nature that they are reported as one class of business. All customers are currently UK-based only. As a result, it is considered that the chief operating decision maker uses only one segment to control resources and assess the performance of the entity, while deciding the strategic direction of the Group.

5. Interest and similar income

	6 months ended 30 June 2020 (Unaudited) £'000	6 months ended 30 June 2019 (Unaudited) £'000	Year ended 31 December 2019 (Audited) £'000
On loans and advances to customer	7,208	5,172	12,144
On loans and advances to banks	14	32	75
On employee loan agreements	8	4	11
Total interest and similar interest	**7,230**	**5,208**	**12,230**

6. Fee income

	6 months ended 30 June 2020 (Unaudited) £'000	6 months ended 30 June 2019 (Unaudited) £'000	Year ended 31 December 2019 (Audited) £'000
Facility-related fees	97	180	358
Total fee income	**97**	**180**	**358**

7. Other gains and losses

	6 months ended 30 June 2020 (Unaudited) £'000	6 months ended 30 June 2019 (Unaudited) £'000	Year ended 31 December 2019 (Audited) £'000
Loss on lease modification	(21)	-	-
Total other gains and losses	**(21)**	**-**	**-**

In the six month period ended 30 June 2020 the Group announced the closure of its London Headquarters office transferring the headquarters to its Manchester office location. The Group was previously recognising a lease liability for the London office lease up to the contractual end date in April 2023. The Company decided in May 2020 to trigger a break clause in the leasing contract which enables the Company to terminate the agreement in October 2020. The Group has reduced the corresponding right-of-use asset and lease liability in proportion to the reduction in lease term, recognising the difference as a loss on lease modification in accordance with IFRS 16.

8. Staff costs

	6 months ended 30 June 2020 (Unaudited) £'000	6 months ended 30 June 2019 (Unaudited) £'000	Year ended 31 December 2019 (Audited) £'000
Wages and salaries	5,168	4,524	8,050
Contractor costs	69	20	238
Social security costs	646	809	1,295
Pension costs arising on defined contribution schemes	214	114	271
Share based payments	4	-	-
Total staff costs	**6,101**	**5,467**	**9,854**

Contractor costs are recognised within personnel costs where the work performed would otherwise have been performed by employees. Contractor costs arising from the performance of other services is included within other operating expenses.

Refer to note 9 for further details on the share option schemes introduced by the Group in the six month period ended 30 June 2020.

9. Share-based payments

Summary of long term incentive schemes granted in current period:

Plan	Grant Date	Vesting Date	Grant Price pence	Shares Awards Granted No.	Employee Service Conditions	Non Market Performance Conditions	Charge for six months ended 30 June 2020 (Unaudited) £'000
Equity-settled							
General Award	Jun-20	Jun-23	37.50	355,000	Yes	No	-
Recruitment Award	Jun-20	Jun-23	37.50	900,000	Yes	Yes	2
Senior Manager Award	Jun-20	Jun-23	37.50	985,000	Yes	Yes	2
				2,240,000			**4**

All employee awards were granted at the same date in June 2020 and all awards are equity-settled. The shares awarded for all schemes are Distribution Finance Capital Holdings plc which are listed on the Alternative Investment Market (AIM). The grant price is recorded at the AIM closing market price on the date the awards were granted to employees. The awards were granted to employees and Directors within the Group with the majority of the employees being employed by DFC Ltd.

All share options issued by the Group, as detailed above, were issued in the six month period ended 30 June 2020. During the six month period ended 30 June 2020, none of the share options were exercised, expired or forfeited. The Group did not have any share options prior to this period. Given all the above share options were granted on the same date in June 2020, the weighted average grant price is 37.50 pence.

The terms of the individual schemes are as follows:

General Award
Nil cost options over ordinary shares of £0.01 each of the current share capital of the Company were granted to all employees. These options vest over a three year period and are not subject to specific performance conditions.

Recruitment Award
Carl D'Ammassa has been granted nil-cost options over 900,000 ordinary shares of £0.01 each of the current share capital of the Company. This grant was made in connection with his recruitment as Chief Executive Officer. These options will be subject to vesting over a three year period and will be subject to specific performance conditions which, in line with guidance from the Investment Association, shall be determined by the remuneration committee within six months of the date of grant.

Senior Manager Award
Nil cost options over ordinary shares of £0.01 each of the current share capital of the Company were granted to certain senior managers. This grant has been made as an ordinary course award under the terms of the PSP. These options will be subject to vesting over a three year period and will be subject to specific performance conditions which, in line with guidance from the Investment Association, shall be determined by the remuneration committee within six months of the date of grant.

10. Provisions

Analysis for movements in other provisions:

	Social security and levies on share schemes £'000	Social security payments £'000	Severance payments £'000	Sundry claims £'000	Leasehold dilapidations £'000	Total £'000
6 months ended 30 June 2020 (Unaudited)						
At start of period	-	105	337	-	91	**533**
Additions	-	-	-	-	-	**-**
Utilisation of provision	-	-	(193)	-	-	**(193)**
Unused amounts reversed	-	-	-	-	(3)	**(3)**
At end of period	**-**	**105**	**144**	**-**	**88**	**337**
6 months ended 30 June 2019 (Unaudited)						
At start of period	737	105	-	4	-	**846**
Additions	31	-	-	-	-	**31**
Utilisation of provision	-	-	-	-	-	**-**
Unused amounts reversed	-	-	-	-	-	**-**
At end of period	**768**	**105**	**-**	**4**	**-**	**877**
Year ended 31 December 2019 (Audited)						
At start of period	737	105	-	4	-	**846**
Additions	31	-	377	-	91	**499**
Utilisation of provision	(683)	-	(40)	-	-	**(723)**
Unused amounts reversed	(85)	-	-	(4)	-	**(89)**
At end of period	**-**	**105**	**337**	**-**	**91**	**533**

Social Security Payments
The consultancy fee payments tax liability relates to the recognition of a tax liability in relation to PAYE and national insurance contributions that should have been deducted relating to consultancy fees paid. This has been notified to HMRC and the Group is awaiting confirmation of the agreed settlement amount.

