

Financial statements

Contents

- 92 Independent auditor's report
- 99 Consolidated financial statements
- 103 Notes to the consolidated financial statements
- 145 Company financial statements
- 148 Notes to the company financial statements

Independent auditor's report to the members of Charter Court Financial Services Group plc

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 31 December 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;
- 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Charter Court Financial Services Group plc (the "Parent Company") and its subsidiaries (the "Group") which comprise:

- the Consolidated statement of comprehensive income;
- the Consolidated statement of financial position;
- the Consolidated statement of changes in equity;
- the Consolidated statements of cash flows;
- the Company statement of financial position;
- the Company statement of changes in equity;
- the Company statement of cash flows;
- the related notes 1 to 60; and
- the information identified as "audited" within the risk management section of the strategic report.

The financial reporting framework that has been applied in their preparation is applicable law and 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: <ul style="list-style-type: none"> • effective interest rate ("EIR") accounting; • loan loss provisioning; and • securitisation accounting.
Materiality	The materiality that we used for the Group in the current year was £4.9 million which was determined on the basis of 5% of adjusted profit before tax. In calculating adjusted profit before tax, we excluded the £17.7 million gain recognised in the derecognition securitisation transaction in the year, and the £4.9 million costs relating to the Group's initial public offering. The materiality that we used for the Parent Company in the current year was £4.7 million which was determined on the basis of 95% of Group materiality.
Scoping	All entities in the Group are within our audit scope and audited to a local materiality for the purpose of individual entity reporting. Audit work to respond to the risks of material misstatement was performed directly by the Group audit engagement team.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the Directors' statement on page 36 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 24 to 34 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on page 64 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' explanation on page 35 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Effective interest rate (“EIR”) accounting

Key audit matter description	<p>The Group holds loans and receivables which meet the criteria of financial assets under IAS 39. The recognition of interest income on loans under IAS 39 requires the use of an effective interest rate method. Judgement is applied by management to determine key assumptions related to the behavioural life of each loan and the associated directly attributable cash flows (primarily fee and interest cash flows). Any changes to such assumptions during the life of the loan can have a significant impact on the amount of interest income recognised during the year.</p> <p>Given the degree of judgement involved in determining key assumptions, we also identified that there is a potential for fraud through possible manipulation of this balance.</p> <p>The Group held an EIR adjustment of £20.0 million (2016: £14.6 million) against customer loans and receivables which is being amortised over the behavioural lives of the associated loans.</p> <p>Management’s associated accounting policies are detailed on pages 107 and 110, with detail about critical accounting estimates on page 113. The corresponding area in the Audit Committee report is on page 61.</p>
-------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

How the scope of our audit responded to the key audit matter	<p>We first understood management’s process and key controls around recognition of interest income through discussions and walkthroughs, we then evaluated the associated design, implementation and tested operating effectiveness of the key controls. Specifically, we assessed the key controls that the Group has in place to assess the completeness and accuracy of the fees and costs included within the EIR models, as well as the controls in place to assess the validity of changes in key judgements.</p> <p>We reviewed the ongoing treatment of fees and charges arising on customer loans and receivables and the appropriateness of their inclusion or exclusion in the Group’s EIR models and performed a reconciliation of the EIR adjustments per the model back to the general ledger.</p> <p>We challenged the behavioural life assumptions used by management by reference to the Group’s historical behavioural life experience, the macroeconomic environment and benchmarking to peers.</p> <p>Where appropriate, we involved our IT specialists in reviewing the completeness and accuracy of data used in management’s behavioural life estimates. For a sample of loans, our specialists also independently re-created the expected EIR adjustment.</p>
---------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Key observations	<p>The results of our testing were satisfactory and the underlying methodology used for the calculation of EIR is considered materially accurate in the context of the accounting policies and the requirements of the relevant accounting standards.</p> <p>Our review and testing of the on-going treatment of fees and charges did not identify any material issues.</p> <p>Overall we consider the judgements applied by management to be reasonably stated.</p>
-------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Loan loss provisioning

Key audit matter description	<p>The Group held £1.0 million of impairment provisions at year-end (2016: £0.5 million) against loans and advances to customers of £5,385.2 million (2016: £3,823.0 million).</p> <p>IAS 39 requires the carrying value of financial assets to be impaired where there is objective evidence of a loss event at the balance sheet date. This is calculated by estimating the expected future cash flows that will be recovered.</p> <p>Specific loan loss provisions are based on a case by case assessment for individual accounts considered to be in default. The remainder of losses that have been incurred but not yet reported are considered by a collective provision based on individually assessed credit risk factors.</p> <p>The key assumptions applied in the impairment model are the probability of default and the expected loss on impaired loans. As such our significant risk for loan loss provisioning focusses on the validity of these particular assumptions.</p> <p>Given the degree of judgement involved in determining key assumptions, we also identified that there is a potential for fraud through possible manipulation of this balance.</p> <p>Management’s associated accounting policies are detailed on page 110. The corresponding area in the Audit Committee report is on page 61.</p>
-------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Loan loss provisioning (continued)

How the scope of our audit responded to the key audit matter	<p>We first understood management’s process and key controls around loan loss provisioning by undertaking a walkthrough. Following identification of the key controls placed by management to review the impairment provision we evaluated the associated design, implementation and tested operating effectiveness of such controls. Specifically, we assessed the key controls that the Group has in place to review the loan loss provisioning methodology, as well as the controls in place to assess the validity of changes in key estimates.</p> <p>In order to determine the key assumptions within the model, we performed sensitivity analysis and considered the impact each assumption had on the level of recorded provision. We then challenged management’s key assumptions, including consideration of impairment overlays, and benchmarked these assumptions to peers where appropriate.</p> <p>We reconciled the loan loss provision models to the general ledger and substantively tested a sample of loans to assess whether the data used in the provision calculation was complete and accurate.</p>
---------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Key observations	<p>Based on the evidence obtained, we found that the assumptions underpinning the impairment models were determined and applied appropriately and the recognised specific and collective provisions were reasonably stated.</p>
-------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Securitisation accounting

Key audit matter description	<p>Securitisation accounting within the Group structure is complex. Judgement is required in determining whether the Group controls the special purpose vehicle (“SPV”) following securitisation, and therefore whether the transferred mortgage assets should be derecognised from the Group. The outcome of this assessment has a material impact on the assets and liabilities recognised within the Group.</p> <p>During the year two securitisations were completed. Firstly, a £300.0 million buy to let securitisation, and secondly, a £297.3m residential securitisation.</p> <p>Of the two transactions completed during the year, management has concluded that derecognition of mortgage assets from the Group has been achieved in one instance, and has not been achieved in the other instance.</p> <p>The securitisations are detailed within note 27. Management’s associated accounting policies are detailed on page 110 with detail about judgements in applying accounting policies on page 113.</p>
-------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

How the scope of our audit responded to the key audit matter	<p>We first understood management’s process and key controls around securitisation accounting by undertaking a walkthrough. Following identification of the key controls we evaluated the associated design and implementation of such controls. Specifically, we assessed the key controls that the Group has in place to calculate any gain or loss which arises on securitisation, as well as the controls in place to determine the accounting treatment for each of the new securitisations.</p> <p>We used the relevant accounting guidance to assess whether the Group controls the SPVs following securitisation, which is primarily dependent on whether the Group retained the risks and rewards of ownership of the SPVs following securitisation. In forming our view we considered whether the Group retained the residual rights to the cash flows within the SPV.</p> <p>Where it was deemed that mortgage assets should be derecognised from the Group, we challenged the completeness of the journals posted by management, using our knowledge from previous securitisations completed by the Group, as well as our understanding of the relevant accounting guidance. We also performed substantive procedures in order to assess the accuracy and completeness of the gain which arose on the sale of the residual rights to the cash flows.</p>
---------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

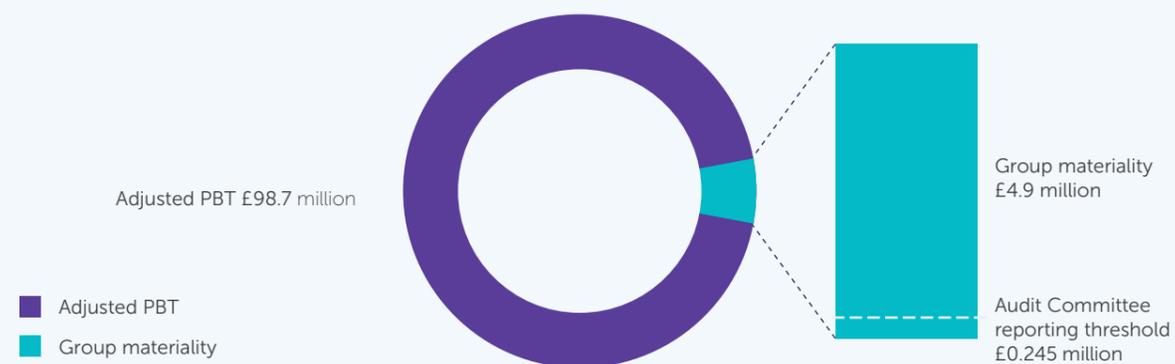
Key observations	<p>We concurred with management’s conclusions regarding continued recognition and derecognition for the securitisation transactions in the year. We also found the derecognition journals posted were in accordance with the accounting requirements.</p>
-------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£4.9 million (2016: £2.4 million)	£4.7 million (2016: £2.3 million)
Basis for determining materiality	5% of adjusted profit before tax. In calculating adjusted profit before tax, we excluded the £17.7 million gain recognised in the derecognition securitisation transaction in the year, and the £4.9 million costs relating to the Group's initial public offering. In 2016, materiality for the Group was based on 5% of profit before tax.	95% of Group materiality.
Rationale for the benchmark applied	We determined materiality using profit before tax as we considered this to be the most appropriate measure to assess the performance of the Group.	We determined materiality using the investment in subsidiaries balance as we considered this to be the most appropriate measure for the Parent Company. As this was higher than Group materiality, we capped Parent Company materiality at 95% of Group materiality.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £245,000 (2016: £48,000) for the Group and £233,000 (2016: £46,000) for the Parent Company, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. Following agreement with the Audit Committee, we increased the threshold for reporting misstatements from 2% to 5% of materiality. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

The Group comprises the Parent Company and other wholly owned subsidiaries and SPVs which operate in the UK to provide retail savings products, specialist mortgage products, mortgage administration services and credit analysis. Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, our Group audit scope focused on all entities within the Group and covered 100% of the material balances in the Income Statement and Balance Sheet of the Group. We have performed testing over the consolidation of Group entities. These audits were performed directly by the Group audit team and executed at levels of materiality applicable to each individual entity which were lower than Group materiality.

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.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the Directors that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, 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.

We have nothing to report in respect of these matters.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with 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 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.

Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given on page 144 for the financial year ended 31 December 2017 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by Board of Directors on 6 July 2009 to audit the financial statements for the year ending 31 December 2009 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 9 years, covering the years ending 31 December 2009 to 31 December 2017.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).



Kieren Cooper (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
19 March 2018

Consolidated financial statements

Consolidated statement of comprehensive income

For the year ended 31 December 2017

	Note	Year ended 31 December 2017	Year ended 31 December 2016
		£m	£m
Interest income and similar income	7	211.1	143.8
Interest expense and similar charges	8	(67.0)	(56.5)
Net interest income		144.1	87.3
Non-interest income	9	8.5	6.2
Gain on sale of loans		17.7	-
Net loss from derivative financial instruments	10	(0.1)	(0.2)
Total income (net)		170.2	93.3
Administrative expenses		(58.0)	(44.5)
Provision for loan impairments – net (charge) / release	18	(0.5)	0.1
Profit before tax	11	111.7	48.9
Tax charge	14	(30.4)	(11.6)
Profit for the year		81.3	37.3
Other comprehensive income for the year		-	-
Profit and total comprehensive income for the year attributable to equity holders for the Parent Company		81.3	37.3
Earnings per share (pence per share)			
Basic	15	35.0	16.8
Diluted	15	34.9	16.8

All items dealt with in arriving at the profit before tax, the profit for the financial year, and the preceding financial year, relate to continuing operations.

Consolidated statement of financial position

As at 31 December 2017

	Note	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
		£m	Restated ¹ £m	Restated ¹ £m
Assets				
Cash and cash equivalents	16	966.8	214.0	537.7
Investment in debt securities	17	78.4	119.5	114.3
Customer loans and receivables	18	5,364.2	3,807.9	1,945.4
Fair value adjustment for hedged risk	18	(6.2)	4.4	1.7
Derivative financial instruments	19	11.9	7.1	1.1
Other assets held at fair value	20	0.2	0.2	0.3
Trade and other receivables	21	4.6	2.5	2.6
Deferred tax asset	22	2.2	0.2	0.2
Property, fixtures and equipment	23	0.9	0.9	0.9
Intangible assets	24	1.4	0.6	0.4
Total assets		6,424.4	4,157.3	2,604.6
Liabilities				
Deposits from banks	25	1,003.5	40.0	60.1
Deposits from customers	26	4,420.0	3,432.6	1,562.1
Fair value adjustment for hedged risk	26	(0.2)	3.3	0.4
Debt securities in issue	27	627.4	426.1	804.5
Derivative financial instruments	19	6.5	8.3	2.3
Trade and other payables	28	15.2	8.2	8.0
Corporation tax payable	29	17.0	5.3	1.2
Total liabilities		6,089.4	3,923.8	2,438.6
Net assets		335.0	233.5	166.0
Equity				
Share capital	31	2.4	-	-
Share premium	32	19.0	195.1	165.0
Retained earnings	33	313.6	38.3	1.0
Equity-settled employee benefits reserve	34	-	0.1	-
Equity attributable to equity holders of the Parent Company and total equity		335.0	233.5	166.0

The notes on pages 103 to 144 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors on 19 March 2018. They were signed on its behalf by:



Ian Martin Lonergan
Chief Executive Officer

Company number: 06712054



Sebastien Maloney
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2017

Note	Share capital	Share premium	Retained earnings	Equity-settled employee benefits reserve	Total
	£m	£m	£m	£m	£m
At 1 January 2016	-	165.0	1.0	-	166.0
Share issue	-	30.1	-	-	30.1
Profit and total comprehensive income for the year	-	-	37.3	-	37.3
Recognition of share-based payments	-	-	-	0.1	0.1
At 31 December 2016	-	195.1	38.3	0.1	233.5
Cancellation of share premium	-	(195.1)	195.1	-	-
Bonus issue	3.0	-	(3.0)	-	-
Cancellation of deferred shares	(0.7)	-	0.7	-	-
Share issue	0.1	19.9	-	-	20.0
Share issue costs	-	(0.9)	-	-	(0.9)
Profit and total comprehensive income for the year	-	-	81.3	-	81.3
Recognition of share based payments (note 35)	-	-	0.4	0.7	1.1
Transfer of equity-settled employee benefits reserve	-	-	0.8	(0.8)	-
At 31 December 2017	2.4	19.0	313.6	-	335.0

1 See note 2. Basis of preparation

Consolidated statement of cash flows

For the year ended 31 December 2017

Note	Year ended	Year ended
	31 December 2017	31 December 2016
	£m	£m
Net cash generated by operating activities	189.6	30.8
Purchases of property, fixtures and equipment	(0.4)	(0.5)
Expenditure on product system development and software	(1.0)	(0.5)
Proceeds from sale of loans	300.0	-
Purchases of debt securities	(44.7)	(19.5)
Disposals and redemptions of debt securities	88.9	14.3
Net cash generated/(utilised) by investing activities	342.8	(6.2)
Proceeds on issue of debt securities	394.4	0.5
Costs associated with issue of debt securities	(1.5)	-
Repayment of debt securities	(191.6)	(378.9)
Proceeds from the issue of shares	20.0	30.1
Share issue costs	(0.9)	-
Net cash generated by/(utilised by) financing activities	220.4	(348.3)
Net increase/(decrease) in cash and cash equivalents	752.8	(323.7)
Cash and cash equivalents at beginning of the year	214.0	537.7
Cash and cash equivalents at end of the year	966.8	214.0

At 31 December 2017 cash and cash equivalents includes £79.9 million (2016: £68.2 million) of restricted cash (see note 16).

