together®
SINCE 1974

Redhill Famco Limited
Annual Report and
Consolidated Financial Statements

For the year ended 30 June 2018

Company Registration No. 10162640

Contents

Officers and professional advisers

Directors

HN Moser
GD Beckett

Secretary

GD Beckett

Registered office

Lake View
Lakeside
Cheadle
Cheshire
SK8 3GW

Auditor

Deloitte LLP
Statutory Auditor
2 Hardman Street
Manchester
M3 3HF

Legal advisers

Allen & Overy LLP
Bishops Square
London
E1 6AD

Clifford Chance LLP
10 Upper Bank Street
Canary Wharf
London
E14 5JJ

Eversheds Sutherland LLP
70 Great Bridgewater Street
Manchester
M1 5ES

Milbank, Tweed, Hadley & McCloy LLP
10 Gresham Street
London
EC2V 7JD

Strategic report

The directors present their annual report and the audited financial statements for the year ended 30 June 2018.

Business review

Business model and strategy

Redhill Famco Limited was incorporated on 4 May 2016. On 2 November 2016, 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 above Together Financial Services Limited and its subsidiaries ('the Together Group'). The principal activity of Redhill Famco Limited ('the Company') is that of ultimate parent company which, together with its subsidiaries constitutes the 'Redhill Group'. Further references to the Group in this annual report refer to the Redhill Group. The Company is wholly owned by HN Moser and the DL Moser 1995 Family Settlement No 1 Trust.

Results and dividends

As shown in the income statement on page 18, the Group made a profit of £70.2m (2017: £63.0m) for the year.

The directors of the Company do not recommend the payment of a dividend (2017: £nil).

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

	Year ended 30 June 2018	**Period from 4 May 2016 to 30 June 2017**
Net loan book (£m)	2,958.2	2,240.9
Lending volume (£m)	1,660.1	1,355.1
Weighted average LTV of originations (%)	58.0	57.2
Weighted average indexed LTV of portfolio (%)	55.3	53.4
Shareholder funds (£m)	387.1	316.9

Funding and liquidity

To support the Exit Transactions in the period to 30 June 2017, £220.0m of Senior PIK Toggle Notes ('the PIK Toggle Notes') were issued by Bracken Midco1 PLC (an indirect subsidiary of the Company) and £100.0m of deferred loan notes (the 'Vendor Loan Notes') were issued by Bracken Topco Limited (a direct subsidiary of the Company). 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 Toggle Notes was paid using the proceeds of dividends from Together Financial Services Limited.

On 28 September 2018, Bracken Midco1 PLC issued £350.0m Senior PIK Toggle Notes due in 2023. The proceeds were primarily used to refinance the existing PIK Toggle Notes and repay £100m of intercompany payables due to Bracken Topco Limited, facilitating the repayment of its Vendor Loan Notes. As part of the transactions a dividend of £18m was also paid from Bracken Midco1 PLC to Bracken Topco Limited to pay the accrued interest due on the Vendor Loan Notes and to enable a further dividend of £9.1m to be paid to the Company.

The Group successfully continued its strategy of increasing, extending and diversifying its funding structure during the year as detailed below.

On 26 September 2017, the Group completed its first residential-mortgage-backed securitisation (RMBS) of £275m, Together ABS 1[1]. Its contractual final maturity date is 2049 and the Group has an option to call the facility in September 2021.

On 10 January 2018, the Group announced the refinancing of its Lakeside ABS[2] facility, extending its maturity by three years to January 2021 at a more favourable margin.

On 31 January 2018, a Group subsidiary Jerrold Finco PLC completed the issuance, at a premium to par, of an additional £150m of its senior secured notes due in 2024.

[1] *Together Asset Backed Securitisation 1 PLC*
[2] *Lakeside Asset Backed Securitisation 1 Limited*

Business review (continued)

Funding and liquidity (continued)

On 27 April 2018, the Group's revolving credit facility was increased from £57.5m to £71.9m. All other terms under the facility remain substantially unchanged.

On 27 June 2018, the Group announced the completion of a £525m commercial real estate warehouse facility via the special purpose vehicle Highfield ABS[3], providing a dedicated funding facility for small value commercial property loans.

Subsequent to the year end the Group continued to extend and diversify its funding structure as detailed below :

On 13 September 2018, the Company's indirect subsidiary, Together Financial Services Limited and certain subsidiary companies completed the refinancing of its revolving funding facility, Charles Street ABS[4] on improved terms. The facility has also been increased from £1bn to £1.25bn with the facility's maturity date extended to September 2023.

On 8 November 2018, the Company's indirect subsidiary Together Financial Services Limited and certain subsidiary companies completed its second residential backed securitisation, raising £272.6m of rated notes on a loan portfolio of £286.9m, Together ABS 2[5], providing additional funding to support the Group's growth strategy.

Macroeconomic conditions

The Company, by virtue of the issue of PIK Toggle Notes in its indirect subsidiary Bracken Midco1 PLC, and its indirect ownership of the Together Group, is impacted by general business and economic conditions in the United Kingdom. During the 12 months to 30 June 2018 the UK's economic performance has continued to be mixed, and the outlook remains uncertain, with the UK parliament remaining divided over the best way forward ahead of the 29 March 2019 Brexit deadline. As a result, the value of sterling has reflected some short-term volatility but was little changed over recent months. Bank Rate increased on 2 August 2018 from 0.50% to 0.75%, while the 12 month inflation rate fell slightly in the six month period to December 2018 to 1.9%. The annual rate of growth in house prices has fallen, the Halifax reporting annual national house price growth of 1.3% to December 2018, but with notable regional variation evident. However, employment remains strong and wage inflation during the six months to 31 December 2018 is at the highest level seen for several years.

The economic outlook remains uncertain, primarily due to the increasing possibility of an Article 50 extension, or a "no-deal" Brexit outcome following Parliament's rejection of the government's Brexit withdrawal agreement in its current form. Whilst uncertain and adverse economic conditions may present challenges, the Together Group continues to apply its experience gained over numerous economic cycles, with a focus on prudent loan to value lending secured on UK property and a diversified mix of debt facilities with depth to maturity. Continuing market pressures have seen the recent withdrawal of some potential competitors from mortgage lending which could present further opportunities for specialist lenders such as the Together Group.

Regulatory and legal considerations

The Redhill Group's operations are affected by a number of laws and regulations. The Group's regulated mortgage business is regulated by the Financial Conduct Authority ('FCA'). The Group also has to comply with the relevant UK and EU regulations including anti-money laundering regulations and the Data Protection Act 1998, the latter being replaced by the EU General Data Protection Regulation from May 2018.

---

[3] Highfield Asset Backed Securitisation 1 Limited
[4] Charles Street Asset Backed Securitisation 1 Limited
[5] Together Asset Backed Securitisation 2018-1 PLC

Strategic report (continued)

Principal risks and uncertainties

The directors have identified the following as the principal risks and uncertainties facing the business. These are typical of the categories of risk traditionally identified by organisations operating in the financial services sector. Each risk below is discussed in further detail on pages 4 to 12. All risks are monitored and managed by the Together Group and references to Board involvement refer to the Board of Together Financial Services Limited.

Strategic risk
Credit risk*
Liquidity and funding risk*
Market risk*
Capital risk*
Conduct risk
Compliance risk
Operational risk

* This section forms part of the IFRS 7 disclosures in respect of the financial statements on pages 18 to 51.

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.

Key activities undertaken to manage and mitigate strategic risk include:

- Regular Board oversight of performance including financial and non-financial indicators.
- Ongoing Board review of the Group's risk appetite, exposure and mitigation.
- Sensitivity and stress testing analysis are carried out against the loan book.
- Maintenance of a prudent balance sheet with a mix of funding structures and closely monitored gearing levels.
- Annual budget process, with a five year outlook which aligns with the Group's risk appetite.
- Dedicated Change delivery department that executes and oversees the implementation of Group wide major change programmes.
- A Group 'Change Delivery Framework' for all business change programmes and projects.

