



Blemain Finance Limited
Annual Report and Financial Statements
For the year ended 30 June 2020

Company Registration No. 01185052



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Officers and professional advisers

Directors

PS Ball	
R Baxter*	(Resigned 30 September 2019)
GD Beckett*	
EA Blythe	(Appointed 2 September 2019)
W Bowser*	(Resigned 24 September 2019)
RJ Gregory*	
JE Hooper*	(Appointed 2 January 2020)
PA Wilson	

* Non-Executives

Secretary

SE Batt

Registered office

Lake View
Lakeside
Cheadle
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Auditor

Ernst & Young LLP
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Strategic report

The directors present their annual report and the audited financial statements for the year ended 30 June 2020.

Business review

Business model and strategy

The principal activity of Blemain Finance Limited ('the Company') continues to be that of a regulated specialist mortgage lender. The Company is a wholly-owned subsidiary of Together Financial Services Limited which, with its subsidiaries, operates as the Together Group ('the Group') of businesses. The Together Group conducts its new lending business through other subsidiaries. Accordingly, the Company has ceased to originate new loans but continues to service a closed loan portfolio. This Company manages accounts payable and employs staff for the Group and these costs are recharged to other companies within the Group.

Covid-19 and the macroeconomic environment

The emergence of Covid-19 as a global pandemic has led to significant disruption to the world economy and there is little certainty in the economic outlook. The UK, in common with other countries around the world, has fallen into a severe recession, GDP at the end of June 2020 has fallen 22% from its pre-pandemic level, although the easing of lockdown restrictions has already resulted in signs of recovery. Amongst other impacts, macroeconomic uncertainty may affect the availability and pricing of wholesale funding, reduce customer confidence, reduce customers' ability to service and repay their loans which may in-turn affect our ability to comply with the covenants in our funding structures, increase operating costs and impact property values.

The Company's response to the pandemic was to focus on: supporting our customers, including those requesting a mortgage-payment deferral or other support; protecting our colleagues; and safeguarding the financial resilience of the business. We rapidly adapted to new ways of working and took early and decisive actions to preserve and improve our capital and liquidity buffers. Further information on how we engaged with our key stakeholders during this time can be found in the Stakeholder Engagement report.

In February, business continuity plans were invoked to immediately safeguard colleagues and to quickly develop the operational and IT infrastructure to enable the vast majority of colleagues to work from home. Measures required to support a safe and phased return to the office for a number of our colleagues, including social distancing, personal temperature testing and enhanced cleaning procedures have been put in place. Further information on this is set out in the Stakeholder Engagement report.

In March 2020 the government announced that mortgage lenders should grant mortgage-payment deferrals to certain residential borrowers facing short-term liquidity issues and requesting assistance. The mortgage-payment deferrals were originally for three months, and the scheme was also available to buy-to-let borrowers as a means of extending relief to tenants. The government subsequently allowed borrowers to extend the deferral period by a further three months where necessary, while encouraging those able to resume payments to do so.

The enduring nature of the pandemic has meant that, despite our actions to date, for the long-term good of the business in September it was necessary to make colleagues redundant, whose roles could no longer be supported under the Group's revised plans.

The Company was in a strong position entering the Covid-19 pandemic and, with the actions taken during the crisis and the Group's ongoing programme to modernise the business, we will be well positioned for the future. As we emerge from the crisis and shape our business for the future, we believe a significant market opportunity will exist for specialist lenders like the Together Group to play our part in helping our customers, the wider society and by doing so supporting the UK's economic recovery.

The way people live and work is evolving rapidly and this process is expected to escalate as a result of the Covid-19 pandemic. As increasing numbers of people may find their situations have changed as a result of Covid-19, so our focus on delivering common sense lending is more relevant than ever.

The Company's ongoing strategy of prudent LTV lending provides significant mitigation from such uncertain economic times further supported by our strong financial position. The Company's approach to managing risks is explained in the Principal risks and uncertainties section below.

Strategic report (continued)

Business review (continued)

Results

The loan book finished the year down 17.9% at £261.2m and loss before tax for the year was £9.1m, a profit of £6.9m when customer redress provisions are excluded.

As shown in the statement of comprehensive income on page 30, loss before tax for the year was £9.1m (2019: £5.7m profit), £6.9m profit before tax when customer redress provisions are excluded (2019: £5.7m). Net interest margin¹ remained highly attractive at 7.2% (2019: 7.2%) given the high levels of collateral underpinning the quality of the loan book. Administration costs have increased to £27.4m (2019: £18.5m), reflecting higher provision charges of £15.8m that are partially offset by a reduction in staff costs of £7.8m. Further details on customer provisions are set out in the Principal risks and uncertainties section and in Note 20 of the financial statements. Impairment losses increased by £0.7m from £1.8m to £2.5m for the year ended 30 June 2020 reflecting loan book performance and the impact of Covid-19. Further detail on impairment losses is set out in Note 13 of the financial statements.

Position

As shown in the statement of financial position on page 31, loans and advances to customers have decreased by 17.9% to £261.2m (2019: £318.0m) as new mortgages are originated through other subsidiaries in the Together Group and existing mortgages to the Company are redeemed. At the same time, equity has decreased by 45.5% to £11.0m (2019: £20.2m) due to the loss for the year.

