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Common sense lending

Jerrold Mortgage Corporation Limited
Annual Report and Financial Statements

For the year ended 30 June 2017

Company Registration No. 0521009

Jerrold Mortgage Corporation Limited
Annual report and financial statements for the year ended 30 June 2017

Contents

Officers and professional advisers

Directors

HN Moser	Chief Executive Officer
GD Beckett	
MR Goldberg	

Secretary

GD Beckett

Registered office

Lake View
Lakeside
Cheadle
Cheshire
SK8 3GW

Auditor

Deloitte LLP
Statutory Auditor
2 Hardman Street
Manchester
M3 3HF

Principal banker

The Royal Bank of Scotland PLC
135 Bishopsgate
London
EC2M 3UR

Strategic report

The directors present their annual report and the audited financial statements for the year ended 30 June 2017.

Business review

Business model and strategy

The principal activity of Jerrold Mortgage Corporation Limited ('the Company') is that of financiers. The Company is a wholly-owned subsidiary of Together Financial Services Limited (formerly Jerrold Holdings Limited) which, with its subsidiaries, operates as the Together Group of businesses. All operations are located at its head office.

The Company has transferred its residual loan book to a fellow subsidiary and ceased to trade in the current year and the directors intend to dissolve the Company in the forthcoming year.

Group restructuring

During the year the majority shareholders of Together Financial Services Limited indirectly acquired the equity interest of the minority shareholders. The related transactions resulted in a series of holding companies being incorporated above the Together Group, the ultimate parent being Redhill Famco Limited. The largest group of which the Company is a member, and for which group financial statements will be drawn up, is that headed by Redhill Famco Limited ('the Redhill Group').

Results and dividends

As shown in the Company's statement of comprehensive income on page 8, the Company made a loss after tax of £84,600 (2016: loss of £232,400).

The directors of the company do not recommend the payment of a dividend (2016: £nil).

Position

As shown in the statement of financial position on page 9, loans and advances to customers at 30 June 2017 were £nil (2016: £396,900) due to the transfer during the year of the residual loan book (at carrying value) to Together Commercial Finance Limited (formerly Lancashire Mortgage Corporation Limited), a fellow subsidiary of Together Financial Services Limited.

During the year the Company received a capital contribution of £801,000 from its parent company, Together Financial Services Limited, which was forgiveness of an inter-company loan.

Liquidity

The Company is financed by its parent company, Together Financial Services Limited. The Company is indirectly financed by the other group companies which constitute the Redhill Group.

Principal risks and uncertainties

Credit risk

Credit risk is the risk arising as result of default by customers or counterparties due to failure to honour obligations when they fall due.

The Company has limited credit risk as its assets are mainly amounts due from group undertakings. The Company's maximum exposure to credit risk is shown in Note 14 to the financial statements.

Liquidity and funding risk

Liquidity risk is the risk that the Company is unable to meet its current and future financial obligations as they fall due, or can do so only at excessive cost.

The Company and the Redhill Group actively monitor and consider compliance with their funding covenants, including formal monthly reporting and by performing stress-test analysis as part of the budgeting and forecasting process.

Strategic report (continued)

Principal risks and uncertainties (continued)

Market risk

Market risk is the risk of loss as a result of the value of financial assets or liabilities being adversely affected by movements in market rates or prices. The Company has no material market risk.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Company aims to have in place a robust framework to manage operational risks, including systems, controls, policies and procedures.

The Company has taken steps to ensure that the IT infrastructure is robust so as to meet operational performance needs and is sufficiently resilient. There is a documented and tested business continuity plan in place to enable the Company to recover operations in the event of an incident. As for many institutions, the Company's principal external risk it faces is the increased cyber risk prevalent across the industry. The Company as part of the Together Group has invested heavily in this area over many years and its systems have proven robust against all the recently publicised attacks.

Approved on behalf of the Directors
and signed on behalf of the Board

GD Beckett
Chief Financial Officer
8 December 2017

Directors' report

Directors

The directors of the Company are set out on page 1.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Environment

As the Company operates in the financial services sector, its actions do not have a significant environmental impact. However, the Company does recognise the importance of the environment, and acts to minimise its impact on the environment wherever it can, including recycling and reducing energy consumption.