We continue to monitor a broad range of management information, and key performance and risk appetite metrics in relation to our budgets and profit figures. We have enhanced our monitoring of key performance metrics in relation to major change projects, and reputational risk during 2017/18.

Credit risk

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

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 macroeconomic factors as well as factors relating to specific customers, such as a change in the borrower's circumstances.

Credit risk also arises if the value of assets used as security for loans falls in value, given this is the primary source of recourse should a borrower fail to repay amounts due.

Principal risks and uncertainties (continued)

Credit risk (continued)

Credit risk is managed and mitigated by:

- Our comprehensive underwriting procedures which have regard to customer affordability levels, creditworthiness, repayment strategies and property loan-to-value (LTV) ratios.
- Customer affordability models are utilised by the Group and are tailored to the customer and loan type.
- Monitoring of customer loan performance throughout the loan, with regard to arrears, proactive collections strategies, application of forbearance measures and macro-economic sensitivity analysis.
- Macroeconomic sensitivity analysis of the loan book.
- Continuing to focus our lending on areas of the market where we have specific expertise.
- Monitoring of the characteristics of our loan portfolio, including, geographical concentration, and LTV.
- Oversight by the Together Group Exectuive Risk Committee.
- The Group impairment ratio[6] remains low at 43bps (2017: 36bps), reflecting the rigorous underwriting process and current levels of arrears. The heightened uncertainty for the UK economy, with the impending departure of the UK from the EU has increased the possibility of a downturn, however; our low average LTV provides the Group with mitigation against loss.

Maximum exposure to credit risk

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

Audited	Note	2018 £m	2017 £m
Gross loans and advances to customers	13	3,020.0	2,303.1
Allowance for impairment	13	(61.8)	(62.2)
Loans and advances to customers		**2,958.2**	**2,240.9**
Amounts owed by related parties	15	0.5	0.8
Other debtors	15	0.9	0.6
Cash and balances at bank		-	19.3
Maximum exposure to credit risk		**2,959.6**	**2,261.6**

Cash and cash equivalents are primarily surplus cash placed overnight with institutions with sufficiently high credit ratings. The Group's 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 2018 and 2017 without taking account of any underlying security.

Impaired and past-due loans

The analysis in this section is presented based upon gross customer balances. This differs to the total loan book balance recognised in the statement of financial position as a result of various accounting adjustments required under IFRS. A reconciliation is presented below:

	2018 £m	2017 £m
Gross loans and advances to customers	3,020.0	2,303.1
Unsecured loans	(0.8)	(1.7)
Accounting adjustments	12.2	8.0
Maximum exposure to credit risk on customer balances	**3,031.4**	**2,309.4**

[6] Annual impairment losses expressed as a percentage of average opening and closing gross loans and advances to customers

Strategic report (continued)

Principal risks and uncertainties (continued)

Credit risk (continued)

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:

Performing

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

Non performing but no impairment provision

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

Impaired

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.

Customer balances are analysed as follows:

Audited	**2018 £m**	**2018 % of gross customer balances**	**2017 £m**	**2017 % of gross customer balances**
Not past due	2,715.5	89.6%	1,851.2	80.2%
Past due less than 2 months	56.9	1.9%	224.6	9.7%
Performing	**2,772.4**	**91.5%**	**2,075.8**	**89.9%**
Past due 2 - 3 months	30.7	1.0%	22.9	1.0%
Past due over 3 months	77.3	2.6%	74.0	3.2%
Non performing but no impairment provision	**108.0**	**3.6%**	**96.9**	**4.2%**
Impaired	**151.0**	**4.9%**	**136.7**	**5.9%**
Gross customer balances	**3,031.4**	**100.0%**	**2,309.4**	**100.0%**

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 our collection and forbearance policies.

In applying IAS 39, observable data is considered to identify potential loss events. Management considers that contractual arrears of two months or more constitutes one such 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).

Principal risks and uncertainties (continued)

Credit risk (continued)

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:

Audited	2018 £m	2018 % of gross customer balances	2017 £m	2017 % of gross customer balances
60% or less	1,712.7	56.5%	1,443.6	62.5%
60-85%	1,176.1	38.8%	738.9	32.0%
85-100%	97.8	3.2%	92.1	4.0%
More than 100%	44.8	1.5%	34.8	1.5%
Gross customer balances	**3,031.4**	**100.0%**	**2,309.4**	**100.0%**

Of the gross customer balances at 30 June 2018, 95.3% of loans had an indexed LTV of less than or equal to 85% (2017: 94.5%).

Concentration of credit risk

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

	2018 %	2017 %
East Anglia	2.6	2.8
East Midlands	3.5	3.0
Ireland	0.2	0.2
London Regions	28.8	28.3
North East	1.4	1.6
North West	15.8	18.1
Scotland	4.4	4.6
South East	18.2	17.9
South West	6.5	5.8
Wales	4.1	4.3
West Midlands	7.3	6.6
Yorks & Humber	7.2	6.8
Gross customer balances	**100.0**	**100.0**

Strategic report (continued)

Principal risks and uncertainties (continued)

Credit risk (continued)

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

	2018 %	2017 %
Up to £50,000	14.7	19.3
£50,000 - £100,000	16.4	17.5
£100,000 - £250,000	21.1	20.9
£250,000 - £500,000	13.9	12.6
£500,000 - £1,000,000	9.8	8.9
£1,000,000 - £2,500,000	10.8	12.2
More than £2,500,000	13.3	8.6
Gross customer balances	**100.0**	**100.0**

Whilst the Group's exposure to loans in excess of £2.5m has increased during the year, 91.3% of these loans have an LTV of under 85% (2017: 89.3%).

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, or a change in the repayment profile.

Liquidity and funding risk

Liquidity risk is the risk that the Group is unable to maintain sufficient accessible liquid financial resources to meet the Group's financial obligations as they fall due.

This includes the risk of reduced funding options due to a tightening in the wholesale funding market, potentially caused by political and economic uncertainty leading to the inability to secure additional funding for new business, or refinance existing securities.

Based on the business model of funding primarily via securitisation programmes and bond markets, the Board has set a liquidity risk appetite which it considers to be appropriate, to provide it with the assurance that the Together Group is able to meet its liabilities and commitments when they fall due, and provide sufficient facility headroom to support anticipated loan book growth. Liquidity and funding, and capital risk (see page 11) are closely related given capital provides the necessary subordination to our bond funding and secured facilities.

Principal risks and uncertainties (continued)

Liquidity and funding risk (continued)

Liquidity risk is managed and mitigated by:

- Forecasting of expected cash inflows and outflows.
- The utilisation of a range of medium to long-term funding sources.
- Diversification of funding sources.
- Having access to a revolving credit facility.
- Maintenance of prudent headroom in facilities, along with cash flows from redemptions are used to provide liquidity resources, which are monitored daily.
- We undertake liquidity stress tests to test our ability to withstand the emergence of risks under normal and stressed conditions.
- Surplus cash balances are only placed on overnight deposit ensuring they remain immediately available.

The Group's liquidity position was strengthened during the year with a number of treasury transactions including the increase in the RCF facility in April 2018 from £57.5m to £71.9m and funding facilities. Details of these transactions are shown on pages 2 and 3 of the strategic report.

