together.
Common sense lending

Redhill Famco Limited
Annual Report and Consolidated Financial Statements

For the period 4 May 2016 to 30 June 2017

Company Registration No. 10162640

Contents

Officers and professional advisers

Directors

HN Moser (Appointed 4 May 2016)
GD Beckett (Appointed 4 May 2016)

Secretary

GD Beckett (Appointed 4 May 2016)

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Auditor

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Strategic report

The directors present their annual report and the audited financial statements for the period from 4 May 2016 to 30 June 2017.

Business review

Business model and strategy

Redhill Famco Limited (the Company) was incorporated on 4 May 2016, remaining dormant until 2 November 2016 when, as part of the Exit Transactions (described below) it acquired 100% of the shares of Bracken Topco Limited. The principal activity of the Company, via Bracken Topco Limited and a series of intermediate holding companies, is that of being the ultimate parent company of Together Financial Services Limited (formerly Jerrold Holdings Limited) and its subsidiaries. The Company is wholly owned by HN Moser and DL Moser 1995 Family Settlement No1 Trust.

The Exit Transactions

During the period the majority shareholders of Together Financial Services Limited indirectly acquired the equity interest of the minority shareholders, (the Exit Transactions). The related transactions resulted in a series of holding companies being incorporated above Together Financial Services Limited and its subsidiaries ('the Together Group'), the ultimate parent being Redhill Famco Limited, which in turn forms the Group.

Results and dividends

The Exit Transactions constitute a business combination of entities under common control. As explained in the accounting policy notes to the financial statements, the Group consolidates its results for such business combinations using merger accounting principles. Accordingly the results of the combining entities are brought into the consolidated financial statements from the beginning of the financial period in which the combination occurred. As shown in the income statement on page 11, on this basis the Group made a profit of £63.0m for the period from 4 May 2016 to 30 June 2017.

The directors of the Company do not recommend the payment of a dividend.

A number of key performance indicators (KPIs) showing the performance, position and liquidity of the Group are shown below.

	Period from 4 May 2016 to 30 June 2017
Net loan book (£m)	2,240.9
Lending volumes (£m)	1,355.1
Weighted average LTV of originations (%)	57.2
Weighted average indexed LTV of portfolio (%)	53.4
Shareholder funds (£m)	316.9

Liquidity

To support the Exit Transactions, £220.0m of senior PIK toggle notes were issued by Bracken Midco1 PLC and £100.0m of deferred loan notes were issued by Bracken Topco Limited. This facilitated the purchase of Together Financial Services Limited by the Company's indirect subsidiary, Bracken Midco2 Limited. During the period the coupon on the PIK notes was paid by dividends from Together Financial Services Limited.

During the period the Group has increased and diversified its funding structure. The introduction of a third asset-backed facility, Delta, sits alongside the existing Charles Street and Lakeside securitisations. Delta, a facility for £90m, was executed on 26 January 2017 and will run until January 2021.

On 13 October 2016, a Group subsidiary Jerrold Finco PLC successfully 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 successfully issued a further £200m at 6⅛% due in 2024.

On 5 June 2017 the Group's revolving credit facility was extended on favourable terms to 2021 and increased from £29m to £57.5m.

Finally, as a result of the Exit Transactions discussed above, £60m of subordinated shareholder notes in Together Financial Services Limited were refinanced via repayment of £17m and novation of £43m as a subordinated shareholder loan to Redhill Famco Limited, which matures in 2036.

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 had led to a fall in sterling and increased prices on imports. While conditions on the whole have continued to improve, inflation is now expected to fall and 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

Our operations are affected by a number of laws and regulations. The mortgage business undertaken by certain subsidiary companies is regulated by the FCA. We also have 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.

We continue to invest in our compliance, legal and governance functions to ensure we are adequately resourced to ensure compliance with all existing and future requirements.

Principal risks and uncertainties

Strategic risk

Strategic risk is the risk of failure to achieve objectives that impact the long-term interest of stakeholders, or from an inability to adapt to the external environment.

When setting strategic objectives the Board takes into account the current economic conditions and their potential impacts on the markets in which the Group operates, on the affordability of new loans to customers, and on the existing book. Sensitivity and stress testing analysis are carried out against the loan book and the Group maintains a prudent balance sheet with a mix of funding structures and managed gearing levels.

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 Group 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 both by macroeconomic factors and by factors relating to specific customers, such as a change in the borrower's circumstances.

Note 28 to the accounts provides detailed financial disclosures relating to credit risk.

Liquidity and funding risk

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

To manage its funding requirements, the Group uses a number of medium to long-term funding sources, combined with a small shorter-term revolving credit facility. Headroom held in such facilities, in combination with cash flows from redemptions, is used to provide a liquidity buffer. The liquidity buffer is monitored on a daily basis to ensure there are sufficient liquid assets at all times to cover cash flow movements and to enable the Group to meet all financial obligations and commitments when they fall due.

Within commitments we include liquidity to cover for the outstanding pipeline of loan offers. Although certain pipeline offers may not be legally binding, the failure to honour an expression of intent to finance a loan contract could otherwise cause customer detriment and result in reputational risk.

The Group places surplus cash balances on overnight deposit with institutions with sufficiently high long-term and short-term ratings.

Principal risks and uncertainties (continued)

Liquidity and funding risk (continued)

Based on the business model of funding primarily via securitisation programmes and debt capital markets, the Together Group Board has set a liquidity risk appetite which it considers to be appropriate to provide it with the assurance that the Group is able to meet its liabilities and commitments when they fall due, and provide sufficient headroom to support anticipated loan book growth.

The Group has increased its wholesale funding in successive years in order to fund the growth in its loan portfolio. The gross contractual maturities of the Group's borrowings, inclusive of interest but excluding any non-utilisation fees that may arise, and other financial liabilities are as follows:

Audited At 30 June 2017	Carrying value £m	Gross nominal cash flow £m	Up to 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m
Loan notes[1]	1,022.9	1,196.1	26.0	199.6	970.5	-
Subordinated shareholder loans	11.5	105.2	-	-	-	105.2
Senior secured notes	894.7	1,321.3	47.5	59.0	989.8	225.0
Obligations under finance leases	0.6	0.7	0.3	0.2	0.2	-
	1,929.7	**2,623.3**	**73.8**	**258.8**	**1,960.5**	**330.2**
Debt issue costs	(24.2)	-	-	-	-	-
Borrowings	**1,905.5**	**2,623.3**	**73.8**	**258.8**	**1,960.5**	**330.2**
Trade creditors	2.3	2.3	2.3	-	-	-
Other creditors	2.9	2.9	2.9	-	-	-
	1,910.7	**2,628.5**	**79.0**	**258.8**	**1,960.5**	**330.2**

[1] All cash flows are shown based on the last date the borrowings must be paid, and ignore any options to repay earlier. The exception to this is in respect of loan notes where it has been assumed that the option to repay early will be utilised.

