

General Capital Group Plc

("General Capital" or "the Group")

Interim results

General Capital Group Plc (AIM: GENC), the asset and property finance specialist, today announces its interim results for the six month period ended 31 December 2008.

Chairman's Statement

Accounting Period

As previously announced the current accounting period has been extended from 31 December 2008 to 31 March 2009. These interim results, for the half year ended 31 December 2008, are the second 6 monthly report within the 15 month accounting period.

Introduction

In the trading update published on 30 January 2009 the new management team reported, the trading climate in the period to 31 December 2008 remained very difficult. Further deterioration in market conditions and the consequent eroding of asset values continued to provide significant challenges, particularly in terms of recovery of existing loan portfolio balances. The most significant consequence being additional provisions of £17million of which £13million was required in General Capital Venture Finance Ltd ("GCVF") where no new business has been written since Spring 2008.

Trading Results

The results for the 6 months ended 31 December 2008 show revenue for the Company and its subsidiaries ("Group") of £4.2million (£6.6million for comparative 6 month period ending 31 December 2007) and an operating loss of £18.9million (2007: loss £4.8million) before goodwill impairments, fair value adjustments, exceptional bank costs, re-organisation costs and tax. The reduced turnover is principally attributable to reduced activity in GCVF.

Provisions for impairments on investments comprise the write downs on the warrant and equity positions held by GCVF in its customers. These were normally acquired at par or for nil consideration. However under IFRS they are to be measured at fair value based on quoted bid

price. The general fall in quoted share prices has led to the IFRS carrying value of the investments being reduced by £2.1million.

The GCVF total provision, which is entirely against loans (including relevant fees and rolled up interest) advanced between 1 January 2004 and 31 December 2007, has been increased to £18million as at the end of December 2008, against a gross debt portfolio of £24million. A further impairment provision of £3million has been made against property portfolio receivables within General Capital Finance Limited ("GCF"). Reduced liquidity in the property market has restricted opportunities for sales or refinancing of properties consequently depressing asset values and resulting in increased pressure on loan covenants of customers.

On a positive note realisations from share sales in Arrow Mobile Communications plc in December and in Helius Energy plc subsequent to the period end have together generated proceeds of approximately £1.6million.

Administrative expenses for the period ended 31 December 2008 were £1.6million (2007: £2.1million). The reduced costs reflect operating efficiencies and cost cutting measures implemented in the summer of 2008. Exceptional bank fees of £0.2million were incurred as a result of ongoing portfolio review work and amendments to senior debt facilities.

During the period, further exceptional and other one-off costs have been incurred. The most significant was the fair value movement in respect of the 10 year cap and enhanced collar hedge instrument which has continued to fluctuate as a result of continuing volatility in the interest rate markets. The charge against income was £1.9million as the valuation of the hedge decreased during the period to become a £2million liability.

The remaining goodwill of £1.5 million arising from the acquisition of the Group's broking division, Norton Folgate has been fully written off at 31 December 2008 prior to the sale of this company today.

As a consequence of these write downs and additional provisions at 31 December 2008, the Group was carrying client receivables and equities with a book value of £28million and bank debt of £38million. In addition General Capital Holdings plc, a group subsidiary has issued preference shares of £2.5million on which dividends have remained unpaid since May 2008, due to lack of distributable reserves in the subsidiary company.

There being no distributable reserves in the holding company, the directors are not able to recommend an interim dividend on the ordinary shares.

Senior Debt Facilities

In June 2008 the Group agreed revised terms and conditions in respect of its debt facilities with its bankers. Since November, and following a breach of the arrears covenant and in light of the continuing deterioration in the estimated values of the receivable assets the Group has been in continuing discussions with its bankers. The discussions have been and remain constructive and have focussed on methods by which the banks can recover their debt, including the possible sale of some or all of the asset portfolios to the bank or other independent third parties. Discussions are continuing and developments will be reported when appropriate.

