5 December 2018

PCF Group plc

(“PCF”, the “Bank” or the “Group”)

Preliminary Results for the year ended 30 September 2018

Record profits, record portfolio and asset diversification delivered ahead of schedule

PCF Group plc, the AIM-listed specialist bank, today announces its preliminary results for the year ended 30 September 2018. The Board is pleased to report strong trading and full year results which deliver on ambitious plans and expectations.

Business Highlights:

- 75% increase in new business originations to £148.4 million (2017: £84.6 million)
- Portfolio growth of 50% to £219 million (2017: £146 million)
- Retail deposits total £191 million (2017: £53 million) and over 3,400 new retail deposit customers welcomed to the Bank
- Post year end acquisition of Azule Limited on 31 October 2018
- Portfolio growth and recent acquisition puts the Bank a year ahead of schedule to meet the 2020 £350 million portfolio target
- Continued low impairment charge of 0.5% (2017: 0.5%)
- Awarded 2018 Best New Provider by independent savings specialist, Savings Champion
- Awarded 2018 Top New Challenger Bank by industry specialist, Leasing World

Financial Highlights:

- Profit before tax up 44% to £5.2 million (2017: £3.6 million)
- Earnings per share up 33% at 2.0p (2017: 1.5p)
- Profit before tax and earnings per share are reported after expensing £0.27 million of one-off Azule acquisition costs
- Recommended final dividend of 0.30p (2017: 0.19p) which, if approved, will be paid on 12 April 2019 to shareholders on the Register at 22 March 2019
- Net Interest Margin (‘NIM’) reduced slightly to 8.2% (2017: 8.3%)
- After-tax return on equity increased to 10.3% (2017: 8.7%)
- CET1 capital ratio of 19.3% (2017: 26.3%)
- £47 million (2017: £31 million) of unearned finance charges to contribute to earnings in future years

Tim Franklin, Chairman, commented: “This has been an excellent year for PCF Bank. We report increasing profitability and are delivering on our key strategic objectives. In the case of portfolio growth, we are a year ahead of schedule to meet our £350 million medium-term target. Our savings proposition has been well received in the market place and, supported by the new lower cost of funds, portfolio growth has been strategically positioned in the prime segment of our existing lending markets.

"Portfolio growth of 50%, in addition to an increase in earnings per share of 33% to 2.0p, against a backdrop of significant investment in our operational platform, are achievements of which we can be proud in our first full year as a bank. Subsequent to the year-end, we completed the earnings-enhancing acquisition of Azule Limited, a well-established and profitable broadcast and media equipment finance company. This acquisition is the first step in the diversification of our portfolio by both product and route to market.

"We look forward to the year ahead with confidence in the Bank's ability to deliver profitable and sustainable growth for our shareholders."

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Note: This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

About PCF Group plc (www.pcf.bank)

Established in 1994, PCF Group plc is the AIM-listed parent of specialist bank, PCF Bank Limited. Since becoming a bank in 2016, the Group has the capability to increase its lending portfolio significantly, with a initial portfolio target of £350 million, growing to £750 million by September 2022. The Group will retain its focus on portfolio quality and will lend increasingly to the prime segment of its existing finance markets. The Group has also diversified its lending products and asset classes through acquisition.

PCF Bank currently offers retail savings products for individuals and then deploys those funds through its three lending divisions:

- Business Finance which provides finance for vehicles, plant and equipment to SMEs;
- Consumer Finance which provides finance for motor vehicles to consumers; and
- Azule Limited which provides finance to the broadcast and media industry.

The Group has a track record of strong financial performance and an efficient and scalable business model, with significant room to grow. Utilising its technology platform, the Bank provides both depositors and borrowers with a high level of service and a straightforward, simple range of products tailored to suit their needs.