During the year the Company made a capital contribution of £50,000 (2019: £300,000) to its subsidiary company, Spot Finance Limited, by forgiving a portion of amounts owed to the Company. Subsequently, the value of the Company's investment in Spot Finance Limited was reviewed for impairment which led to a reduction of £0.1m (2019: £0.2m).

Liquidity and funding activity

The Company is partly financed by its parent company, Together Financial Services Limited, which itself is party to a revolving credit facility and through another Group company has issued senior secured notes, the non-securitised assets of the Company being subject to a fixed and floating charge in respect of these facilities. In addition the activities of the Company are also financed by securitisation facilities, including public residential mortgage-backed securitisations Together Asset Backed Securitisation 1 PLC ('Together ABS 1') issued on 29 September 2017, Together Asset Backed Securitisation 2018-1 PLC ('Together ABS 2') issued on 8 November 2018 and a private revolving securitisation facility Charles Street Conduit Asset Backed Securitisation 1 Limited ('Charles Street ABS') originated in November 2007, which are secured on specific loan assets of the Company ('securitised assets').

The profound consequences caused by the coronavirus and the government's response to promote the offering of mortgage-payment deferrals resulted in management taking action to temporarily agree waivers to certain covenants with the funders of the private securitisations, in order to support our customers through these unprecedented times. Such waivers have since been extended to align to the extension in government guidance.

In September 2020, the maturity date on the undrawn £71.9m RCF facility has also been extended from June 2021 to June 2023.

The Board of Together Financial Services Limited has confirmed that it will continue to provide funding to the Company for 12 months from the date of signing the Company's accounts.

Detail on monitoring liquidity and funding risk is discussed in the Principal risks and uncertainties section on page 14 and further detail on the going concern assessment is set out in Note 2 to the financial statements.

Regulatory and legal considerations

The Company's operations are affected by a number of laws and regulations. The Company is authorised and regulated by the Financial Conduct Authority (FCA). The Company also has to comply with the relevant UK and EU regulations, including anti-money laundering regulations, the EU General Data Protection Regulation and EU Securitisation Regulations. Information on how we engage with the FCA is provided in the Stakeholder Engagement report. Within this environment, the Company continues its commitment to customers to treat them fairly and as part of this has established a programme called Do The Right Thing; more information on this can be found in the Stakeholder Engagement report.

The Company has responded to new guidance issued by the FCA in response to the coronavirus pandemic, including offering mortgage-payment deferrals to customers and the treatment of vulnerable customers. Additionally, the Company has implemented the FCA's Senior Managers and Certification Regime (SM&CR) during the year.

¹ Net interest margin is calculated by dividing net interest income by the average opening and closing net loans and advances to customers.

Strategic report (continued)

Business review (continued)

Regulatory and legal considerations (continued)

The Company expects that regulation will continue to be an area of focus. The FCA's business plan highlights that the impacts and lessons-learned during and beyond Covid-19 may further refine their areas of focus. The business plan also states that the current regulatory framework is too focused on rules-based approach, and not enough on principles and outcomes and also sets out a view that resources are devoted to redress and remediation, but not enough focus is on empowering customers to make good decisions, on regulatory action to prevent harm, and on safeguarding customers' financial wellbeing.

The FCA has also consulted on extending SM&CR implementation deadlines for solo-regulated firms, on certain requirements, including: the date the conduct rules come into force; the deadline for submission of information about directory persons to the register; and extending the deadline for assessing Certified Persons as fit and proper from December 2020 to March 2021.

The Company will continue to monitor proposed changes to the FCA regulatory agenda and landscape for emerging themes and to consider changes in regulation and guidance, to assess the potential impact of any changes, and to allow for any impact on the Company's strategy and business model to be identified and also for policies, to be adapted accordingly.

Stakeholder Engagement Report

Our relationships and reputation with our stakeholders remain important to the overall sustainable success of our business. We recognise and acknowledge our responsibilities to the wider communities we are part of and continue to be proud to show that our business performance can make a difference.

We identify our key stakeholders as:

- Customers
- Colleagues
- Regulators
- Community
- Funding Providers
- Suppliers
- Shareholder

The following report sets out what we do to engage with stakeholders and, where relevant, how this has changed to support our stakeholders through the Covid-19 pandemic.

The report includes our Employee Engagement report which sets out how we engage with our colleagues.

In responding to the pandemic we have prioritised the wellbeing of our colleagues, customer service to our customers, and the resilience of the business. This has sometimes resulted in changes to arrangements with stakeholders, but we have at all times sought to ensure that changes have been managed professionally, appropriately and in line with regulatory requirements.

Vision and Mission

Our vision, mission and beliefs remain unchanged and are more meaningful than ever.

- Our vision is **to put common-sense into lending**, it is why we exist and why our work is important. It is this collective spirit which drives us forward
- Our mission is **to turn challenges into opportunities that make our customers financial ambitions accessible**. It defines what we do, and how we help our customers and make a difference.

Culture and Purpose

Our Play your Part initiative puts our vision, mission and beliefs into words and encapsulates our culture in a framework for the entire business. Our beliefs set the tone for how we work successfully together and are cascaded from the Board to all our colleagues within the business, this is a strength that we have drawn on as a business during the Covid-19 pandemic.