Going Concern

The interim accounts for the 12 and 6 month periods to 31 December 2008, set out below, have been prepared on a going concern basis. However the breach of bank covenant and the ongoing discussions with the Group's banks referred to above mean that without a successful resolution of these matters, there would be significant uncertainty as to the future of the Group.

The accounts for GCVF incorporated in these consolidated interim accounts have been prepared on a "gone concern" basis, whereas the other trading subsidiaries have been prepared on a going concern basis. If the accounts for the Group were to be prepared and consolidated on a "gone concern" basis, then it is expected that a further write down would be required to reduce the distributable reserves in the consolidated balance sheet by approximately £6million. This potential adjustment is explained further in Note 1 to the accounts.

Norton Folgate

Earlier today the Company announced that it has completed the sale of its finance broker subsidiary, Norton Folgate FG plc ("NF") to a company controlled by its management. Despite attempts to reduce staff and other cost levels to match consistently diminishing turnover levels. NF has continued to report trading and cash losses. The Board determined that the prospects of a short term return to profitability were low and that the Group could no longer afford to finance future losses. Consideration for the transaction comprised the assignment of £125,000 of outstanding receivables in the NF book, the write down of the net inter-company balance owed to the Company of £34,000 and a cash payment of £1,555 for the whole of the NF subsidiary share capital. Net liabilities of NF at 31 December 2008 were £228,000.

Current Trading

To date, with the support of its bankers, the Group has continued to write some new business within its commercial asset and property portfolios. However in order to maintain cash trading solvency the Board intends to reduce Group operating costs aggressively in the next few weeks.

This will include reducing staff numbers, the non-executive directors waiving their future remuneration, and the removal of all other non-essential costs. As part of this process the Company will also consider the cancellation of the trading of its shares on AIM. In essence the Company is only continuing to trade due to the support of its bankers and although the Company's discussions have been and remain constructive there can be no certainty that this will always be the case. The Company's present deficit to its banks is of such a scale that it is currently difficult to see any future value for ordinary shareholders of the Company.

General Capital Group Plc

Consolidated income statement

for the six month period ended 31 December 2008

	6 Months ended 31 Dec 2008 Unaudited £'000	6 Months ended 30 Jun 2008 Unaudited £'000	6 Months ended 31 Dec 2007 Unaudited £'000	12 Months ended 31 Dec 2008 Unaudited £'000	Year ended 31 Dec 2007 Audited £'000
Revenue					
Interest income	3,483	4,363	4,157	7,846	7,787
Fees and other income	483	1,002	2,418	1,485	4,185
Gains / (losses) on investments	250	216	(26)	466	1,358
	4,216	5,581	6,549	9,797	13,330
Interest payable and related funding costs	(1,557)	(1,595)	(1,494)	(3,152)	(2,669)
Provisions for impairment – receivables	(16,858)	(804)	(7,365)	(17,662)	(8,293)
Provisions for impairment – investments	(2,117)	(161)	61	(2,278)	336
Other direct costs	(800)	(369)	(387)	(1,169)	(726)
Administrative expenses	(1,613)	(2,039)	(2,125)	(3,652)	(3,723)
Depreciation and amortisation	(137)	(74)	(81)	(211)	(157)
	(18,866)	539	(4,842)	(18,327)	(1,902)
Goodwill impairment	(1,468)	(1,818)	-	(3,286)	-
Fair value adjustment of hedging instruments	(1,877)	537	(753)	(1,340)	(753)
Exceptional bank and associated costs	(167)	(608)	-	(775)	-
Reorganisation costs	-	(280)	-	(280)	-
Other interest costs – dividends on preference shares	(138)	(134)	(134)	(272)	(274)
Profit / (loss) before taxation	(22,516)	(1,764)	(5,729)	(24,280)	(2,929)
Taxation	2 (614)	(123)	934	(737)	444
Profit / (loss) for the period attributable to equity shareholders of the parent	(23,130)	(1,887)	(4,795)	(25,017)	(2,485)
Basic and diluted earnings per share	4 (91.76)	(7.51)	(20.84)	(99.24)	(10.80)

All amounts relate to continuing operations.

