



Bridging Finance Limited Annual Report and Financial Statements

For the year ended 30 June 2016



BRIDGING FINANCE LIMITED

Annual report and financial statements for the year ended 30 June 2016

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Officers and professional advisers

DIRECTORS

HN Moser	Chief Executive Officer
SP Baker	(Resigned 27 April 2016)
GD Beckett	
W Bowser*	(Appointed 24 March 2016)
MR Goldberg	
GA Jennison	(Resigned 30 September 2015)
RM McTighe*	(Appointed 27 April 2016)
HC Wright	(Appointed 24 March 2016)

* Non-Executives

SECRETARIES

GD Beckett	(Resigned 27 April 2016)
NA Dale	(Appointed 27 April 2016)

REGISTERED OFFICE

Lake View
Lakeside
Cheadle
Cheshire
SK8 3GW

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
2 Hardman Street
Manchester
United Kingdom, M3 3HF

CORPORATE ADVISER

NM Rothschild & Sons
82 King St
Manchester, M2 4WQ

PRINCIPAL BANKERS

Barclays Bank PLC 5 The North Colonnade Canary Wharf London E14 4BB	HSBC Bank PLC 8 Canada Square London E14 5HQ	Lloyds Bank PLC 10 Gresham Street London EC2V 7AE	Natixis Cannon Bridge House 25 Dowgate Hill London EC4R 2YA	The Royal Bank of Scotland PLC 135 Bishopsgate London EC2M 3UR
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LEGAL ADVISERS

Clifford Chance LLP 10 Upper Bank Street Canary Wharf London E14 5JJ	Eversheds LLP 70 Great Bridgewater Street Manchester M1 5ES	Shearman and Sterling LLP Broadgate West 9 Appold Street London EC2A 2AP
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Strategic report

The directors present their annual report and the audited financial statements for the year ended 30 June 2016.

Business review

Business model and strategy

The Company's principal activity continues to be that of financiers. The Company is a wholly-owned subsidiary of Jerrold Holdings Limited which, with its subsidiaries, operates as the Together group of businesses. The Company offers mortgage loans to markets under-served by mainstream lenders.

The Company underwrites and services all its loans in house and all operations are located at its head office.

Results and dividends

As shown in the Company's statement of comprehensive income on page 10, profit after tax has increased to £11.7m (2015: £7.7m).

The directors of the Company do not recommend the payment of a dividend (2015: £nil).

Position

As shown in the statement of financial position on page 11, loan book values (classified as trade debtors) have increased significantly by 19.7% to £157.0m (2015: £131.2m). At the same time, shareholder's funds have increased by 45.0% to £37.7m (2015: £26.0m). The gearing ratio (being the ratio of debt to equity) has decreased to 3.12:1 (2015: 3.97:1) due to debt increasing at a proportionally lower rate than the increase in equity. Debt facilities include the securitisation facilities (net of debt issue costs) and the net amounts owed to Group undertakings.

Liquidity

The Company is financed by its parent company, Jerrold Holdings Limited, and securitisation facilities provided by Charles Street Conduit Asset Backed Securitisation 1 Limited and Lakeside Asset Backed Securitisation 1 Limited.

On 27 August 2015 the Group successfully refinanced its revolving credit facility (bank loans), securing funds of £18m, and on 11 January 2016 raised a further £11m thereby increasing the facility to £29m (2015: £25m). The facility will run until August 2017.

On 13 October 2016, the Group successfully issued £375m senior secured notes due in 2021, refinancing the £300m senior secured notes due in 2018.

Loan notes are provided through two revolving securitisation facilities, Charles Street Conduit Asset Backed Securitisation 1 Limited (Charles Street ABS) established in 2007 and Lakeside Asset Backed Securitisation 1 Limited (Lakeside ABS). Each of the facilities is secured on specific loan assets. On 13 August 2015 the Group successfully completed a new £255m revolving securitisation programme, known as Lakeside ABS. The facility will run until August 2018 and will support the Group's commercial lending activity. On 7 March 2016, the Charles Street ABS facility ratings were re-confirmed as Aa2 by Moody's and AA by DBRS. The facility was further increased on 7 March 2016 from £675m to £1bn and the term extended to January 2021.