Beliefs

Our seven beliefs describe the approach we take to our work:

- Respect for People - *We listen, we understand, we stand in our customer's shoes. We are attentive to our customers' needs*
- Delivering Positive Outcomes - *We work hard to solve problems and see things through to a quality result.*
- Engagement - *Relationships are important to us. We create an environment where people want to work with us and recommend us.*

Strategic report (continued)

Stakeholder Engagement Report (continued)

Beliefs (continued)

- Creating Opportunity - *We have a can-do attitude. We find a way to make things happen and get the right outcome.*
- Straightforward Solutions - *We keep things as straightforward as they can be. We focus on getting the big and little things right.*
- Balanced Commerciality - *We apply sound judgement. We make balanced decisions that meet the needs of our customers and wider stakeholders.*
- Accountability- *We take the initiative and responsibility for our actions. We care about the quality of our work.*

Following the implementation of the Senior Managers and Certification Regime, we rolled out our 'Accountability Charter' across the Group and, in performance conversations with their managers, colleagues are asked to describe how they have put these beliefs into action.

Our culture provides a strong foundation for our ability to support our customers, together with our colleagues, and maintain the strong business relationships with other stakeholders during the Covid-19 pandemic.

CUSTOMERS

Our mission to help customers make their financial ambitions accessible is at the heart of everything we do. To achieve this we have implemented touch points to gain customer feed-back throughout the customer journey.

It is equally important to look at how we achieve our mission. This is why the Group launched a number of projects and initiatives to consider how the Group continues to modernise and evolve to ensure it is ready for the future of specialist lending.

Listening to our Customers

We seek to give customer-facing colleagues the tools, knowledge and support they need to deliver positive outcomes. This includes annual training that focuses on conduct, understanding our customers and improving awareness and the identification of customers in vulnerable situations.

A key focus for us is the quality of conversations with customers. We hold monthly "Great Conversations" sessions with operational colleagues which use feedback from our Voice of Customer programme to shape areas of focus. These sessions help colleagues to build better relationships with customers and improve their ability to understand customers' circumstances.

Since January 2019, the Group has employed Feefo to collate customer feedback on our behalf. This year, the Group received 720 customer reviews via the site, with an average score of 4.6 out of 5; 77% of which were 5 star reviews, a 3% improvement on the previous financial year (2019: 74%).

We also take customer complaints very seriously. We complete root cause analysis on samples of customer complaints on a monthly basis; along with responses from customer satisfaction surveys. The data is used to inform process changes and colleague training. We continue to take proactive action based on customer feedback and embed changes into our overall customer journey processes, including the streamlining of processes for faster decision making and the improvement of communication with our customers.

During the year, customer complaints have shown a significant decrease. The Company's complaints volumes, as externally reported, were 939 for the year (2019: 1,469).

We actively track and monitor customer feedback on a daily basis and take customer feedback on board to develop internal processes. We have found that our system and skills improvements have helped us support our customers during the Covid-19 pandemic.

Customer support during the Covid-19 Pandemic

Following the government's announcement that mortgage-payment deferrals would be available to customers, we re-trained and re-deployed colleagues into a dedicated customer support team to help customers with their Covid-19 related queries via a dedicated telephone line and through our website. This line has also offered enhanced messaging to provide customers with easily accessible information on Covid-19 related matters.

Through the initial pandemic period, we saw a doubling of inbound customer contact, but due to our quick response, our customer service levels were improved from pre-pandemic levels and our personal finance customer satisfaction score from our Voice of Customer surveys improved between April and June at 94% compared to 91% in the previous quarter.

We continue to support customers as their mortgage-payment deferrals come to an end and are proactively contacting and working with customers to ensure that they receive support appropriate to their individual financial circumstances.

Stakeholder Engagement Report (continued)

CUSTOMERS (continued)

Vulnerable Customers

We recognise the importance of identifying our vulnerable customers and understanding what additional support they may require.

All colleagues are trained to identify where a customer is vulnerable, and all front line colleagues receive enhanced training on vulnerability. On an annual basis, a full day of training is held to discuss key focus areas, including indicators of vulnerability and enhanced ways that we can support vulnerable customers.

We understand that our ability to identify and support vulnerable customers is particularly important in the current economic climate. We continue to monitor and track customer circumstances through monthly management information which is shared and discussed across all levels of the organisation to inform our ongoing approach, and we continue to undertake targeted quality assurance on samples of vulnerable customer accounts to ensure that appropriate support is being provided.

Do the Right Thing

In 2018, we launched our Do the Right Thing (DTRT) programme. DTRT was set up to enhance the service our customers receive, both through addressing issues where we may not have met either our own or our customers' expectations, and through looking at how we can proactively improve current processes to deliver a better outcome for customers now and in the future.

This year the programme has addressed a number of areas, including the introduction of a suite of improvements around how we engage and support vulnerable customers, and improved customer communication and contact tools.

The programme continues regularly report on operational activities to identify, investigate and provide solutions for regulatory breaches and establishing a fair and equitable approach to customer remediation. We are in the advanced stages of identifying and processing customer remediation and continue to update the FCA on our progress. Detail on the governance of the DTRT programme can be found in the Corporate Governance statement.