General Capital Group Plc

Consolidated statement of recognised income and expense

for the six month period ended 31 December 2008

	6 Months ended 31 Dec 2008 Unaudited £'000	6 Months ended 30 Jun 2008 Unaudited £'000	6 Months ended 31 Dec 2007 Unaudited £'000	12 Months ended 31 Dec 2008 Unaudited £'000	Year ended 31 Dec 2007 Audited £'000
Available-for-sale investments					
Valuation gains / (losses) taken to equity	(30)	(2,826)	1,648	(2,856)	1,526
Transferred to profit and loss on disposal	-	(82)	-	(82)	(1,152)
Tax on items taken directly to or transferred from equity	9	872	(494)	881	(112)
Net income / (expense) recognised directly in equity	(21)	(2,036)	1,154	(2,057)	262
Profit / (loss) for the period	(23,130)	(1,887)	(4,795)	(25,017)	(2,485)
Total recognised income and expense for the period attributable to equity shareholders	(23,151)	(3,923)	(3,641)	(27,074)	(2,223)

The above consolidated statement of recognised income and expense should be read in conjunction with the accompanying notes

General Capital Group Plc
Consolidated balance sheet
as at 31 December 2008

		As at	As at	As at
		31 Dec 2008	30 Jun 2008	31 Dec 2007
		Unaudited	Unaudited	Audited
	Notes	£'000	£'000	£'000
Assets				
Non-current assets				
Property, plant and equipment		128	198	258
Goodwill		2,095	3,563	5,381
Other intangible assets		34	102	123
Deferred tax		-	414	432
Available-for-sale investments		1,154	3,178	6,437
Trade receivables		14,841	20,156	21,209
		18,252	27,611	33,840
Current assets				
Trade and other receivables		12,449	27,187	28,216
Current tax receivable		675	864	634
Derivative financial instruments		-	118	-
Cash and cash equivalents		1,560	422	354
		14,684	28,591	29,204
Total assets		32,936	56,202	63,044
Liabilities				
Current liabilities				
Trade and other payables		2,009	1,877	2,062
Borrowings		40,220	42,208	43,748
Derivative financial instruments		1,998	-	376
Current tax payable		543	493	454
		44,770	44,578	46,640
Non-current liabilities				
Trade and other payables		69	106	171
Borrowings		392	399	447
Derivative financial instruments		-	239	282
Deferred tax		-	34	735
		461	778	1,635
Total liabilities		45,231	45,356	48,275
Equity				
Called up share capital	5	22,620	22,620	22,620
Share premium account		3,021	3,011	3,011
Capital reserve		59	80	2,116
Profit and loss account		(26,002)	(2,872)	(985)
Reverse acquisition reserve		(11,993)	(11,993)	(11,993)
Total equity	6	(12,295)	10,846	14,769
Total equity and liabilities		32,936	56,202	63,044

The above consolidated cash flow statement should be read in conjunction with the accompanying notes

