5 December 2017

PCF Group plc

(“PCF”, the “Bank” or the “Group”)

Preliminary Results for the year ended 30 September 2017

Inaugural results of PCF Bank ahead of market expectations

PCF Group plc, the AIM-listed specialist bank, today announces its preliminary results for the year ended 30 September 2017. The Board is pleased to report strong trading and full year results ahead of market expectations.

These final results constitute a 12-month period. The previous Accounting Period was an 18-month period due to a change in Accounting Reference Date. Therefore, the highlights, narrative and statement refer to a pro forma unaudited 12-month period to 30 September 2016 to provide a like-for-like comparative.

Business Highlights:

- PCF Bank commenced banking operations on 27 July 2017
- New customer deposits of £53.0 million were received in the period to 30 September 2017
- Awarded 2018 Best New Provider by independent savings specialist, Savings Champion
- 24% increase in new business originations to £84.6 million (2016: £68.4 million)
- Portfolio growth of 20% to £146 million (2016: £122 million)
- Record low impairment charge of 0.5% (2016: 1.0%)

Financial Highlights:

- Underlying profit before tax up 25% to £5.0 million (2016: £4.0 million), before deducting £1.4 million of bank set-up costs
- Statutory profit before tax of £3.6 million (2016: £3.6 million)
- 90% increase in recommended final dividend to 0.19p (2016: 0.10p)
- Successful raising of £10.5 million of new equity in April 2017
- Earnings per share 1.5p (2016: 1.7p)
- After-tax return on equity reduced to 8.7% (2016: 12.9%) following new equity issuance and investment in banking infrastructure
- CET1 capital ratio of 26.3%
- Overall Liquidity Adequacy Ratio of 126%
- £31.3 million (2016: £28.2 million) of unearned finance charges to contribute to earnings in future years

Tim Franklin, Chairman, commented: “This has been a year of significant achievement, marked by our successful arrival as a new entrant bank. These strong results are underpinned by excellent organic portfolio growth and a record low impairment rate. The quality of our portfolio and the operational platform we have built provides the ideal foundation to deliver on a strategy of accelerated growth through expansion within our existing lending markets and asset diversification through acquisition.”

“We look to the year ahead with confidence in PCF’s ability to deliver profitable and sustainable growth.”

- end -

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About PCF Group plc (www.pcf.bank)

Established in 1994, PCF Group plc is the AIM-quoted parent of the new specialist bank, PCF Bank Limited. With the advent of a banking operation, the Group now has the capability to increase its lending portfolio significantly, with target portfolio sizes of £350 million in 2020 and £750 million in 2022. The Group will retain its focus on portfolio quality and has the capability to lend increasingly to prime segments of its existing finance markets. The Group will also seek to diversify its lending products and asset classes through acquisition.

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

- Consumer Finance which provides finance for motor vehicles to consumers; and
- Business Finance which provides finance for vehicles, plant and equipment to SMEs.

The Group has a track record of strong financial performance and an efficient and scalable business model, with significant room to grow. Utilising its technologically advanced 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 2017

I am very pleased to present my first Results statement as Chairman of PCF Group plc. The last 12 months have seen continued progress and success on all fronts. In December of last year, we received regulatory authorisation to become a bank. This was a significant achievement as we had to put in place the extensive systems and processes necessary to gain a banking licence. I am delighted to say that we started receiving savings deposits from retail customers as early as July. On behalf of the Board, I would like to extend my congratulations and thanks to our CEO, Scott Maybury and all of our staff for achieving this milestone and for their many other successes as outlined in the rest of my statement.

PCF Bank

Establishing ourselves as a specialist bank achieves a strategic goal we set ourselves two and a half years ago. Our operating model is now diversified across both our lending and funding platforms and this provides us with resilience, flexibility and opportunity. Access to the retail deposit market will provide us with the capability to expand our addressable lending market, generate portfolio scale and further increase profitability. The attainment of bank status will be transformational for the Group.

Profits, shareholder return and capital

Statutory profit before tax for the year ended 30 September 2017 was £3.6 million (2016: £3.6 million). However, this statutory profit is reported after expensing £1.4 million (2016: £0.4 million) of costs relating to our banking application. Underlying profit before tax, adjusted for these costs, increased by 25% to £5.0 million (2016: £4.0 million). This strong set of results is underpinned by a good quality lending portfolio that continues to perform extremely well.