For media enquiries please contact media@pcf.bank

Chairman's Statement

For the year ended 30 September 2018

I am delighted to report the Group's first full year results as a bank. The last 12 months have seen the successful creation of a bank operating platform that will be the foundation for sustainable and profitable portfolio growth in future years. We have seen accelerated progress and success on all fronts and, ahead of schedule, completed on our first asset diversification opportunity post year end through the acquisition of Azule Limited on 31 October 2018. On behalf of the Board, I would like to extend my congratulations and thanks to the Executive team and all our staff for their achievements this year and the successes that have made these results possible. I would also like to welcome our new colleagues from Azule to the Group and wish them well in their future careers with us.

Our organic lending has a strategic emphasis in the prime segment of our two existing lending markets - Business Asset Finance and Consumer Motor Finance. This prime focus provides resilience, and this will strengthen further as we diversify asset classes and routes to market. The diversification of our funding model into accepting retail deposits has also been a great success. By providing excellent customer service, we have welcomed over 3,400 new retail deposit customers this year and seen high retention rates. Each of these components contributes to a model that aligns our risk appetite to our cautious outlook for the UK economy over the short to medium-term.

Profits, shareholder return and capital

Profit before tax for the year ended 30 September 2018 was £5.2 million (2017: £3.6 million). This is an increase of 44% and has delivered a 33% growth in earnings per share to 2.0p (2017: 1.5p). Furthermore, profit before tax is reported after the one-off costs of acquiring Azule. These results have expensed costs amounting to a £0.27 million, while the corresponding revenue benefits for Azule only start accruing from the effective acquisition date of 1 October 2018.

This strong set of results reflects our ability to utilise quickly our cheaper funding and scale up against a banking platform that has a considerably higher cost base. All the while, continued investment is being made for the future through additional resource and technology enhancements to promote efficiencies, meet the needs of our customers and deliver increasing profitability.

Net assets increased by 10.1% to £42.6 million (2017: £38.7 million) and the Group Common Equity Tier 1 Ratio ('CET1') remained a healthy 19.3% (2017: 26.3%). This capital position has provided the financial foundation to deliver on our diversification strategy and organic portfolio growth.
The Board recommends the payment of a final dividend of 0.3p per ordinary share, which is an increase of 58% over the previous year (2017: 0.19p). If approved, the dividend will be paid on 12 April 2019 to shareholders on the register at 22 March 2019. We intend to maintain a progressive dividend policy moving forward.

Governance and culture

The Board's responsibility to provide effective governance continues to be my focus. The Board and its committees are working well, and we will continue to strengthen these areas in response to the upcoming changes in the UK Corporate Governance Code. The industry is heavily regulated, and the structure and effectiveness of our governance regime is instrumental to our success and the good relationship we have with our regulators.

The combined experience of the Board will be a continued strength as we maintain a strong culture of core values and behaviours.

Outlook

This has been a year of important achievements. The Group has delivered continued financial success and growth is ahead of our original plan, bringing forward investment costs previously anticipated in future years.

We have set ourselves ambitious targets and we will increase the level of investment in the resources and technology necessary to maintain a robust governance structure and enhance future profits growth. The growth in the lending portfolio to £219 million at the year-end, together with the Azule acquisition, has provided a base to achieve our target portfolio size of £350 million, a year earlier than previously anticipated. Likewise, our Return on Equity of 10.3% is within reach of our target of 12.5%.

Our loan book is performing well and, whilst we are an aspirational business, we will remain alert to current political events and economic headwinds as we plan and pursue a sustainable growth strategy.

I look forward with confidence to the year ahead as we build on the successes of 2018.

T A Franklin
Chairman

Chief Executive's Statement
For the year ended 30 September 2018

A year of achievement

We have made excellent progress this year. It was important that we executed on our growth strategy quickly as we recognised that our new banking platform entailed significant costs and a larger capital base, both of which require scale to deliver the benefits of operational gearing. This growth, however, needed to retain focus and remain prudent. Our successful growth has come from lending increasingly into the prime segment of the existing markets in which we already have considerable experience. This provided speed to market but matched our desire for a low risk strategy for growth. As previously announced, the competitive nature of the prime sector has started to put pressure on our Net Interest Margin ('NIM') with NIM falling from 8.3% to 8.2%. The effect in 2018 is small but we expect this to continue as a greater proportion of our lending portfolio becomes prime.