The Group has increased its wholesale funding in successive years in order to fund the growth in its loan portfolio. Key sources of funding during and at 30 June 2018 were:

- Charles Street ABS - this securitisation is for a total facility of £1bn and is available to fund the majority of asset types, subject to eligibility criteria and loan portfolio concentration limits.
- Lakeside ABS - this securitisation which is for a total facility of £255m and is available primarily to fund new short-term commercial-purpose loans, and is also subject to eligibility criteria and loan portfolio concentration limits.
- Delta ABS 1[7] - this is for a total of £90m and is available primarily to fund new short-term commercial-purpose loans and loans secured on commercial property,again subject to eligibility criteria and loan portfolio concentration limits.
- Together ABS 1 - this facility is an amortising facility for £275m and is for residential-purpose loans only.
- Highfield ABS - this facility is for a total of £525m and is available for smaller balance commercial purpose loans.
- Secured Notes, Senior PIK Toggle Notes and Vendor Loan Notes, which total £1,058m.
- Revolving credit facility of £71.9m.

[7] Delta Asset Backed Securitisation 1 Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

Liquidity and funding risk (continued)

The following is an analysis of the gross undiscounted contractual cash flows payable on our financial liabilities, including expected future interest payments.

Audited At 30 June 2018	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
Bank facilities	30.6	33.7	6.6	1.0	26.1	-
Loan notes	1,452.4	1,795.3	95.3	92.0	1,608.0	-
Subordinated shareholder loans	14.2	105.2	-	-	-	105.2
Secured notes	1,057.9	1,397.1	68.1	194.6	760.4	374.0
Obligations under finance leases	1.1	1.1	0.4	0.5	0.2	-
	2,556.2	**3,332.4**	**170.4**	**288.1**	**2,394.7**	**479.2**
Debt issue costs	(23.0)	-	-	-	-	-
Borrowings	**2,533.2**	**3,332.4**	**170.4**	**288.1**	**2,394.7**	**479.2**
Trade creditors	1.2	1.2	1.2	-	-	-
Other creditors	2.5	2.5	2.5	-	-	-
	2,536.9	**3,336.1**	**174.1**	**288.1**	**2,394.7**	**479.2**

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	1,022.9	1,196.1	26.0	199.6	970.5	-
Subordinated shareholder loans	11.5	105.2	-	-	-	105.2
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**

The above analysis is based upon the Group's contractual expectations at 30 June 2018 with the exception of the Vendor Loan Notes which were repaid in September 2018. It has not been adjusted to reflect the refinancing of the PIK Toggle Notes, as disclosed in the funding and liquidity section of the strategic report.

The gross nominal cash flow of £105.2m for the Subordinated shareholder loans above assumes that all interest due will be paid at maturity, but the Group has the option to pay accrued interest earlier.

Strategic report (continued)

Principal risks and uncertainties (continued)

Market risk

Market risk is the risk arising from the Group's exposure to movements in market values, including movements in interest rates. The main market risk faced by the Group is interest-rate risk, the risk of loss through mismatched asset and liability positions sensitive to changes in interest rates.

Market risk is managed and mitigated by:

- The fact that the Group does not carry out proprietary trading or hold positions in assets or equities which are actively traded.
- The Group has no foreign currency exposure.
- The Together Group's Risk Committee has responsibility for oversight of the monitoring of the Group's exposure to, and management of, interest-rate risk.
- The ability to undertake hedging transactions.

The Group's approach remains prudent and underlying risks remain unchanged. Performance is not considered to be at material risk from changes in interest rates that are reasonably expected for the next 12 months.

Capital risk

Capital risk is the risk of failure to hold adequate capital buffers and to appropriately manage the Group's capital base. Given capital also comprises a material source of funding via subordination in bond and securitisation structures, insufficient capital also gives rise to funding and liquidity risk.

The Group maintains adequate levels of capital to provide prudent headroom to gearing limits in order to support day to day operations and mitigate refinancing risk. Regulatory capital requirements must also be met at all times within certain of the Group's subsidiaries. The Board has set a capital risk appetite which it considers to be appropriate to provide it with the assurance that the Group is able to maintain a prudent and sustainable capital position providing a long term foundation for the business.

Capital risk is managed and mitigated by:

- Regular monitoring of current and forecast levels of capital, including the gearing ratio.
- Undertaking internal capital stress tests to assess our ability to withstand the emergence of risks under both normal and stressed conditions.
- Continuous monitoring of the forecast facility headroom, and facility repricing profile.

Current and forecast levels of Group capital, including the gearing ratio, are monitored and reported to the Board on a regular basis. Total shareholder funds increased by £70.2m over the year to £387.1m (2017 : £316.9m).

Conduct risk

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

This risk can arise from inadequate product design, inappropriate terms and conditions, failure to recognise customer needs, particularly vulnerable customers, and the risk that complaints are not managed in a fair, transparent and timely way, leading to poor customer outcomes.

Conduct risk is managed and mitigated by:

- The Group's aim to provide simple and transparent products.
- The Group's 'Beliefs' which define our organisational culture and focus on colleague conduct,respect, accountability and customer experience.
- Annual conduct related training and awareness sessions, including identifying customers in vulnerable situations.
- Products are designed and approved through a robust 'Product Governance framework' with a focus on customer needs.
- Key conduct risks are captured through the risk control self-assessment (RCSA) process with a specific assessment made of the risk impact on customers and third parties.
- Established Conduct risk and Vulnerable Customer policies.
- Identifying and supporting our customers when things go wrong through effective forbearance and complaint handling.
- Root cause analysis focusing on continuous improvement aiming to reduce the number of complaints.
- Quality assurance frameworks.

Strategic report (continued)

Principal risks and uncertainties (continued)

Compliance 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.

This includes the risk that we misinterpret regulation or legislation e.g. MCOB, DISP and GDPR. This could include the risk of developing business practices and processes that do not adhere to or are not in line with the spirit of the law or regulation, leading to customer dissatisfaction or detriment and fines from the regulator.

Furthermore, as a Group which undertakes some regulated activities, there is a risk that our activities do not meet the standards expected by the regulators when working with customers.

Key activities undertaken to manage and mitigate credit risk include:

- The Group seeks to provide simple and transparent products, and operates solely in the UK market.
- Continued investment in staff training and awareness.
- Quality assurance reviews in operational areas supported by experienced risk and compliance departments.
- Independent monitoring reviews undertaken by both the Compliance and Financial Crime team.
- Horizon scanning and impact assessments of potential regulatory change.
- All significant regulatory initiatives are managed by structured programmes overseen by the Group's Business Change team and are sponsored at an Executive level.
- Experienced legal department in place to ensure the Group meets all its legal obligations.

During the year, we reviewed our approach to data handling to ensure we were prepared for GDPR when it came into force in May 2018.

Operational risk

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

Operational risk is managed and mitigated by:

- A robust framework of systems, controls, policies and procedures.
- Frameworks to recruit and retain sufficient skilled personnel.
- Monitoring of the risk of ineffective design or operation of business processes, utilising an RCSA approach to managing and monitoring these operational risks.
- A documented and tested business continuity plan.
- A business change team dedicated to managing the change projects the business is undertaking.
- Robust IT infrastructure, which is sufficiently resilient.
- Investment in robust cyber risk prevention systems, resulting in a mature cyber security capability which includes:
    - A dedicated cyber security team focused on prevention and detection.
    - Top tier industry standard tools for both Anti-Virus and firewalls, in use with multiple vendors used to maximise protection.
    - Market leading detection tools, continually monitoring our network and data.
    - Full penetration testing for externally facing networks.
    - Encryption of all mobile devices.

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

GD Beckett
Director
28 March 2019

Directors' report

The directors present their report for the year ended 30 June 2018.

Principal activity

The Group's principal activity continues to be that of financiers. The directors do not expect any significant change to the activities of the Redhill Famco Limited group of companies. Details of the results and dividends and financial position of the Group are contained within the business review section of the strategic report on page 2.