Customer Redress

It is important when listening to our customers that we learn from their experience, especially when we fall short of the standards we set for ourselves or that are set by the Financial Conduct Authority (FCA) regulatory framework. In such circumstances it is vital that we firstly understand root causes and put things right for our customers, and we implemented sustainable changes to make the improvements for the future in line with our regulatory requirements.

Last year we explained that we identified instances where some of our past written communications with customers should have been clearer and more complete, including instances where balances were not expected to be repaid by the customer by the contractual maturity date, using their current repayment schedule. We also identified instances where we had found that we may have improved the outcomes for certain customers in arrears if different forbearance tools had been applied. Disclosures in respect of this can be found in Note 20 to the financial statements.

We notified the FCA of these findings in line with our reporting obligations and we proactively appointed experienced third party consultants to provide additional resource and assurance and to strengthen our three lines of defence model to support our internal review processes.

We have already taken proactive steps to improve the clarity of our communications, providing additional colleague training, and enhancing quality assurance processes in relation to the selection of the most appropriate forbearance tool for individual customer's circumstances. In addition, we have increased customer contact to ensure that our customers fully understand the forbearance options that are available to them.

EMPLOYEE ENGAGEMENT

Blemain Finance Limited is the employing entity for all colleagues within the Together Financial Services Group.

Throughout the Together Group we recognise that our colleagues are a key strength and our achievements would not be possible without them. Achievements derive from both their skills and knowledge and also their behaviours and attitudes. This year more than ever we are proud of our colleagues and the efforts they have made to support our customers and our business during these unprecedented and challenging times.

We discuss below how we develop our colleagues' knowledge, skills and careers, look after their interests and how we recognise and reward achievement.

Stakeholder Engagement Report (continued)

EMPLOYEE ENGAGEMENT (continued)

The Covid-19 pandemic has transformed how we work together and a priority has been to safeguard colleagues' wellbeing. The severity of the pandemic and its impact on our growth plans has, however, resulted in making some difficult decisions regarding furloughing and restructuring our business.

Like so many businesses at this time, the Group recognised it was necessary to furlough approximately 300 colleagues. We sought to mitigate the financial hardship to colleagues by committing to top up salaries to 100% for lower paid employees and to 80% for all other employees. In addition, the working pattern of some colleagues reduced to a four day week, with a subsequent reduction in salary, until work began to increase again. The Board, the executive team and some other senior colleagues, took a voluntary 20% reduction in salary for the month of May as a mark of solidarity, donating this to NHS Charities Together to support the national fight against coronavirus.

Whilst we took immediate action to protect the business during this time, we are now making important decisions about in the way we want to operate moving forwards. In July, we consulted colleagues on a range of changes we were proposing to make to the business. These proposals resulted in restructuring activity which put a number of roles at risk of redundancy. During this unsettling time for colleagues, we continued to offer support through regular communication, briefings, and enhanced wellbeing resources, including career advice. Further information on the outcome of the restructuring can be found in Note 27 to the financial statements.

More information on the Company's role in decision making in relation to colleague redundancies can be found in the Corporate Governance statement.

Colleague Wellbeing

Wellbeing has always been an important focus for the business, and we are building on this foundation by developing a three-year Colleague Wellbeing Strategy, including the introduction of a network of trained wellbeing champions across the business. The Wellbeing Strategy is now even more important as we support colleagues through these uncertain times.

We have a range of initiatives in place to promote our colleagues' health and wellbeing, including fitness and running clubs, free gym membership, and a cycle-to-work scheme. Our colleague assistance programme also provides access to a confidential helpline which offers 24-hours-a-day help and support, including counselling from qualified professionals.

At the outset of the pandemic, we utilised our existing network of MindMatters Champions to support colleagues through challenging times. This included creating a dedicated wellbeing area on our intranet with resources to support mental, physical and financial wellbeing, offering 1:1 support, and a series of colleague blogs.

In terms of colleague's physical health and safety, at an early stage of the pandemic period, we introduced measures such as hygiene stations throughout our offices while developing the IT infrastructure for colleagues to work from home. From February 2020, we also invoked business continuity planning and we were able to encourage home working in advance of the government announcement of the initial lockdown, having developed HR procedures for the management of colleagues affected.

As the government moved towards easing the initial lockdown, the leadership team implemented measures to allow colleagues to transition back to office. Measures include the implementation of social distancing, temperature checks, and enhanced cleaning procedures to support the safe return to the office environment for our colleagues. All measures implemented to ensure this safe return have been subject to rigorous risk assessments across our three lines of defence. Following revised government guidance in mid-September, we revisited our office working arrangements and will keep this under review.

Colleagues' Learning and Development

Together believes in creating opportunities and has an extensive, interactive learning and development programme in place to help our colleagues grow and develop. Our graduate and apprentice schemes have seen many colleagues progressing into more senior roles within the Group. Together also supports external training and qualifications for its colleagues where appropriate to their role.

All colleagues, including Directors, undertake regular mandatory e-learning modules which include, amongst other topics, conduct excellence, vulnerable customers, and treating customers fairly. The completion of mandatory training is used as one element of the fitness and propriety assessment for those with documented responsibilities under the Senior Managers and Certification Regime.