Notes to the consolidated financial statements

For the year ended 31 December 2017

1. General information

Charter Court Financial Services Group plc (the "Group") is a company incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006 with company number 06712054. The address of the registered office is 2 Charter Court, Broadlands, Wolverhampton, West Midlands, WV10 6TD. The Company is a public company limited by shares. It was admitted to listing on the London Stock Exchange on 4 October 2017.

2. Basis of preparation

The consolidated financial statements for the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU"), and are presented in pounds sterling. The IFRS, as adopted by the EU, applied for all periods herein presented are those that are effective for accounting periods beginning on or after 1 January 2017. The Group's consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of derivative financial instruments, available for sale and other assets held at fair value through profit or loss. The functional currency of the Group and its subsidiaries is pounds sterling, which is the currency of the primary economic environment in which the entities operate. There are currently no foreign operations within the Group.

The presentation of the Consolidated statement of financial position (on page 100) has been amended from the format previously reported in the audited statutory consolidated financial statements for the year ended 31 December 2016. The revised presentation removes the distinction between current and non-current assets and liabilities and instead presents assets and liabilities in descending order of liquidity. This format is in line with IAS 1 Presentation of Financial statements, as it applies to certain financial institutions which do not have a clearly defined operating cycle. Also, the fair value adjustment for hedged risk related to both customer loans and receivables and deposits from customers has now been disclosed separately in the Consolidated statement of financial position.

After considering the Group's current financial condition, assessing future forecasts and the principal risks and uncertainties, the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements, see Going concern statement on page 36.

3. International financial reporting standards issued but not yet adopted which are applicable to the Group

The following financial reporting standards were in issue but have not been applied in the consolidated financial statements, as they were not yet effective on 31 December 2017 (and in some cases have not yet been adopted by the EU):

Effective for accounting periods beginning on or after 1 January 2018:

IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers
IFRS 2 (amendments)	Classification and measurement of share-based payment transactions

Effective for accounting periods beginning on or after 1 January 2019:

IFRS 16	Leases (applies to accounting periods beginning on or after 1 January 2019)
---------	-----------------------------------------------------------------------------

IFRS 9 will impact both the measurement and disclosures of financial instruments and IFRS 16 will require certain operating leases to be recognised on the Consolidated statement of financial position. More information on these two new standards is provided below. The impacts of IFRS 15 and IFRS 2 (amendments) are not expected to be material.

IFRS 9 Financial instruments is the replacement of IAS 39 "Financial Instruments: recognition and measurement" and will be applied for the first time in the Group's financial statements for the year ended 31 December 2018. The new standard has three components, classification and measurement, impairment, hedge accounting and will see significant changes from existing requirements. The Group has elected not to restate comparatives on initial application of IFRS 9 on 1 January 2018 but will provide detailed transitional disclosures in accordance with the amended requirements of IFRS 7.

3. International financial reporting standards issued but not yet adopted which are applicable to the Group (continued)

Impairment

IFRS 9 introduces a new impairment model for financial instruments which will require entities to recognise expected credit losses based on unbiased forward-looking information. This replaces the existing incurred loss model which only recognises impairment if there is objective evidence that a loss is already incurred and measures the loss at the most probable outcome. The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts. This contrasts to the IAS 39 impairment model which is not applicable to loan commitments and financial guarantee contracts (these were covered by IAS 37). In addition, IAS 39 requires the impairment of available for sale debt to be based on the fair value loss rather than estimated future cash flows as for amortised cost assets. Intercompany exposures, including loan commitments and financial guarantee contracts, are also in scope in the stand-alone reporting entity accounts.

The measurement of expected loss involves increased complexity and judgement including estimation of probabilities of defaults, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk.

It is expected that the impairment charge under IFRS 9 will tend to be more volatile than under the incurred loss model of IAS 39. It is also expected to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least a 12-month expected credit losses and the population of financial assets to which lifetime expected credit losses applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

Impairment: Key concepts and management judgements

The impairment requirements are complex and require management judgements, estimates and assumptions. Key concepts and management judgements include:

a) Determining whether a significant increase in credit risk since initial recognition has occurred

IFRS 9 requires the recognition of the expected credit losses from default events expected within 12 months of the reporting date if credit risk has not significantly increased since initial recognition (Stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (Stage 2) or which are credit impaired (Stage 3).

When determining whether the risk of default has increased significantly since initial recognition, the Group considers both quantitative and qualitative information and analysis based on the Group's historical experience, early warning indicators and expert credit risk assessment. The approach to identifying significant increases in credit risk is consistent across the Group's products. In addition, the Group considers that significant increase in credit risk occurs when the borrower is more than 30 days past due on their contractual payments.

Exposures are moved back to Stage 1 once they no longer meet the criteria for a significant increase in credit risk.

Except for certain investments in debt securities, the Group has not relied on the low credit risk exemption.

b) Definition of default and credit impaired assets

The Group defines a financial instrument as in default, when it meets one or more of the following criteria:

Quantitative criteria: The borrower is more than 90 days past due on their contractual payments.

Qualitative criteria: The borrower is less than 90 days past due on their contractual payments but is judged to be unlikely to pay, in circumstances such as bankruptcy or a borrower being deceased.

The above criteria are applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the probability of default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD") throughout the Group's expected credit loss calculations.

An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria.

c) Forward-looking information

The calculation of expected credit losses incorporates requires the use of forward-looking information. The Group has obtained external analysis or performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

The economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are sourced externally and provide the best estimate view of the economy over at least the next five years.

Where scenarios have a forecasted outlook shorter than the lifetime, the relevant metrics are unchanged through the life of the loan.

The impact of these economic variables on the PD, EAD and LGD has been determined through statistical analysis to understand how the changes in these variables historically have affected default rates and the components of LGD and EAD. This has either been achieved through wider market analysis sourced by the bank or internal analysis of the bank's portfolios.

In addition to the base economic scenario, other possible scenarios along with scenario likelihood are sourced externally. The number of other scenarios is set based on the analysis of each major product type to ensure non-linearities are captured. For the estimate of expected credit losses as at 1 January 2018 the Group concluded that 4 scenarios appropriately captured non-linearities across the portfolios.

3. International financial reporting standards issued but not yet adopted which are applicable to the Group (continued)

The scenario weightings are informed by external sources and determined through management judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The assessment of significant increases in credit risk takes forward looking macroeconomic data into account through a management judgement process.

d) Modelling techniques

Expected credit losses are determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an expected credit loss for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the expected credit loss calculation is the original effective interest rate or an approximation thereof. This calculation is undertaken for each of the selected economic scenarios and probability weighted to produce the final loss allowance.

The committed mortgage pipeline follows the same methodology with the addition of an assumed time to completion and completion rate coefficient.

Impairment: Estimated impact on loan loss allowance as at 1 January 2018

The estimated impairment allowance measured in accordance with the IFRS 9 expected loss model is £1.7 million, an increase of £0.7 million, 70%, compared with £1.0 million closing impairment allowance as at 31 December 2017 measured in accordance with the IAS 39 incurred loss model. The £0.7 million relates to loans and receivables and there is an immaterial amount relating to loan commitments and guarantees.

Classification and measurement

IFRS 9 will require financial assets to be classified on the basis of two criteria:

1. The business model within which financial assets are managed, and;
2. Their contractual cash flow characteristics (whether the cash flows represent "solely payments of principal and interest").

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest. Financial assets will be measured at fair value through other comprehensive income ("FVOCI") if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent solely payments of principal and interest. Other financial assets are measured at fair value through profit and loss ("FVTPL").

The measurement category and carrying amount of financial assets and liabilities in accordance with IAS 39 as at 31 December 2017, and the equivalent under IFRS 9 at 1 January 2018, are as follows:

	IAS 39		IFRS 9	
	Measurement category	Net carrying amount £m	Measurement category	Net carrying amount £m
Financial assets				
Cash and cash equivalents	Amortised cost	966.8	Amortised cost	966.8
Loans and receivables	Amortised cost	5,340.1	Amortised cost	5,339.4
Loans and receivables	Amortised cost	24.1	FVTPL	24.1
		5,364.2		5,363.5
Derivative financial instruments	FVTPL (Hedging instruments)	11.9	FVTPL (Hedging instruments)	11.9
Investments in debt securities	Amortised cost (Held to maturity)	78.4	Amortised cost	78.4
Financial liabilities				
Deposits from banks	Amortised cost	1,003.5	Amortised cost	1,003.5
Deposits from customers	Amortised cost	4,420.0	Amortised cost	4,420.0
Debt securities in issue	Amortised cost	627.4	Amortised cost	627.4
Derivative financial instruments	Amortised cost	6.5	Amortised cost	6.5

IFRS 9 is applied retrospectively, although comparatives are not restated, with adjustments arising from classification and measurement changes recognised in opening equity.

3. International financial reporting standards issued but not yet adopted which are applicable to the Group (continued)

Hedge accounting

IFRS 9 contains revised requirements on hedge accounting, which are more closely aligned with an entity's risk management strategies and risk management objectives. These requirements replace the current quantitative effectiveness test with a simpler version, and mandate that an economic relationship exist between the hedged item and the hedging instrument. Under the new rules, voluntary hedge de-designations are not allowed.

Adoption of the IFRS 9 hedge accounting requirements is optional, and certain aspects of IAS 39, being the portfolio fair value hedge for interest rate risk, would continue to be available for entities (while applying IFRS 9 to the remainder of the entity's hedge accounting relationships) until the IASB completes its accounting for dynamic risk management project.

The Group has decided to continue to apply IAS 39 requirements as they relate to hedge accounting, and comply with the amended IFRS 7 hedge accounting disclosure requirements.

IFRS 15 Revenue from Contracts with Customers sets the principles to be applied in connection with revenue from contracts with customers including the core principle that the recognition of revenue must depict the transfer of promised goods or services to customers in an amount that reflects the entitlement to consideration in exchange for those goods and services. IFRS 15 applies to all contracts with customers but does not apply to lease contracts, insurance contracts, financial instruments and certain non-monetary exchanges.

The Group does not expect the new standard to have a material effect.

IFRS 16 Leases is effective for the Group's consolidated financial statements for the year ending 31 December 2019. It introduces significant changes to lessee accounting, it removes the distinction between operating and finance leases and requires recognition of a right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. The right-of-use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payment, as well as the impact of lease modifications, amongst others. In summary, there will be a change in the overall expense profile once IFRS 16 becomes effective. The Group is currently assessing the new standard but due to the short term nature of the Group's leases (less than ten years) it does not expect the impact to be material.

4. Accounting policies

Basis of consolidation

The consolidated financial statements include the assets and liabilities and results of operations of the Group and its subsidiaries, including certain structured entities, after elimination of intercompany transactions, balances, revenues and expenses.

Consolidation

Subsidiaries are those entities, including structured entities, over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. The Group has power over an entity when it has existing rights that give it the current ability to direct the activities that most significantly affect the entity's returns. Power may be determined on the basis of voting rights or, in the case of structured entities, other contractual arrangements.

The Group manages the administration of its securitised assets and is exposed to the risks and rewards of the underlying mortgage assets through its continued subordinated investment in the securitisation structures. Where the Group does not retain a direct ownership interest in a securitisation entity, but the Directors have determined that the Group controls those entities, they are treated as subsidiaries and are consolidated. Control is determined to exist if the Group has the power to direct the activities of each entity (for example, managing the performance of the underlying mortgage assets and raising debt on those mortgage assets which is used to fund the Group) and uses this control to obtain a variable return (for example, retaining the residual risk on the mortgage assets). Securitisation structures that do not meet these criteria are not treated as subsidiaries and the mortgage assets are derecognised when they are sold.

The Group is not deemed to control an entity when it exercises power over an entity in an agency capacity. In determining whether the Group is acting as an agent, the Directors consider the overall relationship between the Group, the investee and other parties to the arrangement with respect to the following factors: (i) the scope of the Group's decision making power; (ii) the rights held by other parties; (iii) the remuneration to which the Group is entitled; and (iv) the Group's exposure to variability of returns.

The determination of control is based on the current facts and circumstances and is continuously assessed. In some circumstances, different factors and conditions may indicate that different parties control an entity depending on whether those factors and conditions are assessed in isolation or in totality. Significant judgment is applied in assessing the relevant factors and conditions in totality when determining whether the Group controls an entity. Specifically, judgment is applied in assessing whether the Group has substantive decision making rights over the relevant activities and whether it is exercising power as a principal or an agent.

The Group consolidates all subsidiaries from the date it obtains control and ceases consolidation when an entity is no longer controlled by the Group. The Group's consolidation conclusions affect the classification and amount of assets, liabilities, revenues and expenses reported in the consolidated financial statements.

For a full list of the Group's subsidiaries and the special purpose entities consolidated into the consolidated financial statements, refer to note 50.

4. Accounting policies (continued)

Interest income and expense

Interest income and interest expense for all interest-bearing financial instruments measured at amortised cost are recognised in profit or loss using the effective interest rate ("EIR") method. The EIR is the rate which exactly discounts the expected future cash flows, over the expected life of the financial instrument, to the net carrying value of the financial asset or liability. In calculating the EIR, the Group estimates the cash flows considering all contractual terms, but does not consider future credit losses. Expected lives are estimated using historical data and management judgement and the calculation is adjusted when actual experience or a change in estimate differs from current expected cash flows. The revised expected cash flows are discounted using the original EIR and the difference between the revised carrying amount and the recorded carrying value of the financial instrument is recognised immediately in the Consolidated statement of comprehensive income. Origination fees received and paid on loans to customers are included within customer loans and receivables and are amortised over the expected life of those assets using the EIR method.

Interest income on debt securities classified as available for sale investments are included in interest income and similar income using the EIR method.

Net interest income or expense on interest based derivative instruments is included in interest income and similar income or interest expense and similar charges following the underlying instrument it is hedging. For interest rate swaps designated in a hedging relationship, accrued interest is recognised in net interest income in the Consolidated statement of comprehensive income.

Non-interest income

Non-interest income is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Non-interest income comprises fees received from the mortgage administration services, the sale of investment in debt securities, the sale of residual interest in securitisations and mortgage origination activities.

Income from the rendering of these services and mortgage origination activities is recognised when the services are delivered and the benefits are transferred to clients and customers.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rent expense under operating leases is charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also recognised on a straight-line basis over the lease term.

Foreign currency transactions

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each Consolidated statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the Consolidated statement of financial position date. Exchange differences are recognised in profit or loss in the Consolidated statement of comprehensive income in the year in which they arise.