Severance Payments
In the six months ended 30 June 2020, the Group made additional severance payments of £193,000. The Group expects to settle this obligation in full by October 2020.

Leasehold Dilapidations
Following the closure of the London office the Group has reduced the expected leasehold dilapidation provision by £3,000. This has been recognised in accordance with IFRS 16 and has concurrently reduced the corresponding right-of-use asset. The Group expects to incur £30,000 of dilapidations in October 2020 when the Group exits the London office. The residual £58,000 is expected to be settled in July 2023.

11. Net impairment loss on financial assets

	6 months ended 30 June 2020 (Unaudited) £'000	6 months ended 30 June 2019 (Unaudited) £'000	Year ended 31 December 2019 (Audited) £'000
Movement in impairment allowance in the year	755	513	1,336
Write-offs	179	-	246
Write-back of amounts written-off	(2)	-	-
Total net impairment losses on financial assets	**932**	**513**	**1,582**

See note 13 on further analysis of the movement in impairment allowances on loans and advances to customers.

12. Taxation

Analysis of tax charge recognised in the period:

	6 months ended 30 June 2020 (Unaudited) £'000	6 months ended 30 June 2019 (Unaudited) £'000	Year ended 31 December 2019 (Audited) £'000
Current tax charge/ (credit)	-	-	-
Deferred tax (credit)/ charge	-	-	-
Total tax (credit)/ charge	**-**	**-**	**-**

Taxation is calculated using the UK corporation tax rate of 19% (2018: 19%) of the estimated taxable profit for the year.

Expenses that are not deductible in determining taxable profits/losses include impairment losses, amortisation of intangible assets, depreciation of fixed assets, client and staff entertainment costs, and professional fees which are capital in nature.

The corporation tax main rate has been confirmed for the years starting 1 April 2017, 2018 and 2019. In the summer 2015 Budget, the government announced plans to reduce the main rate to 18% for the year starting 1 April 2020 and a further reduction to 17% for year starting 1 April 2020. In the 2020 Budget, the government announced that the Corporation Tax main rate for the years starting 1 April 2020 and 2021 would not reduce to 18% and 17% respectively but instead remain at 19% for both periods.

A deferred tax asset is only recognised to the extent the Group finds it probable that future taxable profits will be available against which to be utilised against prior taxable losses. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The Group has not recognised a deferred tax asset in any period given it does not anticipate to generate taxable profits in the 12-month period following the balance sheet date which can be offset against unused taxable losses. As at 30 June 2020, the Group has estimated £4.9 million (31 December 2019: £3.55 million) of unused tax credits for which a deferred tax asset has not been recognised against.

13. Loans and advances to customers

	30 June 2020 (Unaudited) £'000	30 June 2019 (Unaudited) £'000	31 December 2019 (Audited) £'000
Gross carrying amount	165,927	169,145	209,449
less: impairment allowance	(2,169)	(647)	(1,409)
less: effective interest rate adjustment	(54)	(471)	(404)
Total loans and advances to customers	**163,704**	**168,027**	**207,636**

Refer to note 11 for further details on the impairment losses recognised in the periods.

Ageing analysis of gross loan receivables:

	30 June 2020 (Unaudited) £'000	30 June 2019 (Unaudited) £'000	31 December 2019 (Audited) £'000
Unimpaired:			
Not yet past due	161,743	167,159	206,000
past due: 0 - 30 days	1,185	1,148	404
past due: 31 - 60 days	7	84	128
past due: 61 - 90 days	5	47	46
past due: 90+ days	-	41	-
	162,940	**168,479**	**206,578**
Impaired:			
past due and impaired: 0 - 90 days	2,095	603	2,117
past due and impaired: 90+ days	892	63	754
	2,987	**666**	**2,871**
Total gross carrying amount	**165,927**	**169,145**	**209,449**

Analysis of gross loan receivables in accordance with impairment losses:

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 1 January 2020 (Audited)	**201,993**	**4,585**	**2,871**	**209,449**
Changes in IFRS 9 model & parameters	-	-	-	-
Transfer to Stage 1	29,513	(28,769)	(744)	-
Transfer to Stage 2	(55,365)	57,453	(2,088)	-
Transfer to Stage 3	(2,536)	(2,434)	4,970	-
New financial assets originated	117,605	2,868	-	120,473
Repayments	(148,603)	(13,370)	(1,944)	(163,917)
Write-offs	-	-	(78)	(78)
Total movement in loss allowance	**(59,386)**	**15,748**	**116**	**(43,522)**
As at 30 June 2020 (Unaudited)	**142,607**	**20,333**	**2,987**	**165,927**
Loss allowance coverage at 30 June 2020	0.47%	0.81%	44.66%	1.31%

