Together Financial Services Limited

Annual Report and Consolidated Financial Statements

For the year ended 30 June 2017

together.® Common sense lending

Together Financial Services Limited was formerly Jerrold Holdings Limited.

Our values and beliefs

Together is one of the UK's leading specialist secured lenders.

We have been bringing common sense to the mortgage market for over 40 years, looking beyond mainstream lending criteria to find the best solution for our customers.

We have the experience, the people and the resources to turn challenges into opportunities for our customers, including those with non-standard incomes, purchases, property, or credit:

- We understand and are attentive to our customers' needs
- We create an environment where people want to work with us and recommend us
- We work hard to reach positive outcomes
- We deliver straightforward solutions
- We create opportunities
- We apply sound judgement to make the right decision for our customers and our business
- We are accountable for our actions

We're a specialist lender, offering short-term finance, auction finance, personal, commercial and buy-to-let mortgages and secured loans. *We're Together.*

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together.®
Common sense lending

Highlights of the year

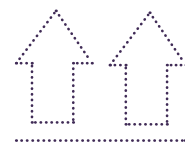
£1.2bn

Lending volumes increased to £1.2bn

for the first time in the Group's history, increasing by 17.2% on prior year of £1bn

+24.4%

Loan book increased by 24.4% to £2,240.9m at 30 June 2017 (2016: £1,800.7m)

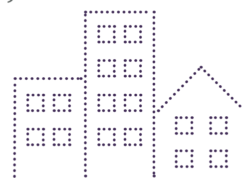


+29.7%

Underlying profit before tax (PBT) increased by 29.7% to a record £117.1m for the year to 30 June 2017 (2016: £90.3m). Statutory PBT £94.1m (2016: £90.3m)

The Group's funding facilities increased **£402m over the year to £2,046m** (2016: £1,644m)

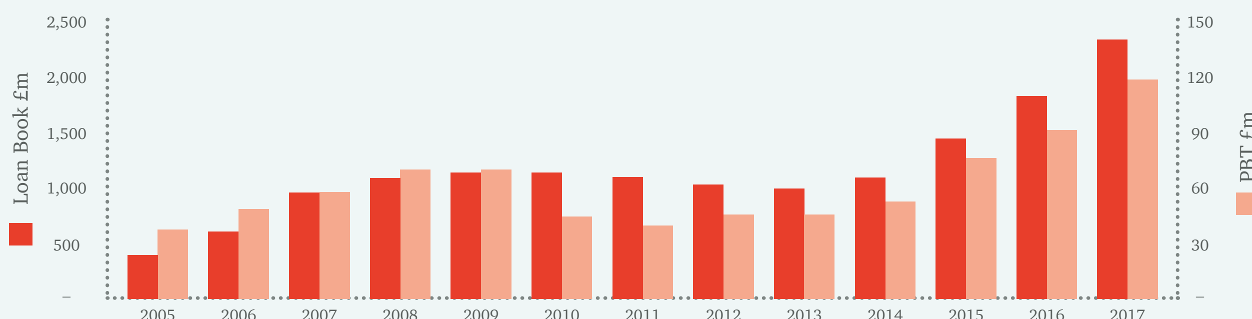
+£402m



	2017	2016
Underlying profit before taxation (£m)[1]	117.1	90.3
Statutory profit before taxation (£m)	94.1	90.3
Impairment charge (£m)	7.4	13.8
Loans and advances to customers (£m)	2,240.9	1,800.7
Shareholder funds (£m)[2]	651.6	575.0
Underlying return on equity (%)[3]	15.8	13.6

(1) Underlying PBT excludes one-off refinancing and transaction costs of £23.0m
(2) Includes shareholder loans and notes of £23.2m (2016: £60.0m)
(3) Return on equity is adjusted to include shareholder loans and notes within equity and for one-off refinancing and transaction costs.

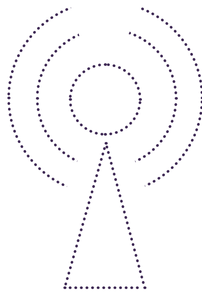
Historic growth in underlying profit before tax/loan book



57.1%

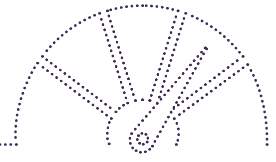
weighted average LTVs of new originations remaining stable at 57.1%

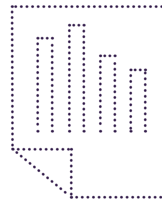
We have opened up our first-charge **residential mortgage range** and common-sense approach to broker networks and mortgage clubs across the UK



94.5%

Of gross customer balances, 94.5% had an indexed LTV of 85% or less





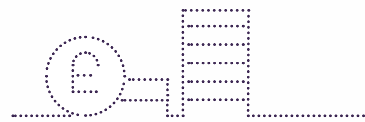
46.4%

reduction in impairment charge on prior year

Majority shareholders increased voting shareholding from 70% to 100%

Continuing growth in lending volumes with LTVs remaining consistently low

Strategic report



+29.7%

increase in underlying profit before tax

Chairman's statement

The willingness of the majority shareholders to acquire the remaining shares of the Group is a clear demonstration of their belief in the Group's growth strategy and prospects.

The Together Group has delivered a new performance record for the year ended 30 June 2017, delivering sustained growth in lending volumes and profitability, while we continue to focus on the quality of loan originations and delivering improvements in loan book performance. Our programme of significant investment across our business functions has accelerated, reinforcing our ability to deliver a scalable and compliant sales and operational platform, underpinned by strong governance, to support our future growth ambitions.

Ownership structure

During the year the existing majority shareholders completed a buyout of the 30% voting interest in the Group formerly held by Equistone Partners and Standard Life Investments (the Funds).

The Funds have been supportive partners of Together since they made their minority investment in 2006. Given the continued strong performance of the Group, and in line with the typical tenor of such investments, the Funds approached the Group and its shareholders to seek assistance in exiting their investment. On 2 November 2016 the existing majority shareholders acquired the Funds' interests, increasing their ultimate voting interest in Together to 100%.

The willingness of the majority shareholders to acquire the remaining shares of the Group is a clear demonstration of their belief in the Group's growth strategy and prospects.

Performance

I am pleased to report another record set of results for the Group for the year to 30 June 2017. Once again the business has performed strongly in terms of both financial performance and business development, recording an underlying profit before tax of £117.1m, up 29.7% on last year. (Profit before tax on a statutory basis was £94.1m compared with £90.3m in 2016.) This is testament to our strategy of enhancing our position as a respected specialist secured lender building value for our shareholders.

We do this by focusing on areas of the mortgage market which are under-served by traditional lenders, to increase lending and returns while maintaining a prudent risk profile. As a result, the value of our loan book has reached new levels and now stands at £2.24bn (2016: £1.80bn) with an indexed weighted-average loan-to value of 53.4% (2016: 52.6%). Loan originations in the year totalled £1,185.4m (2016: £1,011.5m), equivalent to an average of £98.8m a month. This growth has been achieved without compromising underwriting quality and while maintaining a low weighted-average origination loan-to-value of 57.1% (2016: 57.1%).

Mike McTighe
Chairman

Underpinning this growth has been a corresponding increase in the scale, depth and diversity of our funding structure. During the year the Group's £300m senior secured notes were repaid and £575m was successfully issued, £375m maturing in 2021 and the remainder in 2024. A new asset-backed facility, Delta, was introduced for up to £90m and our revolving credit facility was increased and extended. In the course of these financing activities Goldman Sachs and Credit Suisse were introduced as new funding providers.

Customers

A common-sense approach to lending is central to delivering straightforward solutions and positive outcomes for customers. We look beyond mainstream lending criteria to turn challenges into opportunities for all our customers, including those who need a more tailored approach. We have always put our people's experience and their understanding of our customers' needs at the forefront of our decision-making process.

Corporate governance

The Board of Directors, led by our non-executive directors, has the responsibility to ensure our governance structures remain robust and there is sufficient resource to support our growth plans and changes in the regulatory environment.

As a result it established separate subsidiary boards to manage our Personal Finance and Commercial Finance businesses. These provided greater executive bandwidth to support the Group Board, with the Personal Finance Board having specific responsibility for our extended FCA regulated business. Over the last year the subsidiary boards have been actively developing the governance procedures, reporting and controls appropriate to their respective businesses and increasingly operate with greater authority and focus. This will leave us well placed for the implementation across the financial services industry of the Senior Managers Regime, which the FCA is expected to complete in 2018.

Board changes during year

The only changes to the Group Board this year have been the appointment of Pete Ball, CEO of the Personal Finance business, and the resignation of Steve O'Hare who represented the Funds prior to their exit. We thank Steve for his service and contribution.

Following a number of appointments to the Group and subsidiary Boards last year, I am pleased to say that the extensive financial services experience and leadership they bring is significantly benefitting the development of the Group, the implementation of its new governance structure and shaping our strategy.

Investment in networks

We have opened up our first charge residential mortgages to broker networks and mortgage clubs across the UK to allow more brokers to have direct access to our products and common-sense approach. To support the launch, we have enhanced our online portal, My Broker Venue, making it quicker and more intuitive for brokers to use, and including a full, instant, decision-in-principle.

Investment in IT

Our programme of significant investment has accelerated to support the growth ambitions of the Group. We continually invest in our infrastructure, updating hardware and software to increase the speed, capacity, resilience and flexibility of our platforms. The investment is to support the growth in scale and scope of our business. We have also enhanced our system security, providing greater protection against cyber attacks.

57.1%

Loan book growth has been achieved without compromising underwriting quality and while maintaining a low weighted average LTV of originations of 57.1%.

Our programme of significant investment has accelerated to support the growth ambitions of the Group.

Investment in our processes

We have substantially increased investment in new digital channels, with a direct-to-market capability for auction finance business, a market-leading portal for commercial bridging brokers and the most fully-functional program-interface capability in the market to integrate packaging brokers. Our customer-relationship management systems have undergone transformational changes supporting our multi-channel sales and service strategy, considerably improving efficiency in these areas. We continue to invest in our enterprise data warehouse and analytics capability to deliver real-time insight to support marketing, sales and operational functions.

Investment in our people

Investment in the quality of our people has continued through a focus on the learning and development of existing colleagues and bringing in additional experienced management and operational colleagues to support the growth ambitions of the business.

Regulatory environment

Certain subsidiaries within the Personal Finance business are regulated by the FCA and the Group maintains close control of its compliance with regulatory requirements.