Market risk

Market risk is the risk arising from adverse movements in market values, including movements in interest rates.

The Group does not carry out proprietary trading or hold positions in assets or equity which are actively traded, nor does it engage in any treasury trading operations. It also has no foreign currency exposure. Therefore the main market risk potentially faced by the Group is interest-rate risk, the risk of loss through mismatched asset and liability positions sensitive to changes in interest rates. This would primarily arise from debt securities issued by the Group securitisation vehicles and shareholder notes. Interest-rate risk is monitored on a monthly basis, and the Group's profit before taxation and equity are not considered to be at material risk from changes in interest rates that are reasonably expected for the next 12 months.

Capital risk

Capital and funding management risk is the risk of failure to hold adequate capital buffers and to appropriately manage the Group's capital base.

The Group maintains adequate levels of capital, and aims to maintain an efficient capital structure that meets the requirements of its funding facilities of its subsidiaries. Current and forecast levels of capital, including the gearing ratio, are monitored and reported on a regular basis.

Strategic report (continued)

Principal risks and uncertainties (continued)

Conduct risk

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

All areas of the Group are required to assess the delivery of appropriate outcomes for stakeholders. The Group has no appetite for activities that may cause detriment to customers and requires all colleagues to behave and conduct business activities in accordance with Together Group's values. Key conduct risks are captured through the risk control self-assessment (RCSA) process with a specific assessment of the risk impact to customers and third parties made. Individual departments monitor conduct risk in their areas through quantitative and qualitative measures. The Conduct Excellence Committee monitors the effectiveness of this and reports on it to the Board of the Together Group. 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.

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 Group operates.

The Group operates in both regulated and unregulated markets and is therefore at risk for failing to comply with existing regulation and the potential impacts of changes in regulation on its markets and operational activities. The Group mitigates this risk through robust control frameworks and quality assurance reviews in operational areas supported by experienced risk and compliance departments. The compliance department undertakes monitoring reviews to ensure compliance with legal and regulatory standards are maintained and monitors the changing regulatory environment, providing assessments in relation to forthcoming regulatory changes to ensure that the Together Group is appropriately prepared.

In addition the Group has in place an experienced legal department to ensure it meets all its legal obligations.

Operational risk

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

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

The Group ensures it recruits and retains sufficient skilled personnel to deliver its business objectives. Salaries are set to reward employees for performance and additionally the Group offers a range of benefits including a defined-contribution pension scheme and an annual performance-and-conduct-related bonus scheme.

The Group monitors the risk of ineffective design or operation of its business processes, utilising a RCSA approach to identify, assess and manage key operational risks. As part of this, robust financial crime-prevention controls are in place across the Group which are overseen by the risk department.

The Group 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 help enable the Group to recover operations in the event of an incident.

As for many institutions, the Group's principal external risk it faces is the increased cyber risk prevalent across the industry. The Group has invested heavily in this area over many years and its systems have proven robust against all of the recently-publicised attacks.

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

GD Beckett
Chief Financial Officer
31 January 2018

Directors' report

Directors

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

Directors' indemnities

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

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and internal publications. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training or arrangements are made. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Environment

As the Group operates in the financial services sector, its actions do not have a significant environmental impact. However, the Group does recognise the importance of the environment, and acts to minimise its impact 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 Group will continue in business.

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

On the basis that the Group has adequate funding and resources and has considered the market, operational and regulatory risks applicable to it, together with its current performance and financial position, the directors have a reasonable expectation that the Group 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 Group have adopted the going-concern basis in preparing financial statements.

Principal risks and uncertainties

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

Dividend

The directors do not recommend the payment of a 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

A resolution for the reappointment of Deloitte LLP as auditor of the Company is to 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
31 January 2018

Statement of directors' responsibilities

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

Company law requires the directors to prepare Group and parent Company financial statements for each financial period. Under that law they have elected to prepare both the Group and the parent Company financial statements in accordance with IFRS as adopted by the EU and applicable law.

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 Group and parent Company and of their profit and loss for that period. In preparing each of the Group and parent Company 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;
- state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent 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 Group and to prevent and detect fraud and other irregularities.

Independent auditor's report

Independent auditor's report to the members of Redhill Famco Limited

Report on the audit of the financial statements

We have audited the financial statements of Redhill Famco Limited for the period ended 30 June 2017 which comprise consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cashflows and the related Notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 Group's and the parent 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 Group's and of the parent company's affairs as at 30 June 2017 and of the group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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, 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 period 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 Strategic Report and the Directors' Report.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

David Heaton (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester
1 February 2018

Consolidated statement of comprehensive income

For the period 4 May 2016 to 30 June 2017

Unless otherwise indicated, all amounts are stated in £m

Income statement	**Note**	**Period from 4 May 2016 to 30 June 2017**
Interest receivable and similar income	4	282.4
Interest payable and similar charges	5	(124.3)
Net interest income		**158.1**
Fee and commission income	6	4.8
Fee and commission expense	7	(2.3)
Other income	8	0.1
Operating income		**160.7**
Administrative expenses	9	(68.7)
Operating profit		**92.0**
Impairment losses	13	(10.4)
Profit before taxation		**81.6**
Income tax	12	(18.6)
Profit after taxation		**63.0**

The results for the current period relate entirely to continuing operations. There is no other comprehensive income in the period.