Retirement benefit costs

The Group operates defined contribution retirement benefit schemes for all qualifying employees who subscribe to the terms and conditions of the schemes policies.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and also excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Consolidated statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and 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. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each Consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. Accounting policies (continued)

Property, fixtures and equipment

Leasehold property improvements, fixtures and equipment and computer equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of the assets, less any residual value, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold property improvements	20% per annum
Fixtures and equipment	20% - 33.3% per annum
Computer equipment	33.3% per annum

The net gain or loss arising on the disposal or retirement of property, fixtures and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in gain or loss in the Consolidated statement of comprehensive income.

Intangible assets

Computer software and licences, which are not integral to specific related items of equipment, are stated at cost less accumulated amortisation and any recognised impairment loss.

Amortisation is charged so as to write off the cost of the assets, less any residual value, over their estimated useful lives, using the straight-line method, on the following bases:

Computer software and licences	20% - 33.3% per annum
Development costs	25% per annum

Internally-generated intangible assets – development costs

Internally-generated intangible assets are recognised only if all of the following conditions are met:

- an asset is being created that can be identified after establishing the technical and commercial feasibility of the resulting product;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives of between three to five years, which is determined at the point at which the asset is developed and is capable of being used. Subsequent expenditure on internally-generated intangible assets, after its purchase or completion, is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment of property, fixtures and equipment and intangible assets

At each Consolidated statement of financial position date, the Group reviews the carrying amounts of its property, fixtures and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested at least annually for impairment and whenever there is an indication that the asset may be impaired.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), held to maturity ("HTM") investments, available for sale ("AFS") financial assets and loans and receivables. The classification on the nature and purpose of the financial assets is determined at the time of initial recognition.

4. Accounting policies (continued)

Financial instruments at FVTPL

Financial instruments are classified as at FVTPL when the financial instruments are either held for trading or they are designated as at FVTPL.

A financial instrument is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated or effective as a hedging instrument.

A financial instrument, other than a financial instrument held for trading, may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) HTM investments or (c) financial assets at FVTPL.

Treasury bills and gilts held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. Interest income on AFS financial is calculated using the EIR method and recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of AFS reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the AFS reserve is reclassified to profit or loss.

HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity.

HTM investments are initially recognised at fair value including direct and incremental transactions costs and measured subsequently at amortised cost using the EIR method (as described in the interest income and expense policy above), less any provision for impairment.

A sale or reclassification of a more than insignificant amount of HTM investments would result in the reclassification of all HTM investments to AFS financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not quoted in an active market and which are not classified as AFS or FVTPL. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the EIR method. Loans and receivables consist of customer loans and receivables (principally residential mortgage loans) and trade and other receivables.

The Group incurs transaction costs and fees for the origination of financial assets. Specifically for mortgage advances, the Group incurs direct and incremental costs and fees, such as application fees and broker commissions. This costs and fees are included within customer loans and receivables and are amortised over the expected life of those assets using the EIR method.

Loan portfolios acquired, rather than originated by the Group, are initially recognised at fair value, being the price paid, plus acquisition costs. Loan portfolios acquired are held to generate repayments of principal and payments of interest and are consequently carried at amortised cost using the EIR method, less any impairment. The premium or discount arising on the acquisition of a loan portfolio, that is, the difference between the amounts owed by mortgagors and the initial fair value of the loan portfolio, is recognised through interest income and similar income in the Consolidated statement of comprehensive income over the expected life of the portfolio.

Impairment of financial assets held at amortised cost

At each Consolidated statement of financial position date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For financial assets held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan or HTM investment has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment loss allowances for loans and receivables, less amounts released and recoveries of amounts written off are charged to the line item "Provision for loan impairments – net (charge) / release" in the Consolidated statement of comprehensive income. The impairment loss allowances are deducted from the "Customer loans and receivables" line item on the Consolidated statement of financial position.

4. Accounting policies (continued)

Residential mortgage loan customers are assessed either individually or collectively for impairment. Potential indicators of loss events which may be evidence of impairment for residential mortgage loan customers include:

- Missed payments of capital or interest
- The borrower notifying the Group of current or likely financial distress
- Request from a borrower to change contractual terms as a result of the borrower's financial difficulty (i.e. forbearance)
- Arrears on other accounts held by the borrower.

Individual assessment

For individually assessed assets, the Group measures the amount of the loss as the difference between the carrying amount of the asset and the present value of the estimated future cash flows from the asset discounted at the asset's original EIR.

Collective assessment

In making a collective assessment for impairment, financial assets are grouped together according to their credit risk characteristics. These can include grouping by product, loan-to-value, brand, geography, type of customer and previous insolvency events. For each such portfolio or sub-segment of the portfolio, future cash flows are estimated through the use of historical loss experience. The historical loss experience is adjusted to include the effects of changes in current economic, behavioural and other conditions that cannot be successfully depicted solely from historical experience. Loans for which evidence of potential loss have been specifically identified are grouped together for the purpose of calculating an allowance for observed losses. Loans for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an allowance for incurred but not reported ("IBNR") losses. Such losses will only be individually identified in the future.

Derecognition of financial assets

When the Group completes a securitisation, management considers whether the assets securitised meet the criteria to be derecognised, or should continue to be recognised by the Group. A financial asset is derecognised when the rights to the cash flows from that asset expire; or when the contractual rights to the cash flows are transferred; or when the risks and rewards of the financial asset are substantially transferred.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and restricted cash. Where cash is not freely available for the Group to use for its general purposes, it is disclosed as restricted cash, as set out in note 16; this includes cash collected in the securitisation vehicle prior to paying down loan notes.

Retail deposits

Retail deposits are carried in the Statement of Financial Position on an amortised cost basis. The initial fair value recognised represents the cash amount received from the customer.

Interest payable to the customer is expensed to the income statement as interest payable over the deposit term on an EIR basis.

Financial liabilities

A financial liability is any liability that is (a) a contractual obligation: (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group; or (b) a contract that will or may be settled in the Group's own equity instruments and is: (i) a non-derivative for which the Group is or may be obliged to deliver a variable number of the Group's own equity instruments; or (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity interests. Financial liabilities includes any financial guarantees the Group may enter into.

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the issue of financial liabilities (other than financial liabilities at FVTPL) are added to or deducted from the fair value of the financial liabilities on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at FVTPL are recognised immediately in profit or loss. Financial liabilities are classified as either financial liabilities at FVTPL (see policy for FVTPL for financial instruments above) or other financial liabilities.

Other financial liabilities

Other financial liabilities consist of trade payables and accruals and corporation tax payable. All other financial liabilities are initially recognised at fair value net of transaction costs incurred. They are subsequently stated at amortised cost, using the EIR method.

Fair value hierarchy

The Group applies the following fair value hierarchy that prioritises the inputs to valuation techniques used in measuring fair value. The hierarchy establishes three categories for valuing financial instruments, giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure an asset or a liability fall to different levels within the hierarchy, the classification of the entire asset or liability will be based on the lowest level input that is significant to the overall fair value measurement of the asset or liability.

4. Accounting policies (continued)

The Group categorises assets and liabilities measured at fair value within the fair value hierarchy based on the inputs to the valuation techniques as follows:

- Level 1: Unadjusted quoted prices for identical assets or liabilities in an active market that the Group can access at the measurement date. Level 1 positions include available for sale investments in debt securities.
- Level 2: Quoted prices in inactive markets, quoted prices for similar assets or liabilities, recent market transactions, inputs other than quoted market prices for the asset or liability that are observable either directly or indirectly for substantially the full term, and inputs to valuation techniques that are derived principally from or corroborated by observable market data through correlation or other statistical means for substantially the full term of the asset or liability. Level 2 positions include derivative financial instruments (unless categorised as Level 3).
- Level 3: Significant inputs to the pricing or valuation techniques are unobservable. Level 3 positions include other assets held at fair value and certain derivative financial instruments.

Term Funding Scheme ("TFS")

Under the Bank of England TFS the Group pledges its rights to the collateral on loans and advances to the Bank of England in return for cash. The loans and advances pledged are not derecognised from the statement of financial position as the Group retains substantially all the risks and rewards of ownership including all cash flows arising from the loans and advances and exposure to credit risk. The cash received against the pledged assets is recognised as an asset within the statement of financial position (note 16. Cash and cash equivalents), together with the corresponding obligation to return it, which is recognised as a liability at amortised cost (note 25. Deposits from Banks) and therefore interest is recognised over the life of the TFS on an EIR basis.

Sale and repurchase agreements

Investments and other securities may be lent or sold subject to a commitment to repurchase them. Such securities are retained on the Consolidated statement of financial position when substantially all the risks and rewards of ownership remain within the Group, and the liability is included separately.

Similarly, where the Group borrows or purchases securities subject to a commitment to resell them, but does not acquire the risks and rewards of ownership, the transactions are treated as collateralised loans, and the securities are not included in the Consolidated statement of financial position.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and 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 Consolidated statement of financial position date, and are discounted to present value where the effect is material.

Derivative financial instruments

The Group enters into derivative financial instruments, specifically interest rate swaps, interest rate caps, basis swaps and balance guaranteed swaps, to manage its exposure to interest rate risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each Consolidated statement of financial position date.

The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Hedge accounting

The Group applies hedge accounting to represent, to the maximum possible extent permitted under accounting standards, the economic effects of its risk management strategies. Derivatives are used to hedge exposures to interest rates.

At the time a financial instrument is designated as a hedge (i.e. at the inception of the hedge), the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), its risk management objective and strategy for undertaking the hedge. The documentation includes the identification of each hedging instrument and respective hedged item, the nature of the risk being hedged (including the benchmark interest rate being hedged in a hedge of interest rate risk) and how the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value attributable to the hedged risk is to be assessed. Accordingly, the Group formally assesses, both at the inception of the hedge and on an ongoing basis, whether the hedging derivatives have been and will be highly effective in offsetting changes in the fair value attributable to the hedged risk during the period that the hedge is designated. A hedge is normally regarded as highly effective if, at inception and throughout its life, the Group can expect, and actual results indicate, that changes in the fair value or cash flow of the hedged items are effectively offset by changes in the fair value or cash flow of the hedging instrument. If at any point it is concluded that it is no longer highly effective in achieving its documented objective, hedge accounting is discontinued.

Where derivatives are held for risk management purposes, and when transactions meet the required criteria for documentation and hedge effectiveness, the derivatives may be designated as either: (i) hedges of the change in fair value of recognised assets or liabilities or firm commitments (fair value hedges); (ii) hedges of the variability in highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedges); or (iii) a hedge of a net investment in a foreign operation (net investment hedges).

Fair value hedge accounting

The Group applies hedge accounting for a portfolio hedge of interest rate risk. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Consolidated statement of comprehensive income, together with the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Changes in the fair value of portfolio hedged items are presented separately in the Consolidated statement of financial position in fair value adjustment for hedged risk. If the hedge no longer meets the criteria for hedge accounting, changes in the fair value of the hedged item attributable to the hedged risk are no longer recognised in the Consolidated statement of comprehensive income. For a portfolio hedge of interest rate risk, the cumulative adjustment is amortised to the Consolidated statement of comprehensive income using the EIR method over the period to maturity or the expected life of the instrument.

4. Accounting policies (continued)

Share based payments

Following the listing of its shares on the London Stock Exchange, the Group has introduced a number of employee share schemes under which shares or share options have been granted to employees or Directors subject to the terms of the relevant scheme.

These schemes are accounted for as equity settled share based payments in accordance with "IFRS 2 Share-based Payment." The fair value at the date of grant of a share award or share option is charged to the Consolidated statement of comprehensive income on a straight-line basis over the vesting period over which the employee becomes unconditionally entitled to the awards, with a corresponding increase in equity.

The grant date fair value takes into account the terms and conditions attached to the awards and in the absence of market prices of equivalent instruments is determined using an appropriate valuation model. Inputs into the valuation models include the risk-free interest rate, the expected volatility of the Group's share price and other factors related to any market-based performance conditions attached to the awards as described in note 35.

The amount recognised as an expense is adjusted to reflect differences between expected and actual outcomes of employee attrition and non-market based performance conditions, such that the amount ultimately recognised as an expense is based on the number of awards that vest (except for those which are subject to market-based performance conditions).

For the Sharesave (SAYE) scheme an additional discount has been applied to reflect the number of awards which are anticipated to be cancelled by employees during the vesting period (for example by cancelling their monthly savings contract). This discount has been accounted for as an adjustment to the calculated grant date fair value. The charge in respect of awards which are subsequently cancelled is accelerated and charged to the income statement in full in the period of cancellation.

National Insurance on share based payments is accrued at each accounting period end during the vesting period, based on the share price at each accounting period end.

Where the allowable cost of share based awards for tax purposes is greater than the cost determined in accordance with IFRS 2, the tax effect of the excess is taken to reserves.

IPO expenses

Qualifying costs attributable to the primary issuance are debited directly to equity. They include incremental costs that are directly attributable to issuing the primary shares such as advisory and underwriting fees. Costs associated with both the primary issuance and secondary sale of shares are allocated between the income statement and equity based on the number of primary and secondary shares sold during the issue. Other non-qualifying costs are taken to the income statement.

5. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or, in the period of the revision and future periods if it affects both current and future periods.

Critical accounting judgements

The following are the critical accounting judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Derecognition of financial assets

The primary management judgement around the derecognition of financial assets is in determining the extent to which the Group retains risks and rewards in relation to the residual cash flows after the secured debt has been settled.

In April 2017, the Group securitised £300.0 million of buy to let mortgages through the SPV, Precise Mortgage Funding 2017-1B Plc. As the residual rights to the cash flows were sold to a third party it was concluded that the criteria for derecognition were met. A gain on sale of £17.7 million was recognised.

In July 2017, the Group securitised £297.3 million of residential mortgages through the SPV, Charter Mortgage Funding 2017-1 Plc. Since the residual rights to the cash flows were retained by the Group and the criteria for derecognition were not met and the related customer loans and receivables continue to be recognised in the Group's Consolidated statement of financial position. Following the year end the residual rights to the cash flows were sold by the Group and the criteria for derecognition were met, see note 45.

For all other securitisations, the residual rights to the cash flows are retained and the related customer loans and receivables continue to be recognised in the Group's Consolidated statement of financial position, see note 27 for more information on the Group's securitisation arrangements.

5. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the Consolidated statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Application of the EIR method

In order to determine the EIR applicable to each loan an estimate must be made of the life of the loan and the cash flows attributable to it. A critical assumption in the EIR calculation is the expected life of the Group's loan products, therefore, as this determines the assumed period over which customers may be paying various differentiated interest rates. The assumptions on expected life are based on the Group's historical experience of similar products and current market analysis. These assumptions are monitored to ensure their ongoing appropriateness. Significant judgment is applied in determining the EIR due to uncertainty in the timing and amounts of future cash flows. As a result, the expected life of the instrument may not equal its contractual life.

Estimates are based on historical data and are reviewed regularly. The Group considers that it is reasonably possible for expected lives to vary by six months from the estimates made in the EIR calculations. As a consequence of these reviews, in the year ended 31 December 2017 adjustments of £0.2 million were made, increasing net interest income and customer loans and receivables. In the year ended 31 December 2016 adjustments of £1.3 million were made, decreasing net interest income and customer loans and receivables.