General Capital Group Plc

Consolidated cash flow statement

for the six month period ended 31 December 2008

	6 Months ended 31 Dec 2008 Unaudited £'000	6 Months ended 30 Jun 2008 Unaudited £'000	6 Months ended 31 Dec 2007 Unaudited £'000	12 Months ended 31 Dec 2008 Unaudited £'000	Year ended 31 Dec 2007 Audited £'000
Cash flow from operating activities					
Profit / (loss) before taxation	(22,516)	(1,764)	(5,729)	(24,280)	(2,929)
Interest payable	1,580	1,498	1,407	3,078	2,506
Depreciation of property, plant and equipment	70	55	56	125	107
Amortisation of intangible assets	68	25	25	93	50
Goodwill impairment	1,468	1,818	-	3,286	-
(Profit) / loss on disposal of property, plant and equipment	-	(6)	-	(6)	-
Fair value adjustment of hedging instruments	1,877	(537)	753	1,340	753
Gains / (losses) on investments	(250)	(216)	26	(466)	(1,358)
Provision for loss on investments	2,117	161	(61)	2,278	(336)
	<u>(15,586)</u>	<u>1,034</u>	<u>(3,523)</u>	<u>(14,552)</u>	<u>(1,207)</u>
Changes in working capital					
(Increase) / decrease in trade and other receivables	20,053	1,998	(5,496)	22,051	(14,524)
Increase / (decrease) in trade and other payables	113	(250)	(483)	(137)	(440)
Net cash generated / (used) in operations	<u>4,580</u>	<u>2,782</u>	<u>(9,502)</u>	<u>7,362</u>	<u>(16,171)</u>
Taxation paid	-	(42)	(301)	(42)	(288)
Interest payable	(1,580)	(1,498)	(1,407)	(3,078)	(2,506)
Net cash inflow / (outflow) from operating activities	<u>3,000</u>	<u>1,242</u>	<u>(11,210)</u>	<u>4,242</u>	<u>(18,965)</u>
Cash flow from investing activities					
Acquisition of subsidiary / reverse acquisition	-	-	34	-	(1,365)
Purchase of property, plant and equipment	-	(54)	(28)	(54)	(57)
Proceeds from sale of property, plant and equipment	-	65	22	65	23
Purchase of intangible assets	-	(4)	-	(4)	-
Purchase of available-for-sale investments	(131)	(59)	(1,083)	(190)	(1,247)
Proceeds from sale of investments	254	466	201	720	2,586
Net cash generated / (used) in investing activities	<u>123</u>	<u>414</u>	<u>(854)</u>	<u>537</u>	<u>(60)</u>
Cash flow from financing activities					
Proceeds from issue of share capital	10	-	-	10	10,000
Direct costs associated with the issue of new shares	-	-	-	-	(577)
Repayment of preference shares	-	-	-	-	(300)
Repayment of loan notes	-	-	-	-	(1,200)
Payment of hire purchase liabilities	(2)	(68)	(35)	(70)	(82)
Payment / proceeds from borrowings	(1,993)	(1,520)	10,244	(3,513)	11,318
Net cash generated / (used) in financing activities	<u>(1,985)</u>	<u>(1,588)</u>	<u>10,209</u>	<u>(3,573)</u>	<u>19,159</u>
Net increase / (decrease) in cash and cash equivalents	<u>1,138</u>	<u>68</u>	<u>(1,855)</u>	<u>1,206</u>	<u>134</u>
Cash and cash equivalents at beginning of the period	<u>422</u>	<u>354</u>	<u>2,209</u>	<u>354</u>	<u>220</u>
Cash and cash equivalents at end of the period	<u>1,560</u>	<u>422</u>	<u>354</u>	<u>1,560</u>	<u>354</u>

The above consolidated balance sheet should be read in conjunction with the accompanying notes

General Capital Group Plc

Notes to the interim financial report

for the six month period ended 31 December 2008

1 Basis of preparation and accounting policies

The interim financial report for the six month period ended 31 December 2008 has been prepared by the Directors and is unaudited. This interim financial report has been prepared on the going concern basis, despite the uncertainty currently existing within the Group. The uncertainty as to the future of the Group as a going concern arises from the breach of bank covenants and the subsequent ongoing discussions with the banks. The accounts for GCVF which have been used in these consolidated numbers have been prepared on a 'gone concern' or break-up basis, whereas for the other trading subsidiaries the numbers used are prepared on a going concern basis. Where financial accounts are drawn up on a break up basis rather than on a going concern basis, the Group's portfolio loan assets are written down to their current estimated net realisable values and the intercompany loans and other long-term balances may be reclassified as current.

If the accounts for the Group were to be prepared and consolidated on a gone concern basis then it is expected that a further estimated write down might be required to reduce the distributable reserves in the consolidated balance sheet. The possible effect on the financial position arising from the future outcome of the uncertainties is detailed in the table below.