The long-term benefits of transforming into a bank are starting to accrue. These benefits include lower funding costs, the ability to reach and retain a wider range of customers, greater flexibility to diversify our business and a reduction in the risks of relying on wholesale funding.

Statutory profit for the year has increased to £5.2 million from £3.6 million in 2017. This is an increase of 44% and a considerable achievement bearing in mind our costs of investment in the banking model and the £0.27 million of costs expensed in the year to acquire Azule Limited. Operating costs increased to £8.6 million in the year (2017: £6.6 million) but we saw a small fall in our cost-to-income ratio to 32.3% (2017: 32.7%). The costs to support the bank operating model such as IT, risk, compliance and audit are significant. In the coming year we will invest an additional £0.7 million in people, premises and our platform to keep pace with the recent diversification initiatives and to enhance portfolio growth.

Earnings per share increased strongly, up 33% to 2.0p (2017: 1.5p). This is calculated off a larger capital base with an average number of shares in issue of 212.2m (2017: 190.4m shares).

Return on equity improved to 10.3% (2017: 8.7%), taking a significant step towards our medium-term target of 12.5%. The profit after tax for the year was £4.2 million (2017: £2.8 million) on an effective Corporation Tax rate of 19.0% (2017: 23.3%).

We have recommended a final dividend of 0.30p (2017: 0.19p). PCF has grown the annual dividend payments, following a return to the dividend list two years ago, while retaining a dividend cover that is commensurate with a strongly growing business and the capital-intensive nature of banking. A scrip alternative will also be available.

Organic growth and portfolio

New business originations increased by 75% to £148.4 million in the year (2017: £84.6 million), achieving our volume targets. Compared to a 24% increase the previous year, this was an outstanding achievement by the new business team.

The Business Finance Division provided strong growth. For this division, our proposition has been well received by the broker market and we are able to leverage our service levels to achieve our credit quality and yield criteria. SME lending increased by 76% in the year to £86.2 million (2017: £48.9 million). As at 30 September 2018, the business finance portfolio was £121 million (2017: £73 million). This business line now makes up 55% of our total lending portfolio (2017: 50%). This proportion will grow further following the consolidation of Azule.

Origination growth in our Consumer Finance Division was just as pronounced with advances increasing by 75% (2017: fall of 3%). Consumer finance lending in the year was £62.2 million (2017: £35.6 million). This was a pleasing result considering the well documented difficulties in the motor vehicle market, namely sharply lower new car sales, the diesel emissions scandal, the regulatory focus on Personal Contract Purchase (PCP) and the introduction of the Worldwide Harmonised Light Vehicle Test Procedure (WLTP) legislation. I stress that our success in this market is a result of our position in the used vehicle market, which has been much more resilient and largely unaffected by the headwinds noted above. 96% of all our consumer finance originations are for nearly new or older vehicles. It is also worth reiterating that PCF Bank does not offer a PCP product or take a residual position on finance contracts, therefore eliminating an element of risk from falling values on diesels and motor vehicles in general.

Our success in consumer finance is also in part due to a specialisation in leisure vehicles such as horseboxes and motorhomes, as well as the continued success of the repeat channel of returning customers. Even greater focus will be applied to these specialist markets in 2019 and the repeat channel will be further developed with a broader offering to the existing customer base. Our finance proposition in this market will require additional automation and technology investment to support our strategic aim of growth in the prime sector. This will be a priority for 2019. As at 30 September 2018, the consumer finance motor portfolio was £98 million (2017: £72 million).