The raising of the additional debt amounts, detailed above, demonstrates the continued appetite and support for the Company and the Jerrold Holdings Group from its bankers and the capital markets.

The Board of Jerrold Holdings Limited has confirmed that it will continue to provide funding to the Company for the foreseeable future.

Strategic report (continued)

Business review (continued)

Liquidity (continued)

The ability of the Company to service its debts is measured using an interest cover ratio, being profit before tax and interest divided by interest payable. This has decreased to 2.75:1 (2015: 3.07:1). The Company closely 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.

Economic conditions

The Company and wider Group are impacted by business and economic conditions in the United Kingdom. To mitigate adverse economic conditions the Group underwrites each loan application in detail undertaking affordability, repayment and property valuation assessments as appropriate. The Company lends conservatively against property valuations to protect its security position should property prices move adversely.

Economic conditions within the UK have improved since the financial crisis, with interest rates remaining stable and low, unemployment rates falling and property prices increasing. The vote to leave the EU in June 2016 created some economic uncertainty. It is too early to identify the implications of the Brexit vote as this will depend on the success of the forthcoming negotiations to determine the terms of the UK's future relationship with the EU.

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 must comply with the relevant UK and EU regulations including anti-money laundering regulations and the Data Protection Act 1998. The Company has an experienced team of professionals and third-party advisers who provide oversight and support to ensure it continues to meet regulatory and legal standards.

Principal risk and uncertainties

Credit risk

Credit risk is the risk of suffering financial loss should borrowers default on their contractual obligations. The Company is exposed to changes in the economic position of its customers, which may adversely impact their ability to make loan repayments. The level of this risk is driven by both macro-economic factors, as well as by factors relating to specific customers, such as a change in the borrower's circumstances.

Note 18 to the accounts provides detailed financial disclosures relating to the relevant risks.

Liquidity 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 Group actively monitors and considers compliance with its funding covenants, including formal monthly reporting and by performing stress-test analysis as part of its budgeting and forecasting process.

Strategic report (continued)

Principal risk and uncertainties (continued)

Market risk

The main market risk potentially faced by the Company is interest-rate risk, the risk of loss through mismatched asset and liability positions sensitive to changes in interest rates. The Company has no material market risk as its loan book consists primarily of variable rate mortgages. In addition, the Company has the ability to undertake hedging transactions in order to mitigate potential interest rate risk.

Conduct risk

Conduct risk is the risk of customer detriment arising from the Company's behaviors, products or interactions. 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. Individual departments monitor conduct risk through quantitative and qualitative measures. The Conduct Excellence Committee monitors the effectiveness of this and reports on it to the Board.

Compliance risk

Compliance risk is the risk of failure to comply with existing regulation and the potential impacts of changes in regulation on the Company's markets and operations. 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 uses its operational systems and controls to mitigate these risks, including policies and procedures to manage specific risks. It has taken steps to ensure its IT infrastructure meets operational performance needs, is sufficiently resilient and has controls in place to mitigate cyber risk. A documented and tested business continuity plan is in place to enable the recovery of operations in the event of an incident. Financial crime-prevention controls are in place and are overseen by the risk department.

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



GD Beckett
Chief Financial Officer

11 November 2016

Directors' 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.

The directors of the Company have considered the Company's forecast funding and liquidity positions and applied reasonable sensitivities thereon in order to confirm that the preparation of the Company's financial statements on a going concern basis is appropriate.

The Company is reliant on its parent company, Jerrold Holdings Limited, for a significant proportion of its funding. The Board of Jerrold Holdings Limited has confirmed that it is a going concern and that it will provide funding to the Company for the foreseeable future.

On the basis that the Company has adequate funding as detailed above, together with its current performance and financial position, the directors have a reasonable expectation that the Company will have sufficient funding and liquidity facilities to ensure that it will continue in operational existence for the foreseeable future. Accordingly, the directors of the Company have adopted the going concern basis in preparing financial statements.

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.

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 it 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

11 November 2016

Statement of directors' responsibilities

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 BRIDGING FINANCE LIMITED

We have audited the financial statements of Bridging Finance Limited for the year ended 30 June 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

Independent auditor's report (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.