Substantial investment has been made for the future and, in preparation for the launch, the Bank received new equity investment of £10.5 million in April 2017. The expenditure on bank infrastructure and the raising of new equity resulted in earnings per share falling slightly to 1.5p (2016: 1.7p). Net assets increased by 57% to £38.7 million (2016: £24.7 million) and the Group Common Equity Tier 1 ('CET1') Ratio is very strong at 26.3%. This capital base provides the financial strength to deliver on our medium-term growth plans.

The Board recommends the payment of a final dividend of 0.19p per ordinary share, which is an increase of 90% over the previous year (2016: 0.10p). If approved, the dividend will be paid on 6 April 2018 to shareholders on the register at 16 March 2018.

Governance and culture

The Board's responsibility to provide strong and effective governance has been a focus since my appointment in December 2016. Since then, we have enhanced the framework to be compliant with the UK Corporate Governance Code 2016. In my capacity as Chairman I have overseen Board recruitment and committee composition and have every confidence in the governance framework we now have in place.

I would like to take the opportunity to welcome Christine Higgins and David Titmuss to the Board and to thank Tony Nelson and Andrew Brook for their service as non-executive directors. I would also like to extend my thanks to David Anthony who preceded me as Chairman. All three of our former colleagues made valuable contributions to the Board, its culture and the success of the Group.
The combined experience of the Board will be a continued strength as we enhance and maintain a strong corporate culture of core values, attitudes and behaviours.

Outlook

This has been a year of significant achievement, marked by our successful arrival as a new entrant bank. The Group has delivered continued financial success while building the operational, governance and risk frameworks that provide the foundation for future growth.

We are an ambitious business, built on these strong foundations. Our banking licence gives us access to diversified sources of competitively priced funding. We have a loan book that is performing well and our initial launch into more prime lending has been enthusiastically received by brokers and customers.

While the outlook for the wider UK economy remains uncertain as the Government negotiates Britain's exit from the European Union, we at PCF remain confident of further progress in the coming year, as we deliver on our strategy of profitable and sustainable growth.

T A Franklin
Chairman

Chief Executive's Statement
For the year ended 30 September 2017

A year of significant progress

It has been an excellent year of progress for the Group, having achieved the milestone of bank authorisation on 6 December 2016. The Bank successfully mobilised and launched its new brand and range of retail savings products in July 2017. It is a great credit to our team that the delivery of this huge undertaking has not detracted from continued portfolio growth and increased underlying profit generation.

Our Board recognised that achieving bank authorisation would entail significant costs and require additional capital, both of which would, in the short term, reduce earnings per share. However, we were, and remain, confident of the long-term benefits which will accrue as a result of this transformational strategy. These benefits include lower funding costs, the ability to reach and retain a wider range of customers, greater flexibility to diversify our business and reduction of the risks of relying on wholesale funding.

The underlying profit before tax for the year was up 25% to £5.0 million (2016: £4.0 million) and ahead of market expectation. This underlying profit is before the deduction of £1.4 million of expenses (2016: £0.4 million) related to the setting up of the banking operations. The statutory profit before tax reported after this investment in the banking team and infrastructure was £3.6 million (2016: £3.6 million).

The profit after tax for the year was £2.8 million (2016: £2.8 million) on an effective Corporation Tax rate of 23.3% (2016: 22.2%). The higher than standard rate of Corporation Tax is mainly due to the carrying value of our deferred tax asset being revalued to the new lower rate of Corporation Tax, 17%.

Portfolio quality

The lending portfolio grew by 20% during the year to £146 million (2016: £122 million). The portfolio is reported net of unearned finance charges of £31.3 million (2016: £28.2 million). These charges, which will be attributed to income over the next four years, contribute towards greater certainty and quality of earnings in the forthcoming periods.

This confidence of future earnings is underpinned by the quality of the portfolio, which continues to perform ahead of our expectations. The impairment charge was 0.5% (2016: 1.0%) which represents a 50% reduction in the year. This improved impairment performance provides comfort, in the event that the broader economic backdrop deteriorates. For many years, the Group has placed itself firmly in the prime to near prime sectors of our respective markets and, by maintaining prudent underwriting standards, we are confident that we will continue to generate sustainable returns.