Consolidated statement of financial position

As at 30 June 2017

Unless otherwise indicated, all amounts are stated in £m

	Note	2017
Assets		
Cash and balances at bank		19.3
Loans and advances to customers	13	2,240.9
Inventories	14	0.9
Other assets	15	4.4
Investments	16	0.1
Property, plant and equipment	17	4.4
Intangible assets	18	5.7
Deferred tax asset	19	2.4
Total assets		**2,278.1**
Liabilities		
Borrowings	20	1,905.5
Other liabilities	21	48.3
Current tax liabilities		7.4
Total liabilities		**1,961.2**
Equity		
Share capital	22	-
Share premium account		-
Capital redemption reserve		1.3
Subordinated shareholder funding reserve		33.0
Share-based payment reserve	27	1.6
Retained earnings		281.0
Total equity		**316.9**
Total equity and liabilities		**2,278.1**

These financial statements were approved by the Board of Directors on 31 January 2018.

Company Registration No. 10162640

Signed on behalf of the Board of Directors

HN Moser
Director

GD Beckett
Director

Company statement of financial position

As at 30 June 2017

Unless otherwise indicated, all amounts are stated in £m

	Note	2017
Assets		
Other assets	15	4.4
Investments in subsidiaries	16	38.9
Total assets		**43.3**
Liabilities		
Borrowings	20	11.5
Total liabilities		**11.5**
Equity		
Share capital	22	-
Share premium account		-
Subordinated shareholder funding reserve	20	33.0
Retained earnings		(1.2)
Total equity		**31.8**
Total equity and liabilities		**43.3**

These financial statements were approved by the Board of Directors on 31 January 2018.

Company Registration No. 10162640

Signed on behalf of the Board of Directors

HN Moser
Director

GD Beckett
Director

Consolidated statement of changes in equity

For the period 4 May 2016 to 30 June 2017

Unless otherwise indicated, all amounts are stated in £m

	Called-up share capital	Share premium	Capital redemption reserve	Subordinated shareholder funding reserve	Share-based payment reserve	Retained earnings	*Total*
Consolidated position at start of period	-	-	1.3	-	-	216.5	217.8
Capital contribution	-	-	-	33.3	-	-	33.3
Transfer between reserves	-	-	-	(0.3)	-	0.3	-
Share-based payments	-	-	-	-	1.6	1.2	2.8
Profit for the period	-	-	-	-	-	63.0	63.0
At end of period	**-**	**-**	**1.3**	**33.0**	**1.6**	**281.0**	**316.9**

Company statement of changes in equity

For the period 4 May 2016 to 30 June 2017

Unless otherwise indicated, all amounts are stated in £m

	Called up share capital	Share premium	Subordinated shareholder funding reserve	Retained earnings	Total
At beginning of period	-	-	-	-	-
Capital contribution	-	-	33.3	-	33.3
Loss for the period	-	-	-	(1.5)	(1.5)
Transfer between reserves	-	-	(0.3)	0.3	-
At end of period	**-**	**-**	**33.0**	**(1.2)**	**31.8**

Consolidated statement of cash flows

For the period 4 May 2016 to 30 June 2017

Unless otherwise indicated, all amounts are stated in £m

	Note	2017
Cash outflow from operating activities		
Cash outflow from operations	24	(285.3)
Income tax paid		(17.1)
Servicing of finance		(94.7)
Net cash outflow from operating activities		**(397.1)**
Cash flows from investing activities		
Proceeds from disposal of investments		0.1
Acquisition of property, plant and equipment		(1.5)
Proceeds from disposal of property, plant and equipment		0.1
Acquisition of intangible assets		(4.1)
Proceeds on sale of shares by employee-benefit trust		1.2
Net cash outflow from investing activities		**(4.2)**
Cash flows from financing activities		
Repayment of syndicated loan		(29.0)
Drawdown of facilities		158.6
Proceeds from issuance of senior secured notes		575.0
Capital element of finance lease payments		0.2
Repayment of senior secured notes		(305.0)
Net cash inflow from financing activities		**399.8**
Net decrease in cash and cash equivalents		**(1.5)**
Cash and cash equivalents at beginning of period		**20.8**
Cash and cash equivalents at end of period		**19.3**

The consolidated statement of cash flows has been prepared using merger accounting principles for combinations of entities under common control. Accordingly, the cash flows of the related financing and investing activities, other than for items of a revenue nature, are treated as part of the consolidated Group's opening balances for the period and not shown in the consolidated statement of cash flows. Transactions relating to business combinations that are of a revenue nature and charged to income are included in the cash flows of operating activities. Details of the changes in financial liabilities relating to the Exit Transactions are disclosed in Note 20.

Company statement of cash flows

For the period 4 May 2016 to 30 June 2017

Unless otherwise indicated, all amounts are stated in £m

	Note	2017
Cash outflow from operating activities		
Cash outflow from operations	24	-
Net cash outflow from operating activities		**-**
Cash flows from investing activities		
Funding of subsidiaries		(43.0)
Net cash outflow from investing activities		**(43.0)**
Cash flows from financing activities		
Proceeds from issuance of subordinated shareholder funding		43.0
Net cash (outflow)/inflow from financing activities		**43.0**
Net increase/(decrease) in cash and cash equivalents		**-**
Cash and cash equivalents at beginning of period		**-**
Cash and cash equivalents at end of period		**-**

Notes to the financial statements

1. Reporting entity and general information

Redhill Famco Limited (the Company) is incorporated, registered and domiciled in England and Wales. The registered address of the Company is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW. The consolidated financial statements comprise Redhill Famco Limited and its subsidiaries (the Group). The Company is limited by shares.

2. Significant accounting policies

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

Basis of preparation

These financial statements, which are for the period from 4 May 2016 (the date of incorporation) to 30 June 2017, have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). No individual statement of comprehensive income or related notes are presented for the Company as permitted by Section 408 (4) of the Companies Act 2006. This is the Company's first set of financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in the individual accounting policies or in Note 3 to the accounts.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 July 2017 and not early adopted:

There are a number of standards, amendments and interpretations which have been issued by the International Accounting Standards Board (IASB) but which are not yet effective and which the Group has not adopted early. The most significant of these are IFRS 9 *Financial Instruments*, the planned replacement for IAS 39 *Financial Instruments: Recognition and Measurement*, and IFRS 16 *Leases*, the planned replacement for IAS 17 *Leases*.

IFRS 9

IFRS 9 was issued in July 2014 and is effective for annual periods beginning on or after 1 January 2018. The Group plans to apply IFRS 9 initially on 1 July 2018.