The Group remains committed to its existing markets, supporting consumers and SMEs in the purchase of motor vehicles, plant and machinery. We have considerable experience in these markets which produce attractive returns and where the lending is supported by assets with strong collateral characteristics. We will, however, continue to investigate other asset classes where we can achieve the right balance of margin and quality.

The total lending portfolio grew by 50% during the year to £219 million (2017: £146 million). The portfolio is reported net of unearned finance charges of £47 million (2017: £31 million). These finance charges, which will be attributed to income over the next four years, contribute towards certainty and quality of earnings in the forthcoming periods. These future earnings are further underpinned by the quality of the portfolio, which continues to perform well. We remain alert to trends in the credit cycle, and while we feel the collection environment is less buoyant than at any time in the last four years, the Group has been set on a course of prime credit quality origination for many years and our default rates reflect this. Of the total new business originations of £148.4 million in 2018, 70% are in our prime credit grades (2017: 63%).

The impairment charge was maintained at 0.5% (2017: 0.5%). As we have highlighted previously, the record low levels for impairment are being enhanced by the recovery of long outstanding debts arising during the credit crisis. These recoveries are reducing over time and becoming less material. The actual impairment charge therefore for the current lending book should be recognised as being slightly higher than the headline rate reported this year. This robust impairment performance provides comfort in the event that the broader economic backdrop deteriorates and, by maintaining prudent underwriting standards, we are confident that we will continue to generate sustainable returns.

Diversification and strategic initiatives

On 31 October, post year end, we completed the acquisition of Azule Limited. Azule is a UK market leader in providing specialist funding and leasing services direct to individuals and businesses in the broadcast and media industry. Azule also operates in the audio visual and photography markets and offers its services across Europe, as well as in the UK. Azule has been providing finance for more than 20 years and it has built a strong market presence, with a sales capability to place asset finance to a wide range of banks and lending institutions, as well as originating asset finance for its own portfolio. The acquisition offers revenue synergies with PCF's existing asset finance operations, given Azule's focus on financing a niche class of business-critical assets with strong collateral characteristics, for prime credit grade customers. For the year ended 30 June 2018, Azule originated £54.3 million of asset finance, reported revenues of £3.1 million and a profit before tax of £0.8 million. Since the acquisition, trading has been in line with management expectations.

The acquisition delivers the strategic objectives of diversification through a new asset class and a new route to market. The acquisition will also immediately enhance Group earnings and the experienced team are an ideal fit operationally and culturally. The integration and growth of Azule is a priority for 2019, including analysing how Azule's European capabilities could enhance PCF's business in the future.

The Bank also has plans to enter the bridging property finance market. We have recruited a small team of experienced staff, the first of whom has already joined us. This will further diversify PCF's lending model with a new asset class. The skill set of the team is rooted in bridging finance with more than 30 years' experience of lending to this market. This is an opportunity to enter a large market place in a measured way. This diversification places value in our new liquidity model and the capital efficiencies incumbent in property lending. The intention is to be a specialist property finance provider, avoiding the competitive "master broker" relationships and building a new business line that meets our NIM and return on equity targets. This is a new market for PCF and there is cost in building our operating model. We therefore expect this new business line to make a contribution at the gross profit level only, in 2019.

These diversification initiatives are in addition to our existing model, where we continue to drive growth in our organic portfolio. We currently have not greater than 3.5% shares in each of those existing core markets and there is further scope to make strong progress in those business lines. We:

- Have recruited Gerald Grimes to the new position of Head of Commercial Development to enhance the existing lending proposition and provide resource within the new diversified business lines;
- Will continue to target the prime sector to augment the quality of our portfolio and provide resilience should the economic environment become less favourable;
- Will make significant investment to enhance our credit decisioning to facilitate scale; and
- Will use our ever-expanding database of prime consumers to improve customer retention with targeted marketing campaigns and pilot schemes of complementary product types.