The reduced cost of funding through retail deposits increases our ability to access a greater part of that prime lending sector and will provide the driver for accelerated portfolio growth. We are targeting organic growth of the portfolio to £350 million within three years.

Driving future profitability

Our key profitability metric remains after tax Return on Equity ('RoE') but there will also be a focus on net interest margin to ensure our capital is being utilised on lending that delivers increased profitability, not just scale. The costs of operating as a bank are substantial but so are the benefits. This year's results have seen both the balance sheet and income statement fully weighted with both equity and those costs. Additional equity of £10.5 million was raised during the year, £2.5 million of fixed and intangible assets were added to the balance sheet and £1.4 million of operating costs were expensed through the income statement. These factors reduced our earnings per share to 1.5p (2016: 1.7p) and our RoE to 8.7% (2016: 12.9%) but we expect this to recover over the coming years as we grow our business. We are targeting a RoE of 12.5% within three years.

Our cost-to-income ratio for the current year increased to 59% (2016: 54%) as we incurred those costs. However, after adjusting for set-up costs, the underlying ratio continued to fall from 51% to 47%. Over the past four years we have shown continually increasing profitability as our largely fixed cost base has benefited from portfolio growth. The same operational gearing will be seen in regard to the costs of banking and our new savings platform. We expect that strong organic growth will deliver increasing profitability and the target RoE as we further leverage our new model.

The Group generated earnings per share of 1.5p (2016: 1.7p). The underlying earnings per share adjusting for the new equity and the cost of investing in the bank was 2.3p (2016: 1.9p), a 21% advance on the previous year. The net asset value per share is 18.2p (2016: 15.1p).

We intend to operate a progressive dividend policy moving forward and have recommended a final dividend this year of 0.19p (2016: 0.10p). The dividend pay-out ratio will balance the disciplines of paying a dividend with the capital-intensive nature of banking.

New savings operations

In the short period between launch and balance sheet date, the Bank received £53.0 million of retail deposits. The success of our deposit activities has been matched with positive feedback from our new customers on the technology platform and speed of service. This success was recognised this month by the independent savings advice specialist Savings Champion who awarded us, 2018 Best New Provider. Total retail deposits have continued to build since the financial year end to support new business growth.

Our proposition to our customers is 'Simple Banking. At your service'. We are very pleased with our achievements to date and have welcomed over 1,100 new customers to the Bank. To date, our savings portfolio includes a range of maturities from 100 day to 7 years and an average balance outstanding of approximately £50,000. 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.

The ability to raise significant amounts of retail deposits will support our growth strategy and allow us to scale the portfolio far beyond what could be achieved for a company of our size in the wholesale debt markets. A depositor base also provides the greater flexibility and the reduced costs of funds needed to launch new products and diversify asset classes.

Our initial use for the retail deposits has been focussed on repaying and replacing, wherever possible, our more expensive wholesale bank debt. The remainder was used for new business origination. Our funding strategy going forward is to match business origination with fixed rate, fixed term deposits to lock in profit margin and reduce market volatility. On the evidence to date, we are encouraged and by maintaining competitive interest rates to attract new depositors, believe in the sustainability of this strategy and our ability to fund both organic growth and acquisitions.

Strong balance sheet and capital base

The decision to introduce new capital before the launch of the Bank provides the necessarily robust capital position to deliver uninterrupted growth which is resilient to the stresses of economic uncertainty, investor sentiment, market volatility and regulatory change. The introduction of IFRS 9 and the increase in the counter-cyclical buffer will also need to be accommodated in 2019. The Group has a CET1 capital ratio of 26.3% and an Overall Liquidity Adequacy Ratio ('OLAR') of 126% which exceed regulatory requirements. OLAR is calculated on a 90-day basis which adequately covers our liquidity needs. These factors constitute a sensible starting position for a new bank as it embarks on a growth strategy. In the medium-term, the Group will achieve a more efficient capital model as we grow, bed-in our new risk framework and optimise our treasury strategy.

New business lending up 24%

New business originations increased by 24% to £84.6million in the year (2016: £68.4 million). The Group remains committed to supporting consumers and SMEs in the purchase of motor vehicles, plant and machinery. We have chosen these markets as they produce attractive returns and the lending is supported by assets with strong collateral characteristics.