A change in the estimated expected lives, after taking account of the above adjustment, to extend or reduce the expected lives of the buy to let and residential mortgages by six months would have the following results. The effect of extending the expected lives would reduce the cumulative profit before tax recognised as at 31 December 2017 by £0.6 million (2016: £1.4 million). The effect of reducing the expected lives would increase the cumulative profit before tax recognised as at 31 December 2017 by £0.6 million (2016: £0.2 million) and increase customer loans and receivables by £0.6 million (2016: £0.6 million).

6. Segment information

The Group's activities are all UK based therefore no geographical segmentation is reported. The Group's reportable segments are operating units engaged in providing different products or services and whose operating results and overall performance are regularly reviewed by the entity's Chief Operating Decision Maker, the Board of Directors.

The Group's business is organised into the following principal reportable segments:

- Buy to let ("BTL") lending: Long term first charge loans to landlords;
- Residential lending ("Residential"): Long term first charge loans to owner-occupiers;
- Short term lending ("STL"): Short term bridging finance to owner-occupiers, landlords and property developers;
- Second charge lending ("SCL"): Long term second charge loans; and
- Other: The central functions of the Group, including treasury and third party mortgage servicing. Other also includes the results of the Bridestone portfolio acquired in 2017 (see note 43) plus, in 2017, income from the sale of the PMF 2017-1B securitisation.

Interest expense is allocated in proportion to the average balances of the interest-earning segment assets during the year.

The Group does not allocate administrative expenses by segment as the Group's operations are primarily split by function (origination, servicing and central) rather than by segment.

Segment profit or loss is total net income less provision for loan impairment charges. It is reconciled to the income statement in the tables below.

Assets allocated to the originated lending related segments are customer loans and receivables balances only. Cash and cash equivalents, investments in debt securities and Bridestone loans and receivables (£24.1 million) acquired during the year ended 31 December 2017 are allocated to the "Other" segment. Remaining asset balances (which includes intangible assets, tangible fixed assets, deferred tax assets, trade and other receivables, other assets and derivatives) and all liability balances are not allocated to any reporting segment.

6. Segment information (continued)

Year ended 31 December 2017	BTL £m	Residential £m	STL £m	SCL £m	Other £m	Total £m
Interest receivable and similar income	106.3	69.9	19.4	8.1	7.4	211.1
Interest payable and similar charges	(36.5)	(20.7)	(3.0)	(2.2)	(4.6)	(67.0)
Net interest income	69.8	49.2	16.4	5.9	2.8	144.1
Fees and commissions income	1.3	2.0	0.2	0.2	4.8	8.5
Gain on sale of loans	-	-	-	-	17.7	17.7
Net loss from derivatives	-	-	-	-	(0.1)	(0.1)
Provision for loan impairments – net charge	(0.4)	-	-	(0.1)	-	(0.5)
Segment profit	70.7	51.2	16.6	6.0	25.2	169.7
Administrative expenses						(58.0)
Profit before tax						111.7
Tax charge						(30.4)
Profit after tax						81.3
Segment assets	3,232.2	1,718.2	218.9	170.8	1,069.3	6,409.4
Unallocated assets						15.0
						6,424.4

Year ended 31 December 2016

Year ended 31 December 2016	BTL £m	Residential £m	STL £m	SCL £m	Other £m	Total £m
Interest receivable and similar income	63.5	50.4	18.1	6.2	5.6	143.8
Interest payable and similar charges	(27.8)	(18.7)	(3.7)	(2.1)	(4.2)	(56.5)
Net interest income	35.7	31.7	14.4	4.1	1.4	87.3
Fees and commissions income	1.3	1.8	0.2	-	2.9	6.2
Net loss from derivatives	-	-	-	-	(0.2)	(0.2)
Provision for loan impairments – net (charge)/release	-	(0.1)	0.2	-	-	0.1
Segment profit	37.0	33.4	14.8	4.1	4.1	93.4
Administrative expenses						(44.5)
Profit before tax						48.9
Tax charge						(11.6)
Profit after tax						37.3
Segment assets	2,161.4	1,290.7	205.8	150.0	333.5	4,141.4
Unallocated assets						15.9
						4,157.3

7. Interest income and similar income

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Interest on customer loans and receivables	214.1	143.0
Interest and other income on debt securities	3.2	4.0
Interest and other income on liquid assets	2.0	1.6
Net expense on derivative financial instruments designated as hedging instruments	(8.2)	(4.8)
	211.1	143.8

8. Interest expense and similar charges

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Interest expense on deposits and other borrowings	63.3	46.9
Interest expense on asset backed loan notes	7.5	12.2
Net income on derivative financial instruments designated as hedging instruments	(3.8)	(2.6)
	67.0	56.5

9. Non-interest income

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Sale of investment in debt securities	2.1	-
Revenue from services relating to:		
Mortgage administration	2.5	2.9
Mortgage origination	3.9	3.3
	8.5	6.2

10. Net loss from derivative financial instruments

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Macro hedging:		
Gain on derivatives designated as fair value hedges	6.8	0.1
Loss in fair value of hedged items attributable to hedged risk	(6.8)	(0.1)
	-	-
Non-hedging:		
Net loss on disposal of interest rate swaps	(0.1)	(0.2)
	(0.1)	(0.2)

11. Profit before tax

Profit before tax for the year has been arrived at after charging:

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
Depreciation of property, fixtures and equipment	0.4	0.5
Amortisation of intangible assets	0.2	0.3
Operating lease costs	1.0	0.6
Research and development costs	0.1	0.4
Staff costs (see note 13)	31.3	24.5
IPO costs	4.9	0.1

Total costs associated with the IPO for the year ended 31 December 2017 are £5.8 million (2016: £0.1 million), comprising £4.9 million (2016: £0.1 million) charged to the income statement and £0.9 million (2016: £nil) charged to equity.

The auditor's remuneration for audit and other services is detailed in note 12.

12. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
Fees payable to the Group's auditor for the audit of the Company's financial statements	-	-
Fees payable to the Group's auditor and for other services to the Group's companies		
-The audit of the Group's consolidated financial statements	-	-
-The audit of the subsidiaries within the Group	0.4	0.2
Total audit fees	0.4	0.2
Audit related assurance services	0.7	-
Other assurance services	0.1	0.1
Total assurance services	0.8	0.1
Services relating to corporate finance advisory	0.3	0.4
Other non-audit services	-	0.2
Total other non-audit services	0.3	0.6
Total non-audit services	1.1	0.7
Total fees	1.5	0.9

Fees for IPO related services charged in the year ended 31 December 2017 were £0.7 million (2016: £nil) of which £0.4 million (2016: £nil) is included within Audit and related assurance services and £0.3 million (2016: £nil) is included within services relating to corporate finance advisory. Other non-audit services charged in the year ended 31 December 2016 includes £0.2 million for services related to a project to sell the Group to private bidders.

Fees for the audit of the Group's consolidated financial statements charged in the year ended 31 December 2017 were £30,000 (2016: £21,000).

13. Staff costs

The average monthly number of employees (including Executive Directors) was:

	Year ended 31 December 2017	Year ended 31 December 2016
Processing, collections and recovery	172	166
Sales and marketing	37	28
Compliance	21	12
Finance	55	47
Operations and administrative support	177	117
	462	370

Their aggregate remuneration comprised:

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
Wages and salaries	26.0	20.9
Social security costs	3.1	2.5
Share based payments (see note 35)	1.1	0.1
Other pension costs (see note 39)	1.1	1.0
	31.3	24.5

There are no staff employed by the Parent Company.

The remuneration of the Directors and key management personnel is disclosed in note 43.

14. Tax

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
Current tax:		
Current tax on profits for the year	24.8	10.1
Surcharge on bank profits for the year	7.6	1.6
Adjustment in respect of prior periods	-	(0.1)
Total current tax charge	32.4	11.6
Deferred tax:		
Current year	(2.1)	(0.1)
Adjustments in respect of prior periods	0.1	0.1
Total deferred tax credit	(2.0)	-
Tax per Consolidated statement of comprehensive income	30.4	11.6

The standard rate of tax for the year ended 31 December 2017 is 19.25% (2016: 20.00%). The tax charge for the year can be reconciled to the profit per the Consolidated statement of comprehensive income as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
Profit before tax:		
Continuing operations	111.7	48.9
Tax at the UK corporation tax rate of 19.25% (2016: 20.00%)	21.5	9.8
Banking surcharge	7.6	1.6
Expenses not deductible for tax purposes	1.2	0.2
Securitisation regulations	(0.1)	-
Adjustments in respect of prior periods	0.1	-
Effect of differences in tax rate	0.1	-
Tax charge for the year	30.4	11.6

The effective tax rate for the year ended 31 December 2017 is 27.23% (2016: 23.63%).

Change in tax rate

Reductions in the UK corporation tax rate from 21% to 19% (effective 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and a further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax asset as at each Consolidated statement of financial position date has been calculated based on the enacted rate at the relevant date.

15. Earnings per share

Earnings per share ("EPS") are based on the profit for the year and the number of ordinary shares in issue. Basic EPS are calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share take into account share options and awards which can be converted to ordinary shares.

	Year ended 31 December 2017	Year ended 31 December 2016
Profit for the year (£ million)	81.3	37.3
Weighted average number of ordinary shares of £0.01 each		
Basic	232,536,247	222,800,660
Dilutive effects	656,514	110,851
Diluted	233,192,761	222,911,511
Per share amount (pence)		
Basic	35.0	16.8
Diluted	34.9	16.8

The Group reorganised its share capital during the year in preparation for the IPO, as disclosed in note 31. As there were no changes in equity as a result of the reorganisation, earnings per share for all periods have been prepared on the basis of the new structure after the reorganisation, in accordance with IAS 33.

16. Cash and cash equivalents

	As at 31 December 2017	As at 31 December 2016
	£m	£m
Unrestricted cash	34.5	13.2
Bank of England cash ratio deposit	4.4	2.6
Reserve with the Bank of England	848.0	130.0
	886.9	145.8
Restricted cash	79.9	68.2
Total cash and cash equivalents	966.8	214.0

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less and an insignificant risk of change to fair value.

Unrestricted cash is available for the Group's general purposes and consists of balances held with tier 1 UK banking institutions. Restricted cash is ring-fenced and held in securitisation vehicles for use in managing the Group's securitised debt facilities under the terms of securitisation agreements (see note 27).

The reserve with the Bank of England forms part of the Group's liquid assets, there are no restrictions on access to this reserve.

Analysis of cash and cash equivalents by currency:

	As at 31 December 2017	As at 31 December 2016
	£m	£m
Sterling	966.8	213.9
Euro	-	0.1
Total cash and cash equivalents	966.8	214.0

17. Investment in debt securities

	As at 31 December 2017	As at 31 December 2016
	£m	£m
Held to maturity debt securities	78.4	119.5
	78.4	119.5

The contractual maturity of the above balance is greater than one year.

Movements in the debt securities held during the year were:

	Available for sale	Held to maturity	Total
	£m	£m	£m
At 1 January 2016	2.0	112.3	114.3
Additions	-	19.5	19.5
Disposals and redemptions	(2.0)	(13.4)	(15.4)
EIR adjustment	-	1.1	1.1
Accrued interest	-	-	-
At 31 December 2016	-	119.5	119.5
Additions	-	44.7	44.7
Disposals and redemptions	-	(86.7)	(86.7)
EIR adjustment	-	1.0	1.0
Accrued interest	-	(0.1)	(0.1)
At 31 December 2017	-	78.4	78.4

Disposals and redemptions relate to quarterly repayments of the mortgage backed debt securities in line with the repayments and redemption of the underlying mortgage portfolios, and to the sales of mortgage backed securities.

EIR adjustments relate to the accretion of differences between the purchase price and redemption price of held to maturity investments for items such as transaction costs.

18. Customer loans and receivables

	As at 31 December 2017	As at 31 December 2016
	£m	£m
Residential mortgages	5,385.2	3,823.0
EIR adjustment	(20.0)	(14.6)
Provision for loan impairments	(1.0)	(0.5)
	5,364.2	3,807.9

Analysis of customer loans and receivables

Customer loans and receivables comprise residential mortgage loans. An analysis by type is set out below:

	As at 31 December 2017	As at 31 December 2016
	£m	£m
Buy to let	3,232.2	2,161.4
Residential lending	1,742.3	1,290.7
Short term lending	218.9	205.8
Second charge lending	170.8	150.0
	5,364.2	3,807.9

18. Customer loans and receivables (continued)

Residential and buy to let mortgages are secured on residential property within the United Kingdom.

At 31 December 2017 included within customer loans and receivables is £211.7 million (2016: £199.4 million) of balances due within twelve months and £5,152.5 million (2016: £3,608.5 million) due after twelve months.

Mortgage loans have a contractual term of up to thirty five years. Borrowers may settle the loan at any point and in most cases settlement before the contractual date does take place. All borrowers are required to make monthly payments, except where interest is retained on origination and applied to the account as monthly payments would fall due.

Encumbered assets

The residential mortgage loans above pledged as collateral for liabilities are:

	Note	As at 31 December 2017	As at 31 December 2016
		£m	£m
In respect of:			
Bank of England Term Funding Scheme ("TFS")	25	1,326.1	26.6
Asset backed loan notes	27	654.0	444.0
		1,980.1	470.6

The Group's securitisation programme and use of the TFS results in certain assets being encumbered as collateral against such funding. Assets that are encumbered cannot be used for other purposes. As at 31 December 2017 the percentage of customer loans and receivables that are encumbered is 36.9% (2016: 12.4%).

Ageing of past due but not impaired customer loans and receivables

	As at 31 December 2017	As at 31 December 2016
	£m	£m
1-30 days	34.6	18.7
31-60 days	7.1	6.0
61-89 days	4.1	2.2
	45.8	26.9

At 31 December 2017, an incurred but not reported collective provision of £0.6 million (2016: £0.5 million) is held relating to customer loans and receivables for which objective evidence of impairment had not been identified.

Ageing of past due and impaired customer loans and receivables

	As at 31 December 2017	As at 31 December 2016
	£m	£m
1-30 days	0.4	-
90-120 days	2.1	1.3
> 120 days	4.0	1.0
	6.5	2.3

At 31 December 2017, there was a specific provision of £0.4 million (2016: £nil) of impaired mortgage loan receivables. As at 31 December 2017 mortgage loans which were not past due but considered to be impaired totalled £40.1 million (2016: £28.4 million) and a specific provision of £nil (2016: £nil) is held against these mortgages. This includes loans subject to forbearance as disclosed in the Risk management section on page 29.

The Group uses internal application credit scoring models, which have been developed specifically for all first charge lending markets. For Second Charge lending, the Group uses the Risk Navigator score from the Credit Reference Agency, Equifax. Each scorecard predicts the likelihood of the applicant(s) reaching a cumulative arrears status of 3+ within 24 months of being credit scored. Based on the credit scoring models there are no concerns over the credit quality of the loans.

18. Customer loans and receivables (continued)**Residential mortgages**

The movements in the Group's residential mortgages in the year were:

	As at 31 December 2017	As at 31 December 2016
	£m	£m
At the beginning of the year	3,807.9	1,945.4
Originations	2,737.3	2,496.8
Acquisition	26.0	-
EIR adjustments	(5.4)	(8.6)
Sales to third parties	(300.0)	-
Interest charged and other debits	209.0	140.9
Repayments and redemptions	(1,110.1)	(766.7)
Movement on provision for loan impairments	(0.5)	0.1
At the end of the year	5,364.2	3,807.9

Other debits include, primarily, administrative fees added to customer loans.