Colleagues are empowered to engage in improving themselves and the organisation by sharing their learning and insights with their peers, within their teams, and throughout the wider business. Colleagues have the opportunity to do this through a variety of forums, including departmental roadshows, huddles and blogs.

Stakeholder Engagement Report (continued)

Colleagues' Learning and Development (continued)

In the face of Covid-19, a dedicated suite of tools and resources was made available to support colleagues' continued learning, training, and development during their time working from home. This has included e-learning modules focussed on mind management and resilience, and leadership and people manager toolkits. The learning and development also provided specific training on supporting our customers through difficult times as a result of Covid-19.

Fostering Diversity

To help celebrate differences, remove barriers and fulfil colleagues' potential, we have set up a number of networking groups under the 'Togetherness' umbrella.

- Women@Together: activities have included a speaker series, lunch club and mentoring programme aimed to develop and inspire colleagues irrespective of gender.
- Kaleidoscope@Together: aims to promote diversity and inclusion across Together.
- YoungProfessionals@Together: a network for colleagues new in role or new to Together, helping them to network, grow and develop their careers.
- MindMatters@Together: aims to raise mental health awareness and promote wellbeing amongst colleagues.

Recognition and Reward

We think it is important that colleagues can celebrate and share in our success, and our benefits package includes 'Shared Reward', a long-term scheme for colleagues to benefit when we achieve goals aligned with our performance targets. We also have a calendar of events, from family fun days to long-service awards, all to thank colleagues for playing their part.

Due to the Covid-19 pandemic we had to pause some events, but our focus on recognition did not stop. A key part of our communications strategy during this time was focussed on celebrating the outstanding contributions from individuals in all areas of the business for their determination to maintain high standards of service whilst dealing with the new challenges of social distancing and supporting our customers impacted by the pandemic.

Listening to our colleagues

We hugely value feedback from our colleagues. We encourage and gather insight through

- 'Voice of the Colleague' forums, chaired by the HR Director and attended by colleagues from across the Group to understand the day-to-day issues
- Colleague engagement surveys, including our annual 'Big Listen', and quarterly 'Quick Listen' to check and benchmark engagement levels

In the latest Quick Listen results the Group achieved a response rate of 88% and an engagement score of 85%, a high score when benchmarked against the financial services sector. It is a testament to the importance placed on engagement as a whole and was an increase on our previous scores throughout 2019. It also demonstrates that our Big Listen action plan activities – focussed around improving communication, collaboration and change – are being recognised and are making a positive difference within the business.

Our colleagues are given the opportunity to meet informally with the CEO on a fortnightly basis. In addition, the Executive team regularly participate in 'back to the floor' sessions, where colleagues are shadowed in their day-to-day roles and are encouraged to share their experiences and knowledge. These sessions continued via video conferencing whilst the majority of colleagues work from home during the Covid-19 pandemic.

Whilst we have very strong engagement with our colleagues, we always strive to do better and will continue to place a very high importance on this. During the pandemic period, rather than our usual surveys, we focussed on colleague health, and we carried out monthly wellbeing pulse surveys to ensure that wellbeing of colleagues was being monitored on a regular basis, and action taken where needed.

REGULATORS

Our approach to regulatory engagement is one of openness and transparency, treating any enquiries with priority, and we follow established processes for communicating proactively where appropriate. Our Board and management team are committed to ensuring that this is effective through the right culture, clear and aligned goals, and people with the right skills and experience. More information on our governance framework that supports compliance with our regulatory obligations can be found in the Corporate Governance Statement.

Stakeholder Engagement Report (continued)

REGULATORS (continued)

During the year, we have continued to monitor the regulatory landscape and have attended a number of FCA roundtables and forums led by trade associations, such as the Finance and Leasing Association and UK Finance, on topics such as vulnerability and mortgage prisoners. Attending such forums ensures that we participate in industry discussions on regulatory matters and that we contribute to industry feedback on current issues.

A number of projects have also taken place across the Group to ensure continued compliance with General Data Protection Regulation. We continue to ensure that we are informed of data protection requirements and industry best practice through regular attendance at externally facilitated training and discussion forums.

During the Covid-19 pandemic, we have actively engaged with the Bank of England, HM Treasury, the FCA, and various trade bodies to ensure that the circumstances of non-bank lenders like Together are understood and taken into account in shaping policy decisions. These discussions have looked at the implementation and impact of government schemes to support consumers and businesses, including mortgage-payment deferrals and also the government backed liquidity schemes.

We have participated in a number of forums held by trade associations set up to help members translate the regulatory guidance issued to firms during the period and to facilitate a consistent approach to good customer outcomes throughout the industry. We also provided regular data to the FCA and various trade bodies to help them better understand the number of customers on payment deferrals, liquidity and funding positions, and the wider impact of Covid-19 on our sector.

Senior Managers and Certification Regime

The Senior Managers and Certification Regime (SM&CR) came into effect for solo-regulated firms on 9 December 2019. In preparation for this, a project was established to ensure successful oversight and delivery of implementation in line with the FCA's timescales. A 'three lines of defence' assurance approach was in place throughout the project which was designed to carry out oversight of activity to ensure compliance with the regulatory requirements of the Regime.

The high level project activity included thorough traceability of the FCA's requirements, detailed internal communication to all colleagues and the development of the 'Accountability Charter' to embed SM&CR within the business; the Charter was rolled out to the wider business to ensure a uniform approach to accountability across the Group.