Under IFRS 9 a financial asset can be measured at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and if the contractual terms of the asset give rise to cash flows that are solely payments of principal and interest. Based on its preliminary high-level assessment, the Group's current expectation is that loans and advances to customers would in general continue to be measured at amortised cost under IFRS 9. However, this assessment has not included a detailed review of the contractual terms of all financial assets and is not final.

The most significant impact of IFRS 9 is expected to result from its new impairment requirements. IFRS 9 replaces IAS 39's incurred-loss approach to impairment with a forward-looking one based on expected credit losses (ECLs). This will require considerable judgement over how changes in economic factors affect ECLs. The actual impact of adopting IFRS 9 on the Group's results in 2018-19 is not known and cannot be reasonably estimated because it will depend on the financial instruments the Group holds and economic conditions at that time, as well as on accounting elections and judgements it will make in the future. However, management expects loss allowances under IFRS 9 to be larger than under IAS 39 and that IFRS 9 will require extensive new disclosures, in particular about credit risk and ECLs.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The changes to hedge accounting requirements under IFRS 9 are not expected to affect the Group's results as it currently has no hedging arrangements in place.

Changes in accounting policies resulting from adoption of IFRS 9 will generally be applied retrospectively. The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement. Differences in carrying amounts of financial assets and liabilities resulting from the adoption of IFRS 9 will be recognised in retained earnings at 1 July 2018.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 July 2017 and not early adopted (continued)

IFRS 16 was issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019. The Group plans to apply IFRS 16 initially on 1 July 2019.

IFRS 16 provides a single lease accounting model, recognising most leases on the statement of financial position. This may also introduce a degree of volatility to assets and liabilities for lessees due to the requirements to reassess certain key estimates and judgements at each reporting date. The standard replaces the dual lease accounting model approach of IAS 17 which treats finance leases and operating leases separately. It has not yet been possible to estimate the financial impact of adoption of the standard but it is unlikely to be material to the Group's results.

Changes in accounting policies resulting from adoption of IFRS 16 will generally be applied retrospectively. The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods. Differences in carrying amounts of lease assets and liabilities resulting from the adoption of IFRS 16 will be recognised in retained earnings at 1 July 2019.

Going concern

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:
- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Business combinations

Other than for business combinations of entities under common control, acquisitions of subsidiaries and businesses are accounted for using the acquisition method. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary. The consideration transferred in a business combination is measured at fair value. Acquisition-related costs are recognised in the Income Statement as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:
- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

The Company accounts for business combinations of entities under common control using merger accounting principles because management considers this approach best reflects the continuing nature and performance of the underlying business. The transactions constituting the combination and the results of the combining entities are brought into the consolidated financial statements as part of the opening balances for the financial period in which the combination occurred. Transaction costs of a revenue nature are charged to the consolidated income statement for the period. The carrying values of the assets and liabilities of the parties to the combination are not adjusted to fair value on consolidation. The difference between the nominal value of the Company's shares issued and the nominal value of the subsidiary shares received in exchange is shown as a movement in the share premium account.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non- controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Negative goodwill is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill arising on acquisitions in the year ended 30 June 1998 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by IFRS the goodwill previously written off has not been reinstated in the statement of financial position.

Merger accounting has continued to be used on transition to IFRS for the consolidation of the following subsidiaries:

- Together Commercial Finance Limited
- Together Personal Finance Limited
- Blemain Finance Limited
- Briar Hill Court Limited
- FactFocus Limited
- Harpmanor Limited
- Jerrold Mortgage Corporation Limited
- Monarch Recoveries Limited
- Supashow Limited

Under this method any goodwill arising on consolidation is treated as a reduction in reserves.
On disposal or closure of a previously acquired business, the attributable amount of goodwill, including that previously written off to reserves, is included in determining the profit or loss on disposal.

Operating segments

The Group's listed financial instruments are issued by subsidiaries, Jerrold Finco PLC and Bracken Midco1 PLC, rather than the parent Company, Redhill Famco Limited. The Group is therefore outside the scope of IFRS 8, Operating Segments, and accordingly does not disclose segmental information in these financial statements.

Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all financial 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 Group 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 valuation fees and credit search fees.

2. Significant accounting policies (continued)

Leases

The Group as lessee

Assets held under finance leases which confer rights and obligations similar to those attached to owned assets are capitalised as tangible fixed assets and depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the income statement over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term and the related assets are not recognised on the statement of financial position.

The Group as lessor

Rentals received under operating leases are recognised in the income statement on a straight line basis over the term of the lease.

Pension benefits

During the period the Group operated a defined contribution scheme and made contributions to employees' personal pension schemes.

The amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the period to personal pension schemes. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Share-based payments

The Group has granted options to key employees under an equity-settled scheme.

The cost of providing the options to Group employees is charged to the income statement over the vesting period of the related options. The corresponding credit is made to a share-based payment reserve within equity.

In the Company's financial statements the grant by the parent of options over its equity instruments to the employees of subsidiary undertakings is treated as an investment in subsidiaries. The fair value of employee services received, measured by reference to the fair value at the date of grant, is recognised over the vesting period as an increase in investments in subsidiary undertakings, with a corresponding credit to the share-based payment reserve within equity.

The cost of options is based on their fair value, determined using a Black-Scholes pricing model. The value of the charge is adjusted at each reporting date to reflect lapses and expected or actual levels of vesting, with a corresponding adjustment to the share-based payment reserve.

Taxation

Tax on the profit or loss for the period 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 period. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group'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.

2. Significant accounting policies (continued)

Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period 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 Group 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

All the Group'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 Group 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

All the Group's financial liabilities are designated as financial liabilities at amortised cost and largely consist of borrowings. A financial liability is measured initially at 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 expected term of the instruments using the effective interest rate method.

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

Impairment of financial assets

The Group regularly assesses whether there is evidence that financial assets are impaired. Financial assets are impaired and impairment losses recognised 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.

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 Group 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.

Where a loan is uncollectable, it is written off against the related allowance. 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.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m.

2. Significant accounting policies (continued)

Securitisation

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

SPEs used to raise funds through securitisation transactions are consolidated into the Group's operations in accordance with IFRS 10 *Consolidated Financial Statements* as if they were wholly-owned subsidiaries. Financial assets transferred to SPEs under securitisation agreements are not derecognised by the Group because it retains the risks and rewards of ownership, and all financial assets and liabilities related to the SPE continue to be held on the Group's consolidated statement of financial position.