The strong growth in originations has been driven by our Business Finance Division where we are best able to match our yield aspirations with our credit quality criteria and where we were also able to launch our new competitive prime terms before the year end. More than half of our total originations in the year were for business-critical assets for small companies, sole traders and partnerships. SME lending increased by 45% in the year (2016: 22%). As at 30 September 2017, the business finance portfolio was £73 million (2016: £52 million) and the consumer motor portfolio was £72 million (2016: £70 million).

Origination growth in our Consumer Finance Division was less successful with advances falling by 3% (2016: increase of 8%). Consumer motor finance is a competitive market place and with our previous more expensive funding model, we were not prepared to sacrifice margin to compete. In addition, the prevalence of the Personal Contract Purchase product (‘PCP’), which we do not offer, and a fall in UK new vehicle sales, mean that these results were not unexpected. This market also faces possible structural changes and we will be proactive in decisions regarding the future of diesel engines and the evolution of electric and autonomous vehicles. We have plans to restore growth to this division and expect successes in 2018 as we use our cheaper cost of funds to compete on a level playing field in the prime market. However, entering this more prime market has required change to our IT platform, with additional automated functionality, and we expect this enhanced platform to go live in the first calendar quarter of 2018.

In the short period since the launch of the Bank we have been able to deploy our new cheaper cost of funds in our Business Finance Division, for our returning customers in motor finance and to establish a direct sales presence in the commercial vehicle market. We have also started offering more attractive terms on-line, supported by increased digital marketing. These new terms of business have been enthusiastically received by our broker network and our returning customers, with record levels of new business origination in both September and October.

Regulatory environment and risks

We are grateful for the support we have received from our regulators. They provided invaluable guidance through the mobilisation process and in bedding-in the increased regulatory demands of being a bank. We expect that the recently announced Financial Conduct Authority investigation into the motor finance market will focus on affordability, transparency, commission arrangements and the PCP product. We do not expect the outcome to disrupt our current practices to any great extent. Work is also underway for adoption of the new General Data Protection Regulation (‘GDPR’) ahead of the compliance deadline in May 2018.

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 rise, therefore, has no effect on our existing portfolio and, as we enter a higher interest rate environment, our terms for new lending will need to reflect any increase in borrowing cost.

Our risk management focus will be to embed our risk management framework, refine credit policy as we move increasingly into the prime market, monitor the appropriateness of our risk tolerances and be alert to the ever-present threat of cybercrime.

PCF team and culture

During the year, there have been a number of key recruits. We welcomed a new Chairman, two new non-executive directors and three new members to the executive team. The recruitments of Head of Risk and Compliance, Head of Treasury and Head of Savings have all been completed, strengthening our management team and broadening its experience. We now have the required governance structure and breadth of skills required of a bank. Our staff numbers have increased to 59 over the course of the year (2016: 54).

We operate to high ethical and professional standards and conduct our business dealings in a manner of which we can be proud. Our products and services are fair and simple to both depositors and borrowers alike and, through these core values, we expect to deliver beneficial outcomes for all our customers.

The mobilisation of the Bank was a complex and time consuming process. It is a great compliment to the whole team that the project was delivered in good time and business-as-usual continued to flourish. I would like to extend my sincere gratitude to all my colleagues for their dedication and hard work. Their professionalism and commitment to excellent customer service is outstanding.

Strategic initiatives

Our strategic objectives for 2018 give priority to unlocking the value in our new banking model and delivering accelerated growth, operational efficiencies and increased profitability. We have designed a framework that will safeguard the interests of all stakeholders and will manage risk accordingly in order to maintain our reputation for sensible and sustainable growth.

Our initial focus has been on broadening our existing addressable markets and expanding our lending into the prime segments of those markets through our access to a cheaper cost of funds. This is a logical and lower risk first move because:

1. We have considerable knowledge of each market place and already operate successfully within them.
2. Both markets are substantial, providing considerable potential for growth. We currently have no greater than a 0.5% share of either market.
3. Execution of the strategy is immediate, putting our capital to work by utilising our existing routes to market and excellent relationships with introductory sources.
4. An increasingly prime portfolio will further enhance the quality of our portfolio and provide the resilience required should the economic environment become less favourable.