Directors

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

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 Company and the Group will have sufficient funding and liquidity facilities to continue in operational existence for the foreseeable future. Accordingly the directors of the Group have adopted the going-concern basis in preparing these financial statements.

Charitable donations

During the year the Group made donations of £88,000 (2017: £85,000) to local charities.

Principal risks and uncertainties

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

Dividend

The directors do not recommend the payment of a dividend (2017: £nil).

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
Director
28 March 2019

Statement of directors' responsibilities

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

Company law requires the directors to prepare the financial statements for each financial year. Under that law they have elected to prepare both the Group and the parent Company financial statements in accordance with International Financial Reporting Standards (IFRS's) 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 under International Accounting Standard 1 to:

- properly select accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company 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 are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of 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

Opinion
In our opinion :

- the financial statements of Redhill Famco Limited (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS's 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.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company statements of cash flows;
- the disclosures in the 'Principal Risks and Uncertainties' section of the Strategic Report on pages 3 to 11 that are denoted as forming part of the financial statements and cross-referenced to from within the statement of accounting policies; and
- the related Notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and IFRS's 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.

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

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

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group' s or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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

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

We have nothing to report in respect of these matters.

Independent auditor's report (continued)

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

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 group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.

We have nothing to report in respect of these matters.

Use of our report

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

David Heaton

David Heaton (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester
28 March 2019

Consolidated statement of comprehensive income

For the year ended 30 June 2018

Unless otherwise indicated, all amounts are stated in £m

Income statement	Note	Year ended 30 June 2018	Period from 4 May 2016 to 30 June 2017
Interest receivable and similar income	4	292.2	282.4
Interest payable and similar charges	5	(129.0)	(124.3)
Net interest income		**163.2**	**158.1**
Fee and commission income	6	4.7	4.8
Fee and commission expense	7	(2.1)	(2.3)
Other income	8	0.4	0.1
Operating income		**166.2**	**160.7**
Administrative expenses	9	(69.3)	(68.7)
Operating profit		**96.9**	**92.0**
Impairment losses	13	(11.4)	(10.4)
Profit before taxation		**85.5**	**81.6**
Income tax	12	(15.3)	(18.6)
Profit after taxation		**70.2**	**63.0**

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

Consolidated statement of financial position

As at 30 June 2018

Unless otherwise indicated, all amounts are stated in £m

	Note	2018	2017
Assets			
Cash and balances at bank		-	19.3
Loans and advances to customers	13	2,958.2	2,240.9
Inventories	14	0.6	0.9
Other assets	15	4.3	4.4
Investments	16	0.1	0.1
Property, plant and equipment	17	6.3	4.4
Intangible assets	18	8.3	5.7
Deferred tax asset	19	1.4	2.4
Total assets		**2,979.2**	**2,278.1**
Liabilities			
Borrowings	20	2,533.2	1,905.5
Other liabilities	21	52.6	48.3
Current tax liabilities		6.3	7.4
Total liabilities		**2,592.1**	**1,961.2**
Equity			
Share capital	22	-	-
Share premium account		-	-
Capital redemption reserve		1.3	1.3
Subordinated shareholder funding reserve		32.5	33.0
Share-based payment reserve	27	1.6	1.6
Retained earnings		351.7	281.0
Total equity		**387.1**	**316.9**
Total equity and liabilities		**2,979.2**	**2,278.1**

These financial statements were approved and authorised for issue by the Board of Directors on 28 March 2019.

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 2018

Unless otherwise indicated, all amounts are stated in £m

	Note	2018	2017
Assets			
Other assets	15	4.9	4.4
Investments in subsidiaries	16	38.9	38.9
Total assets		**43.8**	**43.3**
Liabilities			
Borrowings	20	14.2	11.5
Total liabilities		**14.2**	**11.5**
Equity			
Share capital	22	-	-
Share premium account		-	-
Subordinated shareholder funding reserve	20	32.5	33.0
Retained earnings		(2.9)	(1.2)
Total equity		**29.6**	**31.8**
Total equity and liabilities		**43.8**	**43.3**

Redhill Famco Limited (the Company) reported a loss after tax for the year ended 30 June 2018 of £2.2m (2017: £1.5m). As permitted by section 408 of the Companies Act 2006, no separate statement of comprehensive income is presented in respect of the Company.

These financial statements were approved and authorised for issue by the Board of Directors on 28 March 2019.

Company Registration No. 10162640

Signed on behalf of the Board of Directors

HN Moser
Director

GD Beckett
Director

Consolidated statement of changes in equity

As at 30 June 2018

Unless otherwise indicated, all amounts are stated in £m

Year ended 30 June 2018	Called-up share capital	Share premium	Capital redemption reserve	Subordinated shareholder funding reserve	Share-based payment reserve	Retained earnings	Total
At beginning of year	-	-	1.3	33.0	1.6	281.0	316.9
Transfer between reserves	-	-	-	(0.5)	-	0.5	-
Profit for the year	-	-	-	-	-	70.2	70.2
At end of year	**-**	**-**	**1.3**	**32.5**	**1.6**	**351.7**	**387.1**

Period ended 30 June 2017	Called-up share capital	Share premium	Capital redemption reserve	Subordinated shareholder funding reserve	Share-based payment reserve	Retained earnings	Total
At beginning 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

As at 30 June 2018

Unless otherwise indicated, all amounts are stated in £m

Year ended 30 June 2018	Called up share capital	Share premium	Subordinated shareholder funding reserve	Retained earnings	Total
At beginning of year	-	-	33.0	(1.2)	31.8
Loss for the year	-	-	-	(2.2)	(2.2)
Transfer between reserves	-	-	(0.5)	0.5	-
At end of year	**-**	**-**	**32.5**	**(2.9)**	**29.6**

Period ended 30 June 2017	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 year ended 30 June 2018

Unless otherwise indicated, all amounts are stated in £m

	Note	Year ended 30 June 2018	Period from 4 May 2016 to 30 June 2017
Cash outflow from operating activities			
Cash outflow from operations	24	(492.6)	(285.3)
Income tax paid		(15.3)	(17.1)
Servicing of finance		(115.3)	(94.7)
Net cash outflow from operating activities		**(623.2)**	**(397.1)**
Cash flows from investing activities			
Proceeds from disposal of investments		-	0.1
Acquisition of property, plant and equipment		(3.3)	(1.5)
Proceeds from disposal of property, plant and equipment		0.1	0.1
Investment in intangible assets		(5.9)	(4.1)
Proceeds on sale of shares by employee-benefit trust		-	1.2
Net cash outflow from investing activities		**(9.1)**	**(4.2)**
Cash flows from financing activities			
Drawdown/(repayment) of bank facilities		30.6	(29.0)
Drawdown of loan facilities		418.2	158.6
Proceeds from issuance of residential mortgage-backed securitisation		261.3	-
Repayment of loan facilities		(415.0)	-
Proceeds from issuance of loan facility		165.0	-
Proceeds from issuance of secured notes		152.4	575.0
Increase in finance leases		0.5	0.2
Repayment of senior secured notes		-	(305.0)
Net cash inflow from financing activities		**613.0**	**399.8**
Net decrease in cash and cash equivalents		**(19.3)**	**(1.5)**
Cash and cash equivalents at beginning of year/period		**19.3**	**20.8**
Cash and cash equivalents at end of year/period		**-**	**19.3**

Company statement of cash flows

For the year ended 30 June 2018

Unless otherwise indicated, all amounts are stated in £m

	Note	Year ended 30 June 2018	Period from 4 May 2016 to 30 June 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 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 year/period		**-**	**-**

Notes to the financial statements

1. Reporting entity and general information

Redhill Famco Limited ('the Company') is incorporated and domiciled in the United Kingdom. The Company is a private company, limited by shares, and is registered in England (company number: 10162640). 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).