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 1 January 2019 (Audited)	**91,359**	**22,620**	**134**	**114,113**
Changes in IFRS 9 model & parameters	-	-	-	-
Transfer to Stage 1	11,101	(11,101)	-	-
Transfer to Stage 2	(8,342)	8,422	(80)	-
Transfer to Stage 3	(228)	(681)	909	-
New financial assets originated	154,246	29,781	51	184,078
Repayments	(106,400)	(22,397)	(249)	(129,046)
Write-offs	-	-	-	-
Total movement in loss allowance	**50,377**	**4,024**	**631**	**55,032**
As at 30 June 2019 (Unaudited)	**141,736**	**26,644**	**765**	**169,145**
Loss allowance coverage at 30 June 2019	0.11%	0.14%	59.48%	0.38%

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 1 January 2019 (Audited)	**91,359**	**22,620**	**134**	**114,113**
Changes in IFRS 9 model & parameters	13,549	(14,449)	900	-
Transfer to Stage 1	8,591	(5,541)	(3,050)	-
Transfer to Stage 2	(17,466)	17,518	(52)	-
Transfer to Stage 3	(11,649)	(1,478)	13,127	-
New financial assets originated	498,168	806	-	498,974
Repayments	(380,559)	(14,891)	(8,129)	(403,579)
Write-offs	-	-	(59)	(59)
Total movement in loss allowance	**110,634**	**(18,035)**	**2,737**	**95,336**
As at 31 December 2019 (Audited)	**201,993**	**4,585**	**2,871**	**209,449**
Loss allowance coverage at 31 December 2019	0.17%	0.89%	35.81%	0.67%

Analysis of impairment losses on loans and advances to customers:

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 1 January 2020 (Audited)	**340**	**41**	**1,028**	**1,409**
Changes in IFRS 9 model & parameters*	613	180	131	924
Transfer to Stage 1	124	(103)	(21)	-
Transfer to Stage 2	(98)	107	(9)	-
Transfer to Stage 3	(41)	(17)	58	-
New financial assets originated	301	79	382	762
Repayments	(569)	(122)	(164)	(855)
Write-offs	-	-	(71)	(71)
Total movement in loss allowance	**330**	**124**	**306**	**760**
As at 30 June 2020 (Unaudited)	**670**	**165**	**1,334**	**2,169**

*In light of the COVID-19 pandemic the Group has amended a number of the assumptions for calculating the expected credit losses impairment. Refer to note 3.2 for further details of these changes to the IFRS 9 impairment model. These changes have not impacted to the allocation of loan receivables between different stages but have increased the impairment allowance balances held to reflect the impact of COVID-19 on the UK economy and Group's customer base.

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 1 January 2019 (Audited)	**88**	**32**	**49**	**169**
Transfer to Stage 1	70	(50)	(20)	-
Transfer to Stage 2	(39)	39	-	-
Transfer to Stage 3	(162)	(26)	188	-
New financial assets originated	321	114	127	562
Repayments	(124)	(71)	111	(84)
Write-offs	-	-	-	-
Total movement in loss allowance	**66**	**6**	**406**	**478**
As at 30 June 2019 (Unaudited)	**154**	**38**	**455**	**647**

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 1 January 2019 (Audited)	**88**	**32**	**49**	**169**
Changes in IFRS 9 model & parameters	54	(9)	(23)	22
Transfer to Stage 1	121	(9)	(112)	-
Transfer to Stage 2	(23)	30	(7)	-
Transfer to Stage 3	(13)	(30)	43	-
New financial assets originated	877	49	1,430	2,356
Repayments	(764)	(22)	(295)	(1,081)
Write-offs	-	-	(57)	(57)
Total movement in loss allowance	**252**	**9**	**979**	**1,240**
As at 31 December 2019 (Audited)	**340**	**41**	**1,028**	**1,409**

14. Trade and other receivables

	30 June 2020 (Unaudited) £'000	30 June 2019 (Unaudited) £'000	31 December 2019 (Audited) £'000
Trade receivables	305	444	248
Impairment allowance	(103)	(46)	(107)
	202	**398**	**141**
Other debtors	313	1,148	576
Employee loans	701	589	723
Accrued income	101	246	441
Prepayments	1,044	1,917	1,625
Total trade and other receivables	**2,361**	**4,298**	**3,506**

All trade receivables are due within one year and typically due for payment within 30 days of invoice.

The trade receivable balances are assessed for expected credit losses (ECL) under the 'simplified approach', which requires the Group to assess all balances for lifetime ECLs and is not required to assess significant increases in credit risk.

Ageing analysis of trade receivables:

	30 June 2020 (Unaudited) £'000	30 June 2019 (Unaudited) £'000	31 December 2019 (Audited) £'000
Unimpaired:			
Not yet past due	200	76	109
past due: 0 - 30 days	6	88	10
past due: 31 - 60 days	-	58	6
past due: 61 - 90 days	-	46	20
past due: 90+ days	-	-	-
	206	**268**	**145**
Impaired:			
past due and impaired: 0 - 90 days	47	4	3
past due and impaired: 90+ days	52	172	100
	99	**176**	**103**
Total trade receivables	**305**	**444**	**248**

Analysis of movement of impairment losses on trade receivables:

	30 June 2020 (Unaudited) £'000	30 June 2019 (Unaudited) £'000	31 December 2019 (Audited) £'000
Balance at 1 January	**107**	**11**	11
Changes in IFRS 9 model & parameters	-	-	15
Amounts written off		-	(7)
Amounts recovered	-	-	-
Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement	(4)	35	88
Balance as at 31 December	**103**	**46**	**107**

15. Property, Plant and Equipment

	Leasehold Improvements £'000	Furniture, Fixtures & Fittings £'000	Computer Hardware £'000	Telephony & Communications £'000	Total £'000
Initial Cost					
At 1 January 2019 (Audited)	**23**	**104**	**166**	**6**	**299**
Additions	3	10	36	-	49
Disposal	-	-	-	-	-
At 30 June 2019 (Unaudited)	**26**	**114**	**202**	**6**	**348**
Additions	-	23	80	-	103
Disposal	-	-	(54)	-	(54)
At 31 December 2019 (Audited)	**26**	**137**	**228**	**6**	**397**
Additions	-	-	25	-	25
Disposal	-	-	(2)	-	(2)
At 30 June 2020 (Unaudited)	**26**	**137**	**251**	**6**	**420**
Depreciation					
At 1 January 2019 (Audited)	**3**	**18**	**45**	**3**	**69**
Depreciation charge for the period	4	18	30	1	53
Eliminated on disposals	-	-	-	-	-
At 30 June 2019 (Unaudited)	**7**	**36**	**75**	**4**	**122**
Depreciation charge for the period	4	20	40	1	65
Eliminated on disposals	-	-	(32)	-	(32)
At 31 December 2019 (Audited)	**11**	**56**	**83**	**5**	**155**
Depreciation charge for the period	4	22	39	1	66
Eliminated on disposals	-	-	-	-	-
At 30 June 2020 (Unaudited)	**15**	**78**	**122**	**6**	**221**
Net Book Value					
At 1 January 2019 (Audited)	20	86	121	3	230
At 30 June 2019 (Unaudited)	19	78	127	2	226
At 31 December 2019 (Audited)	15	81	145	1	242
At 30 June 2020 (Unaudited)	**11**	**59**	**129**	**-**	**199**

16. Equity

	30 June 2020 (Unaudited) No.	30 June 2019 (Unaudited) No.	31 December 2019 (Audited) No.	30 June 2020 (Unaudited) £'000	30 June 2019 (Unaudited) £'000	31 December 2019 (Audited) £'000
Authorised:						
Ordinary shares of 1p each	106,641,926	106,641,926	106,641,926	1,066	1,066	1,066
Allotted, issued and fully paid: Ordinary shares of 1p each	106,641,926	106,641,926	106,641,926	1,066	1,066	1,066

<u>Analysis of the movements in share capital:</u>

	Date	No. of shares #	Issue Price £	Share Capital £'000	Share Premium £'000	Merger Relief £'000	Total £'000
Balance at 1 January 2019 (Audited)		**17,240,000**	**-**	**17**	**35,994**	**-**	**36,011**
Issue of new shares - DFC Ltd	07-May-19	6,530,303	3.83	7	24,993	-	25,000
Employee shares - DFC Ltd	08-May-19	173,244	0.001	-	-	-	-
Arising on consolidation	09-May-19	(23,943,547)	-	(24)	(60,987)	-	(61,011)
Issue of new shares - DFCH Plc	09-May-19	106,641,926	0.90	1,066	-	94,911	95,977
Balance at 30 June 2019 (Unaudited)		**106,641,926**		**1,066**	**-**	**94,911**	**95,977**
No transactions within the period							
Balance at 31 December 2019 (Audited)		**106,641,926**		**1,066**	**-**	**94,911**	**95,977**
No transactions within the period							
Balance at 30 June 2020 (Unaudited)		**106,641,926**		**1,066**	**-**	**94,911**	**95,977**

See the Company's audited accounts for the year ended 31 December 2019 for further details of the equity transactions shown above.

<u>Own shares:</u>

Own shares represent 2,963,283 ordinary shares held by the Group's Employee Benefits Trust to meet obligations under the Company's share and share option plans. The shares are stated at cost and their market value at 30 June 2020 was £1,126,048.

	30 June 2020 (Unaudited) £'000	30 June 2019 (Unaudited) £'000	31 December 2019 (Audited) £'000
At start of period	-	-	-
Employee Benefit Trust	(364)	-	-
At end of period	**(364)**	**-**	**-**

Note 21 sets out details of a capital reorganisation that occurred in September 2020.

17. Financial liabilities

	30 June 2020 (Unaudited) £'000	30 June 2019 (Unaudited) £'000	31 December 2019 (Audited) £'000
Loans with related parties	8,902	19,520	13,925
Wholesale funding	127,378	121,465	150,151
Lease liabilities	320	424	537
Preference Shares	50	50	50
Total financial liabilities	**136,650**	**141,459**	**164,663**

<u>Loans with related parties</u>

In the six month period ended 30 June 2020 the Group repaid £5 million of principal plus £348,000 of accrued interest. At 30 June 2020 the Group had £8.9 million of principal outstanding plus £35,000 of accrued interest. At the reporting date the Group expected to repay the full outstanding amount plus accrued interest in December 2020.

The Group has subsequently renegotiated these terms after the balance sheet date, see note 21 for further details.

<u>Wholesale funding</u>

In light of COVID-19 and the reduction of the lending portfolio, the Group has made principal repayment to its wholesale funders of c.£23 million. As at 30 June 2020, the wholesale funding drawn component is £127 million with £300k of accrued interest. In May 2020, the wholesale funding facility was reduced from £195.3 million to £141.9 million and in June 2020 it was further reduced to £128.4 million.