Inventories

Inventories consist of stock properties and are valued at the lower of cost and estimated net realisable value. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

Investments

Fixed asset investments are stated at cost less provision for impairment.

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 fittings and equipment	*10-15 years straight-line on cost*
Motor vehicles	*25% reducing balance*
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 balance sheet 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.

Intangible assets

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. The estimated useful life of five years and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets consist wholly of expenditure relating to computer software incurred in respect of individual projects and are capitalised only if all of the following conditions are met:

- an intangible asset is created that can be separately identified;
- it is probable that the intangible asset created will generate future economic benefits; and
- the development cost of the intangible asset can be measured reliably.

This type of expenditure primarily relates to internally developed software and is amortised on a straight-line basis over the life of the asset.

Where the above conditions for capitalisation are not met, development expenditure is recognised as an expense in the period in which it is incurred.

All intangibles assets are reviewed for indications of impairment at least annually. 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.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m.

2. Significant accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, which is reliably measurable and when it is probable that the Group 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.

3. Critical accounting estimates and judgements

In applying the accounting policies set out above, the Group makes no critical accounting judgements but makes the following significant estimates and assumptions that affect the reported amounts of assets and liabilities:

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 allowances 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.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m.

4. Interest receivable and similar income

	Period from 4 May 2016 to 30 June 2017
Interest on loans and advances to customers	**282.4**

Included within interest on loans and advances to customers is £11.4m relating to impaired loans.

5. Interest payable and similar charges

	Period from 4 May 2016 to 30 June 2017
On borrowings	**124.3**

6. Fee and commission income

	Period from 4 May 2016 to 30 June 2017
Fee income on loans and advances to customers	4.4
Other fees receivable	0.4
	4.8

7. Fee and commission expense

	Period from 4 May 2016 to 30 June 2017
Legal, valuations and other fees	1.1
Insurance commissions and charges	1.2
	2.3

8. Other income

	Period from 4 May 2016 to 30 June 2017
Rental income	**0.1**

9. Administrative expenses

	Note	Period from 4 May 2016 to 30 June 2017
Staff costs	10	43.5
Auditor's remuneration	11	0.7
Depreciation of property, plant and equipment	17	1.4
Amortisation of intangible assets	18	1.1
Operating lease rentals		1.1
Other administrative costs		20.9
		68.7

There were no material gains or losses on the disposal of property, plant and equipment.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m.

10. Staff costs

The average monthly number of employees for the period from 4 May 2016 to 30 June 2017, including executive directors, was:

Management and administration	No.
Full time	487
Part time	27
	514

The aggregate remuneration of staff and executive directors was as follows:

Staff remuneration	Period from 4 May 2016 to 30 June 2017
Wages and salaries	32.6
Social security costs	3.9
Pension costs	0.5
	37.0
Directors' remuneration	
Emoluments	6.4
Company contribution to personal pension schemes	0.1
	6.5
Total staff costs	**43.5**

The emoluments of the highest paid director were £2.1m including £nil of company contributions to a defined contribution pension scheme. Details of the pension arrangements operated by the Group are given in Note 26.

All staff are employed by a Group subsidiary. Remuneration for employees and directors included £8.2m of one-off costs associated with the corporate restructuring transaction.

11. Auditor's remuneration

	Period from 4 May 2016 to 30 June 2017
Fees payable for the audit of the Company's accounts	-
Fees payable for the audit of the Company's subsidiaries	0.2
Tax advisory and compliance services	0.1
Other services	0.4
	0.7

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m.

12. Income tax

	Period from 4 May 2016 to 30 June 2017
Current tax	
Corporation tax	23.5
Adjustment in respect of previous periods	(3.0)
	20.5
Deferred tax	
Origination and reversal of temporary differences	(6.0)
Adjustment in respect of prior periods	3.1
Effect of changes in tax rates	1.0
Total deferred tax	**(1.9)**
Total tax on profit	**18.6**

Corporation tax is calculated at 19.8% of the estimated profit for the period. Amounts in respect of prior periods 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 profit before tax are as follows:

	Period from 4 May 2016 to 30 June 2017
Profit before tax	81.6
Tax on profit at standard UK corporation tax rate of 19.8%	16.2
Effects of:	
Expenses not deductible for tax purposes	1.5
Income not taxable	(0.2)
Adjustment in respect of prior periods	0.1
Effect of changes in tax rate	1.0
Tax charge for period	**18.6**

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m.

13. Loans and advances to customers

	2017
Gross loans and advances	2,303.1
Less: allowances for impairment on loans and advances	(62.2)
	2,240.9

Gross loans and advances are repayable:

Due within one year	967.9
Due within 1-5 years	571.6
Due after 5 years	763.6
	2,303.1

Allowance for impairment losses	
At beginning of period	(66.6)
Charges to the income statement	(14.5)
Unwind of discount	11.4
Write-offs net of recoveries	7.5
At end of period	**(62.2)**

Impairment losses for period	
Charges to the income statement	(14.5)
Amounts written off	(2.1)
Amounts released from deferred income	1.5
Recoveries of amounts previously written off	4.7
	(10.4)

Loan and advances to customers include total gross amounts of £11.1m and total net amounts of £9.3m loaned to August Blake Developments Limited, Sunnywood Estates Limited and Edgworth Developments Limited, companies in which HN Moser is a director and shareholder. These loans are on a commercial basis secured on certain assets of these companies.

14. Inventories

Group	**2017**
Properties held for resale	**0.9**

15. Other assets

Group	**2017**
Amounts owed by related parties	0.8
Other debtors	0.6
Prepayments and accrued income	3.0
	4.4

Company	**2017**
Amounts owed by subsidiary undertaking, Bracken Topco Limited	**4.4**

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m.