We believe the most proactive means of ensuring long-term compliance and to build a successful business is continually to seek ways to embed positive customer-focused culture and conduct within our business practices. Our employees undertake appropriate training which is supported by operational quality assurance, compliance reviews and internal audit. We also actively utilise employee and customer surveys along with the assessment and analysis of any complaints we receive. Changing regulatory requirements and expectations are fully supported by our investment programme to ensure continued compliance.

Establishing our brand

Last year we created the Together brand, bringing all our businesses together under one common identity and trading name to further establish our presence in the marketplace and create a platform for building greater brand awareness. This year, we have consolidated this by changing the company names of our key operating entities. The holding company for our operating activities, Jerrold Holdings Limited, is now named Together Financial Services Limited, our key retail subsidiary, Cheshire Mortgage Corporation Limited, is now Together Personal Finance Limited, and our commercial subsidiary Lancashire Mortgage Corporation Limited is now Together Commercial Finance Limited. In addition, we have enhanced the brand to encompass our message of common-sense lending, the single theme which guides everything we do. We are also excited to announce our sponsorship of the Sale Sharks rugby team.

Culture

In continually seeking to improve across all areas of our business, we have worked with our colleagues to firmly establish our vision, mission and beliefs, ensuring that we have a unified approach. What we aim to do is put the common sense into lending and to turn challenges into opportunities that make our customers' financial ambitions accessible. To this end, we have set out a programme called 'Play Your Part' which we are embedding into the culture of the Group. Colleagues actively participate, with each developing their own personal action plan to help them put our beliefs into practice in their day-to-day roles and ensure that each person is clear that they have a part to play in making the business even more successful. In turn, we reward colleagues when we see these displayed. The continued record results reported by the business are only possible because of the outstanding contribution of our colleagues and, on behalf of the Board, I thank them for their continued hard work and dedication.

Supporting our community

As a business, we have long supported charitable and community causes, but in the past year we have firmly established a framework for our corporate social responsibility and all the activity it encompasses. Our initiative, called 'Let's Make it Count' spans charity, community, mentoring, enterprise and the environment. We have had a phenomenal response from our colleagues in relation to this, and our groups of volunteers have made a huge impact already, establishing new activities such as the Together food bank which supports those in need in the local area, and setting up new enterprise and mentoring schemes. On the fundraising side, we have supported a host of worthy causes, with campaigns for The Christie Hospital, Once Upon a Smile, Destination Florida, Seashell Trust and more. We are really proud of the commitment our colleagues have shown and this activity will continue to expand as the business grows.

Future outlook

The performance of the UK economy has been mixed during the last year, with house-price growth flattening in the London regions, inflation increasing and average incomes somewhat squeezed. However, employment appears strong and exports are more competitive as a result of the weaker pound. Political uncertainty is higher, and ongoing Brexit negotiations inevitably contribute to this.

Despite such uncertainties, the Group has delivered a record year of growth to add to its previous 42 years of profitability achieved through multiple economic cycles. The Group Board continues to have a positive outlook and believes our proven business model, our well-established programme of systems development, our recruitment and investment in colleague skills and our enhancements to our governance structure mean we are well placed to deliver on our strategic growth plans.

Mike McTighe
Chairman
8 September 2017

Business model and strategy

We intend to continue our successful business strategy, reinvesting retained profits and diversifying our funding to support our continued growth plans.

We are a specialist UK mortgage loan provider, established in 1974 and have operated successfully throughout our 43-year history. We are one of the few independent mortgage lenders to have traded profitably through multiple economic cycles.

We specialise in offering retail and commercial-purpose mortgage loans to market segments underserved by mainstream lenders, thereby minimising competition from retail ('high street') banks and other lenders, whilst maintaining a conservative approach to affordability, repayment and loan-to-value. Our loans include secured first and second lien loans, of which 74.8% are secured by residential properties, with the balance secured by commercial and semi-commercial properties, all within the United Kingdom. We offer our loans through one consistent brand 'Together' and distribute them through brokers across the UK (our broker network), professional firms, auction houses and through our direct sales teams.

We continue to maintain a diversified loan portfolio mix between retail and commercial-purpose lending, security types and first and second lien mortgages.

Our underwriting process consists of a detailed and individualised credit, affordability and repayment assessment, as well as a security assessment which includes an independent valuation, which we believe provides us with a thorough understanding of each loan application. In the underwriting process, we primarily focus on affordability, being the ability of the loan applicant to make loan payments in line with agreed terms, the repayment strategy and the security, being the adequacy of the property which will serve as security for the loan. To ensure strict compliance with our underwriting guidelines, we have in place mandate and authorisation controls, a staff training and competency programme and comprehensive quality assurance sampling procedures.

We underwrite and service all our loans in house, providing efficient automated processing where appropriate whilst retaining a common sense approach for the credit decision, allowing us to make informed but flexible lending decisions valued by our customers.

Loan administration and collection processes are well developed and regulatory principles are fully embedded with a focus on treating customers fairly and positive customer outcomes.

We maintain a diversified funding structure to support our wide product base, matching loan assets to provide cost effective funding whilst ensuring we maintain business flexibility. We look to renew facilities ahead of their maturity dates, and ensure we have sufficient headroom to support our planned growth.

Our cost base remains low with a cost-to-income ratio on an underlying basis of 28.7% (2016: 28.7%). All operations are conveniently located at our head office in Cheadle, Cheshire.

We consistently look to invest pro-actively in the sales, operational and governance platforms of the business thereby ensuring competitive and operational efficiencies are maintained, continued compliance with regulatory standards and sufficient resource is available to capitalise on market opportunities.

We intend to continue our existing successful business strategy, reinvesting retained profits and sensibly leveraging reserves, raising new funding and diversifying our funding to support our continued growth plans.

An explanation of the principal risks and uncertainties facing the business is given in the section on risk management.

28.7%

Our cost base remains low with an underlying cost-to-income ratio of 28.7%

Operating environment

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

Macroeconomic conditions
Our business is impacted by general business and economic conditions in the United Kingdom.

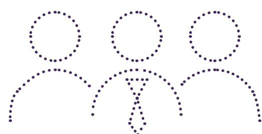
The impending negotiations around Brexit have created a backdrop of uncertainty to the UK economy over the last year. Conditions on the whole have continued to improve, albeit more slowly, but the economic picture is mixed:

- Unemployment has fallen steadily to 4.4% and is now at levels not seen since the 1970s though household incomes have been squeezed as pay has failed to keep up with inflation.
- The fall in sterling following the EU referendum has increased consumer inflation but appears to be benefitting exports. Inflation, having exceeded the government's 2% target, now appears to be easing as a result of falling oil prices.
- The FTSE 100 stock market index has risen over the year, though this is partly due to businesses whose principal currency is the US dollar appearing to benefit from the weaker pound.
- To counteract the uncertainties and concerns relating to Brexit, the Bank of England cut its base rate from 0.5% to 0.25% in August 2016.

The UK economy has avoided the potential recession predicted by some following the EU referendum, with growth proving steady but low compared with the European average. Following the general election in June 2017 there is increasing discussion of an easing of the government's austerity programme, which may lead to increases in a number of economic measures. While bank base rate is predicted to remain at 0.25% in the short term, money markets currently indicate an increase is expected in 2018. As the UK government now embarks on the detailed Brexit negotiations it is possible there will be increased market volatility in response to developments. Overall we believe it is still not possible to foresee the implications of the Brexit vote with any certainty until the negotiations are much nearer completion.

Our underwriting and servicing processes are well established, including in-depth assessments on affordability, repayment and property valuations. In addition appropriate stress buffers are included on affordability assessments for potential changes in interest rates.

Uncertain and adverse economic conditions may make it more difficult to raise external funding. To mitigate this risk the Group has a preference to raise debt with longer maturity periods, to refinance and extend existing facilities on a regular basis ahead of maturity dates and ensure sufficient facility headroom exists to support our planned growth. Whilst uncertain and adverse economic conditions may present challenges, such conditions may also present opportunities for specialist lenders like ourselves and reduce competition.



4.4%

Unemployment has fallen steadily to 4.4%

Property market

HM Land Registry reports that average house prices for the UK have increased 4.9% for the year as a whole, though there is variation regionally. Activity in London has fallen, at least in part due to affordability issues, and prices have fallen back slightly from their historic highs.

In recent years, house-price increases have in part reflected a prolonged period of new home building failing to keep up with demand. Whilst the rate of new home building has started to increase, being 13% higher in the year to 30 June 2017 compared with the previous year, new home building of 164,960 homes is still below the 250,000 needed according to the housing charity Shelter.

The buy-to-let (BTL) market is facing specific uncertainties as a result of changes in government policy. There was a spike in purchasing activity ahead of the increase in stamp duty in spring 2016; since then volumes have generally been lower. We are now entering a period of phased reductions in tax reliefs which, coupled with the Prudential Regulation Authority's new guidelines on underwriting criteria, may result in further declines in BTL activity. While these may reduce the overall size of the BTL market, the additional complexities present opportunities for specialist lenders to increase market share.

Increases or decreases in activity in the property market are likely to increase or decrease demand for our mortgage loans. Property prices also impact the LTV of our loans: increases or decreases in prices increase or decrease the equity that existing mortgage borrowers hold in their homes. Increases or decreases in home equity improve or restrict the financial flexibility of borrowers to refinance or borrow additional amounts, which in turn results in increases or decreases in redemption and new business levels.

4.9%

Average house prices for the UK have increased 4.9% for the year as a whole

We continue to undertake independent valuations that provide security for our loans. We remain prudent with the weighted-average LTV of new loan originations being 57.1% in the year to 30 June 2017.

Competition

Competition in the secured lending industry can take a number of forms, including interest rates and fee competition, underwriting criteria, convenience and customer service and marketing and distribution channels.

Mainstream ('high-street') lenders continue to focus on their core businesses of automated credit decisions which excludes certain customers, property or transaction types. This has encouraged a number new entrants, or re-entrants into the market in the form of non-bank lenders or newly formed challenger banks which are likely to increase competition in the segments where we operate.

Competition levels could impact the acquisition cost of obtaining business along with the interest rates and fees that we can charge for our mortgage loans. While we expect competitors to continue to seek to grow and extend into new markets, we believe our established position in the market, along with our continued investment in our distribution channels, people, systems and governance, and our strong financials, place us in a strong position to deliver our strategic growth plans.

Regulatory and legal considerations

Our operations are affected by a number of laws and regulations. Our residential mortgage business is regulated by the FCA. We also have to comply with the relevant UK and EU regulations including anti-money laundering regulations and the Data Protection Act 1998, the latter being replaced by the EU General Data Protection Regulation from May 2018.

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

Chief Financial Officer's review

Underlying profit before tax for the year grew strongly to £117.1m.