2. Significant accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

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.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates.

These financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Presentation of risk disclosures

Disclosures under IFRS 7 *Financial Instruments: Disclosures* concerning the nature and extent of risks relating to financial instruments have been presented on page 4 within the sections denoted as forming part of these financial statements in the 'Principal risks and uncertainties' section of the strategic report.

Amendments to IAS 7 Statement of Cash flows

The Group has applied the amendment in respect of IAS 7 disclosures for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate the changes in liabilities arising from financing activities, including both cash and non cash changes.

A reconciliation of changes in liabilities arising from financing activities is provided in Note 24. Apart from the additional disclosure in Note 24, the application of the amendments has had no impact on the Group or Company's consolidated financial statements.

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 replacement for IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 16 *Leases*, the replacement for IAS 17 *Leases* and IFRS 15 *Revenue from Contracts with Customers,* the replacement for IAS 11.

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 9

Implementation and governance

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.

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 to not 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. IFRS 9 will also require extensive new disclosures, in particular about credit risk and expected credit losses (ECLs).

Estimated financial impact on adoption

The adoption of IFRS 9 has resulted in the following restatements at 1 July 2018:

- a reduction in the carrying value of loans and advances to customers of £31.5m due to an increase in the allowance for impairment in particular the introduction of an expected credit loss for assets that currently show no sign of impairment,
- an increase in the carrying value of borrowings of £5.6m due to a change in measurement of financial liabilities; and
- the recognition of a deferred tax asset of £6.4m.

The result is a net reduction in reserves of £30.7m. The changes are explained in more detail in the section below.

Classification and measurement

IFRS 9 makes little change to the classification of financial liabilities but determines the appropriate classification of financial assets based on the business model, and the nature of the contractual cash flows. 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 term of the assets give rise to cash flows that are solely payments of principal and interest (SPPI). Financial assets whose cash flows are SPPI, but which are held within a business model whose objective is both to hold to collect contractual cash flows and to sell the assets, are measured at fair value through other comprehensive income. Other financial assets are measured at fair value through profit and loss (FVTPL).

The Group has completed the assessment of its financial instruments and expects the IFRS 9 classification change to have no significant effect. All its financial instruments will continue to be held at amortised cost. The principal assessment relates to the Group's loans and advances to customers (which largely consist of mortgage assets):

- The business model is considered to be hold-to-collect because the Group manages the assets based on their interest margin and credit risk.
- A review of the Group's mortgage portfolios concluded that the related cash flows included no features other than those of a basic lending arrangement, and are therefore considered to be SPPI.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

IFRS 9 (continued)

Classification and measurement (continued)

Like IAS 39, IFRS 9 requires derecognition of a financial liability, and recognition of a new one for a modification that is substantially different from the original terms. The standard continues to deem that changes of 10% or more in the present value of a liability qualify as substantially different. The only significant change from IAS 39 relates to non-substantial modifications of liabilities. Under IAS 39, the Group's policy for such modifications is to defer any related transaction costs as adjustments to carrying value that are charged to income over the liability's remaining life. Under IFRS 9 however, all gains or losses on non-substantial modifications calculated as a change in the net present value of future cashflows will be recognised immediately in the income statement. The Group may also consider qualitative factors in determining whether a modification is substantial. The impact of these changes resulted in an increase of £5.6m in the carrying value of the Group's borrowings on transition to IFRS 9 at 1 July 2018.

Impairment

The most significant impact of IFRS 9 is expected to result from new impairment requirements. IFRS 9 replaces IAS 39's incurred-loss approach to impairment with a forward-looking one based on ECLs of financial assets and loan commitments measured at amortised cost. ECLs are an unbiased, probability-weighted estimate of the present value of credit losses.

In accordance with IFRS 9, the Group will generally use a three-stage model for impairment based on changes in credit quality since initial recognition:

- A financial instrument not credit-impaired on initial recognition will be classified in stage 1. The loss allowance for such instruments is calculated as the portion of lifetime ECL of those default events that are possible within 12 months of the reporting date, weighted by the probability of that default occurring.
- An instrument will move to stage 2 if there is an increase in its credit risk that is significant but not such that the instrument is considered credit impaired. The loss allowance for stage 2 instruments will be calculated as the lifetime ECL.
- Stage 3 instruments are credit impaired and the loss allowance will be calculated as the lifetime ECL, similar to specific incurred losses under IAS 39.

Besides instruments that become credit impaired on entering default, lifetime ECLs are also used for any that are credit impaired on origination. In the ordinary course of business the Group does not purchase or originate credit impaired financial assets; management therefore considers any such balances to be immaterial.

Interest income on loans measured at amortised cost is calculated at the effective interest rate (EIR) on the gross carrying value for instruments in stage 1 or 2, and at the EIR applied to the amortised cost, i.e. after deduction of the loss allowance, for instruments in stage 3.

In categorising assets as credit impaired, the Group will determine default on the basis of quantitative criteria, such as the number of renewals for certain types of bridging loans, and on qualitative criteria such as forbearance, loans past term, repossessions and fraud. Additionally a general 'backstop' assumption for arrears of 90 days past due is also used.

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 9 (continued)

Impairment (continued)

The Group will calculate its ECL using a statistical model based on probability of default (PD), loss given default (LGD) and exposure at default (EAD).

- PD is an estimate of the likelihood of default over a given time horizon, estimated at a point in time. The calculation will generally be based on statistical models that utilise both market and internal data, based on current conditions adjusted to take into account estimates of future conditions that will impact PD. For loans which have marked individual characteristics and are closely managed, PDs will be assigned using a slotting approach which comprises a range of quantitative and qualitative criteria.
- LGD is an estimate of the likely loss percentage in the event of a default. The expected value of collateral will be based on loan-to-value (LTV) ratios and projected changes in property prices. The estimates will be based on the Group's history of recovery rates, calculated as forced-sale discounts, and the probability of repossession given default, discounted for the average period for recovery of sale proceeds. The LGD calculation includes floors, i.e. minimum losses, which are based on the LTV of security and developed from historical data.
- EAD is an estimate of the expected gross carrying amount at a future default date. EAD will be based on the current loan amount adjusted for expected repayments of principal, contractual drawdowns of loan commitments, and the impact of missed payments which would be expected for an account in default.

ECLs are discounted to their present values from the date of expected default.

The Group will use forward-looking information in its measurement of ECL. The Group's statistical analysis of historical data confirms that the key economic variables that drive credit risk, and the ECL for its financial instruments, are unemployment, Bank rate, economic activity as measured by GDP, and changes in house prices. The Group will develop a range of future economic scenarios of these variables, drawing on external forecasts where appropriate, and expects to calculate ECL using a base case, an upside and a downside scenario. The base case will be broadly aligned to the Group's internal planning assumptions.

If an instrument undergoes a significant increase in credit risk then the Group will measure the loss allowance based on a lifetime ECL. To determine whether credit risk has increased significantly, for term loans the Group will use quantitative criteria such as increases in lifetime PD and LTV, and qualitative criteria such as a borrower's status or credit quality. A backstop criterion, i.e. when a loan becomes more than 30 days past due, is also applied.

Instruments whose credit performance has improved such that they meet the criteria for inclusion in a lower ECL stage must complete a 'probationary' period of performance before they will be moved back.

The impact of the change in the Group's loss allowance on transition to IFRS 9 is a reduction in the carrying value of loans and advances to customers of £31.5m as 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

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 in 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.

IFRS 15

IFRS 15 was issued in May 2014 and is effective for annual periods beginning on or after 1 January 2019. The effects of IFRS 15 are deemed to be immaterial for the Group, as the majority of income will be recognised in accordance with IFRS 9.

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 these 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. 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.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

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.

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
- Factfocus Limited
- Harpmanor Limited
- Jerrold Mortgage Corporation 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 only 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.