<u>Lease liabilities</u>

In the six months ended 30 June 2020 the Group has executed a termination break clause on the London office and has changed its registered address to the Manchester office. Previously the Group had anticipated the lease would run to the contractual end date in April 2023 but instead the Group will exit the premises in October 2020. As such, and in accordance with IFRS 16, the change in term and projected cashflows has resulted in a reduction to the lease liability by £153,000. In the six month period ended 30 June 2020 the Group had made lease repayments of £75,000 and accrued interest expense of £10,000.

18. Financial instruments

Analysis of financial instruments by valuation model

The Group measures fair values using the following hierarchy of methods:

- Level 1 – Quoted market price in an active market for an identical instrument
- Level 2 – Valuation techniques based on observable inputs. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for similar instruments that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data
- Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Financial assets and liabilities that are not measured at fair value:

	Carrying amount £'000	Fair Value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
30 June 2020 (Unaudited)					
Financial assets not measured at fair value					
Loans and advances to customers	163,704	163,704	-	-	163,704
Trade receivables	202	202	-	-	202
Other receivables	1,014	1,014	-	-	1,014
Cash and equivalents	26,533	26,533	26,533	-	-
Total financial assets	**191,453**	**191,453**	**26,533**	**-**	**164,920**
30 June 2020 (Unaudited)					
Financial liabilities not measured at fair value					
Preference shares	50	50	-	-	50
Other financial liabilities	136,600	136,600	-	-	136,600
Trade payables	459	459	-	-	459
Other payables	4,287	4,287	-	-	4,287
Total financial liabilities	**141,396**	**141,396**	**-**	**-**	**141,396**

	Carrying amount £'000	Fair Value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
30 June 2019 (Unaudited)					
Financial assets not measured at fair value					
Loans and advances to customers	168,027	168,027	-	-	168,027
Trade receivables	398	398	-	-	398
Cash and equivalents	34,544	34,544	34,544	-	-
Total financial assets	**202,969**	**202,969**	**34,544**	**-**	**168,425**
30 June 2019 (Unaudited)					
Financial liabilities not measured at fair value					
Preference shares	50	50	-	-	50
Other financial liabilities	140,985	140,985	-	-	140,985
Trade payables	554	554	-	-	554
Total financial liabilities	**141,589**	**141,589**	**-**	**-**	**141,589**

	Carrying amount £'000	Fair Value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
31 December 2019 (Audited)					
Financial assets not measured at fair value					
Loans and advances to customers	207,636	207,636	-	-	207,636
Trade receivables	141	141	-	-	141
Other receivables	1,299	1,299	-	-	1,299
Cash and equivalents	14,122	14,122	14,122	-	-
Total financial assets	**223,198**	**223,198**	**14,122**	**-**	**209,076**
31 December 2019 (Audited)					
Financial liabilities not measured at fair value					
Preference shares	50	50	-	-	50
Other financial liabilities	164,613	164,613	-	-	164,613
Trade payables	651	651	-	-	651
Other payables	3,847	3,847	-	-	3,847
Total financial liabilities	**169,161**	**169,161**	**-**	**-**	**169,161**

Fair values for level 3 assets were calculated using a discounted cash flow model and the Directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost are approximate to their fair values.

Loans and advances to customers

Due to the short-term nature of loans and advances to customers, their carrying value is considered to be approximately equal to their fair value. These items are short term in nature such that the impact of the choice of discount rate would not make a material difference to the calculations.

Trade and other receivables, other borrowings and other liabilities

These represent short-term receivables and payables and as such their carrying value is considered to be equal to their fair value.

There are no financial liabilities included in the statement of financial position that are measured at fair value.

<u>Financial assets and liabilities included in the statement of financial position that are measured at fair value:</u>

	Level 1 £'000	Level 2 £'000	Level 3 £'000
30 June 2020 (Unaudited)			
Financial assets measured at fair value			
Debt securities	6,341	-	-
Total financial assets	**6,341**	**-**	**-**

	Level 1 £'000	Level 2 £'000	Level 3 £'000
30 June 2019 (Unaudited)			
Financial assets measured at fair value			
Debt securities	19,042	-	-
Total financial assets	**19,042**	**-**	**-**

	Level 1 £'000	Level 2 £'000	Level 3 £'000
31 December 2019 (Audited)			
Financial assets measured at fair value			
Debt securities	7,994	-	-
Total financial assets	**7,994**	**-**	**-**

Debt securities

The debt securities carried at fair value by the Company are treasury bills. Treasury bills are traded in active markets and fair values are based on quoted market prices.

There were no transfers between levels during the periods, all debt securities have been measured at level 1 from acquisition.

Financial risk management

The Directors have performed an assessment of the risks affecting the Group through its use of financial instruments and believe the principal risks to be: Credit Risk and Treasury (covering capital, liquidity and interest rate risk). Although the Group is exposed to exchange rate risk, it is considered to be immaterial.

Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. One of the Group's main income generating activities is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

Refer to the audited financial statement of the Group for the year ended 31 December 2019 for further details of the Group's approach to credit risk management and impairment provisioning.