Impairment provisions on residential mortgages

Impairment provisions as at 31 December 2017 were £1.0 million (2016: £0.5 million) and comprise:

	As at 31 December 2017	As at 31 December 2016
	£m	£m
Collective impairment provisions		
At the beginning of the year	0.5	0.3
Charge for the year	0.1	0.2
At the end of the year	0.6	0.5
Specific impairment provisions		
At the beginning of the year	-	0.3
Charge/(credit) for the year	0.4	(0.3)
At the end of the year	0.4	-
Total impairment provisions	1.0	0.5

Fair value adjustment for hedged risk ("FVAHR")

The Group has entered into interest rate swaps and caps that protect it from mismatches in interest rates between the portfolio of fixed rate mortgages and floating rate liabilities that are used to fund it. The net position of certain fixed rate mortgages and floating rate liabilities has been designated as the hedged item in this hedging relationship. Changes in the fair value of these swaps are offset by changes in the FVAHR of the fixed rate mortgages.

	As at 31 December 2017	As at 31 December 2016
	£m	£m
Fair value adjustment for hedged risk	(6.2)	4.4

19. Derivative financial instruments

Interest rate swaps at 31 December 2017

Level 2 derivatives

Level 3 derivatives

	Notional £m	Positive fair value £m	Negative fair value £m
Level 2 derivatives	6,484.5	11.9	(6.5)
Level 3 derivatives	1,206.7	-	-
	7,691.2	11.9	(6.5)

Interest rate swaps at 31 December 2016

Level 2 derivatives

Level 3 derivatives

Level 2 derivatives	4,373.3	7.1	(8.0)
Level 3 derivatives	102.1	-	(0.3)
	4,475.4	7.1	(8.3)

The Group uses derivatives to hedge interest rate risk arising from mismatches between fixed and variable rate lending and deposits. The Group hedges the exposures arising from fixed rate lending and separately hedges the exposures arising from fixed rate deposits. The hedging activities are undertaken by the Group's treasury function using derivatives within parameters set by the Assets and Liabilities Committee.

Interest rate swap agreements with a notional value of £3,355.2 million as at 31 December 2017 (2016: £1,951.9 million), under which the Group pays a fixed rate of interest and receives an interest based on LIBOR, are used to hedge the exposure to changes in fair value of fixed rate mortgage assets as a result of changes in market interest rates. The notional value of these interest rate swaps is linked to the notional of the hedged mortgage assets and this resets each quarter.

Interest rate swap agreements with a notional value of £2,836.0 million as at 31 December 2017 (2016: £2,223.5 million), under which the Group receives a fixed rate of interest and pays an interest based on LIBOR, are used to hedge the exposure to changes in fair value of fixed rate deposits from customers as a result of changes in market interest rates. The notional value of these interest rate swaps is linked to the notional of the hedged deposits from customers.

As at 31 December 2017, the Group held interest rate options (caps) with a notional value of £300.0 million (2016: £300.0 million) with a fair value of £nil (2016: £nil) and held basis swaps with a notional value of £1,200.0 million (2016: £nil).

The caps and the majority of interest rate swaps are Level 2 fair value measurements, being derived from inputs which are not quoted in active markets but are based on observable market data. The fair value is based on discounted future cash flows using a forecast future interest rate curve derived from market data.

Basis swaps and certain balance guaranteed swaps within derivative liabilities are categorised as Level 3. Balance guaranteed swaps are valued based on expected future cash flows using an assumed amortisation profile of the pool of mortgages up to the swap maturity date and predicted future LIBOR. The cash flows are discounted to present value using zero coupon rates.

There were no movements in the fair values of the basis swaps during the year. Movements in the fair values of Level 3 balance guaranteed swaps were:

	As at 31 December 2017	As at 31 December 2016
	£m	£m
Opening balance	(0.3)	(1.0)
Income	0.3	0.7
	-	(0.3)

20. Other assets held at fair value

	As at 31 December 2017	As at 31 December 2016
	£m	£m
Other assets held at fair value	0.2	0.2

Other assets held at fair value relate to the expected future cash flows on mortgage assets sold to third parties, where the premium recovered over par value is received by Charter Court Financial Services Limited. Other assets held at fair value are all Level 3 fair value measurements, being derived from inputs which are not quoted in active markets. The fair value is based on discounted future cash flows arising from performance based payments receivable. Movement in fair value is recognised in revenue from mortgage origination activities in the Consolidated statement of comprehensive income. There were no material movements in other assets held at fair value during the year.

21. Trade and other receivables

	As at 31 December 2017	As at 31 December 2016
	£m	£m
Amounts receivable for the rendering of services	0.2	0.4
Prepayments and other receivables	4.4	2.1
	4.6	2.5

22. Deferred tax asset

Movement on deferred taxation balance in the year is shown below:

	As at 31 December 2017	As at 31 December 2016
	£m	£m
Opening balance	0.2	0.2
Credit to the Consolidated statement of comprehensive income	2.1	-
Adjustments in respect of prior periods	(0.1)	-
Closing balance	2.2	0.2

Analysis of deferred tax balance

	As at 31 December 2017	As at 31 December 2016
	£m	£m
Short term timing differences	2.2	0.2

The majority of the deferred tax asset relates to short term timing differences, timing differences of capital allowances in excess of depreciation and other short term differences, which will be offset against future profits.

At 31 December 2017, the Group has no unused tax losses. At 31 December 2016 £0.1 million of unused tax losses were available for offset against future trading profits, which gave rise to a recognised deferred tax asset of £0.02 million, following a tax rate change to 17% enacted in 2016 (see note 14).

Deferred tax balances, relating to the wholly owned subsidiaries Charter Mortgages Limited, Charter Court Financial Services Limited and Exact Mortgage Experts Limited, are in respect of short term timing differences. The net deferred tax credit of £2.0 million (2016: £nil) has been recognised in the Consolidated statement of comprehensive income and the corresponding net deferred tax asset has been recognised in assets.

23. Property, fixtures and equipment

	Leasehold property improvements	Fixtures and equipment	Computer equipment	Total
	£m	£m	£m	£m
Cost				
At 1 January 2016	0.5	0.3	0.9	1.7
Additions	-	0.2	0.3	0.5
At 31 December 2016	0.5	0.5	1.2	2.2
Additions	0.1	0.1	0.2	0.4
At 31 December 2017	0.6	0.6	1.4	2.6
Accumulated depreciation				
At 1 January 2016	0.2	0.1	0.5	0.8
Charge for the year	0.1	0.1	0.3	0.5
At 31 December 2016	0.3	0.2	0.8	1.3
Charge for the year	0.1	0.1	0.2	0.4
At 31 December 2017	0.4	0.3	1.0	1.7
Carrying amount				
At 31 December 2017	0.2	0.3	0.4	0.9
At 31 December 2016	0.2	0.3	0.4	0.9
At 1 January 2016	0.3	0.2	0.4	0.9

24. Intangible assets

	Development costs	Computer software and licenses	Total
	£m	£m	£m
Cost			
At 1 January 2016	2.0	0.6	2.6
Additions	0.4	0.1	0.5
At 31 December 2016	2.4	0.7	3.1
Additions	0.1	0.9	1.0
At 31 December 2017	2.5	1.6	4.1
Amortisation			
At 1 January 2016	1.9	0.3	2.2
Charge for the year	0.1	0.2	0.3
At 31 December 2016	2.0	0.5	2.5
Charge for the year	-	0.2	0.2
At 31 December 2017	2.0	0.7	2.7
Carrying amount			
At 31 December 2017	0.5	0.9	1.4
At 31 December 2016	0.4	0.2	0.6
At 1 January 2016	0.1	0.3	0.4

Amortisation of internally generated intangible assets begins at the point the asset is developed and is capable of being used. At 31 December 2017 the total assets included in development costs and not being amortised was £0.4 million (2016: £0.4 million).

The development costs relate to the internally generated asset which is in the development as at 31 December 2017 and therefore not being amortised during the year.

The Directors have considered the carrying value of intangible assets and determined that there are no indications of impairment at 31 December 2017.

25. Deposits from banks

	As at 31 December 2017	As at 31 December 2016
	£m	£m
Collateral received on interest rate swap contracts	4.7	-
Sale and repurchase agreements	-	20.0
Bank of England Term Funding Scheme ("TFS")	998.8	20.0
Total deposits	1,003.5	40.0

As at 31 December 2017, the carrying value of assets encumbered under sale and repurchase agreements is £nil (2016: £26.6 million).

As at 31 December 2017, the carrying value of assets pledged as collateral for the TFS is £1,326.1 million (2016: £26.6 million). Deposits from banks includes £1.0 million of accrued interest (2016: £nil).

As at 31 December 2017, all bank deposits are denominated in pounds sterling. As at 31 December 2016, all bank deposits are denominated in pounds sterling except for £0.1 million which was denominated in Euros.

At 31 December 2017 included within deposits from banks is £5.7 million (2016: £20.0 million) of balances due within twelve months and £997.8 million (2016: £20.0 million) due after twelve months.

26. Deposits from customers

Deposits from customers are retail deposits held by the Group which were received from customers in the UK and denominated in pounds sterling. The deposits comprise principally term deposits and 30-120 day notice accounts.

The contractual maturity of these deposits is analysed below.

Amounts repayable

On demand	
In less than 3 months	
In more than 3 months but less than 1 year	
In more than 1 year but less than 2 years	
In more than 2 years but less than 5 years	
Total deposits	

As at 31 December 2017	As at 31 December 2016
£m	£m
526.6	69.0
767.7	323.7
2,393.3	2,240.4
569.3	715.8
163.1	83.7
4,420.0	3,432.6

Fair value adjustment for hedged risk ("FVAHR")

The Group has entered into interest rate swaps that protect it from mismatches in interest rates between the portfolio of fixed rate customer deposits and the floating rate assets that are funded by it. The net position of certain fixed rate deposits from customers and floating rate liabilities has been designated as the hedged item in this hedging relationship. Changes in the fair value of these swaps are offset by changes in the FVAHR of the fixed rate customer deposits.

Fair value adjustment for hedged risk

As at 31 December 2017	As at 31 December 2016
£m	£m
(0.2)	3.3

27. Debt securities in issue

Asset backed loan notes

Amount due for settlement within 12 months	
Amount due for settlement after 12 months	

As at 31 December 2017	As at 31 December 2016
£m	£m
627.4	426.1
42.0	0.4
585.4	425.7
627.4	426.1

All borrowings are payable in pounds sterling.

The contractual maturity of debt securities is disclosed in the Risk management section on page 31.

The asset backed loan notes are secured on fixed and variable rate mortgages and are redeemable in part from time to time, but such redemptions are limited to the net principal received from borrowers in respect of underlying assets. The maturity date of the funds matches the maturity date of the underlying assets. It is likely that a large proportion of the underlying assets and therefore these notes will be repaid within five years. As at 31 December 2017, the carrying value of assets pledged as collateral for the Group's debt securities in issue is £654.0 million (2016: £444.0 million).

Asset backed loan notes may all be repurchased by the Group at any interest payment date on or after the call dates (see below), or at any interest payment date when the current balance of the mortgages outstanding is less than or equal to ten percent of the principal amount outstanding on the loan notes on the date they were issued.

Interest is payable at fixed margins above LIBOR for three month pounds sterling deposits.

27. Debt securities in issue (continued)

Notes are issued through eight funding vehicles.

	As at 31 December 2017	As at 31 December 2016
	£m	£m
Buttermere Plc asset backed loan notes	-	0.5
PMF No. 1 asset backed loan notes	41.5	54.5
PMF 2014-1 asset backed loan notes	54.7	83.3
PMF 2014-2 asset backed loan notes	63.8	112.1
PMF 2015-1 asset backed loan notes	85.7	175.2
CCFS Warehouse No.1 asset backed loan notes	0.5	0.5
CMF 2017-1	281.1	-
CML Warehouse Number 1	100.1	-
	627.4	426.1

PMF No. 1 Plc, PMF 2014-1 Plc, PMF 2014-2 Plc and PMF 2015-1 Plc each include an option to repay, prior to final maturity, the then outstanding principal amounts at par on all of their notes on or after an earlier date (the call date).

Buttermere asset backed loan notes

A revolving vehicle; Buttermere Plc can fully redeem any outstanding notes in the event of the vehicle being wound up.

The net proceeds received from the issue of Buttermere Plc loan notes have been wholly classified as liabilities:

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
At 1 January	0.5	-
Proceeds on issue of asset backed loan notes	-	0.5
Interest chargeable and accrued	-	-
Interest and principal paid	(0.5)	-
At 31 December	-	0.5

Buttermere Plc notes in issue at each Consolidated statement of financial position date are:

	Principal Balance		Margin over LIBOR
	As at 31 December 2017	As at 31 December 2016	
	£m	£m	
A Note	-	0.4	0.80%
B Note	-	0.1	3.60%
	-	0.5	

27. Debt securities in issue (continued)

During the year ended 31 December 2017 there were no issuances of mortgage backed floating rate notes (2016: £0.5 million) and the Group repaid principal of £0.5 million (2016: £nil). The final maturity date of the notes is 12 June 2045. Principal on the notes can be repaid before the final repayment date without penalty.

PMF No. 1 asset backed loan notes

A pass through publically rated securitisation; PMF No.1 Plc, closed on 5 December 2013 and issued external to the Group, £160.9 million of sterling mortgage backed floating rate notes at par. £134.5 million of the notes were rated AAA, £6.5 million rated AA, £6.5 million rated A, £10.4 million rated BBB, and £3.0 million rated BB. The Group retained and continues to hold £8.2 million of unrated and subordinated notes, equal to 5% of the issue amount.

The net proceeds received from the issue of PMF No. 1 loan notes have been wholly classified as liabilities:

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
At 1 January	54.5	99.8
Interest chargeable and accrued	1.3	2.0
Interest and principal paid	(14.3)	(47.3)
At 31 December	41.5	54.5

PMF No. 1 notes in issue to external investors at each Consolidated statement of financial position date are:

	Principal Balance		Margin over LIBOR
	As at 31 December 2017	As at 31 December 2016	
	£m	£m	
A Note	15.1	28.2	1.15%
B Note	6.5	6.5	1.75%
C Note	6.5	6.5	2.15%
D Note	10.4	10.4	3.25%
E Note	3.0	3.0	5.25%
	41.5	54.6	

The final maturity date of the notes is 12 March 2047. The call date is 12 December 2018.

PMF 2014-1 asset backed loan notes

A pass through publically rated securitisation; PMF 2014-1 Plc, closed on 22 July 2014 and issued external to the Group, £230.1 million of sterling mortgage backed floating rate notes at par. £199.7 million of the notes were rated AAA, £10.0 million rated AA, £15.0 million rated A and £5.4 million rated BBB. The Group retained and continues to hold £11.8 million of unrated and subordinated notes, equal to 5% of the issue amount.

As at 31 December 2017, the Group also held £1.1 million (2016: £2.3 million) of the A notes, £1.5 million (2016: £1.5 million) of the C notes and £2.7 million (2016: £2.7 million) of the D notes.

