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Common sense lending

Phone-A-Loan Limited

Annual Report and Financial Statements

For the year ended 30 June 2017

Company Registration No. 01733267

Phone-A-Loan Limited
Annual report and financial statements for the year ended 30 June 2017

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Officers and professional advisers

Directors

GD Beckett
MR Goldberg
HN Moser

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

Phone-A-Loan ('the Company') has ceased trading and it is the intention of the directors to dissolve the Company in the forthcoming year. 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.

Corporate 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 10, loss after tax is £982 (2016: £390,759 profit).

A dividend of £6,500,000 was paid during the year (2016: £nil). The directors of the Company do not recommend the payment of a further dividend.

Financial position

Shareholder's funds have decreased by 93.5% to £448,483 (2016: £6,949,465) primarily due to the dividend payment to the parent company made as part of an exercise to optimise the distribution of equity within the Together Group.

Liquidity

The Company is financed by its parent company, Together Financial Services Limited.

On 13 October 2016, the Together Group refinanced the £300m 9¾% senior secured notes due in 2018 with an increased issuance of £375m 6¼% senior secured notes due in 2021, and on 22 February 2017 issued a further £200m at 6⅛% due in 2024.

On 5 June 2017 the Together Group's revolving credit facility was extended to 2021 and increased from £29.0m to £57.5m.

The Company monitors its liquidity position against its business plan on a regular basis taking into consideration the level of redemption activity, recurring income levels, planned expenditure and new business advance levels. Any material deviations are identified and appropriate action taken to ensure that sufficient liquidity headroom exists at all times.

The Board of Together Financial Services Limited has confirmed that it will continue to provide funding to the Company for the foreseeable future.

Strategic report (continued)

Business review (continued)

Macroeconomic conditions

The Group is impacted by general business and economic conditions in the United Kingdom.

In November 2017, the Bank of England's Monetary Policy Committee ('MPC') agreed to increase the Bank Base Rate from 0.25% to 0.5%, citing above-target inflation and unemployment rates that are at a 42-year low. The MPC also highlighted that the impact of Brexit so far has led to a fall in sterling and increased prices on imports. While conditions on the whole have continued to improve, growth has remained below long-term averages for the UK and the economic picture is mixed.

As the UK government continues with detailed Brexit negotiations it is possible there will be increased market volatility in response to developments. Overall we believe it is still not possible to foresee the implications of Brexit with any certainty until the negotiations are much nearer completion.

Whilst uncertain and adverse economic conditions may present challenges, such conditions may also present opportunities for specialist lenders and reduce competition.

Regulatory and legal considerations

The Company's operations are affected by a number of laws and regulations. The Company also has to comply with the relevant UK and EU regulations including anti-money laundering regulations and the Data Protection Act 1998, the latter being replaced by the EU General Data Protection Regulation from May 2018.

Principal risks and uncertainties

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 has no material liquidity risk.

Conduct risk

Conduct risk is the risk arising from business activities that fail to deliver appropriate and consistent outcomes to customers and stakeholders.

The Company has no appetite for activities that may cause detriment to customers and requires all colleagues to behave and conduct business activities in accordance with the Company's values. Key conduct risks are captured through the risk control self-assessment (RCSA) process with a specific assessment made of the risk impact to customers and third parties. Individual departments monitor conduct risk in their areas through quantitative and qualitative measures and the Conduct Risk and Culture Committee monitors the effectiveness of this. The Company and the Together Group also considers risks arising in relation to other key stakeholders such as our shareholders, funders (bondholders and banks), brokers, others who introduce business to us and suppliers. This includes both the impact to our operations from their actions, or a failure of a key stakeholder, and also the impact of our actions on our relationship with stakeholders.

Strategic report (continued)

Principal risks and uncertainties (continued)

Compliance (regulatory and legal) risk

Compliance risk is the risk arising from the failure to comply with existing or new legislation or regulations in the markets within which the Company operates.

The Company mitigates compliance risk through robust control frameworks and quality assurance reviews in operational areas supported by experienced risk and compliance departments.

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 ceased trading and it is the intention of the directors 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.

Principal risks and uncertainties

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

Dividend

A dividend of £6,500,000 was paid during the year (2016: £nil). The directors of the Company do not recommend the payment of a further dividend.

Directors' report (continued)

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 Phone-A-Loan 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;* and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Phone-A-Loan 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 14.