Potential Future Adjustment	Unaudited £'000
Additional interest costs & crystallisation of hedging instrument	(5,220)
Bank exit fees	(500)
Onerous lease commitments & dilapidations	(180)
Accelerated depreciation on fixed assets	(40)
Estimated total write down to distributable reserves	(5,940)

The interim financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU"), using accounting policies and practices consistent with those applied in the financial statements for the year ended 31 December 2007 and those expected to be applied in the financial statements for the period ending 31 March 2009.

The interim financial information has been prepared on the basis of all International Accounting Standards ("IAS") and IFRS published by the International Accounting Standards Board ("IASB") that are currently in issue and effective. New interpretations may be issued by the International Financial Reporting Interpretations Committee ("IFRIC") on existing standards and best practice continues to evolve. It is therefore possible that the accounting policies adopted by the Group in the preparation of this interim financial report may be updated by the time the Group prepares its full set of financial statements under IFRS for the period ending 31 March 2009.

The financial information contained in this report does not constitute statutory accounts as defined by Section 240 of the Companies Act 1985. The financial information for the six and twelve month periods ended 31 December 2007 have been extracted from the financial statements for the year ended 31 December 2007. A copy of the statutory accounts for the year ended 31 December 2007 has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified but did contain an emphasis of matter concerning the Group's ability to continue as a going concern. The financial information for the six month period ended 30 June 2008 has been extracted from the interim financial report for the same period.

The interim financial report was approved by the Board on 14 March 2009

2 Taxation

The corporation tax charge for the period has been estimated using a tax rate of 30%, adjusted for group loss relief. Deferred tax assets have not been recognised where there is doubt over recoverability.

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Notes to the interim financial report

for the six month period ended 31 December 2008

3 Segmental information

For management purposes, the Group is organised into four principal operating divisions; asset finance, property finance, venture finance and broking. The Group reports its revenue streams and trade receivables at a divisional level but it does not separately report its costs nor its sundry assets and liabilities.

Group revenue:

	6 Months ended 31 Dec 2008	6 Months ended 30 Jun 2008	6 Months ended 31 Dec 2007	12 Months ended 31 Dec 2008	Year ended 31 Dec 2007
	Unaudited £'000	Unaudited £'000	Unaudited £'000	Unaudited £'000	Audited £'000
Asset finance	1,447	1,635	1,620	3,082	2,562
Property finance	960	1,253	1,332	2,213	2,189
Venture finance	1,534	2,274	3,257	3,808	7,900
Finance broking	275	419	340	694	679
	<u>4,216</u>	<u>5,581</u>	<u>6,549</u>	<u>9,797</u>	<u>13,330</u>

All amounts relate to continuing operations and have been wholly undertaken in the United Kingdom.

Loan portfolio:

	As at 31 Dec 2008	As at 30 Jun 2008	As at 31 Dec 2007
	Unaudited £'000	Unaudited £'000	Audited £'000
Asset finance	13,796	17,329	17,888
Property finance	7,141	10,113	10,264
Venture finance	5,601	18,659	19,238
	<u>26,538</u>	<u>46,101</u>	<u>47,390</u>

4 Earnings per share

	6 Months ended 31 Dec 2008	6 Months ended 30 Jun 2008	6 Months ended 31 Dec 2007	12 Months ended 31 Dec 2008	Year ended 31 Dec 2007
	Unaudited £	Unaudited £	Unaudited £	Unaudited £	Audited £
Earnings attributable to equity shareholders	(23,129,744)	(1,887,646)	(4,794,792)	(25,017,390)	(2,484,792)
Weighted average	<u>25,208,042</u>	<u>25,133,042</u>	<u>23,006,865</u>	<u>25,208,042</u>	<u>23,006,865</u>