The net proceeds received from the issue of PMF 2014-1 loan notes have been wholly classified as liabilities:

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
At 1 January	83.3	205.5
Notes purchased by the Group	-	(11.0)
Interest chargeable and accrued	1.1	2.5
Interest and principal paid	(29.7)	(113.7)
At 31 December	54.7	83.3

27. Debt securities in issue (continued)

PMF 2014-1 notes in issue to external investors at the Consolidated statement of financial position date are:

	Principal Balance		Margin over LIBOR
	As at 31 December 2017	As at 31 December 2016	
	£m	£m	
A Note	28.5	57.3	0.80%
B Note	10.0	10.0	1.15%
C Note	13.5	13.5	1.40%
D Note	2.7	2.7	1.90%
	54.7	83.5	

The final maturity date of the notes is 12 September 2047. The call date is 12 June 2019.

PMF 2014-2 asset backed loan notes

A pass through publically rated securitisation; PMF 2014-2 Plc, closed on 25 November 2014 and issued external to the Group, £225.2 million of pounds sterling mortgage backed floating rate notes at par. £189.8 million of the notes were rated AAA, £10.9 million rated AA, £12.0 million rated A and £12.5 million rated BBB. The Group retained and continues to hold £11.5 million of unrated and subordinated notes, equal to 5% of the issue amount.

As at 31 December 2017, the Group also held £2.3 million (2016: £5.7 million) of the A notes and £7.0 million (2016: £7.0 million) of the C notes and £2.5 million (2016: £nil) of the D notes.

The net proceeds received from the issue of PMF 2014-2 loan notes have been wholly classified as liabilities:

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
At 1 January	112.1	202.7
Notes purchased by the Group	(2.5)	(7.0)
Interest chargeable and accrued	1.4	3.4
Interest and principal paid	(47.2)	(87.0)
At 31 December	63.8	112.1

PMF 2014-2 notes in issue to external investors at each Consolidated statement of financial position date are:

	Principal Balance		Margin over LIBOR
	As at 31 December 2017	As at 31 December 2016	
	£m	£m	
A Note	38.0	83.9	0.95%
B Note	10.9	10.9	1.50%
C Note	5.0	5.0	1.90%
D Note	10.0	12.5	2.40%
	63.9	112.3	

The final maturity date of the notes is 12 December 2047. The call date is 12 December 2019.

27. Debt securities in issue (continued)**PMF 2015-1 asset backed loan notes**

A pass through publically rated securitisation; PMF 2015-1 Plc, closed on 10 March 2015 and issued external to the Group £201.2 million of pounds sterling mortgage backed floating rate notes at par. £167.5 million of the notes were rated AAA, £11.8 million rated AA, £10.2 million rated A and £11.7 million rated BBB. The Group retained and continues to hold £10.4 million of unrated and subordinated notes, equal to 5% of the issue amount.

The net proceeds received from the issue of PMF 2015-1 loan notes have been wholly classified as liabilities:

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
At 1 January	175.2	196.4
Interest chargeable and accrued	2.1	3.6
Interest and principal paid	(91.6)	(24.8)
At 31 December	85.7	175.2

PMF 2015-1 notes in issue to external investors at each Consolidated statement of financial position date are:

	Principal Balance		Margin over LIBOR
	As at 31 December 2017	As at 31 December 2016	
	£m	£m	
A Note	52.2	141.9	0.95%
B Note	11.8	11.8	1.35%
C Note	10.2	10.2	1.75%
D Note	11.7	11.7	2.40%
	85.9	175.6	

The final maturity date of the notes is 12 March 2048. The call date is 12 June 2020.

CCFS Warehouse No.1 Plc asset backed loan notes

CCFS Warehouse No.1 Plc issued external to the Group £115.8 million of unrated sterling mortgage backed floating rate notes at par on 18 December 2015 of which the Group retained £15.8 million. As at 31 December 2017 the balance of these notes was £1.1 million (2016: £1.1 million), of which the Group retains £0.6 million (2016: £0.6 million).

The net proceeds received from the issue of CCFS Warehouse No.1 Plc loan notes have been wholly classified as liabilities:

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
At 1 January	0.5	100.1
Interest chargeable and accrued	-	0.6
Interest and principal paid	-	(100.2)
At 31 December	0.5	0.5

CCFS Warehouse No.1 Plc notes in issue to external investors at each Consolidated statement of financial position date are:

	Principal Balance		Margin over LIBOR
	As at 31 December 2017	As at 31 December 2016	
	£m	£m	
A Note	0.5	0.5	1.85%

At 31 December 2016, the final maturity date of the notes was 16 February 2018. Since then, the final maturity has been extended to 16 February 2019.

27. Debt securities in issue (continued)**CMF 2017-1 Plc**

A pass through publically rated securitisation; CMF 2017-1 Plc, closed on 27 July 2017 and issued external to the Group £294.4 million of pounds sterling mortgage backed floating rate notes at par. £260.2 million of the notes were rated AAA, £12.6 million rated AA, £9.7 million rated A- and £11.9 million rated BBB. The Group retained and continues to hold £8.9 million of unrated and subordinated notes, equal to 5% of the issue amount and this balance remains unchanged throughout the period covered by the consolidated financial statements.

The net proceeds received from the issue of CMF 2017-1 Plc loan notes have been wholly classified as liabilities:

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
At 1 January	-	-
Proceeds on issue of asset backed loan notes	294.4	-
Deferred deal costs	(1.5)	-
Interest chargeable and accrued	1.5	-
Interest and principal paid	(13.3)	-
At 31 December	<u>281.1</u>	-

CMF 2017-1 Plc notes in issue to external investors at each Consolidated statement of financial position date are:

	Principal Balance		Margin over LIBOR
	As at 31 December 2017	As at 31 December 2016	
	£m	£m	
A Note	247.9	-	0.50%
B Note	12.6	-	1.30%
C Note	9.7	-	1.70%
D Note	11.9	-	2.20%
	<u>282.1</u>	-	

The final maturity date of the notes is 12 June 2054. The call date is 12 September 2021.

CML Warehouse Number 1 Limited

CML Warehouse Number 1 Limited closed on 1 December 2017 with a first drawdown on 13 December 2017 of £100.0 million under the senior loan and £8.7 million under the subordinated loan. At 31 December 2017, the Group held a subordinated loan of £8.7 million.

The net proceeds of CML Warehouse Number 1 Limited loan have been wholly classified as liabilities:

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
At 1 January	-	-
Proceeds on issue of senior loan	100.0	-
Interest chargeable and accrued	0.1	-
At 31 December	<u>100.1</u>	-

The senior loan funding provided is for a term of twelve months with an option to extend for a further three months, the funding term can be re-negotiated annually.

27. Debt securities in issue (continued)**Interest Rates**

The weighted average interest rates paid during the year were as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
	%	%
Buttermere asset backed loan notes	1.97	1.88
PMF No. 1 asset backed loan notes	2.40	2.34
PMF 2014-1 asset backed loan notes	1.35	1.35
PMF 2014-2 asset backed loan notes	1.60	1.58
PMF 2015-1 asset backed loan notes	1.53	1.50
CCFS Warehouse No.1 asset backed loan notes	2.18	2.23
CMF 2017-1 Plc	0.96	-
CML Warehouse Number 1 Limited	1.32	-

28. Trade and other payables

	As at 31 December 2017	As at 31 December 2016
	£m	£m
Trade and other payables within one year	<u>15.2</u>	<u>8.2</u>

29. Corporation tax payable

	As at 31 December 2017	As at 31 December 2016
	£m	£m
Corporation tax payable within one year	<u>17.0</u>	<u>5.3</u>

30. Financial guarantee

On 10 December 2015, Charter Court Financial Services Limited entered into a financial guarantee in favour of GIFS Capital Company LLC acting as original class A variable funding noteholder to CCFS Warehouse No.1 Plc, and Elavon Financial Services Limited. Charter Court Financial Services Limited and CCFS Warehouse No. 1 Plc are both consolidated subsidiaries of the Group, acting in its capacity as agent to the same transaction. The guarantee covers interest, default interest, principal, tax gross up and break costs as they fall due, should CCFS Warehouse No.1 Plc be unable to meet its obligations due in relation to the class A variable funding notes issued. As at 31 December 2017, the fair value of the guarantee was £nil (2016: £nil). The guarantee has been terminated post year end.

31. Share capital

	As at 31 December 2017		As at 31 December 2016	
	Number	£m	Number	£m
Authorised, issued, called up and fully paid up:				
Shares of £0.001 each				
"A1" Class ordinary	-	-	873,365	-
"A2" Class ordinary	-	-	7,229	-
"B" Class ordinary	-	-	110,426	-
"C" Class ordinary	-	-	9,105	-
"D" Class ordinary	-	-	252,000	-
Shares of £0.00001 each				
"E" Class ordinary	-	-	55,657	-
"F" Class ordinary	-	-	100,000	-
"G" Class ordinary	-	-	100,000	-
Ordinary shares of £0.01 each	239,130,419	2.4	-	-
	239,130,419	2.4	1,507,782	-

The ordinary shares of £0.01 rank pari passu in all respects and rank in full for all dividends and other distributions declared, made or paid on the ordinary share capital of the Company.

The movements in the number of shares through the year is shown below.

2017

Share Class	A1	A2	B	C	D	E	F	G	Deferred shares	Ordinary shares
As at 1 January	873,365	7,229	110,426	9,105	252,000	55,657	100,000	100,000	-	-
Share issue	-	-	-	-	-	573	-	-	-	-
Reclassifications	-	1,433	-	(1,433)	-	-	-	-	-	-
Capital reorganisation:										
Bonus issue	1,972,931,535	19,567,458	249,452,334	18,098,248	594,468,000	8,153,293,770	1,299,900,000	999,900,000	-	-
Total shares pre-share consolidation	1,973,804,900	19,576,120	249,562,760	18,105,920	594,720,000	8,153,350,000	1,300,000,000	1,000,000,000	-	-
Share consolidation	(1,776,424,410)	(17,618,508)	(224,606,484)	(16,295,328)	(535,248,000)	(8,145,196,650)	(1,298,700,000)	(999,000,000)	-	-
Total shares post consolidation	197,380,490	1,957,612	24,956,276	1,810,592	59,472,000	8,153,350	1,300,000	1,000,000	-	-
Re-designation as deferred shares	(3,839,503)	(38,081)	(265,214)	(36,266)	(59,469,188)	(569,384)	(377,917)	(1,000,000)	65,595,553	-
Cancellation of deferred shares	-	-	-	-	-	-	-	-	(65,595,553)	-
Re-designation as ordinary shares	(193,540,987)	(1,919,531)	(24,691,062)	(1,774,326)	(2,812)	(7,583,966)	(922,083)	-	-	230,434,767
IPO share issue	-	-	-	-	-	-	-	-	-	8,695,652
As at 31 December	-	-	-	-	-	-	-	-	-	239,130,419

2016

Share Class	A	A1	A2	B	C	D	E	F	G
As at 1 January	741,386	-	-	242,330	16,334	252,000	-	-	-
Share issue	50	25	-	-	-	-	55,657	100,000	100,000
Reclassifications	(741,436)	873,340	7,229	(131,904)	(7,229)	-	-	-	-
As at 31 December	-	873,365	7,229	110,426	9,105	252,000	55,657	100,000	100,000

31. Share capital (continued)

As described below the Group reorganised its share capital (Capital reorganisation) in order to prepare for the public listing:

A bonus issue of shares in each existing class of shares pro rata to existing shareholdings by way of a capitalisation of approximately £3.0 million of retained profits, such that the aggregate nominal value of the share capital increased to £2,960,303.20.

New A1, A2 and B shares were created with 2,259 new shares issued for each existing A1, A2 and B share of £0.001 each and these were then consolidated on a 1:10 basis, resulting in A1, A2 and B shares of £0.01 each.

New C and D shares were created with 2,359 new shares issued for each existing C and D share of £0.001 and these were then consolidated on a 1:10 basis, resulting in C and D shares of £0.01 each.

New E, F and G shares were created with 144,999, 12,999 and 9,999 new shares issued for each existing E, F and G share of £0.00001 respectively, these were then consolidated on a 1:1,000 basis, resulting in E, F and G shares of £0.01 each.

Following the share consolidation a portion of each class of the shares were re-designated as deferred shares, totalling par value of £655,955.53, and immediately cancelled. The remaining A1, A2, B, C, D, E and F shares were then re-designated as ordinary shares on a 1:1 basis.

As part of the IPO the Group issued 8,695,652 ordinary shares of £0.01 each, par value £86,956.52, at £2.30 per share, raising £19.1 million net of expenses.

32. Share premium

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
At 1 January	195.1	165.0
Premium arising on new issue of shares	19.0	30.1
Cancellation	(195.1)	-
At 31 December	19.0	195.1

On 27 June 2017, the Company passed a special resolution to cancel the entire share premium. Accordingly, the entire balance of the share premium account at that date was transferred to retained earnings.

As part of the IPO the Group issued 8,695,652 ordinary shares of £0.01 each at £2.30 per share, resulting in a share premium of £19.9 million which was partially offset by IPO costs of £0.9 million.

The share premium in 2016 arose due to the issue of 50 A class shares in August 2016 for consideration of £20.0 million, 25 A1 class shares in December 2016 for consideration of £10.0 million, 55,567 E class shares in November 2016 for consideration of £0.1 million, 100,000 F class shares in December 2016 for consideration of £0.01 million and 100,000 G class shares in December 2016 for consideration of £0.01 million.

33. Retained earnings

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
At 1 January	38.3	1.0
Cancellation of share premium (see note 32)	195.1	-
Bonus issue	(3.0)	-
Cancellation of deferred shares	0.7	-
Profit for the year	81.3	37.3
Recognition of share based payments	0.4	-
Transfer of equity-settled employee benefits reserve	0.8	-
At 31 December	313.6	38.3

34. Equity-settled employee benefits reserve

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
At 1 January	0.1	-
Arising on share based payments	0.7	0.1
Transfer to retained earnings	(0.8)	-
At 31 December	-	0.1

The equity-settled employee benefits reserve relates to incentive growth shares (series F and G) granted by the Group to certain employees under a share based incentive plan which commenced during 2016. These shares were issued initially as options in November 2016, but were exercised in December 2016, as set out in note 35. The holders of these shares are only able to sell the shares at an exit event, such as an IPO. Accordingly, the cost of the share based incentives is spread over the period from their issue to the date of the Group's IPO in October 2017.

35. Share based payments

Post-IPO share awards

Following the IPO, the Group established the following equity-settled employee share schemes under which shares or share options are granted to employees or Directors subject to the terms of the schemes:

Performance Share Plan ("PSP")

The PSP awards were granted to Executive Directors and all senior management and comprise nil cost options over ordinary shares based on business performance over a three year period. The awards are subject to certain market and non-market performance measures, 40% of the awards are subject to the Company's total shareholder return ("TSR") performance against the constituents of a TSR comparator group, 40% of the awards are subject to the Group's earnings per share ("EPS") growth over the EPS performance period which covers the two financial years commencing on 1 January 2018, and the remaining 20% of awards are subject to an internal balanced scorecard risk measure. The awards will vest from the date on which the Group's audited annual accounts for the year ending 31 December 2019 are approved by the Board. The awards lapse ten years following the date of grant and carry no dividend entitlement until the award has been exercised.