Financial review

Profit before tax on a statutory basis increased to £94.1m for the year to 30 June 2017, compared with £90.3m for the year to 30 June 2016. Underlying profit before tax for the year, excluding one-off refinancing and transaction costs, grew strongly to £117.1m, an increase of £26.8m (29.7%) on last year. The results for the year are summarised:

	2017 £m	2016 £m
Interest receivable and similar income	246.5	210.8
Interest payable and similar charges	(88.8)	(67.5)
Net interest income	**157.7**	**143.3**
Net fee and other income	2.2	2.7
Operating income	**159.9**	**146.0**
Administrative expenses	(58.4)	(41.9)
Impairment losses	(7.4)	(13.8)
Profit before taxation	**94.1**	**90.3**
One-off refinancing and restructuring costs [(1)]	23.0	-
Profit before taxation excluding one-off costs	**117.1**	**90.3**

Key performance indicators	**2017**	**2016**
Net loan book (£m)	2,240.9	1,800.7
Lending volumes (£m)	1,185.4	1,011.5
Weighted average LTV of originations (%)	57.1	57.1
Weighted average indexed LTV of portfolio (%)	53.4	52.6
Net interest margin (%)[(2), (3)]	8.5	8.9
Underlying cost-to-income ratio (%)[(3)]	28.7	28.7
Shareholder funds (£m)[(4)]	651.6	575.0
Net debt gearing ratio	2.4:1	2.1:1
Return on equity (%)[(5)]	12.8	13.6
Underlying return on equity (%)[(3), (5)]	15.8	13.6
Underlying interest cover ratio [(3)]	2.5:1	2.4:1

(1) Costs of £14.8m incurred in relation to refinancing senior secured notes and £8.2m relating to the Exit of Funds. These are considered exceptional and one-off in nature.
(2) Calculated as net interest income as a percentage of average loans and advances to customers.
(3) Calculated on an underlying basis after excluding one-off costs.
(4) Includes shareholder loans and notes of £23.2m (2016: £60m).
(5) Return on equity is adjusted to include shareholder loans and notes within equity.

Income and expenditure

Interest receivable and similar income have increased by 16.9% to £246.5m for the year to 30 June 2017 (30 June 2016: £210.8m). This increase primarily results from higher interest and loan set-up income, recognised as part of the effective interest rate, earned from growth in the size of the loan book.

Interest payable and similar charges have increased by 31.6% to £88.8m for the year (2016: £67.5m). This results from the increase in the loan book and our strategy to increase and diversify our funding. Specifically, it includes £14.8m of one-off costs that arose on the refinancing of our senior secured notes, increasing both the amount and term of our funding while reducing the interest rate payable. On an underlying basis interest payable increased by only 9.6% to £74.0m.

Reported operating income has increased 9.5% to £159.9m for the year to 30 June 2017 (2016: £146.0m). Net interest margin decreased slightly, from 8.9% to 7.8%, being the net effect of the one-off restructuring costs, a reduction in product rates, a higher-earning asset mix, a reduction in non-performing loans, increase in gearing and lower cost of external funding. On an underlying basis operating income has increased 19.7% to £174.7m for the year to 30 June 2017 (2016: £146.0m) and net interest margin has decreased to 8.5% (2016: 8.9%).

Administrative expenses increased to £58.4m for the year (2016: £41.9m). This includes £8.2m of costs arising on the exit of the Funds. It also reflects costs to support the increased business activity as new origination levels and loan book volumes increase, along with additional costs to support investment initiatives to facilitate our strategic growth plans. These initiatives include extensive IT enhancements across the business and a focus on the development of the governance structure and senior management team. Despite this, underlying costs, excluding the one-off transaction costs, remained in line with last year, with the underlying cost-to-income ratio of 28.7% remaining at the 28.7% reported for the prior year.

The net impairment charge of £7.4m for the year was an improvement of 46.4% on the prior year charge of £13.8m. This reflected the long-term trend of improving quality in our loan book. As a result the impairment charge for the year represented 0.33% of the loan book value at 30 June 2017 (2016: 0.77%).

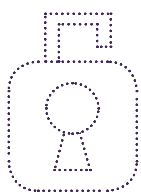
Underlying return on equity has again increased, to 15.8% for the year compared with 13.6% for the prior year. This reflects our strategy of growing our loan book while funding it with an increasing but still prudent proportion of debt.

The underlying interest cover ratio, being the ratio of earnings before interest, tax, depreciation and amortisation (EBITDA) to interest expense and similar charges, has grown to 2.5:1 for the year to 30 June 2017 compared with 2.4:1 for the prior year. Underlying EBITDA for the year to 30 June 2017 is up 21.4% to £193.4m (2016: £159.3m).

Financial position

Lending volumes were robust, increasing by 17.2%, with the Group originating £1,185m of loans in the year to 30 June 2017 (2016: £1,012m). Growth of the loan book has continued, the net loan book totalling £2.24bn at 30 June 2017 (2016: £1.80bn).

The Group maintained its approach of high quality lending focused on low loan-to-value (LTV) loans. The key underwriting metrics therefore remained consistent in the period despite the increase in lending volumes, with the weighted average LTV of loans written in the year to 30 June 2017 being 57.1% (2016: 57.1%) and the average number of customers classified as credit impaired, using the FCA definition, reducing to 12.4% (2016: 12.5%). The weighted average indexed LTV of the loan portfolio for the Group of 53.4% at 30 June 2017 (2016: 52.6%) continues to be conservative, providing considerable downside protection in the event of any downturn in the housing market.



17.2%

Lending volumes were robust, increasing by 17.2%

Equity increased to £628.4m at 30 June 2017 (2016: £515.0m) and total shareholder funds including subordinated notes and loans rose 13.3% to £651.6m (2016: £575.0m). The increase in equity mainly reflects the retained profit after tax for the year of £78.2m and a £46.1m capital contribution arising from the change in ownership structure detailed below, offset by dividends to the parent company of £12.5m. Net debt gearing, the ratio of borrowings to shareholder funds, remained prudent at 2.4:1 at 30 June 2017 (2016: 2.1:1).

Ownership structure

The Chairman's statement has set out how Equistone Partners and Standard Life Investments (the Funds) approached the Group and its shareholders regarding exiting their investment (the Exit Transactions).

Following a full review, a preferred option was identified and executed on 2 November 2016 which entailed HN Moser and the DL Moser 1995 Family Settlement No1 Trust (the Moser Shareholders) indirectly acquiring the interests of the Funds. This increased their ultimate interest in Together Financial Services Limited from 70% to a 100% interest, other than a continuing small non-voting shareholding interest held by other members of the senior management team.

In connection with the Exit Transactions, all the voting shares of Together Financial Services Limited (including the shares held by the Funds) were acquired by Bracken Midco2 Limited, a company whose ultimate parent is Redhill Famco Limited. Redhill Famco Limited is wholly controlled by the Moser Shareholders. To support the Exit Transactions, £220m of senior secured notes were issued by Bracken Midco1 PLC, a direct parent of Bracken Midco2 Limited, and £100m of vendor notes were issued to the Funds by Bracken Topco Limited, the direct parent of Bracken Midco1 PLC and direct subsidiary of Redhill Famco Limited.

As part of the Exit, of the £60.0m of shareholder loan notes previously issued by Together Financial Services Limited, £17.0m was repaid and £43.0m was novated via the new intermediate holding companies to Redhill Famco Limited. Together Financial Services Limited replaced this funding with interest-free intercompany loans totalling £60.0m due to Bracken Midco2 Limited, which comprised a £43.0m loan with a maturity date of 2 November 2036 and £17.0m with a maturity of 2 November 2022. In addition a further interest-free intercompany 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.

Because these subordinated shareholder loans are interest-free for fixed terms, their nominal amounts are greater than the fair values at which they are initially recognised under international financial reporting standards. The difference between the total nominal value of £68.1m and the initial fair value of £22.0m represents a non-distributable capital contribution of £46.1m. As the loans approach maturity the loans will unwind to par at their effective interest rate; the increase in amortised cost will be charged to income with a corresponding transfer to reduce the related non-distributable reserve.

Funding and liquidity

The Group is very highly cash generative, with cash receipts in the year to 30 June 2017 of £1,000.8m (2016: £833.0m) compared with debt service payments (excluding debt issuance costs and other cash payments) of £78.6m (2016: £61.7m) and other cash payments mainly for overheads and taxation of £86.0m (2016: £61.2m). The excess, along with additional funding, is used for new lending.

Liquidity is managed on a daily basis to ensure that sufficient unrestricted available liquidity exists to allow the Group to meet all its financial obligations as and when they fall due including the outstanding pipeline of loan offers.

At 30 June 2017 facility headroom was £308m (2016: £295m). The Group aims to keep a minimum of six months of facility headroom available and manages this by arranging new facilities, extending existing facilities or by adjusting new origination levels.

During the year the Group has increased and diversified its funding structure even further. The introduction of a third asset-backed facility, Delta, sits alongside the existing Charles Street and Lakeside securitisations. Delta, a facility for £90m, was executed on 26 January 2017 and will run until January 2021. On 13 October 2016, a Group subsidiary Jerrold Finco PLC successfully refinanced the £300m 9¾% senior secured notes due in 2018 with an increased issuance of £375m 6¼% senior secured notes due in 2021, and on 22 February 2017 successfully issued a further £200m at 6⅛% due in 2024. On 5 June 2017 the Group's revolving credit facility was extended on favourable terms to 2021 and increased from £29m to £57.5m. Finally, as a result of the Exit Transactions discussed above, the original £60m of subordinated shareholder notes maturing in 2022 were refinanced and increased as interest-free subordinated shareholder funding, of which a total of £25m now matures in September 2024 and £43m in 2036.

24.4%

The Group's total facilities increased by almost a quarter over the course of the year

As a result of this activity the Group's total facilities increased by almost a quarter over the course of the year, set out with current maturities as follows:

	2017 £m	2016 £m
Securitisation loan notes		
Charles St *(matures 2021)*	1,000.0	1,000.0
Lakeside *(matures 2018)*	255.0	255.0
Delta *(matures 2021)*	90.0	-
Senior secured notes *(mature 2021 & 2024)*	575.0	300.0
Subordinated shareholder funds *(mature 2024 & 2036)*	68.1	60.0
Revolving credit facility *(matures 2021)*	57.5	29.0
	2,045.6	**1,644.0**

The earliest maturity on existing facilities is now the Lakeside securitisation in August 2018. The Group has a strong track record of successful refinancing and raising new facilities and has a supportive banking group with longstanding relationships with RBS (43 years) and Lloyds (21 years), with Natixis, HSBC, Barclays, Goldman Sachs and Credit Suisse joining over the period from 2014 to 2017.