Statement of going concern

As set out in the statement of directors' responsibilities, the directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

As explained under business model and strategy, the Company has transferred its residual loan book to a fellow subsidiary and ceased to trade in the current year and the directors intend to dissolve the Company in the forthcoming year. As required by UK accounting standards, the directors have therefore prepared the financial statements on the basis that the Company is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis and all assets and liabilities were transferred to the fellow subsidiary at their carrying values.

Principal risks and uncertainties

A description of the principal risks and uncertainties facing the Company is contained in the strategic report.

Audit information

In the case of each of the persons who are directors of the Company at the date when this report is approved:

- as far as each of the directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any audit information and to establish that the Company's auditor is aware of that information.

This statement is given and should be interpreted in accordance with the provisions of s418(2) of the Companies Act 2006.

Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

GD Beckett
Chief Financial Officer
8 December 2017

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report

Independent auditor's report to the members of Jerrold Mortgage Corporation Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 *Reduced Disclosure Framework* applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Jerrold Mortgage Corporation Limited (the 'Company') which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related Notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Financial statements prepared other than on a going concern basis

We draw attention to Note 2 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report (continued)

Responsibilities of directors (continued)

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

David Heaton

David Heaton (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester
8 December 2017

Statement of comprehensive income

Year ended 30 June 2017

Unless otherwise indicated, all amounts are stated in £000

Income statement	Note	2017	2016
Interest receivable and similar income	3	13.5	50.8
Interest payable and similar charges	4	(90.5)	(86.9)
Net interest expense		**(77.0)**	**(36.1)**
Fee and commission income	5	(0.2)	2.0
Operating expense		**(77.2)**	**(34.1)**
Administrative expenses	6	(4.2)	(9.8)
Operating Loss		**(81.4)**	**(43.9)**
Impairment charge	8	(3.0)	(185.9)
Loss before taxation		**(84.4)**	**(229.8)**
Income tax	7	(0.2)	(2.6)
Loss after taxation		**(84.6)**	**(232.4)**

The results for the current and preceding years relate entirely to discontinued operations. There is no other comprehensive income in either year.

Statement of financial position

As at 30 June 2017

Unless otherwise indicated, all amounts are stated in £000

	Note	2017	2016
Assets			
Cash and cash equivalents		6.4	126.0
Loans and advances to customers	8	-	396.9
Other assets	9	397.9	0.3
Deferred tax asset	10	10.8	11.1
Total assets		**415.1**	**534.3**
Liabilities			
Other liabilities	11	426.5	1,262.1
Current tax liabilities		-	-
Total liabilities		**426.5**	**1,262.1**
Equity			
Share capital	12	55.0	55.0
Retained losses		(66.4)	(782.8)
Total equity		**(11.4)**	**(727.8)**
Total equity and liabilities		**415.1**	**534.3**

These financial statements were approved by the Board of Directors on 8 December 2017.

Company Registration No. 0521009

Signed on behalf of the Board of Directors

HN Moser
Director

GD Beckett
Director

Statement of changes in equity
Year ended 30 June 2017
Unless otherwise indicated, all amounts are stated in £000

2017	Share capital	Retained losses	Total
At beginning of the year	55.0	(782.8)	(727.8)
Capital contribution	-	801.0	801.0
Loss for the year	-	(84.6)	(84.6)
At end of the year	**55.0**	**(66.4)**	**(11.4)**

2016	Share capital	Retained losses	Total
At beginning of the year	55.0	(550.4)	(495.4)
Loss for the year	-	(232.4)	(232.4)
At end of the year	**55.0**	**(782.8)**	**(727.8)**

Notes to the financial statements

1. Reporting entity and general information

Jerrold Mortgage Corporation Limited is incorporated and domiciled in the UK and limited by shares. The registered address of the Company is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW. The Company is primarily involved in financial services, but trading has ceased in the current year and the directors intend to dissolve the Company in the forthcoming year.