<u>Collateral held as security:</u>

	30 June 2020 (Unaudited) £'000	30 June 2019 (Unaudited) £'000	31 December 2019 (Audited) £'000
Fully collateralised			
Loan-to-value* ratio:			
Less than 50%	6,420	3,172	5,800
51% to 70%	23,058	14,583	12,793
71% to 80%	43,238	37,435	55,059
81% to 90%	20,349	35,741	41,446
91% to 100%	71,016	77,398	93,507
Total collateralised lending	**164,081**	**168,329**	**208,605**
Partially collateralised lending	**435**	**-**	**255**
Unsecured lending	**1,411**	**816**	**589**

* Calculated using wholesale collateral values. Wholesale collateral values represent the invoice total (including applicable VAT) from the invoice received from the supplier of the product. The wholesale amount is typically expected to be less than the recommended retail price (RRP) of the product.

The Group's lending activities are asset based so it expects that the majority of its exposure is secured by the collateral value of the asset that has been funded under the loan agreement. The Group has title to the collateral which is funded under loan agreements. The collateral comprises boats, motorcycles, recreational vehicles, caravans and industrial and agricultural equipment. The collateral has low depreciation and is not subject to rapid technological changes or redundancy. There has been no change in the Group's assessment of collateral and its underlying value in the reporting period.

The assets are generally in the counterparty's possession, but this is controlled and managed by the asset audit process. The audit process checks on a periodic basis that the asset is in the counterparty's possession and has not been sold out of trust or is otherwise not in the counterparty's control. The frequency of the audits is initially determined by the risk rating assessed at the time that the borrowing facility is first approved and is assessed on an ongoing basis.

Additional security may also be taken to further secure the counterparty's obligations and further mitigate risk. Further to this, in many cases, the Group is often granted, by the counterparty, an option to sell-back the underlying collateral.

Based on the Group's current principle products, the counterparty repays its obligation under a loan agreement with the Group at or before the point that it sells the asset. If the asset is not sold and the loan agreement reaches maturity, the counterparty is required to pay the amount due under the loan agreement plus any other amounts due. In the event that the counterparty does not pay on the due date, the Group's customer management process will maintain frequent contact with the counterparty to establish the reason for the delay and agree a timescale for payment. Senior Management will review actions on a regular basis to ensure that the Group's position is not being prejudiced by delays.

In the event the Group determines that payment will not be made voluntarily, it will enforce the terms of its loan agreement and recover the asset, initiating legal proceedings for delivery, if necessary. If there is a shortfall between the net sales proceeds from the sale of the asset and the counterparty's obligations under the loan agreement, the shortfall is payable by the counterparty on demand.

Concentration of credit risk:

The Group maintains policies and procedures to manage concentrations of credit at the counterparty level and industry level to achieve a diversified loan portfolio.

	30 June 2020 (Unaudited)		**30 June 2019 (Unaudited)**		**31 December 2019 (Audited)**	
	£'000	**%**	**£'000**	**%**	**£'000**	**%**
Motorhomes and caravans	48,187	29%	54,240	32%	60,770	29%
Lodges and holiday homes	43,672	26%	32,357	19%	43,564	21%
Marine	30,051	18%	29,019	17%	38,218	18%
Industrial equipment	19,149	12%	27,371	16%	27,764	13%
Motor vehicles	14,865	9%	18,134	11%	20,848	10%
Agricultural equipment	10,003	6%	8,024	5%	18,285	9%
Total gross receivables	**165,927**	**100%**	**169,145**	**100%**	**209,449**	**100%**

Credit quality of borrowers:

An analysis of the Group's credit risk exposure for loan and advances per class of financial asset, internal rating and "stage" is provided in the following tables. A description of the meanings of Stages 1, 2 and 3 was given in the accounting policies set out above.

30 June 2020 (Unaudited) **Credit rating**	**Stage 1** **£'000**	**Stage 2** **£'000**	**Stage 3** **£'000**	**Total** **£'000**
Above average (Risk rating 1-2)	79,904	-	25	79,929
Average (Risk rating 3-5)	50,340	15,017	688	66,045
Below average (Risk rating 6+)	12,363	5,316	2,274	19,953
Gross carrying amount	**142,607**	**20,333**	**2,987**	**165,927**
Loss allowance	(670)	(165)	(1,334)	(2,169)
Carrying amount	**141,937**	**20,168**	**1,653**	**163,758**

30 June 2019 (Unaudited) **Credit rating**	**Stage 1** **£'000**	**Stage 2** **£'000**	**Stage 3** **£'000**	**Total** **£'000**
Above average (Risk rating 1-2)	90,423	-	-	90,423
Average (Risk rating 3-5)	37,345	19,455	-	56,800
Below average (Risk rating 6+)	13,968	7,189	765	21,922
Gross carrying amount	**141,736**	**26,644**	**765**	**169,145**
Loss allowance	(154)	(38)	(455)	(647)
Carrying amount	**141,582**	**26,606**	**310**	**168,498**

31 December 2019 (Audited) **Credit rating**	**Stage 1** **£'000**	**Stage 2** **£'000**	**Stage 3** **£'000**	**Total** **£'000**
Above average (Risk rating 1-2)	97,787	55	15	97,857
Average (Risk rating 3-5)	78,976	3,241	1,013	83,230
Below average (Risk rating 6+)	25,230	1,289	1,843	28,362
Gross carrying amount	**201,993**	**4,585**	**2,871**	**209,449**
Loss allowance	(340)	(41)	(1,028)	(1,409)
Carrying amount	**201,653**	**4,544**	**1,843**	**208,040**

See note 13 for analysis of the movements in gross loan receivables and impairment allowances in terms of IFRS 9 staging.