Our funding mix of efficient asset-backed securitisations and the flexible senior secured notes already facilitates the provision of cost-effective funding whilst providing the flexibility to support a diversified product base.

Gearing on a net debt basis as at 30 June 2017 remains conservative compared with our peer group at 2.4:1 (2016: 2.1:1).

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

Gary Beckett
Director
8 September 2017

Let’s make it count

As a business that has long been committed to supporting our local community and a range of charitable causes, we have recently established a new framework called *‘Let’s Make it Count’* to incorporate this activity.

Let’s get GIVING

Helping charities to make a difference

Let’s get giving

Our charity programme spans local, regional and national campaigns to help a wide range of worthy causes, and last year we raised over £62,000. This included £28,000 of matched company donations, £20,000 for Destination Florida and over £8,000 raised for The Christie. Colleagues participated in a host of activities, including the Great Manchester Run, a family fun day, dress-down days and more, as well as providing a call centre for Comic Relief with more than 100 volunteers.

Let’s get GREEN

Caring for the environment

Let’s get green

We believe in doing everything we can for our environment, with a comprehensive recycling programme at our head office. We also work with the National Trust and other organisations, offering colleagues opportunities to attend volunteering days at local sites. Earlier this year, our volunteers spent a day at Seashell Trust, a charity providing education and care for children with complex learning disabilities, helping to maintain its grounds and creating an outdoor space for the pupils to enjoy.

Let’s get SHARING

Mentoring and training the talent of tomorrow

Let’s get sharing

Our ‘Let’s get sharing’ scheme includes our work with BW3; Business Working with Wythenshawe, and other local organisations and youth groups. Sponsor colleagues mentor local young people with regular meetings, and the feedback we’ve had confirms these young people really benefit from a mentoring relationship, and it can have a major impact in helping them fulfil their true potential.

Our colleagues are really passionate in their support, so we're proud to show that strong business performance and hard work can go hand-in-hand with making a positive contribution to our community. There are six pillars which our activity is focused around:

Let's get caring

We work with a range of charities and organisations local to our head office, offering support to different groups within our community. At Christmas, we host a pensioners' lunch for those that may be lonely during the festive period, working with local community groups. We also recently launched our own Foodbank to provide essential items to local households and families that may be struggling financially, with a fantastic response from our colleagues.

Let's get CARING

Giving back to our community

Let's get going

We aim to encourage young entrepreneurs and help them develop essentials skills for business with our new enterprise scheme aimed at ages 15 and over. As a business that is built on the vision and values of entrepreneurs, Together is keen to share skills, knowledge and inspiration with young people. Participants get a taste of what's required when it comes to making a commercial vision a reality, developing skills such as influencing, presenting, budgeting, planning, time management, teamwork and more.

Let's get GOING

Promoting enterprise in schools and colleges

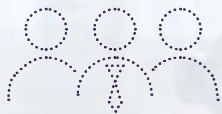
Let's get creative

Working in partnership with local schools and young peoples' groups, we aim to encourage and inspire through our competitions and challenges. Last year we held an art competition and received 167 entries from 14 schools. There were 18 worthy winners and we gave a total of £7,000 to winning artists and schools. Current activity includes a competition to nurture young reporters with the opportunity to interview a premiership rugby player.

Let's get CREATIVE

Encouraging young imaginations

Corporate governance



130

Colleagues are undertaking structured leadership training

Corporate governance and committee structure

In January 2017 the Audit Risk and Compliance Committee was separated into two distinct committees to enable them to focus on their remit more effectively and enhance governance controls.

Board of directors

The Board of directors is responsible for setting risk appetite and for setting and overseeing delivery of Group strategy within that risk appetite. In doing this it takes into account stakeholder considerations, whilst implementing a strong corporate governance framework. The Board ensures that the Group has sufficient resource to meet its objectives and to comply with all legal, regulatory and contractual considerations and ensuring that the correct culture and conduct is embedded within the organisation. The Board meets a minimum of six times during the year.

The Board delegates specific powers for certain matters to committees. All Board committees operate within defined terms of reference and sufficient resources are made available to them to undertake their duties. Details of certain key committees are presented below.

Audit and Risk Committees

In January 2017 the Board took the decision for the Audit Risk and Compliance Committee to meet separately as an Audit Committee and a Risk Committee. Whilst the members of the committees remain the same the purpose of the decision for the committees to meet separately was to enable the committees to focus on their remit more effectively and enhance governance controls.

The remit of the Audit Committee includes monitoring the integrity of the Group's financial statements and the involvement of the external auditors, ensuring compliance with accounting policies, reviewing and assessing the annual internal audit work plan and receiving reports on the results of their findings. In addition to the Group Audit Committee, each of the business's subsidiary boards has now established its own audit committee, further improving governance throughout the Group.

The remit of the Risk Committee includes reviewing the Group's internal control and risk management systems, ensuring compliance with legal, regulatory and contractual requirements, and providing independent oversight and challenge of the risk management framework and risk appetite.

Each committee formally reports to Board on proceedings within its duties and responsibilities, making recommendations on any areas within its remit where action is required. The committees each meet a minimum of four times during the year.

Reporting directly into the Audit and the Risk Committees on relevant matters within the remit of those committees, and with its own delegated powers and responsibilities, is the Executive Risk Committee. The Financial Crime Committee is a sub-committee that reports into the Executive Risk Committee on the performance of controls in place to mitigate the risk of financial crime activity.

Remuneration Committee

The Remuneration Committee's responsibilities include assisting the Board in relation to the Group's remuneration framework. This includes setting the principles and parameters of the Group's policy and determining the individual remuneration and benefits package of the executive directors. The remuneration of the non-executive directors is a matter for the Chief Executive Officer and the Chairman. The remuneration of the Chairman is a matter for the Chief Executive Officer and the independent non-executive director. The Remuneration Committee formally reports to the Board after each meeting on matters within its duties and responsibilities. In addition the committee makes recommendations to the Board on any area within its remit where action is required. The committee meets a minimum of twice during the year.

Nominations Committee

The Nominations Committee's responsibilities include considering and making recommendations to the Board in respect of appointments to the Board and the Board committees. It is also responsible for keeping the structure, size and composition of the Board under regular review, and considering succession planning, taking into account the skills and expertise which will help the Board in the future. The Nomination Committee formally reports to the Board after each meeting on matters within its duties and responsibilities. In addition the committee makes recommendations to the Board on any area within its remit where action is required. The committee meets a minimum of twice during the year.

Governance review

The corporate governance review initiated by our non-executive directors progressed throughout the year to establish a framework that enhances our existing governance structures and supports our growth plans. Separate subsidiary boards have been established to focus on the operation and growth of our Personal Finance and Commercial Finance businesses and to provide greater executive bandwidth to support the Group parent board The ambition of the new governance framework is to promote independence, accountability and challenge amongst the subsidiary businesses and the Group, whilst maintaining a common culture and set of values to facilitate shared best practice.

The effectiveness of board decision-making has been further supported with the development of executive committees within the Personal Finance and Commercial Finance businesses. Each committee has been established to monitor specific key operational, risk and conduct controls in the divisions and more broadly to promote clear lines of accountability in oversight and decision-making.

Company Secretary

The Company Secretary is responsible for advising the Board on all governance related matters. All directors have access to the advice and services of the Company Secretary.

Directors' report

The directors present their report for the year ended 30 June 2017.

The Group's principal activity continues to be that of financiers. The directors do not expect any significant change to the activities of the Together Financial Services Limited group of companies, trading as Together ('the Group') and formerly known as Jerrold Holdings Limited.

Results and dividends

The results for the year are set out in the income statement on page 36. The profit before taxation for the year ended 30 June 2017 was £94.1m (2016: £90.3m). A full review of the financial performance of the Group is included within the Chief Financial Officer's review commencing on page 12. This sets out the key performance indicators monitored in order to review and control performance, position and liquidity and to develop future strategy. Commentary on the Group's future outlook is given in the Chairman's report.

A dividend of £12.5m was paid during the year (2016: £nil). The directors do not recommend a final dividend.

Financial position

Loans and advances to customers have increased by 24.4% to £2,241m (2016: £1,801m). At the same time, shareholders' funds have increased by 13.3% to £651.6m (2016: £575.0m), including shareholder loans and notes of £23.2m (2016: £60m). The gearing ratio (being the ratio of debt to equity) has increased to 2.4:1 as at 30 June 2017 (2016: 2.1:1) reflecting the fact that the Group continues to fund its loan book through reserves, shareholder notes and proportionately increased levels of external borrowings. The shareholder loans and notes are treated as equity for the purposes of calculating the Group's gearing ratio.

A description of the principal risks and uncertainties facing the Group is contained in the risk-management section.

Employee consultation

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

Disabled employees

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

Environment

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

Statement of going concern

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

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

On the basis that the Group has adequate funding and resources and has considered the market, operational and regulatory risks applicable to it, together with its current performance and financial position, the directors have a reasonable expectation that the Group will have sufficient funding and liquidity facilities to ensure that it will continue in operational existence for the foreseeable future. Accordingly the directors of the Group have adopted the going-concern basis in preparing financial statements.

Directors

All directors served throughout the year and to the date of this report except as stated below:

RM McTighe* *Chairman*
HN Moser *Chief Executive Officer*
PS Ball *(Appointed 6 September 2016)*
GD Beckett
W Bowser*
MJJR Golby
MR Goldberg
SJ O'Hare* *(Resigned 2 November 2016)*
JM Shaoul*

*Non-executives

The Company Secretary NA Dale served throughout the year.

Directors' indemnities

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

Charitable donations

During the year the Company made donations of £85,000 (2016: £56,000) to local charities.

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 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
8 September 2017

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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 or loss for the year. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- 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 IFRS 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 Group and parent 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's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent Company and enable them to ensure that the 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.

94.5%

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

Risk management

Overview of risk management within the Group

There are a number of potential risks and uncertainties which could have an impact on the Group's performance. To identify and control these risks the Group utilises an enterprise risk-management framework (ERMF). The ERMF is overseen by the Risk Committee which reports to the Board.

The ERMF provides the requisite organisational arrangements and foundation for managing risks in a consistent and structured manner. It explains how the Group ensures that risk is effectively managed, embedded in all strategic decisions, translated into operational objectives and integrated into the day-to-day business processes. Risk appetite is assessed at a consolidated group level and by risk categories. The Group's risk appetite is defined and translated into key risk indicators that can be assessed against tolerances for each category of risks.

At the operational level, the Group's system of internal controls and risk management operates utilising the three-lines-of-defence model. At the first line of defence, operational managers identify, manage and own the risks in their respective areas of business.