Peter Birch (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom

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November 2016

Statement of comprehensive income

Year ended 30 June 2016

Unless otherwise indicated, all amounts are stated in £'000.

Income statement

	Note	2016	2015
Interest receivable and similar income	4	27,720	17,622
Interest payable and similar charges	5	(8,402)	(4,684)
NET INTEREST INCOME		19,318	12,938
Fees and commission income	6	390	430
Fees and commission expense	7	(107)	(116)
Other income		1	1
OPERATING INCOME		19,602	13,253
Administrative expenses	8	(4,697)	(3,208)
OPERATING PROFIT		14,905	10,045
Impairment losses	12	(210)	(355)
PROFIT BEFORE TAXATION		14,695	9,690
Income tax	9	(2,989)	(2,012)
PROFIT AFTER TAXATION		11,706	7,678

Comparative information has been restated for the change in accounting standards described in note 2 and note 20.

The results for the current and preceding years relate entirely to continuing operations.

There is no other comprehensive income in either year.

Statement of financial position

Unless otherwise indicated, all amounts are stated in £'000.

	Note	2016	2015
FIXED ASSETS			
Property plant and equipment	10	39	56
Deferred tax asset	11	400	428
		439	484
CURRENT ASSETS			
Loans and advances to customers	12	157,031	131,189
Debtors	13	49,274	15,360
Cash and cash equivalents		-	1,158
		206,305	147,707
CREDITORS: amounts falling due within one year	14	(2,719)	(2,287)
NET CURRENT ASSETS		203,586	145,420
TOTAL ASSETS LESS CURRENT LIABILITIES		204,025	145,904
CREDITORS: amounts falling due after more than one year	15	(166,293)	(119,878)
NET ASSETS		37,732	26,026
CAPITAL AND RESERVES			
Share capital	16	-	-
Retained earnings		37,732	26,026
TOTAL EQUITY		37,732	26,026

These financial statements were approved by the Board of Directors on 11 November 2016.

Company Registration No. 03166982

Signed on behalf of the Board of Directors

HN Moser 
Director


GD Beckett
Director

Statement of changes in equity

Unless otherwise indicated, all amounts are stated in £'000.

2016

	Called up share capital	Retained earnings	Total
At beginning of the year	-	26,026	26,026
Retained profit for the financial year	-	11,706	11,706
At end of the year	-	37,732	37,732

2015

	Called up share capital	Retained earnings	Total
At beginning of the year	-	18,348	18,348
Retained profit for the financial year	-	7,678	7,678
At end of the year	-	26,026	26,026

Notes to the financial statements

Unless otherwise indicated, all amounts are stated in £'000.

1. REPORTING ENTITY/GENERAL INFORMATION

Bridging Finance Limited (the Company) is a private company, limited by shares, incorporated and domiciled in the UK. 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 for the first time 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 date of transition to FRS 101 and the date of the opening statement of financial position using IFRS recognition and measurement principles was 1 July 2014. All financial information since this date for the Company has been restated from UK GAAP to FRS 101, presented in note 20. The comparative figures reported for the year ended 30 June 2015 are non-statutory figures; the UK GAAP statutory figures have been submitted to the Registrar of Companies with an unqualified audit opinion.

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 statement of financial position on transition, presentation of a cashflow statement, standards not yet effective and related party transactions.

Going concern

The directors have assessed, in the light of current and anticipated economic conditions, the Company's ability to continue as a going concern. The directors confirm they are satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going-concern basis for preparing accounts.

Operating segments

The Company has no listed financial instruments in issue. It is therefore outside the scope of IFRS 8, *Operating Segments*, and accordingly does not disclose segment information in these financial statements.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £'000.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are shown at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life as follows:

Fixtures and fittings	10-15 years straight-line on cost
Motor vehicles	25% reducing balance
Office equipment	5 years straight-line on cost
Computer equipment	3-5 years straight-line on cost

All items of property, plant and equipment are reviewed for indications of impairment on a regular basis and at each statement of financial position date. If impairment is indicated, the asset's recoverable amount (being the greater of fair value less cost to sell and value in use) is estimated. Value in use is calculated by discounting the future cash flows generated from the continuing use of the asset. If the carrying value of the asset is less than the recoverable amount, an impairment charge is recognised in the income statement.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within operating expenses in the income statement.