Since implementation of the Regime, an SM&CR Office has been established to support the firm to further embed associated policies and procedures. To understand the ways in which colleagues are adhering to the conduct rules a number of surveys have been undertaken to ensure that ongoing regulatory obligations continue to be met. The Office reports directly to the CEO and provides regular updates on activity to the Executive Committee and Board.

During the Covid-19 pandemic, additional support was provided to those colleagues with senior management responsibilities under the Regime to clarify any required changes to their individual accountabilities. In addition, regular monitoring of resource was carried out to ensure departments continued to have sufficient capacity to meet their regulatory responsibilities, and handover documentation was prepared in readiness for a potential increase in absences due to the pandemic.

Further details of compliance and conduct risk are contained in the Principal risks and uncertainties on pages 17 - 18.

COMMUNITY

We launched our award winning Let's Make it Count programme in 2016 which provided our colleagues with a framework to make a difference in the local community. The programme is embedded throughout the Personal Finance business within the six pillars and, although our activities have been constrained by the onset of the pandemic we look forward to resuming our activities that have such a significant impact within the communities.

Our six Let's Make It Count pillars are as follows:

- *Let's Get Giving* is our charity fundraising pillar
- *Let's Get Sharing* supports and mentors the talent of tomorrow
- *Let's Get Going* is our pillar supporting young entrepreneurs
- *Let's Get Green* is our environmental sustainability programme
- *Let's Get Creative* is our pillar focused on inspiring artistic expression in young imaginations
- *Let's Get Caring* is our local community outreach programme

Further detail on Group activities under our Let's Make it Count programme are reported by the Together Group in their Annual Report and Accounts which does not form part of this report.

Stakeholder Engagement Report (continued)

INVESTORS BANKS AND CAPITAL

Our funding is provided by UK and international banks and other institutions who invest in private and public securitisation vehicles, in which assets originated and serviced by the Company, are sold into. In addition, the Group, and therefore the Company, indirectly is funded via high yield bond markets in which the Group has an established presence. In conjunction with the wider Group we have established long standing banking relationships and have also built strong relationships with our institutional investors. These relationships are vital to supporting the success of our business.

We aim to make our investor communications clear, transparent and informative. This includes monthly reporting to banks and investors in our private and public securitisations, site visits during the year, regular due diligence activities with our banking facility providers, and engagement with rating agencies who rate some of the facilities.

The strength of our relationships and clarity and openness of communication has been even more important in the light of the Covid-19 pandemic and the significant macroeconomic uncertainty that has resulted. As part of the Group's activities we have maintained regular, proactive communication with our investors and banks throughout the crisis. During May, we concluded discussions with each of the parties invested in our four private securitisation facilities to agree the necessary waivers to support the provision of mortgage-payment deferrals to customers impacted by Covid-19, in line with government guidance. The waivers enabled, subject to certain limits, for the impact of such mortgage-payment deferrals to be ignored for the purposes of certain covenants. Waivers were reviewed and extended following the extension by the government of the window for payment holiday applications to the end of October. This activity involved close collaboration with banking partners around the impact of offering mortgage-payment deferrals and finding ways to support customers who have been impacted by Covid-19.

SUPPLIERS

Suppliers play an important part in supporting our business, in particular our professional advisers and our outsourced IT developers. We consider not only price and quality when deciding which suppliers to engage, but also the potential long-term nature of the relationships and how these can be mutually beneficial.

We carefully consider our supplier contracts to ensure contractual commitments are clear and that obligations around sensitive information, such as customer data, comply with the relevant regulations.

OUR SHAREHOLDER

Blemain Finance Limited ('BFL') is a wholly owned subsidiary of Together Financial Services Limited ('TFSL') a company whose ultimate parent entity is Redhill Famco Limited which is wholly controlled by HN Moser, the Group CEO. The BFL Chair and BFL CEO regularly update both the TFSL Board and HN Moser on the activities of the business.

Section 172 Statement

Section 172 of the Companies Act 2006 describes and defines the legal requirement for a director to promote the success of the company. A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. Section 172 (s.172) requires that directors, in doing so, have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long term
- b) the interests of the company's employees
- c) the need to foster the company's business relationships with suppliers, customers and others
- d) the impact of the company's operations on the community and the environment
- e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly between members of the company

The table below sets out how the Board has complied with s.172. Many of the requirements are integral to the way that the Company operates within the Together Personal Finance (TPF) division, which is led by the TPF Board (the Board). The Company's Board meets separately to discharge its statutory and regulatory responsibilities when required. References to other sections of the annual report have been added where more information can be found.