The second line of defence ensures the first line of defence is properly designed, in place, and operating as intended. This consists of the Group's risk management, legal and financial control functions. Oversight is provided by the Executive Risk Committee, Retail and Commercial Credit Risk Committees and the Conduct Excellence Committee. These functions are organisationally separate and independent of the first line of defence.

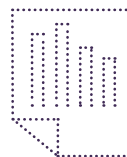
The third line of defence is provided by the internal audit function. This provides an independent internal review and assurance on the first and second lines of defence, and the governance, risk-management and internal-control frameworks operated by the Group.

Principal risks and uncertainties

The directors have identified the following as the principal risks and uncertainties facing the business:

- Strategic risk
- Credit risk
- Liquidity and funding risk
- Market risk
- Capital risk
- Conduct risk
- Compliance (regulatory and legal) risk
- Operational risk

The following sections provide detailed discussion of these risks, including financial disclosures. The disclosures provided are based upon information used by management in overseeing the Group's activities.



0.33%

The impairment charge for the year represented 0.33% of the loan book value at 30 June 2017

Risk management disclosures

Strategic risk

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

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

Credit risk

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

The Group is exposed to changes in the economic position of its customers, which may adversely impact their ability to make loan repayments. The level of this risk is driven by both macro-economic factors as well as by factors relating to specific customers, such as a change in the borrower's circumstances.

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

Affordability

The Group utilises several affordability models to ensure the customer is able to meet repayments. These are tailored to the customer and loan type.

For mortgages a full assessment at underwriting stage is made of customer income and expenditure throughout the projected life of the loan. Individual affordability is stress-tested to consider potential changes during the life of the loans such as changes in interest rates or customer retirement. Affordability of commercial mortgages is assessed against verified income utilising debt-to-income to assess affordability, while that for buy-to-let mortgages utilises an assessment of rental income to loan repayment.

Maximum exposure to credit risk

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

Audited	2017 £m	2016 £m
Gross loans and advances	2,303.1	1,869.5
Allowance for impairment	(62.2)	(68.8)
Loans and advances to customers	**2,240.9**	**1,800.7**
Amounts owed by related parties	0.8	0.1
Other debtors	0.6	0.1
Cash and balances at bank	17.3	0.5
	2,259.6	**1,801.4**

Cash and cash equivalents are primarily surplus cash placed overnight with institutions with sufficiently high credit ratings. The Group's only material credit risk therefore relates to its loans and advances to customers. The above table represents the maximum credit risk exposure to the Group at 30 June 2017 and 2016 without taking account of any underlying security.

Impaired and past-due loans

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

	2017 £m	2016 £m
Gross loans and advances	2,303.1	1,869.5
Unsecured loans	(1.7)	(2.2)
Accounting adjustments	8.0	3.2
Gross customer balances	**2,309.4**	**1,870.5**

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

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

Loan assets are categorised:

Neither past due nor impaired
Loans which are not in arrears and which do not meet the definition for specific impairment, in accordance with our accounting policies.

Past due but not impaired
Loans which meet the definition for specific impairment because the loan is in arrears or there is other objective evidence of impairment in accordance with our accounting policies. However, no impairment provision is recognised against the loan when the expected cash flows, discounted at the original effective interest rate, exceed the carrying amount of the loan.

Impaired assets

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

Gross customer balances are analysed as follows:

Audited	**2017 £m**	**2016 £m**
Performing		
Not past due	1,851.2	1,430.8
Past due less than 2 months	224.6	202.0
	2,075.8	**1,632.8**
Non performing but not impaired		
Past due 2–3 months	22.9	21.9
Past due over 3 months	74.0	65.9
	96.9	**87.8**
Impaired	136.7	149.9
Gross customer balances	**2,309.4**	**1,870.5**

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).

Collateral held

The Group enters into agreements with customers taking security for loan receivables over immovable property. A key measure the business uses in assessing credit risk is the ratio of the loan amount to the value of the underlying security (LTV). Prior valuations are indexed using established regional house price indices to estimate the current security value. The table below shows gross customer balances by indexed LTV banding:

	2017 £m	2016 £m
60% or less	1,443.6	1,242.4
60–85%	738.9	510.1
85–100%	92.1	76.3
More than 100%	34.8	41.7
Gross customer balances	**2,309.4**	**1,870.5**

Of the gross customer balances at 30 June 2017, 94.5% of loans had an indexed LTV of less than or equal to 85% (2016: 93.7%).

Concentration of credit risk

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

	2017 %	2016 %
East Anglia	2.8	2.4
East Midlands	3.0	3.6
Ireland	0.2	0.3
London regions	28.3	28.0
North East	1.6	2.3
North West	18.1	18.5
Scotland	4.6	5.0
South East	17.9	16.2
South West	5.8	5.7
Wales	4.3	5.0
West Midlands	6.6	6.9
Yorks & Humber	6.8	6.1
Gross customer balances	**100.0**	**100.0**

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

	2017 %	2016 %
Up to £50,000	19.3	24.2
£50,000–100,000	17.5	17.8
£100,000–250,000	20.9	18.6
£250,000–500,000	12.6	11.5
£500,000–1,000,000	8.9	8.3
£1,000,000–2,500,000	12.2	11.5
More than £2,500,000	8.6	8.1
Gross customer balances	**100.0**	**100.0**

Forbearance

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

The Group considers an account as forborne at the time a customer in financial difficulty is granted a concession. The Group actively operates timely collections and arrears management processes to ensure early identification of issues to support our customers and minimise credit losses. The Group's offer of forbearance is considered separately for each customer dependent on their individual circumstances. Forbearance can be temporary or permanent in nature depending on the circumstances of the customer and the concession agreed. Examples of concessions agreed include reduced payment arrangements, extension of the mortgage term, or a change in the repayment profile.

Liquidity and funding risk

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

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

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

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

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

The Group has increased its wholesale funding in successive years in order to fund the growth in its loan portfolio.

The Charles Street 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. The Lakeside securitisation 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.

The Delta facility 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.

The gross contractual maturities of the Group's borrowings, inclusive of interest but excluding any non-utilisation fees that may arise, and other financial liabilities are as follows:

Audited At 30 June 2017	Carrying value £m	Gross nominal cash flow £m	Up to 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m
Loan notes	1,022.9	1,196.1	26.0	199.6	970.5	-
Subordinated shareholder loans	23.2	68.1	-	-	-	68.1
Senior secured notes	575.0	779.6	35.9	35.9	482.8	225.0
Obligations under finance leases	0.6	0.7	0.3	0.2	0.2	-
	1,621.7	**2,044.5**	**62.2**	**235.7**	**1,453.5**	**293.1**
Debt issue costs	(18.8)	-	-	-	-	-
Borrowings	**1,602.9**	**2,044.5**	**62.2**	**235.7**	**1,453.5**	**293.1**
Trade creditors	2.3	2.3	2.3	-	-	-
Other creditors	2.9	2.9	2.9	-	-	-
	1,608.1	**2,049.7**	**67.4**	**235.7**	**1,453.5**	**293.1**

Audited At 30 June 2016	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 loans	29.0	30.4	1.2	29.2	-	-
Loan notes	884.0	1,089.8	31.4	32.0	1,026.4	-
Shareholder notes	60.0	71.0	2.1	2.1	6.3	60.5
Senior secured notes	304.4	373.1	29.3	29.2	314.6	-
Obligations under finance leases	0.4	0.4	0.2	0.1	0.1	-
	1,277.8	**1,564.7**	**64.2**	**92.6**	**1,347.4**	**60.5**
Debt issue costs	(18.4)	-	-	-	-	-
Borrowings	**1,259.4**	**1,564.7**	**64.2**	**92.6**	**1,347.4**	**60.5**
Trade creditors	1.2	1.2	1.2	-	-	-
Other creditors	2.3	2.3	2.3	-	-	-
	1,262.9	**1,568.2**	**67.7**	**92.6**	**1,347.4**	**60.5**

Market risk

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

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

Capital risk

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

The Group has always maintained adequate levels of capital, and aims to maintain an efficient capital structure that meets the requirements of its funding facilities of its regulated subsidiaries. Current and forecast levels of capital, including the gearing ratio, are monitored and reported to the Board on a regular basis. Total shareholder funds increased £76.6m over the year:

	2017 £m	2016 £m
Equity	628.4	515.0
Subordinated shareholder funds	23.2	60.0
Total shareholder funds	**651.6**	**575.0**
Net debt gearing ratio	**2.4:1**	**2.1:1**

Conduct risk

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

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

Compliance (regulatory and legal) risk

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

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

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

Operational risk

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

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

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

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

The Group has taken steps to ensure that the IT infrastructure is robust so as to meet operational performance needs and is sufficiently resilient. There is a documented and tested business continuity plan in place to enable the Group to recover operations in the event of an incident.

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

£76.6m

Total shareholder funds increased £76.6m over the year

Financial statements

24.4%

Growth of the loan book has continued, the net loan book totalling £2.24bn

Independent auditor's report to the members of Together Financial Services Limited.

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2017 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 (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Together Financial Services Limited (the 'parent company') and its subsidiaries (the 'group') 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 company statements of cash flows;
- the statement of accounting policies; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 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.

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 the 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 Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the 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.

David Heaton (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom
8 September 2017

Consolidated statement of comprehensive income

Year ended 30 June 2017

All amounts are stated in £m

Income statement	Note	2017	2016
Interest receivable and similar income	4	246.5	210.8
Interest payable and similar charges	5	(88.8)	(67.5)
Net interest income		**157.7**	**143.3**
Fee and commission income	6	4.2	4.2
Fee and commission expense	7	(2.1)	(1.7)
Other income	8	0.1	0.2
Operating income		**159.9**	**146.0**
Administrative expenses	9	(58.4)	(41.9)
Operating profit		**101.5**	**104.1**
Impairment losses	13	(7.4)	(13.8)
Profit before taxation		**94.1**	**90.3**
Income tax	12	(15.9)	(18.5)
Profit after taxation		**78.2**	**71.8**

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

Consolidated statement of financial position

As of 30 June 2017

All amounts are stated in £m

	Note	2017	2016
Assets			
Cash and balances at bank		17.3	0.5
Loans and advances to customers	13	2,240.9	1,800.7
Inventories	14	0.9	0.9
Other assets	15	4.4	2.3
Investments		0.1	0.2
Property, plant and equipment	17	4.4	4.5
Intangible assets	18	5.7	3.2
Deferred tax asset	19	2.4	6.1
Total assets		**2,276.1**	**1,818.4**
Liabilities			
Borrowings	20	1,602.9	1,259.4
Other liabilities	21	37.5	31.7
Current tax liabilities		7.3	12.3
Total liabilities		**1,647.7**	**1,303.4**
Equity			
Share capital	22	9.8	9.8
Share premium account		17.5	17.5
Merger reserve		(9.6)	(9.6)
Capital redemption reserve		1.3	1.3
Subordinated shareholder funding reserve	20	44.9	-
Share-based payment reserve	28	1.6	1.2
Retained earnings		562.9	494.8
Total equity		**628.4**	**515.0**
Total equity and liabilities		**2,276.1**	**1,818.4**

These financial statements were approved by the Board of Directors on 8 September 2017.
Company Registration No. 02939389.