Free share awards under the PSP

All employees of the Group (other than the Executive team) who were employed and had not given notice as at 30 September 2017, have been awarded ordinary shares worth between £250 to £2,000 per individual, depending on length of service, for nil consideration. The award will vest on the first anniversary of the date of grant and is subject to the employee being employed on the vesting date but is not subject to any performance conditions or holding period. If the Company pays a dividend during the vesting period, each award will be increased by an amount equal to the aggregate value of such dividend.

Sharesave (SAYE) Scheme

The Sharesave scheme is open to all employees and allows them to save a fixed amount between £5 and £500 a month over three years. At the end of the three year saving period there is a 6 month exercise period during which scheme participants can use the funds saved to buy shares at the option price of £1.87 per share, which was determined at the start of the Sharesave scheme, or they can withdraw all their savings without buying any shares. A scheme participant can leave the Sharesave scheme at any time and have their savings returned. Scheme participants shall have no entitlement to any dividends paid during the savings period.

Deferred Bonus Plan ("DBP")

The DBP will first apply to 2018 bonuses for those employees whose bonuses are over £100,000, and will defer 50% of participating employees' annual bonuses into ordinary shares in the form of an option to acquire ordinary shares for nil consideration. The period of deferral is typically up to 3 years, either vested as a single transaction at the end of the period or in tranches during the period with no additional holding period for the award. Deferral of the awards is subject to a combination of business performance against objectives set within the Corporate Balanced Scorecard and the performance of the individual against those scorecard targets, the awards have a ten year exercise period from the date of grant.

The employee share based payment charge for the year included in administrative expenses comprises:

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
PSP	0.2	-
Free share awards	0.1	-
Sharesave (SAYE)	0.1	-
	0.4	-

35. Share based payments (continued)

Movements in the number of share based awards, average fair value per award and weighted average remaining contractual life are shown below:

2017	Awards / options outstanding at 1 January	Number of awards / options			Awards / options outstanding at 31 December	Average fair value per award (£)	Weighted average
		Granted	Exercised	Vested			
PSP	-	1,429,796	-	-	1,429,796	1.81	2.3
Free share awards	-	180,756	-	-	180,756	2.33	0.8
Sharesave (SAYE)	-	1,437,141	-	-	1,437,141	0.63	3.5
Total	-	3,047,693	-	-	3,047,693		2.8

Grant date fair value

The valuation of the share based awards has been determined as explained below:

PSP

The fair value of the shares in the EPS and risk measure elements of the awards is measured using a Black Scholes model. This model takes account of the expected dividends which participants of the PSP are not entitled to receive. The fair value of the shares in the TSR award is calculated using a Monte Carlo model. Set out below is a summary of the key data and assumptions used to calculate the fair value of the TSR and EPS & risk measure element of the award:

Performance condition	TSR	EPS & Risk Measure
	Monte Carlo	Black Scholes
Model used for valuation		
Share price at valuation date	£2.33	£2.33
Exercise price	£0.00	£0.00
Risk-free rate	0.52%	N/A
Expected dividend yield	1.97%	1.97%
Expected volatility	34%	N/A
Fair value of one share	£1.20	£2.22

Free share awards

The fair value of the shares is based on the share price at the date of the grant £2.33.

Sharesave (SAYE)

Options granted under the Sharesave scheme have no entitlement to dividends until they are exercised. The grant date fair value of the options was determined to be £0.63 using a Binomial Model valuation model with the following significant inputs:

Share price at valuation date	£2.29
Exercise price	£1.87
Risk-free rate ¹	0.60%
Expected dividend yield	1.97%
Expected volatility ²	34%
Expected employee cancellations	5%

¹ Risk-free rate based on the implied yield of zero-coupon government bonds (UK Strips) with a remaining term equal to the expected term.

² As the Company is a newly listed company expected volatility was based on historic volatility of comparable companies over a term commensurate with the expected life of each option.

Pre-IPO share awards

The equity-settled employee benefits reserve relates to incentive growth shares granted by the Group to certain employees under a share based incentive plan during 2016.

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
At 1 January	0.1	-
Income statement: Charge arising on share based payments	0.7	0.1
Transferred to retained earnings	(0.8)	-
At 31 December	-	0.1

35. Share based payments (continued)**Details of share based incentive plan**

The Group had a share based incentive plan which commenced during 2016 for certain employees where F and G shares have been granted to and have the opportunity to grow in value during their vesting period. These shares were issued initially as options in November 2016, but were exercised in December 2016, as set out below. The holders of these shares are only able to sell the shares at an exit event, such as an IPO. Accordingly, the cost of the share based incentives is being spread over the period from their issue to the date of the Group's IPO.

During 2016, the Company granted 55,657 E shares to certain employees. The grant has been treated as a modification under IFRS 2 as they replace previously granted B and C share awards to the employees. The fair value of the E shares on the grant date was determined to be the same as the B and C shares immediately prior to the modification and therefore no incremental expense has been recognised. The fair value of the B and C shares issued to the employees in 2008 and 2009 was deemed to be £nil, and therefore no expense has been recognised since the grant date.

Details of the share based incentive plan in existence during 2016 are disclosed below:

	Number	Grant date	Expiry date	Exercise price	Fair value per share at grant date
F shares	100,000	28/11/2016	30/09/2017	£0.10	£5.65
G shares	100,000	28/11/2016	30/09/2017	£0.05	£2.82

Fair value of share incentives granted

Equity share based payments are measured in accordance with IFRS 2 at their market-based measure at the grant date. Incentives were priced using the Monte Carlo pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the exit event. Expected volatility is based on listed comparators over a period commensurate with the expected vesting period of one year.

Inputs into the model

Grant date share price – F shares	£0.10
Grant date share price – G shares	£0.05
Exercise price – F shares	£0.10
Exercise price – G shares	£0.05
Expected volatility	44%
Option life	1 year
Dividend yield	0%
Risk-free interest rate	0.1%

Movements in share incentives during 2016

2016	Awards / options outstanding at 1 January	Number of awards / options			Awards / options outstanding at 31 December	Average fair value per award (£)	Weighted average contractual life	Weighted average remaining (Years)
		Granted	Exercised	Vested				
F shares	-	100,000	100,000	-	-	5.65	0.10	0.75
G shares	-	100,000	100,000	-	-	2.82	0.05	0.75
Total	-	200,000	200,000	-	-			0.75

The rights to acquire F and G shares were initially issued as options to acquire shares on 28 November 2016 and these options were exercised on 18 December 2016.

Prior to the IPO the Group reorganised its share capital in order to prepare for the public listing. The reorganisation involved a bonus issue of shares, re-designation, repurchase and cancellation, and change of denomination as disclosed in note 31. Ultimately, the F shares were exchanged for 922,083 ordinary shares of £0.01 each vesting on IPO and the G shares cancelled.

36. Net cash flows from operating activities

Note	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
	111.7	48.9
Profit before tax		
Non-cash items		
Provision for loan impairments	18 0.5	(0.1)
Depreciation of property, fixtures and equipment	23 0.4	0.5
Amortisation of intangible assets	24 0.2	0.3
Gain on sale of investment in debt securities	9 (2.1)	-
EIR adjustment	4.4	8.6
Movement in fair value hedge	7.1	(2.7)
Recognition of equity-settled employee benefits payments	1.1	0.1
Operating cash flows before movements in working capital	123.3	55.6
Movement in derivatives	(6.6)	-
Increase in receivables	(2.1)	-
Increase in residential mortgages	(1,862.2)	(1,871.0)
Increase in payables	7.0	0.2
Increase in retail deposits	987.4	1,873.4
Increase/(decrease) in deposits from banks	963.5	(20.1)
Cash generated by operations	210.3	38.1
Tax paid	(20.7)	(7.3)
Net cash generated by operating activities	189.6	30.8

37. Gross debt reconciliation

The table below shows the changes in liabilities from financing activities for the year.

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
At 1 January	426.1	804.5
Proceeds on issue of debt securities	394.4	0.5
Deal costs associated with issue of debt securities	(1.5)	-
Principal and interest repaid	(191.6)	(378.9)
At 31 December	627.4	426.1

38. Operating lease arrangements

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
The Group as lessee		
Minimum lease payments under operating leases recognised as an expense in the period	1.0	0.6

At the Consolidated statement of financial position date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	As at 31 December 2017	As at 31 December 2016
	£m	£m
Within one year	1.4	0.5
In the second to fifth years inclusive	4.5	-
More than five years	5.5	-
	11.4	0.5

Operating lease payments represent rent expense for office premises in Wolverhampton, London and rental of a company car. The premises leases have terms of between one and ten years and rentals are fixed over the term of the lease. The company car lease was entered into in October 2016, the lease and rental is fixed for 24 months, expiring September 2018.

39. Retirement benefit schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees who subscribe to the terms and conditions of the schemes policies.

For the year ended 31 December 2017, the total cost of £1.1 million (2016: £1.0 million) charged to the Consolidated statement of comprehensive income represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2017, there was £0.1 million (2016: £nil) due in respect of the current reporting year, which had not been paid over to the schemes. There was one Director (2016: 2) participating in Group pension plans during the period.

40. Capital risk management

The Group manages its capital to ensure that entities in the Group have sufficient capital resources to continue as going concerns while optimising the return to stakeholders through the balance of its capital resources. The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the Group's consolidated financial statements.

The Group conducts an ICAAP, which is approved by the Board of Directors. The current version was approved in October 2017. The ICAAP is used to assess the Group's capital adequacy and determine the levels of capital required to support the current and future risks in the business derived from its five-year corporate plan.

CRD IV introduced the concept of a leverage ratio requirement, a non-risk based measure that is designed to act as a supplement to risk based capital requirements. The UK Leverage Ratio Framework is applicable to firms with over £50 billion of retail deposits.

The Group is supervised by the PRA who review the capital adequacy, compliance with regulatory requirements and the ICAAP as part of its Supervisory Review and Evaluation Process ("SREP"). The PRA issues individual capital guidance which specifies the level of regulatory capital which the Group is required to hold relative to its risk weighted assets as well as a PRA designated capital buffer.

The Group regulatory capital is reviewed on a monthly basis by the Board of Directors and the Assets and Liabilities Committee on both a current and forward looking basis. The future regulatory capital requirements are also considered as part of the Group's forecasting and strategic planning process.

40. Capital risk management (continued)

The following table, which is unaudited and therefore not in scope of the independent auditor's report, shows the regulatory resources of the Group:

	As at 31 December 2017
	£m
Share capital	2.4
Retained earnings	313.6
Share premium	19.0
Deferred tax asset	(2.2)
Intangible assets	(1.4)
Total Tier 1 Capital	331.4
Collective impairment allowance	0.6
Total Tier 2 Capital	0.6
Total Regulatory Capital	332.0
Risk weighted assets	2,118.9

The Group's minimum CRD IV Pillar 1 capital requirement at 8% is calculated as the sum of credit risk and operational risk requirements. The following table, which is unaudited and therefore not in scope of the independent auditors report, shows the Group's minimum Pillar 1 requirement as at 31 December 2017.

	As at 31 December 2017
	£m
Credit risk	161.4
Operational risk	8.1
Total Pillar 1 capital resources requirement at 8%	169.5
Common equity tier 1 capital ratio	15.6%
Total tier 1 capital ratio	15.6%
Leverage ratio	5.1%

41. Financial instruments

The table below sets out the classification of financial instruments in the Consolidated statement of financial position.

Categories of financial instruments	Carrying value		
	As at 31 December 2017	As at 31 December 2016	
	£m	£m	
Financial assets held at amortised cost			
Cash and cash equivalents	966.8	214.0	
Investment in debt securities - held to maturity	78.4	119.5	
Customer loans and receivables	5,364.2	3,807.9	
Trade and other receivables	4.6	2.5	
Financial liabilities held at amortised cost			
Deposits from banks	1,003.5	40.0	
Deposits from customers	4,420.0	3,432.6	
Debt securities in issue	627.4	426.1	
Trade and other payables	15.2	8.2	
Financial instruments held at fair value			
Other financial assets – designated as FVTPL	0.2	0.2	
	348.1	237.2	
Derivative financial instruments – assets	11.9	7.1	
Derivative financial instruments – liabilities	6.5	8.3	
Financial instruments held at fair value	Carrying value	Level 2	Level 3
	£m	£m	£m
As at 31 December 2017			
Other financial assets – designated as FVTPL	0.2	-	0.2
Derivative financial instruments – assets	11.9	11.9	-
Derivative financial instruments – liabilities	6.5	6.5	-
As at 31 December 2016			
Other financial assets – designated as FVTPL	0.2	-	0.2
Derivative financial instruments – assets	7.1	7.1	-
Derivative financial instruments – liabilities	8.3	8.0	0.3

Other assets held at fair value are all Level 3 fair value measurements, being derived from inputs which are not quoted in active markets. For further information see note 20.

Caps and the majority of interest rate swaps are Level 2 fair value measurements, being derived from inputs which are not quoted in active markets but are based on observable market data. Basis swaps and certain balance guaranteed swaps within derivative liabilities are categorised as Level 3. For more information see note 19.

41. Financial instruments (continued)

Fair values of financial instruments carried at amortised cost

The fair values for financial assets and liabilities held at amortised cost is summarised below.

	Carrying value	Fair value
	£m	£m
2017		
Financial assets held at amortised cost		
Cash and cash equivalents	966.8	966.8
Investment in debt securities - held to maturity	78.4	79.2
Customer loans and receivables	5,364.2	5,565.0
Trade and other receivables	4.6	4.6
Financial liabilities held at amortised cost		
Deposits from banks	1,003.5	1,003.5
Deposits from customers	4,420.0	4,420.0
Debt securities in issue	627.4	627.4
Trade and other payables	15.2	15.2
2016		
Financial assets held at amortised cost		
Cash and cash equivalents	214.0	214.0
Investment in debt securities - held to maturity	119.5	119.5
Customer loans and receivables	3,807.9	3,859.0
Trade and other receivables	2.5	2.5
Financial liabilities held at amortised cost		
Deposits from banks	40.0	40.0
Deposits from customers	3,432.6	3,432.6
Debt securities in issue	426.1	426.1
Trade and other payables	8.2	8.2

The fair values of cash and cash equivalents and trade and other receivables are not considered to be materially different from their book values. In arriving at that conclusion, market inputs have been considered but because these assets mature within three months of the year end, and the interest rates charged on financial liabilities reset to market rates on a quarterly basis, little difference arises. While the Group's asset backed loan notes are listed, the quoted prices for an individual note may not be indicative of the fair value of the issue as a whole, due to the specialised nature of the market in such instruments and the limited number of investors participating in it. The fair value of investments in debt securities held to maturity have been calculated using quoted market prices at the relevant date for each security.

To assess the fair value of the Group's customer loans and receivables and retail deposit liabilities, the estimated cash flows expected to arise, based on a mixture of market based inputs, such as funding rates, discount rates and target returns; and non-market based inputs such as redemption rates and credit losses, have been considered.

▶ The contractual maturity analysis of the Group's liabilities is disclosed in the Risk management section on page 31.

42. Financial risk management objectives and policies

Risk management

The Group's activities expose it to a number of financial risks and uncertainties; primarily credit risk, liquidity risk, market risk, business risk, operational risk and assurance of compliance with regulations.