S.172 requirement to have regard to:	How the Board has fulfilled its s172 duties
(a) the likely consequences of any decision in the long term	<ul style="list-style-type: none"> • The Board meets regularly to consider operational and financial performance and key internal developments, and to make principal decisions in the context of the short and medium-term objectives in place to protect the long-term value of the Company. • The overall flexibility of the governance framework has been evidenced in the ability of the business to promptly enhance its governance arrangements to appropriately respond to the significant changes to the economic environment, market conditions, and the needs of our customers and colleagues as a result of the Covid-19 pandemic. Enhancements allowed for quick decision making in response to immediate circumstances to safeguard the long-term value of the business. • On an annual basis, the Board approves the trading plan and budget for the company within parameters set by the Group. The plan focuses on the activities over the medium term to ensure readiness to take advantage of opportunities in the market. Information on the Company's strategy can be found in the Strategic report. • Information on the governance framework and how it facilitates efficient decision making, can be found in the Corporate Governance statement. • Further information on principal decisions that the Board has made during the year can be found in the Corporate Governance and Committee Structure section. • The Board has approved the going concern basis of accounting for the year ending 30 June 2020. The Statement of Going Concern can be found in the Directors' report.
(b) the interests of the company's employees	<ul style="list-style-type: none"> • Colleague feedback is taken via quarterly employee engagement surveys with colleague engagement scores regularly reported to the Board. The output of the wellbeing surveys circulated to colleagues during the Covid-19 pandemic surveys was reported to the Board to inform discussions on safe and effective ways of working. • Following the lifting of government initial lockdown restrictions, work was carried out to ensure that, where appropriate, colleagues could begin returning to the office, this activity was overseen by the Board to provide assurance that the working environment was safe for colleagues. • Information on the furloughing of colleagues under the government's job retention scheme and the enhanced payments made to colleagues during this time can be found in the Stakeholder Engagement report. • Our colleague reward schemes recognise achievement and performance, this includes a Group Shared Reward Scheme which encourages colleague retention through the provision of a longer term incentive horizon. The Remuneration & Nomination Committee has delegated authority by the Board to oversee pay and reward within the parameters set by the Group. More information on the Board's approach to remuneration can be found within the Corporate Governance statement.

Section 172 Statement (continued)

<p>(c) the need to foster the company's business relationships with suppliers, customers and others</p>	<ul style="list-style-type: none"> • Maintaining positive stakeholder relationships is crucial to long-term sustainability and is regularly reported to the Board to inform decision making. • Doing the right thing for our customers is a key focus for the business and we encourage our customers to provide feedback. Information on how we engage with our customers, including how we met customer requirements during the Covid-19 pandemic can be found in our Stakeholder Engagement report • Throughout our DTRT programme, we have worked collaboratively with third parties for advice, validation, and solutions to ensure the best outcomes for our customers. • The Company is dependent on key services from the Group. As part of preparations for the introduction of SM&CR, service level agreements were put in place for the provision of those services. The agreements had input from external legal counsel and were approved by the Board; they are reviewed on a regular basis with ongoing monitoring by business departments. • Investor feedback is considered on an ongoing basis and particularly when relevant to decisions relating to funding transactions. Information on how we foster relationships with our investors and banking facility providers can be found in our Stakeholder Engagement report.
<p>(d) the impact of the company's operations on the community and the environment</p>	<ul style="list-style-type: none"> • Support for charities and community projects continues via our colleague led initiative "Let's Make It Count". More information on "Let's Make It Count" can be found in our Stakeholder Engagement report.
<p>(e) the desirability of the company maintaining a reputation for high standards of business conduct, and</p>	<ul style="list-style-type: none"> • This year, the Board approved the voluntary adoption of the Wates Principles for Large Private Companies as a demonstration of its commitment to best practice governance. Information on how the Company has applied the Wates Principles can be found in our Corporate Governance Statement. • The Board establishes the conduct, values, and ethics of the Company and fully endorses the beliefs of the Group which underpin its vision to put common sense into lending. Information on the company's culture can be found in the Stakeholder Engagement report. • The Company has a Board and management team which is committed to high standards of business conduct through clear and aligned goals and the appointment and retention of colleagues with the right skills and experience. Information on the Board's activities can be found in the Corporate Governance report. • We follow an established process for communicating proactively with the FCA where appropriate. Information on our engagement with the FCA can be found in the Stakeholder Engagement report. • The Board and its committees approve policies and procedures that facilitate high standards of governance and compliance in line with best practice and regulatory expectations. Policies are set within the parameters of the Group to ensure standards are maintained within all business operations. • The Board regularly receives monthly complaints information and trend data to provide assurance that complaints are being addressed. • Our DTRT programme looks at our processes both historically and on a go forward basis to ensure good customer outcomes. Information on the Board's oversight of this activity is in the Corporate Governance statement. • More information on the governance of the roll out of SM&CR and how the Board discharged their duty to ensure regulatory compliance, can be found in the Corporate Governance statement.
<p>(f) the need to act fairly between members of the company</p>	<ul style="list-style-type: none"> • Governance arrangements are regularly reviewed to ensure they continue to meet the standards expected of a regulated financial-services organisation. • The Chair meets regularly with the Group's shareholder and regularly provides feedback to the Board on discussions. • Information on how we engage with our Group shareholder can be found in the Stakeholder Engagement report.

Principal risks and uncertainties

The Company and Group are exposed to a variety of risks in pursuing its strategic objectives and the principal risks are set out below. To identify and manage these risks the Group utilises an enterprise risk-management framework (ERMF) and the Company operates within the overall Group risk-management framework but with particular and additional focus on certain risks, such as conduct and compliance. Further detail on the Group's risk exposure and approach to managing risk can be found in the Risk Management report within the Annual Report and Consolidated Financial Statements for Together Financial Services Limited. Further details on the Company's governance arrangements can be found in the Corporate Governance report.