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.

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.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £'000.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets & liabilities

Financial assets

The majority of the Company's financial assets are categorised as loans and receivables. Loans and receivables are predominantly mortgage loans and advances to customers with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell in the near term. They 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

The Company's financial liabilities consists largely of loan notes, held at amortised cost and amounts owed to Group undertakings, held at fair value. The amortised cost of the loan notes are measured at their initial fair value less the transaction costs that are directly attributable to its issue. Interest and fees payable on the borrowings are recognised in the income statement over the term of the instruments using the effective interest rate method.

Financial liabilities with respect to the loan notes are derecognised when their contractual obligations are discharged, cancelled or have expired.

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 or 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.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the asset group and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions. In addition, the Company uses its experienced judgement to correct model deficiencies and systemic risks where appropriate and supported by historical loss experience data. The use of such judgements and reasonable estimates is considered by management to be an essential part of the process and improves reliability.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £'000.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Where a loan is uncollectable, it is written off against the related provision. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are taken through the income statement.

Securitisation

Where the Company securitises its own financial assets, this is achieved via the sale of these assets to a special purpose entity (SPE), which in turn issues securities to investors.

Financial assets transferred to SPEs under securitisation agreements are not derecognised by the Company because it retains the risks and rewards of ownership.

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 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 valuations fees and credit search fees.

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.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, which is reliably measurable and when it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £'000.

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:

a) Loan impairment allowances

Allowances for loan impairment represent management's best estimate of the losses incurred in the loan portfolios at the reporting date. Charges to the allowances for loan impairment are reported in the income statement as impairment losses on loans and advances. Impairment provisions are made on all loans if there is objective evidence of impairment as a result of one or more subsequent events and its impact can be reliably estimated.

Individual impairment losses are determined as the difference between the carrying value and the present value of estimated future cash flows, discounted at the loan's original effective interest rate. Impairment losses determined on a portfolio basis are calculated using a formulaic approach which allocates a loss rate dependent on the arrears status of the loan. Loss rates are based on the discounted expected future cash flows, from historical experience and are regularly benchmarked against actual outcomes to ensure they remain appropriate.

Estimating the amount and timing of future recoveries involves significant judgement, and considers the level of arrears as well as the assessment of matters such as future economic conditions and the value of collateral. All impairment losses are reviewed at least annually.

b) 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

	2016	2015
Interest on loans and advances to customers	27,720	17,622
	<u>27,720</u>	<u>17,622</u>

Included within interest on loans and advances to customers is £757,000 (2015: £1,128,000) relating to impaired loans.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £'000.

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2016	2015
On borrowings	8,402	4,684
	<u>8,402</u>	<u>4,684</u>

Included within interest on borrowings is interest payable on loan notes and amounts owed to group undertakings.

6. FEE AND COMMISSION INCOME

	2016	2015
Fee income on loans and advances to customers	368	395
Other fees receivable	22	35
	<u>390</u>	<u>430</u>

7. FEE AND COMMISSION EXPENSE

	2016	2015
Legal, valuations and other fees	10	36
Insurance commissions and charges	97	80
	<u>107</u>	<u>116</u>

8. ADMINISTRATIVE EXPENSES

Company overheads, including directors' emoluments, wages and salaries and office administration costs, are borne by a fellow subsidiary company of Jerrold Holdings Limited, Blemain Finance Limited and are recharged to companies within the Jerrold Holdings group on a proportionate basis.

9. TAX ON PROFIT

	2016	2015
Current tax		
Corporation tax	2,961	1,946
Adjustment in respect of previous years	-	2
	<u>2,961</u>	<u>1,948</u>
Deferred tax		
Origination and reversal of temporary differences	(17)	67
Adjustment in respect of prior years	-	(2)
Effect of tax rates	45	(1)
Total deferred tax	<u>28</u>	<u>64</u>
Total tax on profit	<u>2,989</u>	<u>2,012</u>

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £'000.