Analysis of credit quality of trade receivables:

	30 June 2020 (Unaudited) £'000	30 June 2019 (Unaudited) £'000	31 December 2019 (Audited) £'000
Status at balance sheet date			
Not past due, nor impaired	200	76	109
Past due but not impaired	6	192	36
Impaired	99	176	103
Total gross carrying amount	**305**	**444**	**248**
Loss allowance	(103)	(46)	(107)
Carrying amount	**202**	**398**	**141**

See note 14 for analysis of the movements in gross trade receivables and impairment allowances in terms of IFRS 9 staging.

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows which is inherent in all finance operations and can be affected by a range of Group-specific and market-wide events.

Refer to the audited financial statement of the Group for the year ended 31 December 2019 for further details of the Group's approach to liquidity risk management.

Market risk

Market risk is the risk that movements in market factors, such as foreign exchange rates, interest rates, credit spreads, equity prices and commodity prices will reduce the Group's income or the value of its assets.

The principal market risk to which the Group is exposed is interest rate risk.

Refer to the audited financial statement of the Group for the year ended 31 December 2019 for further details of the Group's approach to market risk management.

19. Earnings per share

	6 months ended 30 June 2020 (Unaudited) £'000	6 months ended 30 June 2019 (Unaudited) £'000	Year ended 31 December 2019 (Audited) £'000
Number of Shares	**#**	**#**	**#**
At period end	106,641,926	106,641,926	106,641,926
Basic and diluted - weighted average*	106,641,926	43,310,508	75,552,320
Earnings attributable to ordinary shareholders	**£'000**	**£'000**	**£'000**
Loss after tax attributable to the shareholders	(7,228)	(7,269)	(13,504)
Adjusted loss**	(7,228)	(5,082)	(11,379)
Earnings per share	**pence**	**pence**	**pence**
Basic and diluted	(7)	(17)	(18)
Adjusted**	(7)	(12)	(15)

**weighted average shares have been calculated on the assumption that the subdivision of shares is applied to all periods. Refer to Group Annual Report for the year ended 31 December 2019 for further details.*

The number of shares for each period shown has been calculated based on a time-weighting approach. This takes into consideration that on the 9th May 2019, Distribution Finance Capital Limited effectively demerged from the TruFin Group at which time it had 23,943,547 ordinary class shares. Following the initial public offering, Distribution Finance Capital Holdings plc, the ultimate controlling party of the Group, listed 106,641,926 ordinary shares on the Alternative Investment Market (AIM).

**The adjusted loss has been included as an alternative performance measure (APM) to provide further useful information. The adjusted loss is calculated as the consolidated loss after taxation less the exceptional costs incurred in the period (see note 11 for further details). The adjusted EPS has been calculated by using the adjusted loss and the basic weighted average of shares in the period.

20. Related party disclosures

The related party transactions of the Group executed in the six month period ended 30 June 2020 are as follows:

Counterparty	Description of transaction	Amounts of transaction
TruFin	As detailed in note 17, the Group holds an interest bearing loan with TruFin Holdings.	In the six month period ended 30 June 2020 the Group repaid £5 million of principal plus £348,000 of accrued interest. At 30 June 2020 the Group had £8.9 million of principal outstanding plus £35,000 of accrued interest. At the reporting date the Group expected to repay the full outstanding amount plus accrued interest in December 2020. The Group has subsequently renegotiated these terms after the balance sheet date, see note 21 for further details.
Director	Director share transactions In accordance with the terms of the Distribution Finance Capital Holdings plc Performance Share Plan (the "PSP"), Carl D'Ammassa and Gavin Morris, have been granted nil-cost options over ordinary shares in the capital of the Company.	Carl D'Ammassa has been granted nil-cost options over 900,000 ordinary shares of £0.01 each ("Shares"), representing approximately 0.84% of the current share capital of the Company. This grant has been made in connection with Carl D'Ammassa's recruitment as Chief Executive Officer. Gavin Morris has been granted nil-cost options over 200,000 Shares, representing approximately 0.19% of the current share capital of the Company. This grant has been made as an ordinary course award under the terms of the PSP. The above options will be subject to vesting over a three year period and will be subject to specific performance conditions which, in line with guidance from the Investment Association, shall be determined by the remuneration committee within six months of the date of grant.
Director	Director share transactions Along with all existing employees of the Group, Carl D'Ammassa and Gavin Morris, have been granted additional nil-cost options over ordinary shares in the capital of the Company.	Carl D'Ammassa has been granted nil-cost options over 5,000 Shares, approximately 0.005% of the current share capital of the Company. Gavin Morris has been granted nil-cost options over 5,000 Shares, representing approximately 0.005% of the current share capital of the Company. The above options have been granted as part of a grant of options to all permanent employees of the Company and will be subject to vesting over a three year period.
Director	Loan agreements held with Director of the Group.	In the six month period ended 30 June 2020, Gavin Morris repaid accrued interest on employee loans of £995. Total loans due from Gavin Morris as at 30 June 2020 were £32,832.

21. Post balance sheet events

Bank licence granted

On 29th September 2020 the Group received confirmation from the Prudential Regulation Authority (PRA) that the PRA, with the consent of the Financial Conduct Authority (FCA), has authorised Distribution Finance Capital Limited as a bank. Distribution Finance Capital Ltd, will be renamed DF Capital Bank Ltd, subject to regulatory approval.