16. Investments

The Group held the following listed and non-listed investments:

	2017
At beginning of period	0.1
Additions	-
At end of period	**0.1**

The Company held the following investment in subsidiary undertakings:

	2017
At beginning of period	-
Additions	38.9
At end of period	**38.9**

The Company has the following holdings in the ordinary share capital of its subsidiaries, all of which are incorporated in Great Britain is registered in England and Wales and operate throughout the United Kingdom:

	Shares & voting rights	Principal activities
Direct subsidiary		
Bracken Topco Limited	100%	Intermediate holding company
Indirect holding Company subsidiaries		
Bracken Midco1 PLC	100%	Intermediate holding company
Bracken Midco2 Limited	100%	Intermediate holding company
Together Financial Services Limited (formerly Jerrold Holdings Limited)	100%	Intermediate holding company
Together Financial Services subsidiaries		
Trading subsidiaries		
Auction Finance Limited	100%	Commercial lending
Blemain Finance Limited	100%	Retail lending
Bridging Finance Limited	100%	Commercial lending
Harpmanor Limited	100%	Commercial lending
Jerrold FinCo PLC	100%	Financier
Phone-a-Loan Limited	100%	Mortgage brokerage
Spot Finance Limited	100%	Retail lending
Together Commercial Finance Limited (formerly Lancashire Mortgage Corporation Limited)	100%	Commercial lending
Together Personal Finance Limited (formerly Cheshire Mortgage Corporation Limited)	100%	Retail lending
Non-trading subsidiaries		
Briar Hill Court Limited	100%	
FactFocus Limited	100%	
General Allied Properties Limited	100%	
Heywood Finance Limited	100%	
Heywood Leasing Limited	100%	
Jerrold Mortgage Corporation Limited	100%	
Monarch Recoveries Limited	100%	
Supashow Limited	100%	
Together123 Limited	100%	

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m.

16. Investments in subsidiaries (continued)

Dormant subsidiaries	
BridgingFinance.co.uk Limited	100%
Classic Car Finance Limited	100%
Finance Your Property Limited	100%
Jerrold Holdings Limited	100%
(formerly Together Financial Services Limited)	
Privileged Estates Limited	100%
Proactive Bridging Limited Proactive Lending Limited	100%
Proactive Lending Limited	100%
Provincial & Northern Properties Limited	100%

The above are subsidiaries of Together Financial Services are all direct holdings, with the exception of Spot Finance Limited which is held by Blemain Finance Limited. The dormant subsidiaries have taken advantage of the exemption from audit under section 479A of the Companies Act 2006. The registered address of all subsidiaries is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW.

The results of the following securitisation vehicles and trusts are also consolidated in the Group accounts:

Charles Street Conduit Asset Backed Securitisation 1 Limited
Delta Asset Backed Securitisation 1 Limited
Lakeside Asset Backed Securitisation 1 Limited
Jerrold Holdings Employee Benefit Trust

17. Property, plant and equipment

2017 Group	Fixtures, fittings and equipment	Motor vehicles	Total
Cost			
At beginning of period	5.8	1.2	7.0
Additions	0.8	0.7	1.5
Disposals	(0.1)	(0.3)	(0.4)
At end of period	**6.5**	**1.6**	**8.1**
Depreciation			
At beginning of period	2.1	0.4	2.5
Charge for the period	1.1	0.3	1.4
Disposals	-	(0.2)	(0.2)
At end of period	**3.2**	**0.5**	**3.7**
Net book value			
At 30 June 2017	**3.3**	**1.1**	**4.4**
At 3 May 2016	3.7	0.8	4.5

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m.

18. Intangibles

Group	2017
Cost	
At beginning of period	3.1
Additions	4.1
At end of period	**7.2**
Amortisation	
At beginning of period	0.4
Charge for the period	1.1
At end of period	**1.5**
Net book value	
At end of period	**5.7**
At beginning of period	2.7

19. Deferred tax asset

	2017
At beginning of the period	0.5
Credit to income statement	6.0
Adjustment in respect of prior periods	(3.1)
Effect of changes in tax rates	(1.0)
	2.4

The deferred tax asset consisted of the following:

Accelerated capital allowances	(0.1)
Short-term timing differences	2.5
	2.4

20. Borrowings

Group	2017
Loan notes	1,022.9
Subordinated shareholder loans	11.5
Senior secured notes	894.7
Obligations under finance leases	0.6
	1,929.7
Debt issue costs	(24.2)
Total borrowings	**1,905.5**

Of which:

Due for settlement within 12 months	0.3
Due for settlement after 12 months	1,905.2
	1,905.5

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m.

20. Borrowings (continued)

Company	2017
Subordinated shareholder loans	11.5
Total borrowings	**11.5**

Of which:	
Due for settlement within 12 months	-
Due for settlement after 12 months	11.5
	11.5

As part of the Exit Transactions £60m of shareholder loan notes previously issued by Together Financial Services Limited, £17m was repaid and £43m was novated via the new intermediate holding companies to Redhill Famco Limited. This funding was replaced with interest-free subordinated shareholder loans totalling £60m due to Bracken Midco2 Limited, which comprised a £43m loan with a maturity date of 2 November 2036 and £17m with a maturity of 2 November 2022.

In addition a further interest-free subordinated shareholder loan of £8.1m with a maturity of 2 November 2022 was provided to Together Financial Services Limited by Bracken Midco2 Limited to fund payments made under a management incentive scheme and certain other expenses which crystallised on completion of the Exit Transactions. On 22 February 2017 the loans with a maturity date of 2 November 2022 totalling £25.1m had their maturity dates extended to 30 September 2024.

The difference between the total nominal value of the subordinated shareholder loans issued by the Company of £43.0m and the initial fair value of £9.7m represents an initial non-distributable subordinated shareholder reserve of £33.3m, £0.3m of which had amortised by the year end. The remainder of the reserve will be released over the life of the instrument.

Borrowings have the following maturities:

As at 30 June 2017:

Group	<1 year	1-2 years	2-5 years	>5 years	Total
Loan notes	-	151.0	871.9	-	1,022.9
Subordinated shareholder loans	-	-	-	11.5	11.5
Senior secured notes	-	-	694.7	200.0	894.7
Finance leases	0.3	0.3	-	-	0.6
	0.3	**151.3**	**1,566.6**	**211.5**	**1,929.7**
Debt issue costs	-	-	(20.2)	(4.0)	(24.2)
	0.3	**151.3**	**1,546.4**	**207.5**	**1,905.5**

Company	<1 year	1-2 years	2-5 years	>5 years	Total
Subordinated shareholder loans	**-**	**-**	**-**	**11.5**	**11.5**

21. Other liabilities

Group	2017
Trade creditors	2.3
Other creditors	2.9
Other taxation and social security	0.7
Accruals and deferred income	42.4
	48.3

Unless otherwise indicated, all amounts are stated in £m.