Each of these initiatives will involve continued investment in technology to modernise our service proposition, deliver efficiencies in business delivery and deploy automation. The use of technology has always been integral to the success of the Group and it will remain a key enabler of growth and increased profitability.

The diversifications since year end and the execution of these strategies has us on track to reach our initial portfolio target of £350 million, a year earlier than planned. Our longer-term objective is a lending portfolio of £750 million by 30 September 2022.

Balance sheet and liquidity

The net assets of the Group increased by 10.1% to £42.6 million (2017: £38.7 million). Our year-end CET1 capital ratio was 19.3% (2017: 26.3%) and the liquidity measurement of Overall Liquidity Adequacy Ratio was 221% (2017: 126%). These ratios were comfortably ahead of the minimum requirement and provided the capacity to grow customer lending in 2018 and to acquire Azule.

During the year, the Bank increased retail deposit balances to £191 million (2017: £53 million). We now have over 4,500 retail deposit customers (2017: 1,060) and the success of our deposit activities has been matched with positive feedback from customers on the savings platform and speed of service. We continue to deliver on our savings proposition of *'Simple Banking. At your service'*. We offer a range of products, with maturities from 100 days to 7 years and have an average balance outstanding of approximately £42,000 (2017: £48,000) for an average term of 2.5 years (2017: 2.7 years). The average cost of retail deposits has increased slightly in the year to 2.1% (2017: 2.0%). The savings products are targeted at middle to older aged savers, providing ease of service by utilising our on-line application portal or by postal application, if they prefer.

During the year we gained membership of the Bank of England's Sterling Monetary Framework which provides access to beneficial schemes such as a Reserve Account and the Discount Window Facility. We also became a participant in the Term Funding Scheme, which, along with existing wholesale debt facilities, provides a diversified funding source alongside our retail deposits.

Our funding strategy will primarily use retail deposits to fund growth, by largely matching business origination with fixed rate, fixed term deposits to preserve profit margin and reduce market volatility. On the evidence to date, we see long-term sustainability in this strategy and our ability to fund both organic growth and further acquisitions.

Regulatory environment and risk

The Financial Conduct Authority recently published a policy statement *'Assessing Creditworthiness in Consumer Credit'*. The rules and guidance arising from the statement will not disrupt our current practices to any great extent, but any further enhancements will be adopted by 31 January 2019.

The General Data Protection Regulation was adopted in the year and assurance work was completed by internal audit ahead of the implementation and a further post-implementation review is planned for 2019.

During the year the Board also considered the feedback provided by the Prudential Regulatory Authority's review of bank recovery plans. We determined that the external assurance reviews done pre-mobilisation, in addition to the indicators and governance scorecard currently in place, met the regulatory requirements for a bank of our scale and complexity. Further assurance work will be scheduled for 2019. We continually review our risk management framework to refine credit policy, monitor the appropriateness of our risk tolerances and are alert to emerging risks.

The Group aims to minimise the adverse impact on net interest margin caused by any increase in the cost of borrowing. We are a fixed rate lender and use fixed rate retail deposits and debt to protect our profit margin. The recent interest rate rises, therefore, have no effect on our existing portfolio and, if we enter a higher interest rate environment, our terms for new lending will need to reflect any increase in borrowing cost.

For the next accounting year ending 30 September 2019, the Group will adopt International Financial Reporting Standard 9 ('IFRS9'). IFRS9 will fundamentally change our loan loss impairment methodology. The Standard will replace the previous incurred loss approach with a forward looking expected loss ('ECL') approach. The Bank will be required to record an allowance for expected losses for all loans and other debt financial assets not held at fair value through profit or loss ('FVPL'), together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset. The Bank expects the impact to its impairment charge as a result of IFRS9 to be in line with other market participants'. The quantum of the changes will be disclosed in the Bank's full version of the 2018 Annual Report & Financial Statements.