2. Significant accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current year and the preceding year.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, *Reduced Disclosure Framework* (FRS 101). This applies the recognition and measurement requirements of International Financial Reporting Standards (IFRS) but provides certain exemptions from the disclosure requirements of IFRS.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the individual accounting policies.

The Company has taken advantage of the disclosure exemptions under FRS 101 in relation to presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective and related party transactions. Consolidated financial statements are prepared by the Company's parent, Together Financial Services Limited.

Going concern

The directors have assessed, in the light of current and anticipated economic conditions, the Company and the Redhill Group's ability to continue as a going concern. The directors confirm they are satisfied that the Redhill Group has adequate resources to continue in business for the foreseeable future, but in the light of the Company's cessation of trading and the directors' intention to dissolve the company in the forthcoming year, the directors have prepared the accounts on the basis that the Company is no longer a going concern.

Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all instruments measured at amortised cost using the effective interest method. The effective interest method calculates the amortised cost of a financial asset or a financial liability and allocates the interest income or interest expense over the expected life of the instrument. The effective interest rate is the rate that, at inception of the instrument, discounts its estimated future cash payments or receipts to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Company takes into account all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees, transaction costs and other premiums or discounts that relate to the origination of the instrument.

Interest on impaired financial assets is recognised at the original effective interest rate applied to the carrying amount as reduced by an allowance for impairment.

Fee and commission income

Fees and commission income primarily consist of insurance commission and charge fees which are not considered integral to the effective interest rate and generally recognised when the service has been provided.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

Taxation

Tax on the loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable loss for the year. Taxable loss differs from net loss as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of the assets and liabilities in the financial statements and the corresponding amounts used for taxation purposes, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Company intends to settle its current tax assets and liabilities on a net basis.

Cash and cash equivalents

Cash comprises cash in hand, demand deposits and bank overdrafts. Cash equivalents comprise highly liquid investments which are convertible into cash with an insignificant risk of changes in value with a maturity of three months or less at the date of acquisition, including short-term highly liquid debt securities.

Financial assets & liabilities

Financial assets

The majority of the Company's financial assets now largely consist of amounts owed by group undertakings that are measured at fair value. All financial assets are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less impairment losses.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset have expired or where substantially all the risks and rewards of ownership have been transferred.

Financial liabilities

All the Company's financial liabilities are designated as financial liabilities at amortised cost and largely consist of amounts owed to Group undertakings. A financial liability is measured initially at fair value less the transaction costs that are directly attributable to its issue. Interest and fees payable are recognised in the statement of comprehensive income over the term of the instruments using the effective interest rate method.

Financial liabilities are derecognised when their contractual obligations are discharged, cancelled or have expired.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £000

2. Significant accounting policies (continued)

Impairment of financial assets

The Company regularly assesses whether there is evidence that financial assets are impaired. Financial assets are impaired and impairment losses incurred if, and only if, there is objective evidence of impairment as a result of one of more loss events that occurred after the initial recognition of the assets and prior to the reporting date and that have had an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For loans and receivables, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the original effective interest rate. All impairment losses are reviewed at least at each reporting date. If subsequently the amount of the loss decreases as a result of a new event, the relevant element of the outstanding impairment loss is reversed. Impairment losses and any subsequent reversals are recognised in the income statement.

Impairment losses are assessed individually for financial assets that are individually significant and individually or collectively for assets that are not individually significant. In making collective assessment of impairment, financial assets are grouped into portfolios on the basis of similar risk characteristics.

3. Interest receivable and similar income

	2017	2016
Interest on loans and advances to customers	13.5	50.8

Included within interest on loans and advances to customers is £5,700 (2016: £46,000) relating to impaired loans.

4. Interest payable and similar charges

	2017	2016
On amounts owed to group undertakings	90.5	86.9

5. Fee and commission income

	2017	2016
Insurance commissions and charges	(0.2)	2.0

6. Administrative expenses

	2017	2016
Administrative costs	4.2	9.8

Company overheads, including directors' emoluments, wages and salaries, office administration costs, and auditor remuneration are borne by a fellow subsidiary company of Together Financial Services Limited, Blemain Finance Limited and are recharged to companies within the Together Group on a proportionate basis.