Our plans are well underway and, subject to the above-mentioned additional systems development for the Consumer Finance Division, we will be operating fully in the first calendar quarter of 2018. This strategy is expected to deliver significant portfolio growth which will be complemented by our direct marketing presence in the commercial vehicle market, a drive to increase our levels of repeat and returning customers and an increased digital marketing presence.

The use of technology has been integral to the success of the Group and will remain key to our future strategies. Over many years, we have developed an advanced IT platform based on efficiency, scalability and customer experience. 2017 has been no different with the introduction of a core banking system, an on-line application and savings portal and a data warehouse. These sit alongside *eQuote,* our internet-based proposal system for business origination, our in-house developed *e-signature* product and ICS, our loan administration system, as examples of quality advancements in technology. We recognise the importance of technology to the sector and the role it plays as an enabler to success. We will continue to invest in existing systems and will look to introduce new complementary platforms to take advantage of the constantly evolving fintech technologies.

Additionally, the banking operations will be extended to offer a range of deposit products to corporate customers, broadening our market appeal. We have recently 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 Facilities.

Finally, we will develop our strategy for asset diversification. We now have the flexibility to enter new markets and the balance sheet strength to make these meaningful additions. We will always be alert to opportunities within our existing organic markets but the objective will be to diversify our asset classes by type, term, distribution model and market. We will, at the appropriate time, execute this strategy through the acquisition of businesses or teams of people with the appropriate skills. Our ability to expand initially through organic growth allows us the time to research products and review the competitive landscape to ensure that our choices for diversification have the potential to be scaled up to core business lines within PCF, and ensure an earnings-enhancing outcome for shareholders.

The execution of these strategies will support growth beyond our initial organic portfolio target of £350 million and onto our longer-term objectives of a lending portfolio of £750 million and an RoE of 17.5% within five years.

Current trading and outlook

We are currently experiencing a relatively benign environment for loan defaults and, while our own expectation is that there will be little change in the near term, we are not complacent about the possibility of a future economic downturn and the impact this could have on our business. We have built PCF on sound financial and operational foundations and remain confident that our prudent practices, both past and present, stand us in good stead.

Our first steps as a bank have been very encouraging. We have successfully launched our savings proposition and the more competitive prime lending terms have been well received. In the short period from commencing operations as a bank to the end of the financial year, these successes have provided the momentum to deliver profits for 2017 ahead of market expectation and provide a strong start to our new financial year.

The potential for PCF Bank is substantial and our journey has only just begun. We have clear strategic objectives, have confidence in their execution and the growth prospects of the Group are exciting into the long-term.

S D Maybury
Chief Executive

GROUP STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

(£'000s)	*12 months ended 30 September 2017 Unaudited*	*12 months ended 30 September 2016 unaudited*	*18-month period 30 September 2016 audited*
Interest income and similar income	19,970	18,254	27,165
Interest expense and similar charges	(8,906)	(8,014)	(12,288)
Net interest income	11,064	10,240	14,877
Fees and commission income	512	432	677
Fees and commission expense	(702)	(580)	(847)
Net fee and commission expense	(190)	(148)	(170)
Fair Value (loss)/profit on financial instruments	(4)	16	2
Impairment losses on financial assets	(679)	(990)	(1,586)
Net operating income	10,191	9,118	13,123
Administration expenses	(6,558)	(5,516)	(7,996)
Profit before taxation	3,633	3,602	5,127
Income tax charge	(847)	(801)	(1,106)
Profit after taxation, being total comprehensive income, attributable to owners	2,786	2,801	4,021
Earnings per 5p ordinary share – basic	1.5p	1.8p	3.2p
Earnings per 5p ordinary share – diluted	1.5p	1.7p	2.6p

Underlying adjustments

Profit before taxation	3,633	3,602	5,127
Banking Costs	1,367	439	506
Underlying profit before taxation	5,000	4,041	5,633
Income tax charge	(1,166)	(899)	(1,212)
Underlying profit after taxation, being total comprehensive income, attributable to owners	3,834	3,142	4,421

GROUP BALANCE SHEET

(£'000s)