9. TAX ON PROFIT (continued)

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 profit before tax are as follows:

	2016	2015
Profit before tax	<u>14,695</u>	<u>9,690</u>
Tax on profit at standard UK corporation tax rate of 20.00%/20.75%	2,939	2,011
Effects of:		
Expenses not deductible for tax purposes	5	2
Adjustment in respect of previous years	-	(2)
Effect of changes in tax rate	<u>45</u>	<u>1</u>
Tax charge for period	<u>2,989</u>	<u>2,012</u>

10. PROPERTY PLANT AND EQUIPMENT

	Motor vehicles
Cost	
At beginning of the year	183
Disposals	(44)
At end of the year	<u>139</u>
Depreciation	
At beginning of the year	127
Charge for the year	12
Disposals	(39)
At end of the year	<u>100</u>
Net book value	
At end of the year	<u>39</u>
At beginning of the year	<u>56</u>

11. DEFERRED TAX

	2016	2015
Deferred taxation asset		
At beginning of year	428	492
Charge to income statement	(28)	(66)
Adjustment in respect of prior years	-	2
At end of year	<u>400</u>	<u>428</u>

The deferred tax asset consisted of the following:

Accelerated capital allowances	8	9
Short-term timing differences	<u>392</u>	<u>419</u>
	<u>400</u>	<u>428</u>

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £'000.

12. LOANS AND ADVANCES TO CUSTOMERS

	2016	2015
Aggregate gross loans and advances	159,633	134,988
Less: allowances for impairment on loans and advances	(2,602)	(3,799)
	<u>157,031</u>	<u>131,189</u>
Aggregate gross loans and advances include:		
Due within one year	125,424	49,304
Due within 2-5 years	34,004	84,750
Due after 5 years	205	934
	<u>159,633</u>	<u>134,988</u>
Allowance for impairment losses		
Balance brought forward	(3,799)	(4,572)
Charges to the income statement	(910)	(355)
Discount unwind	757	1,128
Write offs net of recoveries	1,350	-
	<u>(2,602)</u>	<u>(3,799)</u>
Impairment losses for year		
Charges to the income statement	(910)	(355)
Amounts written off	(48)	-
Amounts released from deferred income	493	-
Recoveries of amounts previously written off	255	-
	<u>(210)</u>	<u>(355)</u>

13. DEBTORS

	2016	2015
Amounts owed by group undertakings	49,251	15,351
Prepayments and accrued income	23	9
	<u>49,274</u>	<u>15,360</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
Trade creditors	12	13
Other creditors	48	85
Current tax liability	1,480	1,946
Finance lease	8	18
Bank overdraft	570	-
Accruals and deferred income	601	225
	<u>2,719</u>	<u>2,287</u>

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £'000.

15. CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016	2015
Amounts owed to group undertakings	107,053	74,671
Loan notes	60,052	45,865
Debt issue costs	(812)	(666)
Finance lease	-	8
	<u>166,293</u>	<u>119,878</u>

Loan notes are provided through two revolving securitisation facilities, Charles Street Conduit Asset Backed Securitisation 1 Limited (Charles Street ABS) established in 2007 and Lakeside Asset Backed Securitisation 1 Limited (Lakeside ABS). Each of the facilities is secured on specific loan assets of the Company.

Amounts due to group undertakings are repayable between one and two years. All other creditor balances noted above are repayable between two and five years

16. SHARE CAPITAL

All amounts are stated in pounds

	2016	2015
Authorised		
1 ordinary share of £1 each	<u>100</u>	<u>100</u>
	<u>100</u>	<u>100</u>

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £'000.

17. FINANCIAL INSTRUMENTS AND FAIR VALUES

All the Company's financial assets and liabilities are held at amortised cost. The table below summarises the carrying value, excluding deferred income, and the fair value of financial assets as at the year end:

	2016		2015	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Loans and advances to customers	157,031	158,536	131,189	132,650
Amounts owed by group undertakings	49,251	49,251	15,351	15,351
Cash and cash equivalents	-	-	1,158	1,158
	<u>206,282</u>	<u>207,787</u>	<u>147,698</u>	<u>149,159</u>
Financial liabilities				
Borrowings	60,060	57,337	45,891	48,579
Amounts owed to group undertakings	107,053	107,053	74,671	74,671
Trade creditors	12	12	13	13
Other creditors	48	48	85	85
Bank overdraft	570	570	-	-
	<u>167,743</u>	<u>165,020</u>	<u>120,660</u>	<u>123,348</u>

The carrying value is a reasonable approximation of fair value for all financial instruments other than for loans and advances to customers and for borrowings. For loans and advances to customers and for borrowings, 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 future losses if considered material.