The audit fee borne by Blemain Finance Limited in respect of the Company in 2017 is £500.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £000

7. Income tax

	2017	2016
Current tax		
Corporation tax	-	-
	-	-
Deferred tax		
Origination and reversal of temporary differences	1.5	2.0
Adjustment in respect of prior years	(2.9)	-
Effect of tax rates	1.6	0.6
Total deferred tax	**0.2**	**2.6**
Total tax on loss	**0.2**	**2.6**

Corporation tax is calculated at 19.75% (2016: 20.00%) of the estimated loss for the year. Amounts in respect of prior years relate to the finalisation of the adjustments on transition to IFRS.

The differences between the Company tax charge for the period and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax are as follows:

	2017	2016
Loss before tax	(84.4)	(229.8)
Tax on loss at standard UK corporation tax rate of 19.75%/20.00%	(16.7)	(46.0)
Effects of:		
Group relief	18.2	48.0
Adjustment in respect of prior years	(2.9)	-
Effect of tax rates	1.6	0.6
Tax charge for year	**0.2**	**2.6**

8. Loans and advances to customers

	2017	2016
Gross loans and advances	-	967.8
Less: allowances for impairment on loans and advances	-	(570.9)
	-	**396.9**
Gross loans and advances are repayable:		
Due within one year	-	924.9
Due within 2-5 years	-	6.2
Due after 5 years	-	36.7
	-	**967.8**
Allowance for impairment losses		
At beginning of year	(570.9)	(437.7)
Charges to the income statement	(3.0)	(133.2)
Transfer to fellow subsidiary and write-offs	573.9	-
At end of year	**-**	**(570.9)**
Impairment losses for year		
Charges to the income statement	3.0	230.3
Recoveries of amounts previously written off	-	(44.4)
At end of year	**3.0**	**185.9**

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £000

9. Other assets

	2017	2016
Amounts owed by group undertakings	397.8	-
Prepayments and accrued income	0.1	0.3
	397.9	**0.3**

10. Deferred tax asset

	2017	2016
At beginning of the year	11.1	13.7
Credit to income statement	(1.5)	(2.6)
Adjustment in respect of prior years	2.8	-
Effect of changes in tax rates	(1.6)	-
	10.8	**11.1**

The deferred tax asset consisted of the following:

Short-term timing differences	**10.8**	**11.1**

11. Other liabilities

	2017	2016
Amounts owed to group undertakings	401.2	1,230.2
Accruals and deferred income	3.4	4.5
Other creditors	21.9	27.4
	426.5	**1,262.1**

12. Share capital

All amounts are stated in pounds.

Authorised, called-up, allotted and fully paid	2017	2016
55,000 ordinary shares of £1 each	**55,000**	**55,000**

Unless otherwise indicated, all amounts are stated in £000

13. Financial instruments and fair values

All the Company's financial assets and liabilities are held at amortised cost. The carrying value is a reasonable approximation of fair value for all financial instruments other than for loans and advances to customers. For loans and advances to customers, fair value is calculated based upon the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The fair value of financial assets is adjusted for incurred loss provisions.

The following table summarises the carrying and fair values of financial assets and liabilities as at the year end, analysing the fair values into different levels according to the degree to which they are based on observable inputs:

Level 1: Quoted prices in active markets for identical assets or liabilities;
Level 2: Measurements derived from observable data, such as market prices or rates;
Level 3: Measurements rely on significant inputs not based on observable market data

	Level 1	Level 2	Level 3	Fair value	Carrying value
2017					
Financial assets					
Loans and advances to customers	-	-	-	-	-
2016					
Financial assets					
Loans and advances to customers	-	-	374.0	**374.0**	**396.9**

The fair value of loans and advances to customers is based on future interest cash flows (at funding rates) and principal cash flows discounted using the rate for new originations of mortgages with similar characteristics. This rate is assumed to encompass the time value of money, plus a risk premium to account for the inherent uncertainty in the timing and amount of future cash flows arising from mortgage assets.