Signed on behalf of the Board of Directors.

HN Moser
Director

GD Beckett
Director

Company statement of financial position

As of 30 June 2017

All amounts are stated in £m

	Note	2017	2016
Assets			
Cash and balances at bank		22.2	2.1
Other assets	15	1,191.9	483.2
Investments in subsidiaries	16	25.3	11.5
Total assets		**1,239.4**	**496.8**
Liabilities			
Borrowings	20	22.5	88.7
Other liabilities	21	628.8	317.1
Total liabilities		**651.3**	**405.8**
Equity			
Share capital	22	9.8	9.8
Share premium account		17.5	17.5
Capital redemption reserve		1.3	1.3
Subordinated shareholder funding reserve	20	44.9	-
Share-based payment reserve	28	1.6	1.2
Retained earnings		513.0	61.2
Total equity		**588.1**	**91.0**
Total equity and liabilities		**1,239.4**	**496.8**

These financial statements were approved by the Board of Directors on 8 September 2017.
Company Registration No. 02939389.

Signed on behalf of the Board of Directors.

HN Moser
Director

GD Beckett
Director

Consolidated statement of changes in equity

Year ended 30 June 2017

All amounts are stated in £m

2017	Called-up share capital	Share premium	Merger reserve	Capital redemption reserve	Subordinated shareholder funding reserve	Share-based payment reserve	Retained earnings	Total
At beginning of year	9.8	17.5	(9.6)	1.3	-	1.2	494.8	515.0
Retained profit for the financial year	-	-	-	-	-	-	78.2	78.2
Capital contribution	-	-	-	-	46.1	-	-	46.1
Share-based payments	-	-	-	-	-	0.4	1.2	1.6
Transfer between reserves	-	-	-	-	(1.2)	-	1.2	-
Dividend	-	-	-	-	-	-	(12.5)	(12.5)
At end of year	**9.8**	**17.5**	**(9.6)**	**1.3**	**44.9**	**1.6**	**562.9**	**628.4**

2016	Called-up share capital	Share premium	Merger reserve	Capital redemption reserve	Share-based payment reserve	Retained earnings	Total
At beginning of year	9.8	17.5	(9.6)	1.3	-	423.0	442.0
Retained profit for the financial year	-	-	-	-	-	71.8	71.8
Share-based payments	-	-	-	-	1.2	-	1.2
At end of year	**9.8**	**17.5**	**(9.6)**	**1.3**	**1.2**	**494.8**	**515.0**

Company statement of changes in equity

Year ended 30 June 2017

All amounts are stated in £m

2017	Called-up share capital	Share premium	Capital redemption reserve	Subordinated shareholder funding reserve	Share-based payment reserve	Retained earnings	Total
At beginning of year	9.8	17.5	1.3	-	1.2	61.2	91.0
Retained profit for the financial year	-	-	-	-	-	461.9	461.9
Capital contribution	-	-	-	46.1	-	-	46.1
Share-based payments	-	-	-	-	0.4	1.2	1.6
Transfer between reserves	-	-	-	(1.2)	-	1.2	-
Dividend	-	-	-	-	-	(12.5)	(12.5)
At end of year	**9.8**	**17.5**	**1.3**	**44.9**	**1.6**	**513.0**	**588.1**

2016	Called-up share capital	Share premium	Merger reserve	Share-based payment reserve	Retained earnings	Total
At beginning of year	9.8	17.5	1.3	-	58.7	87.3
Retained profit for the financial year	-	-	-	-	2.5	2.5
Share-based payments	-	-	-	1.2	-	1.2
At end of year	**9.8**	**17.5**	**1.3**	**1.2**	**61.2**	**91.0**

The share premium, capital redemption, subordinated shareholder funding and share-based payment reserves are all non-distributable.

Consolidated statement of cash flows

Year ended 30 June 2017

All amounts are stated in £m

	Note	2017	2016
Cash outflow from operating activities			
Cash outflow from operations	24	(253.1)	(214.8)
Income tax paid		(17.2)	(16.7)
Servicing of finance		(85.9)	(71.1)
Net cash outflow from operating activities		**(356.2)**	**(302.6)**
Cash flows from investing activities			
Proceeds from disposal of investments		0.1	-
Acquisition of property, plant and equipment		(1.2)	(1.4)
Proceeds from disposal of property, plant and equipment		0.1	0.1
Acquisition of intangible assets		(3.5)	(2.6)
Proceeds on sale of shares by employee-benefit trust		1.2	-
Net cash outflow from investing activities		**(3.3)**	**(3.9)**
Cash flows from financing activities			
Repayment of syndicated loan		(29.0)	-
Drawdown of facilities		138.9	304.1
Repayment of subordinated shareholder notes		(60.0)	-
Proceeds from issuance of subordinated shareholder funding		68.1	-
Repayment of senior secured notes		(304.4)	-
Proceeds from issuance of senior secured notes		575.0	-
Capital element of finance lease payments		0.2	0.1
Dividends paid		(12.5)	-
Net cash inflow from financing activities		**376.3**	**304.2**
Net increase/(decrease) in cash and cash equivalents		**16.8**	**(2.3)**
Cash and cash equivalents at beginning of year		**0.5**	**2.8**
Cash and cash equivalents at end of year		**17.3**	**0.5**

Company statement of cash flows

Year ended 30 June 2017

All amounts are stated in £m

	Note	2017	2016
Cash outflow from operating activities			
Cash (outflow)/inflow from operations	24	(336.7)	6.4
Servicing of finance		(60.8)	(40.5)
Net cash outflow from operating activities		**(397.5)**	**(34.1)**
Cash flows from investing activities			
Increase in investments		(14.7)	-
Proceeds on sale of shares by employee-benefit trust		1.2	-
Dividends received		464.5	2.6
Net cash inflow from investing activities		**451.0**	**2.6**
Cash flows from financing activities			
Repayment of syndicated loan		(29.0)	-
Drawdown of syndicated loan		-	29.0
Repayment of subordinated shareholder notes		(60.0)	-
Proceeds from issuance of subordinated shareholder funding		68.1	-
Dividends paid		(12.5)	-
Net cash (outflow)/inflow from financing activities		**(33.4)**	**29.0**
Net increase/(decrease) in cash and cash equivalents		**20.1**	**(2.5)**
Cash and cash equivalents at the beginning of the year		**2.1**	**4.6**
Cash and cash equivalents at end of year		**22.2**	**2.1**

2.4:1

Net debt gearing ratio

Notes to the financial statements

1. Reporting entity and general information

Together Financial Services Limited, formerly Jerrold Holdings Limited, (the Company) is incorporated and domiciled in the UK. The registered address of the Company is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW. The consolidated financial statements comprise Together Financial Services 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 year.

Basis of preparation

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). No individual income statement or related notes are presented for the Company as permitted by Section 408 (4) of the Companies Act 2006.

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

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

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

IFRS 9

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

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

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

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

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

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

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

Going concern

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects 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.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. 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.

Goodwill

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

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

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

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

Under this method any goodwill arising on consolidation is treated as a reduction in reserves.

On disposal or closure of a previously acquired business, the attributable amount of goodwill, including that previously written off to reserves, is included in determining the profit or loss on disposal.

Operating segments

The Group's only listed financial instruments are issued by a subsidiary, Jerrold Finco PLC, rather than the parent Company, Together Financial Services Limited. The Group is therefore outside the scope of IFRS 8, *Operating Segments,* and accordingly does not disclose segmental information in these financial statements.

Interest income and expense

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

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

Fee and commission income and expense

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

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

Fees and commissions expenses primarily consist of legal and valuations 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 elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the income statement over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

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

The Group as lessor

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

Pension benefits

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

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

Share-based payments

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

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

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

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

Taxation

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

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

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

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

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

Cash and cash equivalents

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

Financial assets & liabilities

Financial assets

All the Group's financial assets are categorised as loans and receivables. Loans and receivables are predominantly mortgage loans and advances to customers with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell in the near term. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less impairment losses.

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

Financial liabilities

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

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

Impairment of financial assets

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

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

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

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

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

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.

Investments

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

Property, plant and equipment

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

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

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

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

Intangible assets

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

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

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

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

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

All intangibles assets are reviewed for indications of impairment at least annually. If impairment is indicated, the asset's recoverable amount (being the greater of fair value less cost to sell and value in use) is estimated. Value in use is calculated by discounting the future cash flows generated from the continuing use of the asset. If the carrying value of the asset is less than the recoverable amount, an impairment charge is recognised in the income statement.

Provisions

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

3. Critical accounting estimates and judgements

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

a) Loan impairment allowances

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

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

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

b) Revenue

Interest income

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

Fees and commission

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

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

4. Interest receivable and similar income

	2017	2016
Interest on loans and advances to customers	**246.5**	**210.8**

Included within interest on loans and advances to customers is £9.6m (2016: £11.7m) relating to impaired loans.

5. Interest payable and similar charges

	2017	2016
On borrowings	**88.8**	**67.5**

Interest payable and similar charges include £14.8m (2016: £nil) of costs relating to the refinancing of senior secured notes.

6. Fee and commission income

	2017	2016
Fee income on loans and advances to customers	3.9	3.8
Other fees receivable	0.3	0.4
	4.2	**4.2**

7. Fee and commission expense

	2017	2016
Legal, valuations and other fees	1.0	0.8
Insurance commissions and charges	1.1	0.9
	2.1	**1.7**

8. Other income

	2017	2016
Rental income	0.1	0.1
Other income	-	0.1
	0.1	**0.2**

9. Administrative expenses

	Note	2017	2016
Staff costs	10	38.9	21.9
Auditor's remuneration	11	0.5	0.9
Depreciation of property, plant and equipment		1.2	1.0
Amortisation of intangible assets		1.0	0.4
Operating lease rentals		1.1	1.1
Other administrative costs		15.7	16.6
		58.4	**41.9**

There were no material gains or losses on the disposal of property, plant and equipment (2016: £nil).