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 £

Income statement	Note	2017	2016
Interest receivable and similar income	4	-	498,305
Net interest income		**-**	**498,305**
Fee and commission income	5	-	55,939
Fee and commission expense	6	(1,338)	(55,729)
Operating income		**(1,338)**	**498,515**
Administrative expenses	7	(35)	(10,017)
Profit before taxation		**(1,373)**	**488,498**
Income tax	8	391	(97,739)
(Loss)/profit after taxation		**(982)**	**390,759**

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 £

	Note	2017	2016
Assets			
Cash and cash equivalents		9,054	159,054
Other assets	9	439,429	6,992,261
Deferred tax asset	10	-	351
Total assets		**448,483**	**7,151,666**
Liabilities			
Other liabilities	11	-	104,669
Current tax liabilities		-	97,532
Total liabilities		**-**	**202,201**
Equity			
Share capital	12	100	100
Retained earnings		448,383	6,949,365
Total equity		**448,483**	**6,949,465**
Total equity and liabilities		**448,483**	**7,151,666**

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

Company Registration No. 01733267

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 £

2017	Share capital	Retained earnings	Total
At beginning of the year	100	6,949,365	6,949,465
Loss for the year	-	(982)	(982)
Dividend	-	(6,500,000)	(6,500,000)
At end of the year	**100**	**448,383**	**448,483**

2016	Share capital	Retained earnings	Total
At beginning of the year	100	6,558,606	6,558,706
Profit for the year	-	390,759	390,759
At end of the year	**100**	**6,949,365**	**6,949,465**

Notes to the financial statements

1. Reporting entity and general information

Phone-A-Loan Limited is incorporated and domiciled in the UK and is 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.

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.

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 active trading and the directors' intention to dissolve the company in the forthcoming year, the directors have prepared the financial statements and related notes on the basis that the Company is no longer a going concern. No adjustments arose as a result of ceasing to apply the going concern basis.

Interest income

Interest income is 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 and allocates the interest income over the expected life of the instrument.

Fee and commission income and expense

Fees and commissions which are an integral part of the effective interest rate of a financial instrument are recognised as an adjustment to the contractual interest rate and recorded in interest income.

Fees and commissions which are not considered integral to the effective interest rate are generally recognised on an accruals basis when the service has been provided.

Fees and commissions expenses primarily consist of legal and valuation fees and credit search fees.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

Taxation

Tax on the profit or 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 profit for the year. Taxable profit differs from net profit 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 are amounts owed by Group undertakings that are measured at fair value.

Financial liabilities

The Company's financial liabilities are in relation to amounts owed to Group undertaking and are measured at fair value.

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

Unless otherwise indicated, all amounts are stated in £

3. Critical accounting estimates and judgements

In applying the accounting policies set out above, the Company makes significant estimates and assumptions that affect the reported amounts of assets and liabilities as follows:

Revenue

Interest income

The effective interest rate method applies a rate that discounts estimated future cash payments or receipts relating to a financial instrument to its net carrying amount. The estimated future cash flows take into account all contractual terms of the financial instrument including transaction costs and all other premiums or discounts but not future credit losses. Models are reviewed at least annually to assess expected lives of groups of assets based upon actual repayment profiles.

Fees and commission

Fee and commission income is recognised depending on the nature of service provided:

- income which forms an integral part of the effective interest rate is recognised as an adjustment to the contractual interest rate and recorded in interest income;
- income earned from provision of services is recognised as the services are provided; and
- income earned on the execution of a significant act is recognised when the act is completed.

4. Interest receivable and similar income

	2017	2016
On amounts owed by Group undertakings	-	498,305

5. Fee and commission income

	2017	2016
Fee income on loans and advances to customers	-	55,939

6. Fee and commission expense

	2017	2016
Legal, valuations and other fees	1,338	55,729

7. Administrative expenses

	2017	2016
Administrative costs	35	10,017

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 £

8. Income tax

	2017	2016
Current tax		
Corporation tax	(391)	97,614
	(391)	**97,614**
Deferred tax		
Current year	351	86
Effect of changes in tax rates	-	39
Total deferred tax	**351**	**125**
Total tax on (loss)/profit	**(40)**	**97,739**

Corporation tax is calculated at 19.75% (2016: 20.00%) of the estimated profit 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 year and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax are as follows:

	2017	2016
(Loss)/Profit before tax	(1,373)	488,498
Tax on (loss)/profit at standard UK corporation tax rate of 19.75%/20.00%	(271)	97,700
Effects of:		
Adjustment in respect of prior years	(120)	
Group relief	-	-
Effect of changes in tax rate	-	39
Tax charge/(credit) for year	**(391)**	**97,739**

9. Other assets

	2017	2016
Amounts owed by group undertakings	**439,429**	**6,992,261**

10. Deferred tax asset

	2017	2016
At beginning of the year	351	(476)
(Charges)/credit to income statement	(351)	125
	-	**351**

The deferred tax asset consisted of the following:

Accelerated capital allowances	-	**351**

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £

11. Other liabilities

	2017	2016
Amounts owed to group undertakings	-	104,669

12. Share capital

Authorised, called-up, allotted and fully paid	**2017**	**2016**
100 ordinary shares of £1 each	100	100

13. 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).

14. 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.