	30 September 2017 unaudited	30 September 2016 audited
Assets		
Cash and balances at central banks	17,018	5,904
Loan and advances to customers	145,718	121,960
Available for sale financial investments	4,511	-
Property Plant and Equipment	271	147
Intangible assets	2,704	764
Deferred tax assets	1,205	1,424
Trade and other assets	1,041	503
Total Assets	**172,468**	**130,702**
Liabilities		
Due to banks	77,067	103,305
Due to customers	53,120	-
Derivative financial liabilities	-	491
Trade and other liabilities	3,620	2,199
Total Liabilities	**133,807**	**105,995**
Equity		
Share Capital	10,611	7,956
Share premium account	8,524	174
Other reserves	-	(373)
Own shares	(355)	(305)
Retained earnings	19,881	17,255
Total Equity	**38,661**	**24,707**
Total equity and liabilities	**172,468**	**130,702**

GROUP STATEMENT OF CHANGES IN EQUITY

(£'000s)	Twelve months ended 30 September 2017	18-month period 30 September 2016 audited
Profit after tax for the year / period	**2,786**	**4,021**
New share capital subscribed	10,955	9,011
Share-based payments	52	63
Cash dividend	(212)	-
Transfer to distributable reserves from derivative instruments	-	-
Fair value gain/(loss) on cash flow hedges	373	(246)
Net addition to shareholders' funds	**13,954**	**12,849**
Opening shareholders' funds	24,707	11,858
Closing shareholders' funds	**38,661**	**24,707**

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 18 months ended 30 September 2016 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 18 months ended 30 September 2016.

3. These accounts are reported for the first time in banking format with the main differences in the presentation being:
   - gross profit is reported as 'interest income and similar income' with a small element reported in the 'fees and commission income'
   - banking facilities fees and broker commission fees moved from administration expenses to 'fees and commission expenses'
   - impairment losses separately disclosed from administration expenses

4. 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.

5. 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 2017 Unaudited*	*12 months ended 31 September 2016 Unaudited*	*18-month period 30 September 2016 audited*
Consumer finance	1,617	1,795	2,722
Business finance	2,016	1,807	2,405
Profit on ordinary activities before taxation	3,633	3,602	5,127
Consumer finance	(384)	(609)	(964)
Business finance	(295)	(381)	(622)
Loan loss provisioning charge	(679)	(990)	(1,586)

6. Administration expenses includes £1,367k of costs relating to the set-up and running of a new bank (18-months period ended 30 September 2016: £506k). The costs of software and infrastructure have been included in property, plant and equipment and other intangible assets.

7. The income tax assessed for the period is higher than the standard rate of Corporation Tax in the UK of 19.5% (18-months period ended 30 September 2016 – 20%). The differences are explained 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 2017, 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 2017**
Profit on ordinary activities before tax	**3,633**
Profit on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 19.5% (2016 – 20%)	(709)
Effects of:	
Expenses not deductible for taxation purposes	(6)
Adjustments in respect of prior years	(80)
Change in tax rate	(127)
Deferred tax not previously recognised	59
Utilisation of previously unrecognised losses	16
Total tax charge for the year	**(847)**

8. The calculation of basic earnings per ordinary share for the 12 months ending 30 September 2017 is based on a profit after taxation 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. 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 2016 is based on a profit of £2,801k for the period on 156,654,703 ordinary shares, being the weighted average number of ordinary shares in issue during the period. The calculation of diluted earnings per ordinary share is based on profit of £2,966k for the period, before deducting interest on the convertible loan notes of £165k, on 170,425,481 ordinary shares, being the dilutive weighted average number of ordinary shares in issue during the period.

   The calculation of basic earnings per ordinary share for the 18 months ending 30 September 2016 is based on a profit of £4,021k for the period on 124,288,560 ordinary shares, being the weighted average number of ordinary shares in issue during the period. The calculation of diluted earnings per ordinary share is based on profit of £4,467k for the period, before deducting interest on the convertible loan notes of £446k, on 170,378,200 ordinary shares, being the dilutive weighted average number of ordinary shares in issue during the period.

9. In other reserves, the Group adopted hedge accounting for derivative financial instruments. The hedging reserve includes the effective portion of the change in fair value of cash flow hedging instruments. These derivative financial instruments matured on 31 March 2017 and during the six months period the cash flow hedge reserve balance transferred to distributable reserves.

10. The 2017 Annual Report and Financial Statements will be posted to all shareholders on 6 February 2018 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.