COVID-19

Following the period end our loan book has continued to reduce standing at £90m as at 28 September 2020. This is a function of sales of existing dealer stock combined with limited availability of new assets to replenish forecourts. Many of the sectors that we support are reporting record levels of sales for the time of year, particularly in leisure related sectors, where there is obvious pent up demand particularly in those sectors associated with the renewed enthusiasm towards "staycation" from UK holidaymakers. This trend has positively impacted used values across most asset classes. Accordingly, our security position has further improved from June 2020, with loan to wholesale value and loan to retail value reducing to 75% and 63% respectively at 31 August 2020.

The loan book has continued to perform positively and robustly through the post lockdown period, with lower arrears and forbearance at 31 August 2020 than had previously been reported at 30 June 2020.

At the time of this report, our manufacturer partners have stabilised their supply chains and new assets are starting to flow more freely to dealers. Accordingly, we expect demand for our lending products to increase as we head through the autumn. Whilst this is a positive dynamic, we believe that our ability to respond to the increasing demand from dealers and accordingly the Company's pace of growth will be impacted, until such time as we are granted a bank licence or agree new wholesale funding terms with existing or new lenders.

Funding

On 7th August the Group confirmed that its application to participate in British Business Bank's ENABLE Funding Scheme had progressed and that headline terms had been issued. The Group and British Business Bank are continuing due diligence relating to the potential facility, which remains subject to further Bank and ministerial approval.

On 14th August 2020 the Group agreed terms with TruFin PLC ("TruFin") to reschedule the final loan repayment of £8,868,000 plus interest that falls due on 1st December 2020, pursuant to the unsecured loan agreed between the Group and TruFin dated 29th May 2018, agreed when Distribution Finance Capital Limited was a subsidiary of TruFin. The rescheduling of this final loan repayment allows the Group, should the outstanding loan balance not be repaid in full on 1 January 2021, to make phased payments from 1st January 2021 over nine equal monthly interest-bearing instalments. In consideration for extending the term of the loan, the Group has agreed an increase in interest rate to 10% on the outstanding balance from the execution date for the balance of 2020. The Group has the right, but not the obligation, to repay the outstanding balance on 1 January 2021 in which case no further interest would accrue. After 1 January 2021, the Group may repay the loan with the written agreement of both parties. Should the Group not repay the facility on 1 January 2021, then interest would accrue over the remaining nine months on the declining balance at 12% per annum. A transaction fee is also payable to TruFin on exit of the loan, of £180,000.

On 25th August, following a review by the wholesale lenders of the Group's progress in relation to alternative wholesale facilities and the banking licence application the lenders agreed to continue with the existing loan waiver to 30th September 2020. Discussions are ongoing with the lenders to extend this waiver. If the wholesale lenders decide not to extend the early amortisation waiver beyond 30th September 2020 they have the option to put the facility into early amortisation. The effect of this is that they would no longer fund new loan originations and as the existing wholesale funded portfolio runs down all cash receipts are used to first repay the Senior Lender until fully repaid, subsequent cash receipts are then used to repay the Mezzanine Lender until they are fully repaid. It is therefore only when the Senior and Mezzanine funders are fully repaid in this early amortisation scenario that any cash proceeds from dealer repayments of this wholesale funded portfolio are available to the Group.

Share capital reorganisation

On 7 August 2020 the Group announced that as part of the ongoing bank licence application process and following feedback from the Prudential Regulation Authority (the "PRA"), the Group was required to take certain reorganisation steps in respect of parts of the existing share capital of the DFCH plc and its wholly-owned subsidiary DFC Ltd.. The Group also announced that these steps would involve the buy-back and cancellation of certain existing shares and issuance of new shares held by managers and former managers totalling less than 5 per cent. of DFCH plc's issued share capital.

The effect of the reorganisation steps was that all loans (other than loans that DFC Limited has made to Intertrust Employee Benefit Trustee Limited, in its capacity as trustee of the Distribution Finance Capital Employee Benefit Trust (the "EBT")) that have directly or indirectly funded the acquisition of Ordinary Shares by employees will be repaid and subject to the Buy-back Agreements and Subscription Agreements being entered into, all Ordinary Shares that have been directly or indirectly funded (the Buy-back shares) will be cancelled and an equivalent number of new Ordinary Shares (the Subscription Shares) will be issued.

As a result of these reorganisation steps, on 8th September 2020 DFCH plc authorised the issue and allotment of 4,906,776 Subscription Shares (being equal to the number of Buy-back Shares) at 1 pence per Subscription Share for consideration of £49,067.76, the proceeds of which enabled the Company to fund the buy-back of the 4,906,776 Buy-back shares for consideration of £49,067.76. Admission for trading of the Subscription Shares took place on 9 September 2020. The Buy-backs and the Subscription completed on Admission, whereupon the Ordinary Shares transferred to the Company pursuant to the Buy-backs (the Buy-back shares) were immediately cancelled, and therefore the issued share capital of the Company was the same before and after Admission. The Subscription Shares rank pari passu in all respects with the Ordinary Shares in issue, including the right to receive all dividends and other distributions declared, made or paid after the date of Admission.

As part of these reorganisation steps, on 4 September 2020, DFC Ltd reorganised its share capital by cancelling its existing share capital and using the reserve arising to pay up new shares.