▶ For detailed information on each of these risks refer to the Risk management section on pages 24 to 34.

43. Related party transactions

Until 4 October 2017, the joint controlling parties of Charter Court Financial Services Group plc were Elliott International L.P. and Elliott Associates L.P. by virtue of their combined controlling interest in the Group's issued share capital and voting rights. On this date, the controlling parties sold a proportion of their shareholding such that they no longer had a controlling interest in the Group's issued share capital and voting rights. In addition, the controlling parties entered into a relationship agreement with the Group. For further details see the relationship agreement disclosure contained in the Directors report on pages 85 to 87. As a result, from 4 October 2017, Elliott International L.P. and Elliott Associates L.P. are no longer controlling parties of the Group.

There were no loans from the related parties as at 31 December 2017. The loan of £0.5 million outstanding at 31 December 2016 was repaid during the year.

43. Related party transactions (continued)

Elliott International L.P. and Elliott Associates L.P. are the controlling entities of Bridestone Financing Plc, which sold its mortgage portfolio to the Group during 2017, at a price of £26.1 million. The price represents a discount to the book value of the underlying mortgages, based on estimated future cash flows from the portfolio and the Group's target for returns from capital employed. On this basis the Directors consider the transaction to be at arm's length. The Group recognised the mortgage assets in its Consolidated statement of financial position from 12 January 2017. No income was received from Bridestone Financing Plc during the year (2016: £0.1 million mortgage administration fees and £0.1 million legal title income).

Elliott International L.P. and Elliott Associates L.P. are the controlling entities of Wakefield Investments Limited and Middleton International Limited, which purchased the Z notes and residual certificates of PMF 2017-1B. The transaction which the Directors consider to be at arm's length was completed on 28 April 2017.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below:

	Highest paid Director	Total key management personnel
	£m	£m
Year ended 31 December 2017		
Short-term employee benefits	1.5	3.4
Share based payment	0.1	0.2
Post-employment benefit	-	0.1
	1.6	3.7
Year ended 31 December 2016		
Short-term employee benefits	1.1	2.8
	1.1	2.8

During the year ended 31 December 2017 fees of £1.2 million (2016: £0.4 million) were paid to Non-Executive Directors for services provided to the Group.

44. Ultimate controlling party of the Group

Until 4 October 2017, the joint controlling parties of Charter Court Financial Services Group plc were Elliott International L.P. and Elliott Associates L.P. by virtue of their combined controlling interest in the Group's issued share capital and voting rights. On this date, the controlling parties sold a proportion of their shareholding such that they no longer had a controlling interest in the Group's issued share capital and voting rights. In addition, the controlling parties entered into a relationship agreement with the Group. For further details see the relationship agreement disclosure contained in the Directors report on pages 85 to 87. As a result, from 4 October 2017, Elliott International L.P. and Elliott Associates L.P. are no longer controlling parties of the Group.

45. Post balance sheet events

The Group sold its residual interest in Charter Mortgage Funding 2017-1 Plc to a third party during January 2018 for a gain of £15.0 million.

The Group closed a mortgage securitisation, Precise Mortgage Funding 2018-1B Plc, on 23 January 2018. Precise Mortgage Funding 2018-1B Plc, which will be treated as a consolidated subsidiary, issued £246.1 million of pounds sterling mortgage backed floating rate notes at par, secured on £246.1 million of fixed and variable rate mortgages. In addition, the Group retained £nil of unrated and subordinated notes in the securitisation.

46. Country-by-country reporting

The Capital Requirements (Country-by-Country Reporting) Regulations 2013 introduced reporting obligations within the scope of the European Union's Capital Requirements Directives (CRD IV). Article 89 of the CRD IV requires credit institutions and investment firms in the EU to disclose annually, specifying, by Member State and by third country in which it has an establishment, the following information on a consolidated basis for the year ended 31 December 2017:

Name	Charter Court Financial Services Group plc
Type of entity	Credit institution
Nature of activities	Mortgage lending and deposit taking
Geographical location	United Kingdom
Number of employees	462
Turnover*	£219,600,000
Pre-tax profit	£111,700,000
Corporation tax payable	£30,400,000
Public subsidies received	£nil

* Turnover is derived from the Consolidated statement of comprehensive income as interest income and similar income plus non-interest income.

47. Contingent liability

The Group has a contingent liability in respect of contributions to the Financial Services Compensation Scheme provided by the Financial Services and Markets Act 2000. The FSCS provides compensation to depositors in the event that a financial institution is unable to repay amounts due and is funded by contributions from the financial services industry. Following the failure of a number of financial institutions, the FSCS raised borrowings from the UK Government to cover compensation in relation to protected deposits. These borrowings are anticipated to be largely repaid from the realisation of the assets of the failed institutions. During the year ended 31 December 2017 there was no FSCS specific capital element levied separately as sufficient levies had been paid in previous years to fund the shortfalls arising. It is possible that capital levies may be required in the event of institutional failures in the future. These levies are based on eligible liabilities of the Group and cannot be estimated reliably.

Company financial statements

Company statement of financial position

For the year ended 31 December 2017

Note	As at 31 December 2017	As at 31 December 2016 Restated ¹	As at 31 December 2015 Restated ¹
	£m	£m	£m
Assets			
	1.2	0.1	-
49	0.1	0.2	-
50	214.0	171.3	136.8
Total assets	215.3	171.6	136.8
Liabilities			
51	0.2	0.2	-
52	0.5	-	-
Net assets	214.6	171.4	136.8
Equity			
53	2.4	-	-
54	19.0	195.1	165.0
55	193.2	(23.8)	(28.2)
56	-	0.1	-
Total equity	214.6	171.4	136.8

The profit after tax for the year ended 31 December 2017 of Charter Court Financial Services Group plc as a Company was £23.0 million (2016: £4.4 million). As permitted by section 408 of the Companies Act 2006, no separate Statement of Comprehensive Income is presented in respect of the Company.

■ The notes on pages 148 to 151 form an integral part of the Company financial statements.

The financial statements were approved by the Board of Directors on 19 March 2018. They were signed on its behalf by:



Ian Martin Lonergan
Chief Executive Officer



Sebastien Maloney
Chief Financial Officer

Company number: 06712054

¹ See note 48. Basis of preparation, significant accounting policies and critical judgements and estimates

Company statement of changes in equity

For the year ended 31 December 2017

Note	Share capital	Share premium	Retained earnings	Equity-settled employee benefits reserve	Total
	£m	£m	£m	£m	£m
At 1 January 2016	-	165.0	(28.2)	-	136.8
Share issue	-	30.1	-	-	30.1
Profit and total comprehensive income for the year	-	-	4.4	-	4.4
Recognition of share based payments	-	-	-	0.1	0.1
At 31 December 2016	-	195.1	(23.8)	0.1	171.4
Cancellation of share premium	-	(195.1)	195.1	-	-
Bonus issue	3.0	-	(3.0)	-	-
Cancellation of deferred shares	(0.7)	-	0.7	-	-
Share issue	0.1	19.9	-	-	20.0
Share issue costs	-	(0.9)	-	-	(0.9)
Profit and total comprehensive income for the year	-	-	23.0	-	23.0
Recognition of share based payments	-	-	0.4	0.7	1.1
Transfer of equity-settled employee benefits reserve	-	-	0.8	(0.8)	-
At 31 December 2017	2.4	19.0	193.2	-	214.6

▣ The notes on pages 148 to 151 form an integral part of the Company financial statements.

Company statement of cash flows

For the year ended 31 December 2017

Note	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
Net cash generated by operating activities	57 24.0	4.7
Investing activities		
Investment in shares of subsidiaries	(42.0)	(34.7)
Net cash utilised by investing activities	(42.0)	(34.7)
Financing activities		
Proceeds from issue of the shares	20.0	30.1
Share issue costs	(0.9)	-
Net cash generated by financing activities	19.1	30.1
Net increase in cash and cash equivalents	1.1	0.1
Cash and cash equivalents at beginning of year	0.1	-
Cash and cash equivalents at end of year	1.2	0.1

▣ The notes on pages 148 to 151 form an integral part of the Company financial statements.

Notes to the Company financial statements

For the year ended 31 December 2017

48. Basis of preparation, significant accounting policies and critical judgements and estimates

The presentation of the Company statement of financial position has been amended from the format previously reported in the audited statutory consolidated financial statements for the year ended 31 December 2016. The revised presentation removes the distinction between current and non-current assets and liabilities and instead presents assets and liabilities in descending order of liquidity. This format is in line with IAS 1 Presentation of Financial Statements, as it applies to certain financial institutions which do not have a clearly defined operating cycle. Also, corporation tax payable is disclosed separately from trade and other payables in the Consolidated statement of financial position.

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU"), and are presented in pounds sterling. The IFRS, as adopted by the EU, applied for all periods herein presented are those that are effective for accounting periods beginning on or after 1 January 2017.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 4 to the consolidated financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

There are no critical judgements and estimates that apply to the Company.

49. Trade and other receivables

At the Statement of Financial Position date, amounts receivable from subsidiaries included in the trade and other receivables balances were £0.1 million (2016: £0.2 million) due from Charter Court Financial Services Limited, see note 59 for further details. There are no past due or impaired receivable balances.

50. Investment in subsidiaries

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
Cost		
At 1 January	214.9	180.1
Investment in shares of subsidiaries	42.0	34.7
Capital contribution to subsidiaries	1.1	0.1
At 31 December	258.0	214.9
Impairment		
At 1 January	43.6	43.3
Charge for the year	0.4	0.3
At 31 December	44.0	43.6
Carrying amount		
At 1 January	171.3	136.8
At 31 December	214.0	171.3

During the year the Company subscribed to 2 shares (2016: 2 shares) in Charter Court Financial Services Limited for £20.0 million (2016: £34.7 million). The Company subscribed to 2 shares (2016: nil shares) in Charter Mortgages Limited for £22.0 million (2016: £nil). The Company invested £1.1 million (2016: £0.1 million) in Exact Mortgage Experts Limited in relation to the equity-settled employee benefit scheme.

50. Investment in subsidiaries (continued)

Name	Principal Activity	Proportion of ownership interest	Proportion of voting power held
		%	%
Charter Court Financial Services Limited ¹	Mortgage lending and deposit taking	100	100
Exact Mortgage Experts Limited ¹	Group Service Company	100	100
Charter Mortgages Limited ¹	Mortgage Administration and Analytical Services	100	100
Broadlands Finance Limited ¹	Mortgage Administration Services	100	100
Buttermere Plc ^{2,3}	Special Purpose Vehicle	-	-
Issuer Purchase Holdings Limited ²	Special Purpose Vehicle Holding Company	-	-
Precise Mortgage Funding No 1 Plc ²	Special Purpose Vehicle	-	-
Precise Mortgage Holdings No 1 Limited ²	Special Purpose Vehicle Holding Company	-	-
Precise Mortgage Funding 2014-1 Plc ²	Special Purpose Vehicle	-	-
Precise Mortgage Holdings 2014-1 Limited ²	Special Purpose Vehicle Holding Company	-	-
Precise Mortgage Funding 2014-2 Plc ²	Special Purpose Vehicle	-	-
Precise Mortgage Holdings 2014-2 Limited ²	Special Purpose Vehicle Holding Company	-	-
Precise Mortgage Funding 2015-1 Plc ²	Special Purpose Vehicle	-	-
Precise Mortgage Holdings 2015-1 Limited ²	Special Purpose Vehicle Holding Company	-	-
Precise Mortgage Funding 2015-3R Plc ²	Special Purpose Vehicle	-	-
Precise Mortgage Holdings 2015-3R Limited ²	Special Purpose Vehicle Holding Company	-	-
CCFS Warehouse No.1 Plc ²	Special Purpose Vehicle	-	-
CCFS Warehouse No.1 Holdings Limited ²	Special Purpose Vehicle Holding Company	-	-
CML Warehouse Number 1 Limited ²	Special Purpose Vehicle	-	-
Charter Mortgage Funding 2017-1 Plc ²	Special Purpose Vehicle	-	-
Charter Mortgage Holdings 2017-1 Limited ²	Special Purpose Vehicle Holding Company	-	-

¹ Registered offices 2 Charter Court, Broadlands, Wolverhampton, West Midlands, WV10 6TD

² Registered offices 35 Great St. Helen's, London, EC3A 6AP

³ As of 12 January 2018, 40 Station Road, Upminster, Essex, RM14 2TR

The investments in subsidiaries are all stated at cost less impairment.

Special purpose vehicles which the Group is deemed to control are treated as subsidiaries for accounting purposes. All of the entities listed above have been consolidated into the Group's consolidated financial statements.

All of the above companies are incorporated and operate in the United Kingdom.

The Company sold its residual interest in Charter Mortgage Funding 2017-1 Plc during January 2018 see note 45.

51. Trade and other payables

	As at 31 December 2017	As at 31 December 2016
	£m	£m
Trade and other payables	0.2	0.2

All trade and other payables are payable within one year.

52. Corporation tax payable

	As at 31 December 2017	As at 31 December 2016
	£m	£m
Corporation tax payable	0.5	-

All corporation tax is payable within one year.

53. Share capital

Details of the Company's share capital are disclosed in note 31 to the consolidated financial statements.

54. Share premium

Details of the Company's share premium are disclosed in note 32 to the consolidated financial statements.

55. Retained earnings

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
At 1 January	(23.8)	(28.2)
Bonus issue	(3.0)	-
Share premium cancellation (see note 32)	195.1	-
Cancellation of deferred shares (see note 31)	0.7	-
Net profit for the year	23.0	4.4
Recognition of share based payments	0.4	-
Transfer of equity-settled employee benefits reserve	0.8	-
At 31 December	<u>193.2</u>	<u>(23.8)</u>

56. Equity-settled employee benefits reserve

Details of the Company's equity-settled employee benefits scheme are disclosed in note 34 to the consolidated financial statements.

57. Notes to the Company statement of cash flows

	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m
Profit before tax	23.5	4.4
Adjustments for:		
Write off investment in subsidiaries	0.4	0.3
Operating cash flows before movements in working capital	<u>23.9</u>	4.7
Decrease/(increase) in receivables	0.1	(0.2)
Increase in payables	-	0.2
Net cash generated by operating activities	<u>24.0</u>	4.7

58. Capital risk management

The Company manages its capital to ensure that it will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders of the Company, comprising issued capital, retained earnings and reserves as disclosed in notes 53 to 56.

The Group's Risk management Committee reviews the capital structure on an annual basis, see note 40.

59. Related parties

Prior to the IPO on 4 October 2017 the joint controlling parties of Charter Court Financial Services Group plc were Elliott International L.P. and Elliott Associates L.P. by virtue of their combined controlling interest in the Group's issued share capital and voting rights.

Transactions between the Company and its related parties are disclosed below:

Management services

	Servicing fees received		Debtor outstanding	
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016
	£m	£m	£m	£m
Charter Court Financial Services Limited	<u>2.9</u>	0.4	<u>0.1</u>	0.2

The Company provides holding company services to its subsidiaries and recharges any group costs to them. The agreement commenced on 29 November 2016.

Remuneration of key management personnel

Details of remuneration of key management personnel is shown in note 43 to the consolidated financial statements.

60. Immediate and ultimate controlling party

Details of the immediate and ultimate controlling party are shown in note 44 to the consolidated financial statements.