22. Share capital

All amounts are stated in pounds.

Called-up, allotted and fully paid	2017
1,000,000 ordinary shares of 1 penny each	**10,000**

The Company issued shares of £9,900 on incorporation. The Exit Transactions described in Note 20 constitute a business combination of entities under common control, and the results of the Group have therefore been accounted for using merger accounting principles. Accordingly, the combination is treated as if it had been in existence throughout the reporting period, and the existing consolidated reserves of the subsidiary entities at the date of the Company's incorporation are consolidated in opening reserves for the Group at that date. Under the transaction the Company issued £100 of share capital to acquire the £50,000 share capital of Bracken Topco Limited, resulting in a balance on the share premium account of £49,900.

23. Financial instruments and fair values

All the Group'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 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 incurred loss provisions.

The following tables summarises the carrying value and fair values of loans and advances and of borrowings at the period end 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

	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets					
Loans and advances to customers	-	-	2,349.8	2,349.8	2,240.9
Financial liabilities					
Borrowings	593.8	1,322.5	115.4	2,031.7	1,905.5

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.

The fair value of loans and advances to customers in total is 5% higher than the carrying value as at 30 June 2017 (2016: 4%). This is primarily due to the current origination rates used to discount future cash flows being below existing customer interest rates. A 1% increase in the discount rate would result in a reduction in the fair value of loans and advances to customers of £116m and a 1% decrease would result in an increase of £131m.

The estimated fair value of these instruments has been based on expected future cash flows. Management has estimated the discount rate for the shareholder loans by reference to the rates payable on other instruments. These instruments are those issued by the Group and for which market prices are available, and those issued by its intermediate holding companies as part of the restructuring of the Group's ownership. The effect of factors such as differing tenor, degree of subordination and the structure of interest payments are taken into account in these estimates. The loans repayable in 2024 arc discounted at 8.0% and those in 2036 at 8.75% (2016 shareholder notes: 10%). A 1% reduction in the discount rate would result in an increase in the carrying value of approximately £2.7m and a 1% increase in the rate would result in a decrease of approximately £2.3m.

Unless otherwise indicated, all amounts are stated in £m.

24. Reconciliation of profit after tax to net cash outflow from operations

Group	2017
Profit after tax	63.0
Adjustments for:	
Taxation	18.6
Depreciation and amortisation	2.5
Loss on disposal of property, plant and equipment	0.1
Share-based payments	1.6
Interest expense	124.3
	210.1
Increase in loans and advances to customers	(485.4)
Increase in other assets	(1.7)
Decrease in accruals and deferred income	(3.3)
Decrease in trade and other liabilities	(5.0)
	(495.4)
Cash outflow from operations	**(285.3)**

Company	2017
Profit after tax	(1.5)
Adjustments for:	
Interest income	(0.3)
Interest expense	1.8
Cash (outflow)/inflow from operations	**-**

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m.

25. Related party transactions

Relationships
The Company has the following related parties:

a) Controlling party

During the period, HN Moser, a director of the Company, and the DL Moser 1995 Family Settlement No1 Trust (together the Moser Shareholders) indirectly acquired the equity interest in the Together Financial Services Limited which was owned by funds managed by Equistone +Partners Europe and Standard Life Investments (the Exit Transactions). The Exit Transactions resulted in a series of holding companies being incorporated above Together Financial Services Limited: all the voting shares of Together Financial Services Limited were acquired by Bracken Midco2 Limited, a company whose ultimate parent is Redhill Famco Limited, which is wholly controlled by the Moser Shareholders. As a result the Moser Shareholders indirectly own 100% of the Company's voting share capital.

Besides the companies owned by Redhill Famco Limited, other entities owned by the Moser Shareholders are deemed to be related parties and during the period transacted with the Company's subsidiaries as follows:

Entity	Nature of transactions
Bracken House Properties LLP	The Group pays operating lease and insurance costs to Bracken House Properties LLP for its provision of the Group's head office property.
Centrestand Limited	The Group collects rent and pays service charges and costs on behalf of Centrestand Limited.
Charles Street Commercial Investments Limited	The Group refers borrowers outside of its lending criteria to Charles Street Commercial Investments Limited in return for introduction fees. The Group performs underwriting, collection and arrears-management activities for these loans.
Sterling Property Co. Limited	Sterling Property Co. Limited provides property management services for properties repossessed or placed into LPA receivership by the Group.
August Blake Developments Limited, Edgworth Developments Limited, Sunnywood Estates Limited	The Group provides loans on a commercial basis secured on certain assets of these companies. Balances due to or from the above entities are interest-free and repayable on demand.

b) Subsidiaries

Details of the Company's interest in its subsidiaries are listed in Note 16. The Company utilises its subordinated shareholder funding to provide a subordinated intercompany loan to its direct subsidiary, Bracken Topco Limited. The Loan is interest-free and repayable in 2036.

Unless otherwise indicated, all amounts are stated in £m.

25. Related party transactions (continued)

c) Key management personnel

Key management personnel comprise directors of the Group. There are no transactions with directors other than remuneration in the ordinary course of business and the disposal of D shares disclosed in Note 27.

Transactions

The amounts receivable from and payable to related parties by the Group and Company are disclosed in Notes 15 to the financial statements. The Group and Company had the following transactions with related parties during the period:

Group	Period ended 30 June 2017	
	Charge/ (credit) to income or equity	Paid
Lease and insurance costs	1.3	1.3
Capital contribution	33.3	43.0
Interest relating to capital contribution	(1.6)	
Accounts payable transactions	-	0.6
Transfer of loan to related party	-	0.1
Impairment of related party loans	1.8	
Interest on related party loans		
Amounts due from related party	-	1.3
Related parties of the Moser Shareholders	**34.8**	**46.3**

Operating lease costs and insurance costs are paid to Bracken House Properties LLP on a prepaid basis. The future amounts payable under operating leases are as follows:

Group	Period ended 30 June 2017
Within one year	1.1
Between one and five years	4.3
After five years	4.8
Total operating leases	**10.2**

Company	2017	
	Charge/ (credit) to income or equity	Paid
Interest receivable	(0.3)	-
Subsidiary companies	**(0.3)**	**-**

26. Pension arrangements

The Group operated a defined contribution scheme for which the pension costs charge for the period amounted to £nil. During the period the Group contributed to employees' personal pension plans. The total cost for the period amounted to £0.5m.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m.