People

Over the course of the year PCF was awarded 2018 Best New Provider by the independent savings specialist, Savings Champion and 2018 Top New Challenger Bank by industry specialist, Leasing World. Therefore, both our lending and borrowing functions have been acknowledged for their expertise and levels of customer service, which is a great credit to all the staff at PCF. Our staff operate to high standards, putting the customer first and conducting business dealings in a professional and committed manner. I would like to thank them for their efforts in 2018.

Staff numbers have increased in the year to 73 (2017: 59) and more recently we have welcomed the 17 staff of Azule into the PCF team.

Current trading and outlook

We have once again delivered on our own key strategic objectives and market expectations.

New business originations remain strong and we are currently experiencing a good impairment performance from our lending portfolio. Our focus, over the past few years and today, on prime quality customers provides a level of confidence. Economic uncertainty arising from either the current political turmoil or other macro-economic factors remains a risk. This could manifest itself as decreased demand in our market places or rising impairments through an economic downturn. Such risks have the potential to slow our progress, but we have built PCF's lending model on sound credit and operational foundations and that stands us in good stead.

The momentum of excellent portfolio growth in 2018 has carried forward into the new financial year and with the acquisition of Azule we expect further progress and financial success in 2019. We will continue to invest in new business lines, our technology platform and staff to build a robust structure which is able to take advantage of the opportunities and meet the challenges of a growing organisation.

There is immense potential at PCF Bank and with the execution of our strategic objectives, I have confidence in the future growth prospects of the Group.

S D Maybury
Chief Executive

GROUP STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

(£'000s)	*12 months ended 30 September 2018 Unaudited*	*12 months ended 30 September 2017 audited*
Interest income and similar income	25,494	19,970
Interest expense and similar charges	(10,492)	(8,906)
Net interest income	15,002	11,064
Fees and commission income	492	512
Fees and commission expense	(844)	(702)
Net fee and commission expense	(352)	(190)
Fair Value (loss)/profit on financial instruments	-	(4)
Impairment losses on financial assets	(915)	(679)
Net operating income	13,735	10,191
Administration expenses	(8,562)	(6,558)
Profit before taxation	5,173	3,633
Income tax charge	(981)	(847)
Profit after taxation, being total comprehensive income, attributable to owners	**4,192**	**2,786**
Earnings per 5p ordinary share – basic	2.0p	1.5p

Underlying adjustments

Profit before taxation	5,173	3,633
Acquisition costs	270	-
Underlying profit before taxation	5,443	3,633
Income tax charge	(981)	(847)
Underlying profit after taxation, being total comprehensive income, attributable to owners	4,462	2,786

GROUP BALANCE SHEET

(£'000s)

	30 September 2018 unaudited	30 September 2017 audited
Assets		
Cash and balances at central banks	21,338	17,018
Loan and advances to customers	219,322	145,718
Available for sale-financial investments	39,902	4,511
Property plant and equipment	224	271
Intangible assets	2,957	2,704
Deferred tax assets	1,185	1,205
Trade and other assets	1,543	1,041
Total Assets	**286,471**	**172,468**
Liabilities		
Due to banks	48,881	77,067
Due to customers	191,139	53,120
Derivative financial liabilities	-	-
Trade and other liabilities	3,899	3,620
Total Liabilities	**243,919**	**133,807**
Equity		
Share capital	10,611	10,611
Share premium account	8,527	8,524
Revaluation reserve	15	-
Own shares	(355)	(355)
Retained earnings	23,753	19,881
Total Equity	**42,552**	**38,661**
Total equity and liabilities	**286,471**	**172,468**

GROUP STATEMENT OF CHANGES IN EQUITY

(£'000s)	12 months ended 30 September 2018 unaudited	12-month period 30 September 2017 audited
Profit after tax for the year / period	**4,192**	**2,786**
New share capital subscribed	3	10,955
Share-based payments	84	52
Cash dividend	(403)	(212)
Fair value gain/(loss) on cash flow hedges	15	373
Net addition to shareholders' funds	**3,891**	**13,954**
Opening shareholders' funds	38,661	24,707
Closing shareholders' funds	**42,552**	**38,661**