2. Significant accounting policies (continued)

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 e.g procuration fees paid to introducers 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. These items primarily consist of legal and valuation fees, and credit search fees.

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 element of future lease obligations is recorded within liabilities, while the interest element is charged to the income statement over the period of the leases to produce a constant rate of interest 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 Group pension schemes and 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.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

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 profit before tax 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 temporary 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 assets/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 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.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

Financial assets & liabilities (continued)

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 the contractual obligation is discharged, cancelled or has expired.

The Group accounts for a substantial modification of the terms of an existing financial liability as an extinguishment of the original liability and the recognition of a new one. It is assumed that the terms are substantially different if the present value of the cash flows under the new terms, discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

Impairment of financial assets (IAS 39)

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, 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 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 recognised in the income statement.

Securitisation

Where the Group 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.

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.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

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, 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 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 administrateive expenses in the income statement.

Intangible assets

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment allowances. The estimated useful life of five years is 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 expected useful 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.

Provisions

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

Notes to the financial statements (continued)

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 consolidated income statement as impairment losses. Impairment allowances are made if there is objective evidence of impairment as a result of one or more events regarding a significant loan or a portfolio of loans and where the 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 behavioural 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 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.

Unless otherwise indicated, all amounts are stated in £m

4. Interest receivable and similar income

	Year ended 30 June 2018	Period from 4 May 2016 to 30 June 2017
Interest on loans and advances to customers	**292.2**	**282.4**

Included within interest on loans and advances to customers is £8.9m (2017: £11.4m) relating to impaired loans.

5. Interest payable and similar charges

	Year ended 30 June 2018	Period from 4 May 2016 to 30 June 2017
On borrowings	**129.0**	**124.3**

Interest payable and similar charges include £nil (2017: £14.8m) of costs relating to the refinancing of senior secured notes.

6. Fee and commission income

	Year ended 30 June 2018	Period from 4 May 2016 to 30 June 2017
Fee income on loans and advances to customers	4.6	4.4
Other fees receivable	0.1	0.4
	4.7	**4.8**

7. Fee and commission expense

	Year ended 30 June 2018	Period from 4 May 2016 to 30 June 2017
Legal, valuations and other fees	1.0	1.1
Insurance commissions and charges	1.1	1.2
	2.1	**2.3**

8. Other income

	Year ended 30 June 2018	Period from 4 May 2016 to 30 June 2017
Rental income	0.1	0.1
Other income	0.3	-
	0.4	**0.1**

9. Administrative expenses

	Note	Year ended 30 June 2018	Period from 4 May 2016 to 30 June 2017
Staff costs	10	41.2	43.5
Auditor's remuneration	11	0.7	0.7
Depreciation of property, plant and equipment	17	1.4	1.4
Amortisation of intangible assets	18	3.3	1.1
Operating lease rentals		1.4	1.1
Other administrative costs		21.3	20.9
		69.3	**68.7**

There were no material gains or losses on the disposal of property, plant and equipment (2017: £nil).

Unless otherwise indicated, all amounts are stated in £m

10. Staff costs

The average monthly number of employees, including executive directors, was:

Management and administration	2018 No.	2017 No.
Full time	630	487
Part time	33	27
	663	514

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

Staff remuneration	Note	Year ended 30 June 2018	Period from 4 May 2016 to 30 June 2017
Wages and salaries		28.5	32.6
Social security costs		3.8	3.9
Pension costs	26	0.8	0.5
		33.1	37.0
Directors' remuneration			
Emoluments		8.0	6.4
Company contribution to personal pension schemes	26	0.1	0.1
		8.1	6.5
Total staff costs		41.2	43.5

The emoluments of the highest paid director were £3.0m (2017: £2.0m) including £nil (2017: £nil) of company contributions to a defined contribution pension scheme. Details of the pension arrangements operated by the Group are given in Note 26.

Staff are employed by a Group subsidiary, and no staff are employed by the Company. Remuneration for employees and directors included £nil (2017: £8.2m) of one-off costs.

11. Auditor's remuneration

	Year ended 30 June 2018	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	0.3	0.2
Tax advisory and compliance services	0.1	0.1
Other services	0.3	0.4
	0.7	0.7

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

12. Income tax

	Year ended 30 June 2018	Period from 4 May 2016 to 30 June 2017
Current tax		
Corporation tax	16.1	23.5
Adjustment in respect of previous period	(1.8)	(3.0)
	14.3	**20.5**
Deferred tax		
Origination and reversal of temporary differences	1.2	(6.0)
Adjustment in respect of prior period	(0.2)	3.1
Effect of changes in tax rates	-	1.0
Total deferred tax	**1.0**	**(1.9)**
Total tax on profit	**15.3**	**18.6**

Corporation tax is calculated at 19.00% (2017: 19.75%) of the estimated taxable profit for the year.

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

	Year ended 30 June 2018	Period from 4 May 2016 to 30 June 2017
Profit before tax	**85.5**	**81.6**
Tax on profit at standard UK corporation tax rate of 19.00% (2017: 19.75%)	16.2	16.2
Effects of:		
Expenses not deductible for tax purposes	2.9	1.5
Income not taxable	(1.8)	(0.2)
Adjustment in respect of prior periods	(2.0)	0.1
Effect of changes in tax rate	-	1.0
Tax charge for year/period	**15.3**	**18.6**

Unless otherwise indicated, all amounts are stated in £m

13. Loans and advances to customers

	2018	2017
Gross loans and advances	3,020.0	2,303.1
Less: allowances for impairment on loans and advances	(61.8)	(62.2)
	2,958.2	**2,240.9**

Gross loans and advances are repayable:

	2018	2017
Due within one year	1,299.4	967.9
Due within 1-5 years	694.6	571.6
Due after 5 years	1,026.0	763.6
	3,020.0	**2,303.1**

Allowance for impairment losses	**2018**	**2017**
At beginning of period	(62.2)	(66.6)
Charges to the income statement	(9.1)	(14.5)
Unwind of discount	8.9	11.4
Write-offs net of recoveries	0.6	7.5
At end of the year/period	**(61.8)**	**(62.2)**

Impairment losses for year/period	**2018**	**2017**
Charges to the income statement	(9.1)	(14.5)
Amounts written off	(6.2)	(2.1)
Amounts released from deferred income	2.3	1.5
Recoveries of amounts previously written off	1.6	4.7
	(11.4)	**(10.4)**

Loan and advances to customers include total gross amounts of £12.5m (2017: £11.1m) equivalent to £10.2m (2017: £9.3m) net of allowances, loaned to August Blake Developments Limited, Sunnywood Estates Limited and Edgworth Developments Limited, companies of which HN Moser is a director and shareholder. These loans are on a commercial basis secured on certain assets of those companies.

14. Inventories

Group	**2018**	**2017**
Properties held for resale	**0.6**	**0.9**

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

15. Other assets

Group	2018	2017
Amounts owed by related parties	0.5	0.8
Other debtors	0.9	0.6
Prepayments and accrued income	2.9	3.0
	4.3	**4.4**

Company	2018	2017
Amounts owed by subsidiary undertaking, Bracken Topco Limited	**4.9**	**4.4**

Amounts owed by related parties of the Group are in respect of companies in which HN Moser is a director and shareholder. Also included within amounts owed by related parties is £0.2m (2017: £0.2m) in relation to a director's loan. The loan is interest free and repayable on demand.