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Notes to the interim financial report

for the six month period ended 31 December 2008

5 Share capital

	Number	£
At 30 June 2007, 31 December 2007 and 30 June 2008:		
Authorised		
35,000,000 ordinary shares of £0.90 each	35,000,000	31,500,000
At 31 December 2008:		
Authorised		
2,263,159,262 new ordinary shares of £0.01 each	2,263,159,262	22,631,593
25,133,042 deferred ordinary shares of £0.89 each	25,133,042	22,368,407
	<u>2,288,292,304</u>	<u>45,000,000</u>
At 30 June 2007, 31 December 2007 and 30 June 2008:		
Allotted, called up and fully paid		
25,133,042 ordinary shares of £0.90 each	25,133,042	22,619,738
At 31 December 2008:		
Allotted, called up and fully paid		
25,208,042 new ordinary shares of £0.01 each*	25,208,042	252,080
25,133,042 deferred ordinary shares of £0.89 each	25,133,042	22,368,407
	<u>50,341,084</u>	<u>22,620,487</u>

* Included in the total are 75,000 ordinary 1p shares awarded to an employee on 29 September 2008, further to an obligation arising from the reverse acquisition of Clan Homes plc.

Share Restructuring

At the Company's Annual General Meeting held on 5 August 2008, shareholders approved the following changes to the Company's share capital:

i. Increase in authorised share capital

The Company's authorised share capital was increased from 35,000,000 ordinary shares of £0.90 each (£31,500,000) to 50,000,000 ordinary shares of £0.90 each (£45,000,000).

ii. Share restructuring

The Company's authorised share capital of 50,000,000 ordinary shares of £0.90, of which 25,133,042 were in issue at the time of the restructure, were divided into 2,263,159,262 new ordinary shares of £0.01 each ("New Ordinary Shares") and 25,133,042 deferred shares of £0.89 each ("Deferred Shares").

The rights attaching to the New Ordinary Shares, including voting and dividend rights, are the same as the rights attaching to the previous ordinary shares of £0.90 each. The rights attaching to the Deferred Shares each are minimal. They do not entitle holders to receive any dividend or other distribution or to receive notice of, attend, speak at or vote at general meetings of the Company. On a return of assets on a winding up they will only entitle the holder to the amounts paid up on such shares after repayment of the amounts paid on each New Ordinary Share. They will be deemed to have authorised the Company to appoint any person to execute on behalf of the holders of the Deferred Shares each a transfer of such shares to the Company, or such person as the Company may nominate, without any payment therefore and without the sanction of the holders of the Deferred Shares. The creation and issue of further shares which rank equally or in priority to the Deferred Shares or the passing of a resolution of the Company to cancel the Deferred Shares or to effect a reduction in capital shall not constitute a modification or abrogation of their rights.

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Notes to the interim financial report

for the six month period ended 31 December 2008

6 Statement of changes in shareholders' equity

	Share capital	Share premium	Capital reserve	Profit and loss account	Reverse acquisition reserve	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
Shareholders equity at 1 January 2007	14,966	186	1,854	1,500	(11,993)	6,513
Changes in equity:						
Revaluation increases / decreases	-	-	(122)	-	-	(122)
Released on disposal of available-for-sale investments	-	-	(1,152)	-	-	(1,152)
Deferred tax movements	-	-	382	-	-	382
Net income recognised directly in equity	-	-	(892)	-	-	(892)
Profit / (loss) for the period	-	-	-	2,310	-	2,310
Total recognised income and expense for the period	-	-	(892)	2,310	-	1,418
Nominal value of new shares issued	7,654	-	-	-	-	7,654
Premium on issue of new shares	-	3,618	-	-	-	3,618
Expenses of issue of new shares	-	(577)	-	-	-	(577)
Shareholders equity at 30 June 2007	22,620	3,227	962	3,810	(11,993)	18,626
Changes in equity:						
Revaluation increases / decreases	-	-	1,648	-	-	1,648
Deferred tax movements	-	-	(494)	-	-	(494)
Net income recognised directly in equity	-	-	1,154	-	-	1,154
Profit / (loss) for the period	-	-	-	(4,795)	-	(4,795)
Total recognised income and expense for the period	-	-	1,154	(4,795)	-	(3,641)
Premium on issue of new shares	-	(216)	-	-	-	(216)
Shareholders equity at 31 December 2007	22,620	3,011	2,116	(985)	(11,993)	14,769

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