Borrowings consist of loan notes and amounts payable under finance leases. The loan notes are provided through a securitisation vehicle and are secured on specific loan assets of the Company.

The following tables analyse the fair values of loans and advances and of borrowings into different levels according to the degree to which the fair values 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

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £'000.

17. FINANCIAL INSTRUMENTS AND FAIR VALUES (continued)

	Level 1	Level 2	Level 3	Total
2016				
Financial assets				
Loans and advances to customers	-	-	158,536	158,536
Financial liabilities				
Borrowings	-	57,329	8	57,337
2015				
Financial assets				
Loans and advances to customers	-	-	132,650	132,650
Financial liabilities				
Borrowings	-	48,553	26	48,579

Loans and advances to customers are revalued to fair value 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.

The borrowings are made up principally of the loan notes, which are provided through a securitisation vehicle and are secured on specific loan assets of the Company.

18. CREDIT RISK

Credit risk is the risk of suffering financial loss should borrowers default on their contractual obligations to the Company.

Maximum exposure to credit risk

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

	2016	2015
Gross loans and advances	159,633	134,988
Allowance for impairment	(2,602)	(3,799)
Loans and advances to customers	157,031	131,189
Trade receivables:		
Amounts owed by group undertakings	49,251	15,351
Cash and cash equivalents	-	1,158
	206,282	147,698

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £'000.

18. CREDIT RISK (continued)

The Company's only material credit risk relate to its loans and advances to customers. The above table represents the maximum credit risk exposure of the Company at the year end without taking account of any underlying security.

Impaired and past-due loans

The Company's credit risk is managed based on gross customer balances which reconcile to gross loans and advances recognised in the annual accounts as follows:

	2016	2015
Gross loans and advances	159,633	134,988
Accounting adjustments	831	744
Gross customer balances	160,464	135,732

Reported loans and advances differ from customer balances mainly due to various accounting adjustments necessary to comply with IFRS, as loans and advances must be accounted for using an effective interest rate made on transition from UK GAAP.

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 impaired asset definition
Past due but not impaired	Loans which are in arrears or where there is objective evidence of impairment, but the asset does not meet the definition of an impaired asset because the present value of the expected recoverable amount exceeds the carrying amount
Impaired assets	Loans which are in arrears or where there is objective evidence of impairment, and where the carrying value of the amount exceeds the present value of the expected amount recoverable

	2016	2015
Performing		
Not past due	134,923	109,646
Past due less than 2 months	18,508	15,632
	153,431	125,278
Non performing but not impaired		
Past due 2 - 3 months	781	604
Past due over 3 months	3,566	3,048
	4,347	3,652
Impaired	2,686	6,802
Gross customer balances	160,464	135,732

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £'000.

18. CREDIT RISK (continued)

Management considers that contractual arrears of two months or more constitute a trigger for a potential loss event. On identification of a loss event a provision for impairment is considered based on the probability of default of the loan and the expected loss given default. The above amounts are analysed in accordance with the basis used for internal management reporting. This basis does not make adjustment for forced-sale discounts on realisation of security, nor for the discounting of future cash flows. Additional allowance is made for both of these factors in stating impairment under IFRS.

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) based upon gross balances after impairment provisions. 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:

	2016	2015
60% or less	98,761	87,710
60-85%	54,551	36,730
85-100%	5,878	6,762
More than 100%	1,274	4,530
Gross customer balances	160,464	135,732

Concentration of credit risk

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

	2016	2015
East Anglia	1,912	3,638
East Midlands	3,121	1,826
London regions	38,107	33,114
North East	8,323	2,657
North West	63,594	53,329
Scotland	2,588	7,842
South East	10,175	9,704
South West	6,057	2,100
Wales	8,814	6,669
West Midlands	5,759	4,697
Yorks & Humber	12,014	10,156
Gross customer balances	160,464	135,732

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £'000.