16. Investments and investments in subsidiaries

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

	2018	2017
At beginning of year	0.1	0.1
Additions	-	-
At end of year/period	**0.1**	**0.1**

The Company held the following investments in subsidiary undertakings:

	2018	2017
At beginning of period	38.9	-
Additions	-	38.9
At end of year/period	**38.9**	**38.9**

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

The following dormant subsidiaries were dissolved via voluntary strike off during the year:

Briar Hill Court Limited
Monarch Recoveries Limited
Finance Your Property Limited
Privileged Estates Limited
Proactive Bridging Limited
Proactive Lending Limited
Provincial & Northern Properties Limited

Unless otherwise indicated, all amounts are stated in £m

16. Investments and investments in subsidiaries (continued)

	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	100%	Intermediate holding company
Together Financial Services Limited 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
Spot Finance Limited	100%	Retail lending
Together Commercial Finance Limited	100%	Commercial lending
Together Personal Finance Limited	100%	Retail lending
Non-trading subsidiaries		
Factfocus Limited	100%	
General Allied Properties Limited	100%	
Heywood Finance Limited	100%	
Heywood Leasing Limited	100%	
Jerrold Mortgage Corporation Limited	100%	
Phone-a-Loan Limited	100%	
Supashow Limited	100%	
Dormant subsidiaries		**Company registration number**
BridgingFinance.co.uk Limited	100%	04159852
Classic Car Finance Limited	100%	03237779
Jerrold Holdings Limited	100%	04950229
Together123 Limited	100%	10758537

The companies shown above as subsidiaries of Together Financial Services Limited 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
Highfield Asset Backed Securitisation 1 Limited
Jerrold Holdings Employee Benefit Trust
Lakeside Asset Backed Securitisation 1 Limited
Together Asset Backed Securitisation 1 Holdings Limited
Together Asset Backed Securitisation 1 PLC

Unless otherwise indicated, all amounts are stated in £m

17. Property, plant and equipment

Year ended 30 June 2018 Group	Fixtures, fittings and equipment	Motor vehicles	Total
Cost			
At beginning of year	6.5	1.6	8.1
Additions	2.8	0.5	3.3
Disposals	(0.8)	(0.3)	(1.1)
At end of year	**8.5**	**1.8**	**10.3**
Depreciation			
At beginning of year	3.2	0.5	3.7
Charge for the year	1.1	0.3	1.4
Disposals	(0.8)	(0.3)	(1.1)
At end of year	**3.5**	**0.5**	**4.0**
Net book value			
At 30 June 2018	**5.0**	**1.3**	**6.3**
At 30 June 2017	3.3	1.1	4.4

Period ended 30 June 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

Unless otherwise indicated, all amounts are stated in £m

18. Intangibles

Group	Year ended 30 June 2018	Period ended 30 June 2017
Cost		
At beginning of year/period	7.2	3.1
Additions	5.9	4.1
Disposals	(1.7)	-
At end of year/period	**11.4**	**7.2**
Amortisation		
At beginning of year/period	1.5	0.4
Charge for the year/period	3.3	1.1
Disposals	(1.7)	-
At end of year/period	**3.1**	**1.5**
Net book value		
At end of year/period	**8.3**	**5.7**
At beginning of year/period	5.7	2.7

19. Deferred tax asset

	Year ended 30 June 2018	Period ended 30 June 2017
At beginning of the year/period	2.4	0.5
(Charge)/credit to income statement	(1.2)	6.0
Adjustment in respect of prior period	0.2	(3.1)
Effect of changes in tax rates	-	(1.0)
At end of year/period	**1.4**	**2.4**

The deferred tax asset consisted of the following:

Accelerated capital allowances	(0.7)	(0.1)
Short-term timing differences	2.1	2.5
	1.4	**2.4**

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

20. Borrowings

Group	2018	2017
Bank facilities	30.6	-
Loan notes	1,452.4	1,022.9
Subordinated shareholder loans	14.2	11.5
Secured notes	1,057.9	894.7
Obligations under finance leases	1.1	0.6
	2,556.2	**1,929.7**
Debt issue costs	(23.0)	(24.2)
Total borrowings	**2,533.2**	**1,905.5**
Of which:		
Due for settlement within 12 months	48.1	0.3
Due for settlement after 12 months	2,485.1	1,905.2
	2,533.2	**1,905.5**

Company	2018	2017
Subordinated shareholder loans	14.2	11.5
Total borrowings	**14.2**	**11.5**
Of which:		
Due for settlement within 12 months	-	-
Due for settlement after 12 months	14.2	11.5
	14.2	**11.5**

Of the £60m of shareholder loan notes previously issued by Together Financial Services Limited as part of the refinancing transaction on 2 November 2016, £17m was repaid and the remaining £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, £0.8m of which had amortised by the year end (2017: £0.3m). The remainder of the reserve will be released over the life of the instruments.

The loan notes are provided through revolving facilities provided by Charles Street ABS, Lakeside ABS, Delta ABS, Highfield ABS and an amortising facility provided by Together ABS. The Charles Street ABS was established in 2007 and refinanced in September 2018 increasing the previous facility of £1bn to £1.25bn with an extended maturity date of September 2023. The Lakeside ABS is a £255m facility established in 2015, and has an expiry date in January 2021. Delta ABS is a £90m facility which was established in January 2017 and expires in January 2021. The Together ABS is a £275m facility which was established in September 2017 and expires in September 2021. The Highfield ABS is a £525m facility which was established in June 2018, expires in June 2022.

Debt issue costs, which consist of the prepaid fees in relation to the bank loan, loan notes and the secured notes, are deducted from the loan carrying amounts and charged to interest expense over the expected duration or term of the facility or notes as appropriate.

Unless otherwise indicated, all amounts are stated in £m

20. Borrowings (continued)

During the year the Group successfully continued its strategy of increasing, extending and diversifying its funding structure as detailed in the funding and liquidity section on pages 2 and 3 of the strategic report.

Borrowings have the following maturities:

As at 30 June 2018:

Group	<1 year	1-2 years	2-5 years	>5 years	Total
Bank facilities	5.6	-	25.0	-	30.6
Loan notes	42.6	34.2	1,375.6	-	1,452.4
Subordinated shareholder loans	-	-	-	14.2	14.2
Secured notes	-	110.5	595.0	352.4	1,057.9
Finance leases	0.4	0.5	0.2	-	1.1
	48.6	**145.2**	**1,995.8**	**366.6**	**2,556.2**
Debt issue costs	(0.5)	(0.4)	(18.1)	(4.0)	(23.0)
	48.1	**144.8**	**1977.7**	**362.6**	**2,533.2**

Company	<1 year	1-2 years	2-5 years	>5 years	Total
Subordinated shareholder loans	-	-	-	**14.2**	**14.2**

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
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	2018	2017
Trade creditors	1.2	2.3
Other creditors	2.5	2.9
Other taxation and social security	2.7	0.7
Accruals and deferred income	46.2	42.4
	52.6	**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	2018	2017
1,000,000 ordinary shares of 1 penny each	10,000	10,000

The Company issued shares of £9,900 on incorporation. 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.

2018	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets					
Loans and advances to customers	-	-	3,011.7	3,011.7	2,958.2
Financial liabilities					
Borrowings	737.2	1,709.3	134.3	2,580.8	2,533.2

2017	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.

Unless otherwise indicated, all amounts are stated in £m

23. Financial instruments and fair values (continued)

The fair value of loans and advances to customers in total is 2% higher than the carrying value as at 30 June 2018 (2017: 5% higher). 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 £70m (2017: £116m) and a 1% decrease would result in an increase of £74m (2017: £131m).

The borrowings stated at fair value in level 3 almost entirely represent subordinated shareholder loans and notes. Market prices are not available for these instruments, and market prices for quoted subordinated instruments are not suitable as they do not reflect the relationship of the shareholders to the Group. The estimated fair value of these financial 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 in November 2016. The effect of factors such as differing tenor, degree of subordination and the structure of interest payments are taken into account in these estimates.