10. Staff costs

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

Management and administration	2017 No.	2016 No.
Full time	495	401
Part time	27	23
	522	**424**

The aggregate remuneration of employees and directors was as follows:

Staff remuneration	2017	2016
Wages and salaries	28.8	15.8
Social security costs	3.7	2.1
Pension costs	0.4	0.2
	32.9	**18.1**
Director's remuneration		
Emoluments	5.9	3.7
Company contribution to personal pension schemes	0.1	0.1
	6.0	**3.8**
Total staff costs	**38.9**	**21.9**

The emoluments of the highest paid director were £2.0m (2016: £0.8m) including £nil (2016: £nil) of Company contributions to a defined contribution pension scheme. Details of the pension arrangements operated by the Group are given in note 27.

All staff are employed by a Group subsidiary. Remuneration for employees and directors included £8.2m (2016: £nil) of one-off costs associated with the corporate restructuring transaction.

11. Auditor's remuneration

	2017	2016
Fees payable for the audit of the Company's accounts	0.2	0.1
Fees payable for the audit of the Company's subsidiaries	0.0	0.0
Tax advisory and compliance services	0.1	0.1
Other services	0.2	0.7
	0.5	**0.9**

12. Income tax

	2017	2016
Current tax		
Corporation tax	15.1	21.0
Adjustment in respect of prior years	(2.9)	0.1
	12.2	**21.1**
Deferred tax		
Origination and reversal of temporary differences	0.1	(3.1)
Adjustment in respect of prior years	3.2	(0.1)
Effect of changes in tax rate	0.4	0.6
	3.7	**(2.6)**
Total tax on profit	**15.9**	**18.5**

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

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

	2017	2016
Profit before tax	**94.1**	**90.3**
Tax on profit at standard UK corporation tax rate of 19.75%/20.00%	18.6	18.1
Effects of:		
Expenses not deductible for tax purposes	1.0	0.2
Income not taxable	(0.1)	(0.4)
Group relief	(4.3)	-
Adjustment in respect of prior years	0.3	-
Changes in tax rate	0.4	0.6
Group tax charge for year	**15.9**	**18.5**

13. Loans and advances to customers

	2017	2016
Gross loans and advances	2,303.1	1,869.5
Less: allowances for impairment on loans and advances	(62.2)	(68.8)
	2,240.9	**1,800.7**

Gross loans and advances are repayable:

	2017	2016
Due within one year	967.9	811.4
Due within 1–5 years	571.6	489.4
Due after five years	763.6	568.7
	2,303.1	**1,869.5**

Allowance for impairment losses	2017	2016
At beginning of year	(68.8)	(69.3)
Charges to the income statement	(8.8)	(16.0)
Unwind of discount	9.6	11.7
Write-offs net of recoveries	5.8	4.8
At end of year	**(62.2)**	**(68.8)**

Impairment losses for year	2017	2016
Charges to the income statement	(8.8)	(16.0)
Amounts written off	(0.1)	(0.1)
Amounts released from deferred income	1.3	2.0
Recoveries of amounts previously written off	0.2	0.3
	(7.4)	**(13.8)**

Loans and advances to customers include total amounts of £11.1m (2016: £10.6m) loaned to August Blake Developments Limited, Sunnywood Estates Limited and Edgworth Developments Limited, companies in which HN Moser is a director and shareholder. These loans are on a commercial basis secured on certain assets of these companies.

14. Inventories

	2017	2016
Properties held for resale	**0.9**	**0.9**

15. Other assets

Group	2017	2016
Amounts owed by related parties	0.8	0.1
Other debtors	0.6	0.1
Prepayments and accrued income	3.0	2.1
	4.4	**2.3**

Company	2017	2016
Amounts owed by subsidiaries	1,191.8	483.2
Prepayments and accrued income	0.1	-
	1,191.9	**483.2**

Amounts owed by related parties of the Group are in respect of companies in which HN Moser is a director and shareholder (see note 25).

16. Investments in subsidiaries

The Company held the following investments in subsidiary undertakings:

	2017	2016
At beginning of year	11.5	10.3
Additions	13.8	1.2
At end of year	**25.3**	**11.5**

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

	Shares and voting rights	Principal activities
Trading subsidiaries		
Auction Finance Limited	100%	Commercial lending
Blemain Finance Limited	100%	Retail lending
Bridging Finance Limited	100%	Commercial lending
Harpmanor Limited	100%	Commercial lending
Jerrold FinCo PLC	100%	Financier
Phone-a-Loan Limited	100%	Mortgage brokerage
Spot Finance Limited	100%	Retail lending
Together Commercial Finance Limited *(formerly Lancashire Mortgage Corporation Limited)*	100%	Commercial lending
Together Personal Finance Limited *(formerly Cheshire Mortgage Corporation Limited)*	100%	Retail lending
Non-trading subsidiaries		
Briar Hill Court Limited	100%	
FactFocus Limited	100%	
General Allied Properties Limited	100%	
Heywood Finance Limited	100%	
Heywood Leasing Limited	100%	
Jerrold Mortgage Corporation Limited	100%	
Monarch Recoveries Limited	100%	
Supashow Limited	100%	
Together123 Limited	100%	
Dormant subsidiaries		
BridgingFinance.co.uk Limited	100%	
Classic Car Finance Limited	100%	
Finance Your Property Limited	100%	
Jerrold Holdings Limited *(formerly Together Financial Services Limited)*	100%	
Privileged Estates Limited	100%	
Proactive Bridging Limited	100%	
Proactive Lending Limited	100%	
Provincial & Northern Properties Limited	100%	

The above are all direct holdings of the ordinary share capital of the companies, 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 consolidated results include the following securitisation vehicles and trusts:

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

17. Property, plant and equipment

2017 Group	Fixtures, fittings and equipment	Motor vehicles	Total
Cost			
At beginning of year	5.9	1.3	7.2
Additions	0.6	0.6	1.2
Disposals	-	(0.3)	(0.3)
At end of year	**6.5**	**1.6**	**8.1**
Depreciation and amortisation			
At beginning of year	2.2	0.5	2.7
Charge for the year	1.0	0.2	1.2
Disposals	-	(0.2)	(0.2)
At end of year	**3.2**	**0.5**	**3.7**
Net book value			
At 30 June 2017	**3.3**	**1.1**	**4.4**
At 30 June 2016	**3.7**	**0.8**	**4.5**

2016 Group	Fixtures, fittings and equipment	Motor vehicles	Total
Cost			
At beginning of year	5.3	1.0	6.3
Additions	0.9	0.5	1.4
Disposals	(0.3)	(0.2)	(0.5)
At end of year	**5.9**	**1.3**	**7.2**
Depreciation and amortisation			
At beginning of year	1.7	0.4	2.1
Charge for the year	0.8	0.2	1.0
Disposals	(0.3)	(0.1)	(0.4)
At end of year	**2.2**	**0.5**	**2.7**
Net book value			
At 30 June 2016	**3.7**	**0.8**	**4.5**
At 30 June 2015	**3.6**	**0.6**	**4.2**

18. Intangible assets

Group	2017	2016
Cost		
At beginning of year	3.7	1.1
Additions	3.5	2.6
At end of year	**7.2**	**3.7**
Depreciation and amortisation		
At beginning of year	0.5	0.1
Charge for the year	1.0	0.4
At end of year	**1.5**	**0.5**
Net book value		
At end of year	**5.7**	**3.2**
At beginning of year	**3.2**	**1.0**

19. Deferred tax asset

	2017	2016
At beginning of year	6.1	3.5
(Charge)/credit to income statement	(0.1)	3.1
Adjustment in respect of prior years	(3.2)	0.1
Effect of tax rates	(0.4)	(0.6)
At end of year	**2.4**	**6.1**

The deferred tax asset consisted of the following:

	2017	2016
Accelerated capital allowances	(0.1)	(0.3)
Short-term timing differences	2.5	6.4
	2.4	**6.1**

20. Borrowings

Group	2017	2016
Bank loans	-	29.0
Loan notes	1,022.9	884.0
Shareholder notes	-	60.0
Subordinated shareholder loans	23.2	-
Senior secured notes	575.0	304.4
Obligations under finance leases	0.6	0.4
	1,621.7	**1,277.8**
Debt issue costs	(18.8)	(18.4)
Total borrowings	**1,602.9**	**1,259.4**

Of which:

Due for settlement within 12 months	0.3	0.2
Due for settlement after 12 months	1,602.6	1,259.2
	1,602.9	**1,259.4**

Company	2017	2016
Bank loans	-	29.0
Shareholder notes	-	60.0
Subordinated shareholder loans	23.2	-
	23.2	**89.0**
Debt issue costs	(0.7)	(0.3)
Total borrowings	**22.5**	**88.7**

Of which:

Due for settlement within 12 months	-	-
Due for settlement after 12 months	22.5	88.7
	22.5	**88.7**

As part of the Exit Transactions described in the Chief Financial Officer's review and in note 25, of £60m of shareholder loan notes previously issued by Together Financial Services Limited, £17m was repaid and £43m was novated via the new intermediate holding companies to Redhill Famco Limited. This funding was replaced with interest-free subordinated shareholder loans totalling £60m due to Bracken Midco2 Limited, which comprised a £43.0m loan with a maturity date of 2 November 2036 and £17.0m 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 £68.1m and the initial fair value of £22.0m represents a non-distributable capital contribution of £46.1m, £1.2m of which had amortised by the year end. The remainder of the reserve will be released over the life of the instruments.

On 13 October 2016, Jerrold FinCo PLC (a subsidiary of Together Financial Services Limited) successfully issued £375m 6¼% senior secured notes due in 2021, refinancing the £300m 9¾% senior secured notes due in 2018. This resulted in a net charge to the income statement of £14.8m (2016: £nil), relating specifically to an early repayment penalty and the accelerated release of debt purchase costs net of the release of the debt issue premium.

On 26 January 2017, the Company successfully completed a new £90m credit facility, Delta Asset Backed Securitisation 1 Limited. The facility will run until January 2021 and support the Group's commercial lending activity.

On 22 February 2017, Jerrold FinCo PLC successfully issued £200m of senior secured notes due in 2024.

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

Debt issue costs, which consist of the prepaid fees in relation to the bank loan, loan notes and the senior 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.