NOTES TO THE FINANCIAL STATEMENTS

1. The preliminary results are unaudited and do not constitute statutory accounts as defined by section 434 of the Companies Act 2006. The comparative figures for the 12 months ended 30 September 2017 are based on the statutory accounts of the Group for that period and have been reported on by the Group's auditor and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

2. The preliminary results have been prepared on the basis of the accounting policies set out in the Annual Report & Financial Statements for the 12 months ended 30 September 2018.

3. These consolidated financial statements have been prepared in accordance with IFRS and its interpretations issued by the International Accounting Standards Board, as adopted by the European Union. This announcement has been approved and authorised for issue by the Board of Directors.

4. The Group operates in the principal areas of consumer finance for motor vehicles and business finance for vehicles, plant and equipment. All revenue is generated in the United Kingdom.

   Profit on ordinary activities before taxation, and loan loss provisioning charge are detailed below:

(£'000s)	*12 months ended 30 September 2018 Unaudited*	*12 months ended 30 September 2017 audited*
Consumer finance	2,362	1,617
Business finance	2,811	2,016
Profit on ordinary activities before taxation	5,173	3,633
Consumer finance	(601)	(384)
Business finance	(314)	(295)
Loan loss provisioning charge	(915)	(679)

5. The income tax assessed for the period is equal to the standard rate of Corporation Tax in the UK of 19% (12-months period ended 30 September 2017 – 19.5%). The breakdown is below. The Finance (No.2) Act 2015 enacted a reduction in the corporation tax main rate (for all profits except ring fence profits) at 19% for the years starting 1 April 2018 and 2019. The Finance Act 2016 enacted a reduction in the corporation tax main rate at 17% for the years starting the 1 April 2020. Deferred tax balances should be calculated at the rate which the balances are expected to be settled, based on tax rates that have been substantively enacted at the balance sheet date. Therefore, the deferred tax balances have been calculated with reference to these rates.

(£'000)	**12 Months 30 September 2018**
Profit on ordinary activities before tax	**5,173**
Profit on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 19% (2017 – 19.5%)	(983)
Effects of:	
Expenses not deductible for taxation purposes	(47)
Adjustments in respect of prior years	5
Change in tax rate	18
Difference on transfer of trade	26
Total tax charge for the year	**(981)**

6. The calculation of basic earnings per ordinary share for the 12 months ending 30 September 2018 is based on a profit after taxation of £4,192k for the period on 212,224,745 ordinary shares, being the weighted average number of ordinary shares in issue during the period. There were no convertible loan notes in issue in the period.

The calculation of basic earnings per ordinary share for the 12 months ending 30 September 2017 is based on a profit of £2,786k for the period on 190,408,720 ordinary shares, being the weighted average number of ordinary shares in issue during the period.

7. Revaluation reserve includes revaluation of available for sale financial instruments.

8. IFRS9 will fundamentally change our loan loss impairment methodology. The Standard will replace the previous incurred loss approach with a forward looking expected loss ('ECL') approach. The Bank will be required to record an allowance for expected losses for all loans and other debt financial assets not held at fair value through profit or loss ('FVPL'), together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset. In comparison to the previous approach, the Bank expects the impairment charge under IFRS9 to be in line with other market participants, but it has the potential to be more volatile. The quantum of the impact will be disclosed in the full version of the 2018 Annual Report & Financial Statements.

9. The 2018 Annual Report and Financial Statements will be posted to all shareholders on 2 February 2019 or shortly thereafter. Further copies can be obtained from the Company Secretary at Pinners Hall, 105-108 Old Broad Street, London EC2N 1ER or can be downloaded from our website, www.pcf.bank.