24. Notes to the cash flow statement

Group	2018	2017
Profit after tax	70.2	63.0
Adjustments for:		
Taxation	15.3	18.6
Depreciation and amortisation	4.7	2.5
Loss on disposal of property, plant and equipment	-	0.1
Share-based payments	-	1.6
Interest expense	129.0	124.3
	219.2	**210.1**
Increase in loans and advances to customers	(717.3)	(485.4)
Decrease/(increase) in other assets	0.1	(1.7)
Decrease in inventories	0.3	-
Increase/(decrease) in accruals and deferred income	4.6	(3.3)
Increase/(decrease) in trade and other liabilities	0.5	(5.0)
	(711.8)	**(495.4)**
Cash outflow from operations	**(492.6)**	**(285.3)**

Company	2018	2017
Loss after tax	(2.2)	(1.5)
Adjustments for:		
Interest income	(0.6)	(0.3)
Interest expense	2.8	1.8
Cash outflow from operations	-	-

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

24. Notes to the cash flow statement (continued)

Reconciliation of changes in liabilities arising from financing activities

As at 30 June 2018:

			Non-cash changes		
Group	**At beginning of year**	**Net cash flows**	**Prepaid fees**	**Amortisation of fair value adjustments**	**At end of year**
Bank facilities	-	30.6	-	-	30.6
Loan notes	1,022.9	429.5	-	-	1,452.4
Subordinated shareholder loans	11.5	-	-	2.7	14.2
Secured notes	894.7	163.2	-	-	1,057.9
Finance leases	0.6	0.5	-	-	1.1
	1,929.7	**623.8**	**-**	**2.7**	**2,556.2**
Net debt issue costs	(24.2)	-	1.2	-	(23.0)
Total borrowings	**1,905.5**	**623.8**	**1.2**	**2.7**	**2,533.2**

As at 30 June 2017:

			Non-cash changes		
Group	**At beginning of period**	**Net cash flows**	**Prepaid fees**	**Amortisation of fair value adjustments**	**At end of period**
Bank facilities	-	-	-	-	-
Loan notes	-	1,022.9	-	-	1,022.9
Shareholder notes	-	-	-	-	-
Subordinated shareholder loans	-	105.2	-	(93.7)	11.5
Secured notes	-	894.7	-	-	894.7
Finance leases	-	0.6	-	-	0.6
	-	**2,023.4**	**-**	**(93.7)**	**1,929.7**
Net debt issue costs	-	-	(24.2)	-	**(24.2)**
Total borrowings	**-**	**2,023.4**	**(24.2)**	**(93.7)**	**1,905.5**

As at 30 June 2018:

			Non-cash changes		
Company	**At beginning of year**	**Net cash flows**	**Prepaid fees**	**Amortisation of fair value adjustments**	**At end of year**
Bank facilities	-	-	-	-	-
Subordinated shareholder loans	11.5	105.2	-	(102.5)	14.2
	11.5	**105.2**	**-**	**(102.5)**	**14.2**
Net debt issue costs	-	-	-	-	-
Net debt	**11.5**	**105.2**	**-**	**(102.5)**	**14.2**

As at 30 June 2017:

			Non-cash changes		
Company	**At beginning of period**	**Net cash flows**	**Prepaid fees**	**Amortisation of fair value adjustments**	**At end of period**
Bank facilities	-	-	-	-	-
Subordinated shareholder loans	-	105.2	-	(93.7)	11.5
Shareholder notes	-	-	-	-	-
	-	**105.2**	**-**	**(93.7)**	**11.5**
Net debt issue costs	-	-	-	-	-
Net debt	**-**	**105.2**	**-**	**(93.7)**	**11.5**

25. Related party transactions

Relationships
The Company has the following related parties:

a) Controlling party

All the voting shares of Together Financial Services Limited were acquired in the period to 30 June 2017 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 directly own the voting share capital of Together Financial Services Limited.

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. The Group performs underwriting, collection and arrears-management activities for these loans. The Group also manages accounts payable on behalf of the company and provides ancilliary accounting and treasury services for which it is reimbursed.
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 with interest charged on a commercial basis secured on certain assets of these companies. The Group also manages accounts payable on behalf of these entities, for which it is reimbursed.

Balances due to or from the above entities are interest-free and repayable on demand, unless otherwise stated.

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.

c) Key management personnel
Key management personnel comprise directors of the Group. There are no transactions with directors other than the director's loan disclosed in Note 15 and remuneration in the ordinary course of business disclosed in Note 10 and the disposal of D shares in the prior year, disclosed in Note 27.

Unless otherwise indicated, all amounts are stated in £m

25. Related party transactions (continued)

Transactions

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

Group	Year ended 30 June 2018		Period ended 30 June 2017	
	Charge/ (credit) to income or equity	Paid	Charge/ (credit) to income or equity	Paid
Lease and insurance costs	1.3	1.0	1.3	1.3
Capital contribution	-	-	33.3	43.0
Interest relating to capital contribution	-	-	(1.6)	
Accounts payable transactions	-	1.4	-	0.6
Transfer of loan to related party	-	-	-	0.1
Impairment of related party loans	1.0	-	1.8	
Interest on related party loans	(0.7)	-		
Amounts due from related party	-	-	-	1.3
Related parties of the Moser Shareholders	**1.6**	**2.4**	**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	2018	2017
Within one year	1.1	1.1
Between one and five years	4.3	4.3
After five years	4.3	4.8
Total operating leases	**9.7**	**10.2**

Company	2018		2017	
	Credit to income or equity	Paid	Credit to income or equity	Paid
Interest receivable	(0.6)	-	(0.3)	-
Subsidiary companies	**(0.6)**	**-**	**(0.3)**	**-**

26. Pension arrangements

During the year the Group contributed to employees' personal pension plans. The total cost for the year/period amounted to £0.9m (2017: £0.5m). Additionally, the Group operated a defined contribution scheme for which the pension costs charged for the year/period amounted to £nil (2017: £nil).

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 ordinary shares held by other shareholders amounting to 25% or more of the subsidiary company's share capital on a cumulative basis. The value of these shares is dependent upon the value of the subsidiary 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 by Bracken Midco2 Limited on 2 November 2016 triggered the ability to dispose of a proportion of the D ordinary 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 was recognised in the period ended 30 June 2017 in the statement of comprehensive income to the extent not previously recognised. The charge relating to the remainder of the D ordinary 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 ordinary shares have not yet been exercised.

28. Contingent liabilities

As at 30 June 2018, the assets of the Together Group were subject to a fixed and floating charge in respect of £1,058m (2017: £895m) Secured Notes, Senior PIK Toggle Notes and Vendor Loan Notes, and £25m in respect of bank borrowings of the Group (2017: £nil).

29. Controlling party

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

30. Post-balance sheet events

On 13 September 2018, the Company's indirect subsidiary, Together Financial Services Limited and certain subsidiary companies completed the refinancing of its revolving funding facility, Charles Street ABS on improved terms. The facility has also been increased from £1bn to £1.25bn with the facility's maturity date extended to September 2023.

On 28 September 2018, the Company's indirect subsidiary, Bracken Midco1 PLC, issued £350m 8.875% Senior PIK Toggle Notes, due in 2023. The proceeds alongside a dividend from Together Financial Services Limited were primarily used to refinance the existing £220m 10.5% Senior PIK Toggle Notes due 2021, and the existing £100m Vendor Loan Notes issued by Bracken Topco Limited, to enable that company to redeem in full the outstanding loan notes, pay any associated interest charges, and make a distribution to £9.1m to this Company.

On 8 November 2018, the Company's indirect subsidiary Together Financial Services Limited and certain subsidiary companies completed its second residential backed securitisation, raising £272.6m of rated notes on a loan portfolio of £286.9m, Together ABS 2, providing additional funding to support the Group's growth strategy.