18. CREDIT RISK (continued)

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

	2016	2015
Up to £50,000	2,697	2,844
£50,000 - 100,000	5,282	8,050
£100,000 - 250,000	18,287	19,308
£250,000 - 500,000	24,033	24,214
£500,000 - 1,000,000	27,287	27,172
£1,000,000 - 2,500,000	45,147	34,215
£2,500,000 - 5,000,000	24,855	19,929
More than £5,000,000	12,876	-
Gross customer balances	160,464	135,732

Forbearance

The Company offers a range of approaches to assist customers experiencing financial distress. The Company considers an account as forbore at the time a customer in financial difficulty is granted a concession. The offer of forbearance is considered separately for each customer dependent on their individual circumstances. Forbearance can be temporary or permanent in nature depending on the circumstances of the customer and the concession agreed. Examples of concessions agreed include reduced payment arrangements, extension of the mortgage term, or a change in the repayment profile. Impairment is recognized based upon the contractual arrears position rather than changes in customers' preferred payment dates or to reflect agreed payment arrangements.

19. ULTIMATE PARENT COMPANY

During the year the Company was a subsidiary undertaking of Jerrold Holdings Limited, a company incorporated in Great Britain and registered in England and Wales.

The largest and smallest group of which Bridging Finance Limited was a member during the year, and for which group financial statements are drawn up, was that headed by Jerrold Holdings Limited, whose principal place of business is at Lake View, Lakeside, Cheadle, Cheshire, United Kingdom, SK8 3GW.

HN Moser, a director of Jerrold Holdings Limited, and members of his close family, controlled the Company as a result of controlling directly or indirectly 70% of the voting rights of Jerrold Holdings Limited.

Events after the year end

On 2 November 2016 all the voting rights of Jerrold Holdings Limited were acquired by Bracken Midco2 Limited, a company whose ultimate parent is Redhill Famco Limited. Redhill Famco Limited is wholly controlled by HN Moser and members of his family.

As a consequence, from that date the Company has been a member of a group headed by Redhill Famco Limited, whose principal place of business is Lake View, Lakeside, Cheadle, Cheshire, United Kingdom, SK8 3GW.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £'000.

20. FRS 101 RECONCILIATIONS

The Company previously prepared its primary financial statements under UK GAAP, which differs in certain significant respects from the IFRS measurement and recognition basis under FRS101.

The reconciliations below show the adjustments made on transition from UK GAAP to FRS101 for the Company.

(i) Reconciliation of statement of changes in equity on transition to FRS101

The statement of changes in equity for the year ended 30 June 2014 and 2015 reconciles to that under FRS101 as follows:

	2015	2014
Total equity as previously reported under UK GAAP	<u>27,704</u>	<u>20,296</u>
Measurement of financial instruments at amortised cost using EIR method	(34)	(757)
Calculation of impairment provisions in accordance with IAS 39	<u>(1,577)</u>	<u>(1,191)</u>
	(1,611)	(1,948)
Tax effect on the above	<u>(67)</u>	<u>-</u>
Total adjustments to retained earnings	<u>(1,678)</u>	<u>(1,948)</u>
Total equity under FRS 101	<u><u>26,026</u></u>	<u><u>18,348</u></u>

(ii) Reconciliation of profit or loss on transition to FRS101

The profit for the year ended 30 June 2015 reconciles to that under FRS101 as follows:

	2015
As previously reported under UK GAAP	7,408
Measurement of financial instruments at amortised cost using EIR method	723
Calculation of impairment provisions in accordance with IAS 39	<u>(386)</u>
	337
Tax effect on the above	<u>(67)</u>
Total adjustments to profit	270
Total profit under FRS101	<u><u>7,678</u></u>

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £'000.

20. FRS101 RECONCILIATIONS (continued)

(iii) The transition to FRS101 has resulted in the following changes in accounting policies:

- a) Interest income was previously recognised in the income statement using the contractual rate of the loan to the extent that it was considered recoverable. Under FRS101 interest income is now recognised using the EIR method on the unimpaired carrying value.
- b) In accordance with IAS 39, all the Company's financial assets are classified as loans and receivables.
- c) The Company's policy for providing for loan losses has changed. The most significant change is that impairment allowances on financial assets are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted using the asset's EIR.