Forecast principal repayments are based on redemption at maturity with overlay for historical behavioural experience to take account of expected prepayment. The eventual timing of future cash flows may be different from the forecast due to unpredictable customer behaviour.

14. Credit risk

Credit risk is the risk arising as a result of default by customers or counterparties due to failure to honour obligations when they fall due.

Maximum exposure to credit risk

The Company's maximum exposure to credit risk after allowance for impairment is as follows:

	2017	2016
Gross loans and advances	-	967.8
Allowance for impairment	-	(570.9)
Loans and advances to customers	**-**	**396.9**
Other assets:		
Amounts owed by group undertakings	397.8	-
Cash and balances at bank	6.4	126.0
	404.2	**522.9**

Cash and balances at bank are primarily surplus cash placed overnight with institutions with sufficiently high credit ratings. The Company's most material credit risk historically related to its loans and advances to customers. Amounts owed by group undertakings are considered to be recoverable. The above table represents the maximum credit risk exposure of the Company at the year-end without taking account of any underlying security.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £000

14. Credit risk (continued)

Impaired and past-due loans

The Company manages credit risk based on gross customer balances.

The Company's gross customer balances are analysed in the following categories:

Neither past due nor impaired

Loans which are not in arrears and which do not meet the definition for specific impairment, in accordance with our accounting policies.

Past due but not impaired

Loans which meet the definition for specific impairment because the loan is in arrears or there is other objective evidence of impairment in accordance with our accounting policies. However, no impairment provision is recognised against the loan when the expected cash flows, discounted at the original effective interest rate, exceed the carrying amount of the loan.

Impaired assets

Loans which meet the definition for specific impairment because the loan is in arrears or there is other objective evidence of impairment in accordance with our accounting policies and where the carrying amount of the loan exceeds the expected cash flows, discounted at the original effective interest rate.

	2017	2016
Performing		
Not past due	-	-
Past due less than 2 months	-	-
	-	-
Non performing but not impaired		
Past due 2 - 3 months	-	-
Past due over 3 months	-	45.6
	-	**45.6**
Impaired	-	922.2
Gross customer balances	-	**967.8**

Collateral held

A key measure the business uses in assessing credit risk is the ratio of the loan amount to the value of the underlying security (LTV). Prior valuations are indexed using established regional house price indices to estimate the current security value. The table below shows gross customer balances by indexed LTV banding:

	2017	2016
60% or less	-	45.2
60-85%	-	877.0
More than 100%	-	45.6
Gross customer balances	-	**967.8**

Unless otherwise indicated, all amounts are stated in £000

14. Credit risk (continued)

Concentration of credit risk

The Company's lending portfolio is geographically diversified across the UK as shown below:

	2017 %	2016 %
East Midlands	-	4.6
North West	-	72.6
Yorks & Humber	-	22.8
Gross customer balances	**-**	**100.0**

The Company's lending portfolio falls into the following concentrations by loan size:

	2017 %	**2016 %**
Up to £50,000	-	56.3
£50,000 - 100,000	-	16.2
£100,000 - 250,000	-	27.5
Gross customer balances	**-**	**100.0**

15. Contingent liabilities

As at 30 June 2017, the Company's assets, along with those of the Together Group's assets were subject to a fixed and floating charge in respect of £575m senior secured notes (2016: £300m) and £nil in respect of bank borrowings (30 June 2016: £29m).

16. Ultimate parent company

The Company is a subsidiary undertaking of Together Financial Services Limited, a company incorporated in Great Britain and registered in England and Wales.

The smallest group of which the Company is a member, and for which group financial statements are drawn up, is that headed by Together Financial Services Limited. The largest group of which the Company is a member, and for which group financial statements will be drawn up, is that headed by Redhill Famco Limited. The principal place of business and registered office for Together Financial Services and Redhill Famco Limited, where copies of the financial statements can be obtained, is Lake View, Lakeside, Cheadle, Cheshire, United Kingdom, SK8 3GW. Together Financial Services Limited and Redhill Famco Limited are both privately owned and limited by shares.