27. Share-based payments

Senior management has previously been granted D shares and options over E shares of a subsidiary within the Group. The ability to dispose of such shares and execute such options is conditional on sale of shares held by other shareholders amounting to 25% or more of the Company's share capital on a cumulative basis. The value of these shares is dependent upon the value of the Company at the time. Such awards are treated as equity settled by virtue of where the obligation rests on such awards being realised.

The purchase of the share capital of Together Financial Services Limited under the corporate restructuring described in the Strategic report triggered the ability to dispose of a proportion of the D shares and as such resulted in the vesting of a proportion of this share scheme and the sale of all the vested shares. As such the full fair value of £1.6m has now been recognised in the statement of comprehensive income to the extent not previously recognised. The charge relating to the remainder of the D shares has not been recognised as the event, upon which the shares vesting is contingent is not considered to be foreseeable by Management at this time.

The options over the E shares have not yet been exercised.

28. 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 Group 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.

These risks are managed through comprehensive underwriting policies and monitored by the Credit Risk Committee. Credit risk is managed at loan inception, via stringent underwriting policies with regard to affordability levels, creditworthiness, repayment strategies and property loan-to-value ratios, and throughout the life of the loan, via monitoring of arrears levels, proactive collections strategies, application of forbearance measures, and by applying macro- economic sensitivity analysis.

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

	2017
Gross loans and advances	2,303.1
Allowance for impairment	(62.2)
Loans and advances to customers	**2,240.9**
Amounts owed by related parties	0.8
Other debtors	0.6
Cash and balances at bank	19.3
	2,261.6

Cash and cash equivalents are primarily surplus cash placed overnight with institutions with sufficiently high credit ratings. The Group's only material credit risk therefore relates to its loans and advances to customers. The above table represents the maximum credit risk exposure to the Group at 30 June 2017 without taking account of any underlying security.

Unless otherwise indicated, all amounts are stated in £m.

28. Credit risk (continued)

Impaired and past-due loans

The Group manages credit risk based on gross customer balances. The gross customer balances reconcile to gross loans and advances recognised in the annual accounts as follows:

	2017
Gross loans and advances	2,303.1
Unsecured loans	(1.7)
Accounting adjustments	8.0
Gross customer balances	**2,309.4**

Reported loans and advances differ from customer balances mainly due to various accounting adjustments necessary to comply with IFRS.

Loans and advances to customers are reviewed regularly to determine whether there is any objective evidence of impairment. Specific provisions are made for assets individually assessed, and collective provisions are made for assets assessed individually but for which no specific impairment is identified.

Loan assets are categorised:

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, exceeds 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.

Gross customer balances are analysed as follows:

	2017
Performing	
Not past due	1,851.2
Past due less than 2 months	224.6
	2,075.8
Non performing but not impaired	
Past due 2 - 3 months	22.9
Past due over 3 months	74.0
	96.9
Impaired	136.7
Gross customer balances	**2,309.4**

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m.

28. Credit risk (continued)

Impaired and past-due loans (continued)

Reported arrears are in relation to contractual amounts due and have not been amended to reflect changes in customers' preferred payment dates or to reflect agreed payment arrangements as part of or collection and forbearance policies.

In applying IAS 39, observable data is considered to identify possible loss events. 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 (based on historical evidence) and the expected loss given default amount (arrived at by calculating the present value of expected future cash flows compared to the carrying value of the loan).

Collateral held

The Group enters into agreements with customers taking security for loan receivables over immovable property. 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
60% or less	1,443.6
60-85%	738.9
85-100%	92.1
More than 100%	34.8
Gross customer balances	**2,309.4**

Of the gross customer balances at 30 June 2017, 94.5% of loans had an indexed LTV of less than or equal to 85%.

Concentration of credit risk

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

	2017 %
East Anglia	2.8
East Midlands	3.0
Ireland	0.2
London regions	28.3
North East	1.6
North West	18.1
Scotland	4.6
South East	17.9
South West	5.8
Wales	4.3
West Midlands	6.6
Yorks & Humber	6.8
Gross customer balances	**100.0**

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m.

28. Credit risk (continued)

Concentration of credit risk (continued)

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

	2017 %
Up to £50,000	19.3
£50,000 - 100,000	17.5
£100,000 - 250,000	20.9
£250,000 - 500,000	12.6
£500,000 - 1,000,000	8.9
£1,000,000 - 2,500,000	12.2
More than £2,500,000	8.6
Gross customer balances	**100.0**

Forbearance

The Group offers a range of approaches to assist customers who are experiencing financial distress. Assistance is provided through trained colleagues in dedicated teams. For those customers requiring more assistance the Group works with a number of external not-for-profit agencies.

The Group considers an account as forborne at the time a customer in financial difficulty is granted a concession. The Group actively operates timely collections and arrears management processes to ensure early identification of issues to support our customers and minimise credit losses. The Group's 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.

29. Contingent liabilities

As at 30 June 2017, a subsidiary of the Company's assets were subject to a fixed and floating charge in respect of £895m senior secured notes, senior PIK toggle notes and deferred loan notes.

30. Controlling party

Redhill Famco Limited is wholly controlled by HN Moser and the DL Moser 1995 Family Settlement No1 Trust.

31. Post-balance sheet events

On 26 September 2017, a subsidiary of the Company, Together Financial Services Limited, announced the completion of a £275m residential mortgage-backed securitisation via the special purpose vehicle Together Asset Backed Securitisation 1 PLC ("TABS") to support the Group's growth strategy.

On 10 January 2018, a subsidiary of the Company, Together Financial Services Limited, announced the refinancing of the special purpose vehicle Lakeside Asset Backed Securitisation 1 Limited extending its maturity to 2021 on improved commercial terms.

On 31 January 2018, a subsidiary of the Company, Jerrold Finco PLC, completed a £150.0m bond tap of the senior secured notes due 2024.