Borrowings have the following maturities:

As at 30 June 2017:

Group	<1 year	1–2 years	2–5 years	>5 years	Total
Loan notes	-	151.0	871.9	-	1,022.9
Subordinated shareholder loans	-	-	-	23.2	23.2
Senior secured notes	-	-	375.0	200.0	575.0
Finance leases	0.3	0.3	-	-	0.6
	0.3	**151.3**	**1,246.9**	**223.2**	**1,621.7**
Debt issue costs	-	-	(16.3)	(2.5)	(18.8)
	0.3	**151.3**	**1,230.6**	**220.7**	**1,602.9**

Company					
Subordinated shareholder loans	-	-	-	23.2	23.2
Debt issue costs	-	-	-	(0.7)	(0.7)
	-	**-**	**-**	**22.5**	**22.5**

All amounts are stated in £m

As at 30 June 2016:

Group	<1 year	1–2 years	2–5 years	>5 years	Total
Bank loans	-	29.0	-	-	29.0
Loan notes	-	-	884.0	-	884.0
Shareholder notes	-	-	-	60.0	60.0
Senior secured notes	-	-	304.4	-	304.4
Finance leases	0.2	0.1	0.1	-	0.4
	0.2	**29.1**	**1,188.5**	**60.0**	**1,277.8**
Debt issue costs	-	-	(18.4)	-	(18.4)
	0.2	**29.1**	**1,170.1**	**60.0**	**1,259.4**

Company	<1 year	1–2 years	2–5 years	>5 years	Total
Bank loans	-	29.0	-	-	29.0
Shareholder notes	-	-	-	60.0	60.0
	-	**29.0**	**-**	**60.0**	**89.0**
Debt issue costs	-	(0.3)	-	-	(0.3)
	-	**28.7**	**-**	**60.0**	**88.7**

21. Other liabilities

Group	2017	2016
Trade creditors	2.3	1.2
Other creditors	2.9	2.3
Other taxation and social security	0.7	0.6
Accruals and deferred income	31.6	27.6
	37.5	**31.7**

Company	2017	2016
Amounts owed to subsidiaries	628.8	308.6
Accruals and deferred income	-	8.5
	628.8	**317.1**

22. Share capital

Authorised	2017	2016
10,405,653 A ordinary (2016: 10,850,092 preferred) shares of 50 pence each	5.2	5.4
Nil (2016: 22) A deferred ordinary shares of 0.1 pence each	-	-
Nil (2016: 2,744,974) B1 ordinary shares of 49.9 pence each	-	1.4
Nil (2016: 6,404,938) B2 ordinary shares of 49.9 pence each	-	3.2
9,149,912 (2016: nil) B ordinary shares of 49.9 pence each	4.6	-
Nil (2016: 154,690) C1 ordinary shares of 1 penny each	-	-
Nil (2016: 696,049) C2 ordinary shares of 1 penny each	-	-
Nil (2016: 64,250) C3 ordinary shares of 1 penny each	-	-
921,501 (2016: nil) C ordinary shares of 1 penny each	-	-
70,000 (2016: 100,000) D ordinary shares of 1 penny each	-	-
10,000 E ordinary shares of 1 penny each	-	-
	9.8	**10.0**

Issued, allotted and fully paid	2017	2016
10,405,653 A ordinary (2016: preferred) shares of 50 pence each	5.2	5.2
Nil (2016: 13) A deferred ordinary shares of 0.1 pence each	-	-
Nil (2016: 2,744,974) B1 ordinary shares of 49.9 pence each	-	1.4
Nil (2016: 6,404,938) B2 ordinary shares of 49.9 pence each	-	3.2
9,149,912 (2016: nil) B ordinary shares of 49.9 pence each	4.6	-
Nil (2016: 131,202) C1 ordinary shares of 1 penny each	-	-
Nil (2016: 696,049) C2 ordinary shares of 1 penny each	-	-
Nil (2016: 64,250) C3 ordinary shares of 1 penny each	-	-
921,501 (2016: nil) C ordinary shares of 1 penny each	-	-
70,000 (2016: 100,000) D ordinary shares of 1 penny each	-	-
	9.8	**9.8**

On 2 November 2016, as part of the Exit Transactions described in the Chief Financial Officer's review and in note 25, Bracken Midco2 Limited purchased 26,805 and 3,195 D ordinary shares from senior management and an employee benefit trust respectively (upon which such transferring D ordinary shares automatically converted into C ordinary shares). Following the exit of the funds, the share capital structure was also simplified, with the consolidation of the B1 and B2 ordinary shares into a single B class and the consolidation of the C1, C2 and C3 ordinary shares into a single C class. In addition the A deferred ordinary shares of 0.1 pence were bought back and cancelled.

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 table summarises the carrying and fair values of loans and advances and of borrowings as at the year end, analysing the fair values into different levels according to the degree to which they are based on observable inputs:

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

	Level 1	Level 2	Level 3	Fair value	Carrying value
2017					
Financial assets					
Loans and advances to customers	-	-	2,349.8	2,349.8	2,240.9
Financial liabilities					
Borrowings	593.8	1,087.3	23.8	1,704.9	1,602.9
2016					
Financial assets					
Loans and advances to customers	-	-	1,873.9	1,873.9	1,800.7
Financial liabilities					
Borrowings	308.3	982.0	43.0	1,333.3	1,259.4

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

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

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

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

Explanation and disclosures of risks associated with the Group's business, including its financial instruments, are given in the risk-management section of the annual report.

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

Group	2017	2016
Profit after tax	78.2	71.8
Adjustments for:		
Taxation	15.9	18.5
Depreciation and amortisation	2.2	1.4
Share-based payments	0.4	1.2
Interest expense	88.8	67.5
	185.5	**160.4**
Increase in loans and advances to customers	(440.2)	(377.2)
(Increase)/decrease in other assets	(2.1)	0.1
Increase in accruals and deferred income	1.9	3.1
Increase/(decrease) in trade and other liabilities	1.8	(1.2)
	(438.6)	**(375.2)**
Cash outflow from operations	**(253.1)**	**(214.8)**

Company	2017	2016
Profit after tax	461.9	2.5
Adjustments for:		
Dividends received	(464.5)	(2.5)
Interest expense	53.1	37.4
Impairment of investment in subsidiaries	1.3	-
	51.8	**37.4**
Increase in prepayments	(0.1)	-
Inter-group recharges and treasury transfers	(388.4)	(31.0)
	(388.5)	**(31.0)**
Cash (outflow)/inflow from operations	**(336.7)**	**6.4**

25. Related party transactions

Relationships
The Company has the following related parties:

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

Besides the companies owned by Redhill Famco Limited, other entities owned by the Moser Shareholders are deemed to be related parties and during the year 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 rents and pays service charges and costs on behalf of Centrestand Limited.
Charles Street Commercial Investments Limited	The Group refers borrowers outside its lending criteria to Charles Street Commercial Investments Limited in return for introduction fees. The Group performs underwriting, collection and arrears-management activities for these loans.
Sterling Property Co. Limited	Sterling Property Co. Limited provides property management services for properties repossessed or placed into LPA receivership by the Group.
August Blake Developments Limited, Edgworth Developments Limited, Sunnywood Estates Limited	The Group provides loans on a commercial basis secured on certain assets of these companies.

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

b) Parent companies
During the year the Group transacted with the following parent companies owned by the Moser Shareholders:

Entity	Nature of transactions
Bracken Midco2 Limited	The Company received subordinated funding from Bracken Midco2 Limited as part of the Exit Transactions. The subordinated loans are interest-free and for fixed terms, as set out in Note 20. The difference between the loans' maturity amounts and their fair values represents a capital contribution to the Group.

c) Subsidiaries
Details of the Company's interest in its subsidiaries are listed in note 16. The Company utilises its bank and subordinated shareholder funding, and bonds raised by a subsidiary company, to provide treasury funding to its lending subsidiaries. All interest is recharged at cost. All amounts are repayable on demand.

d) Key management personnel

Key management personnel comprise directors of the Group. There are no transactions with directors other than remuneration in the ordinary course of business and the disposal of D shares disclosed in note 28.

Transactions

The amounts receivable from and payable to related parties by the Group and Company are disclosed in notes 15 and 21 to the financial statements. The Group and Company had the following transactions with related parties during the year:

	2017		2016	
Group	**Charge/ (credit) to income or equity**	**Paid**	**Charge/ (credit) to income or equity**	**Paid**
Lease and insurance costs	1.1	1.3	1.1	0.8
Accounts payable transactions	-	0.5	-	-
Collections transferred on loans to related party	-	-	-	0.1
Related parties of the Moser Shareholders	**1.1**	**1.8**	**1.1**	**0.9**
Interest expense	1.2	-	-	-
Receipt of funding and capital	(46.1)	-	-	-
Dividends paid	12.5	12.5	-	-
Parent companies	**(32.4)**	**12.5**	**-**	**-**
Total related parties	**(31.3)**	**14.3**	**1.1**	**0.9**

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	**2017**	**2016**
Within one year	1.1	1.1
Between one and five years	4.3	4.3
After five years	4.8	5.9
Total operating leases	**10.2**	**11.3**

Company	2017 Charge/ (credit) to income or equity	2017 Paid/ (received)	2016 Charge/ (credit) to income or equity	2016 Paid/ (received)
Interest expense	1.2	-	-	-
Receipt of funding and capital	(46.1)	-	-	-
Dividends paid	12.5	12.5	-	-
Parent companies	**(32.4)**	**12.5**	**-**	**-**
Dividends receivable	(464.5)	(464.5)	-	-
Costs including management recharges	0.5	-	(0.2)	-
Interest recharges	(10.9)	-	(11.5)	-
Debts forgiven	1.2	-	-	-
Net provision of treasury funding	-	379.2	-	21.4
Subsidiary companies	**(473.7)**	**(85.3)**	**(11.7)**	**21.4**
Total related parties	**(506.1)**	**(72.8)**	**(11.7)**	**21.4**

26. Contingent liabilities

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

27. Pension arrangements

During the year the Group contributed to employees' personal pension plans. The total cost for the year amounted to £0.5m (2016: £0.3m). Additionally, the Group operated a defined contribution scheme for which the pension costs charge for the year amounted to £nil (2016: £nil).

28. Share-based payments

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

The purchase of the share capital of Together Financial Services Limited by Bracken Midco2 Limited on 2 November 2016 triggered the ability to dispose of a proportion of the D shares and as such resulted in the vesting of a proportion of this share scheme and the sale of all the vested shares. As such the full fair value of £1.6m (2016: £1.2m) has now been recognised in the statement of comprehensive income to the extent not previously recognised. The charge relating to the remainder of the D shares has not been recognised as the event, upon which the shares vesting is contingent on, is not considered to be foreseeable by Management at this time.

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

29. Ultimate parent company

The largest group of which Together Financial Services Limited is a member, and for which group financial statements will be drawn up, is that headed by Redhill Famco Limited, the company's ultimate parent company.

The registered office of Redhill Famco Limited is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW.

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