Strategic risk

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

Strategic risk is managed and mitigated by:

- Regular Board oversight of the strategy, including monitoring of financial and non-financial performance indicators.
- Regular engagement with the Group's shareholder to allow for alignment of objectives.
- Identification of areas of the market where customers value our common-sense lending and a relationship-based approach.
- Listening to customers to learn how we can improve their experience and increase customer advocacy.
- Evaluation of opportunities to further incorporate technology into business processes to make the customer experience better and/or improve operational efficiency.
- Assessment and consideration of broader global and UK macroeconomic environment and key industry drivers.
- Regular review and dissemination of market and competitor developments, including product evolution, merger and acquisition activity and wider corporate developments.
- Maintaining strong relationships with intermediaries.
- Ongoing monitoring of the funding markets in which the Group is active, including securitisation and high yield bond markets.
- Ongoing Board review of the risk appetite, risk exposure and mitigation.
- Sensitivity and stress testing analysis are carried out against the loan book and business plans.
- Annual budget process, which includes this Company and aligns with the Company and the Group's objectives.
- Delivery of significant change programmes and projects by a dedicated change delivery department in accordance with an established 'Change Delivery Framework'.

Credit risk

Credit risk is the risk arising as result of default by customers or counterparties due to failure to honour obligations when they fall due. The Company is exposed to changes in the financial position of its customers, which may adversely impact their ability to make loan repayments. The level of this risk is driven both by macroeconomic factors and by factors relating to specific customers, such as a change in the borrower's circumstances. Credit risk also arises if the value of assets used as security for loans falls in value, given this is the primary source of recourse should a borrower fail to repay amounts due.

Credit risk is managed and mitigated by:

- The Group and Company's comprehensive underwriting procedures, which where appropriate, have regard to creditworthiness, affordability levels, repayment strategies and property LTV ratios.
- Conservative LTVs are targeted across all products, providing mitigation to the risk of credit losses arising in the event of default and protection from the risk of falling collateral values.
- Customer affordability models are utilised, where appropriate, and are tailored to the customer and loan type.
- Responding to changing market conditions, such as the worsening economic conditions since March 2020 by pausing new applications and tightened lending criteria, including lower maximum LTVs and increased thresholds for affordability assessments.
- Monitoring of customer performance throughout the life of the loan, with regard to arrears, proactive collections strategies, application of mortgage-payment deferrals in response to Covid-19, or other forbearance measures.
- Capturing additional data and establishing enhanced monitoring of the specific risks posed to the portfolio by Covid-19 and the impact of customers in receipt of mortgage-payment deferrals. This has included accessing additional data, where appropriate, from open banking and credit reference agencies.
- Updated arrears management standards and processes to reflect the latest FCA guidance on mortgage-payment deferrals.
- Monitoring of credit risk exposures through credit risk management information to enable an assessment of position versus risk appetite. This has been enhanced to provide further analysis and focus on particular risk factors emerging as a result of coronavirus.
- Macroeconomic sensitivity analysis of the loan book, including an increase in the number of scenarios modelled for the purpose of calculating the impairment loss allowance.
- Measuring and monitoring credit quality for impairment purposes using a suite of IFRS 9 models. Our detailed disclosures in respect of IFRS 9 credit modelling are included within Notes 13 to the financial statements.

Principal risks and uncertainties (continued)

Liquidity and funding risk

Liquidity risk is the risk that the Company is unable to access sufficiently liquid financial resources to meet the Company's financial obligations as they fall due.

Funding risk is the risk of being unable to access funding markets or to only be able to do so at excessive cost. This includes the risk of reduced funding options due to adverse conditions in the wholesale funding market, potentially caused by political and economic uncertainty leading to the inability to secure additional funding or refinance existing facilities.

An overview of the Group's sources of funding and activities during the year, which are applicable to this Company, are included within the Business Review, which sets out that the Company is partly financed by its parent company and therefore liquidity and funding risk is managed and mitigated at a Group level by:

- Close monitoring of liquidity risk against limits and triggers to provide early identification of any liquidity stress.
- Regular stress testing, including on a forecast basis, to test the ability of the Group to meet its obligations under normal and stressed conditions which are modelled and monitored against a 150-day survival period.
- Development of additional forecast cash-flow scenarios and stress-testing in response to the economic and market disruptions following the outbreak of coronavirus.
- Regular monitoring and reporting of compliance with financial covenants and representations, and proactively seeking waivers in respect of mortgage-payment deferrals to align with government guidance.
- Reporting of management information which includes a range of additional quantitative measures of liquidity and funding risk.
- Closely managing total liquidity resources, including cash, redemption cashflows, access to funding from securitisations and access to a revolving credit facility.
- Forecasting of expected cash inflows and outflows, including the outstanding pipeline of loan offers, and monitoring of actual cashflows.
- Only placing surplus cash balances on overnight deposit ensuring they remain immediately available.
- The utilisation of a range of medium to long-term funding sources.
- Diversification of funding sources.
- Maintenance of prudent headroom in facilities.
- Regular engagement with banks and investors.
- Maintenance of depth of maturity through regular new issuances and timely refinancing of existing sources of funding, when wholesale markets are available.
- Monitoring individual funding maturity dates and maturity concentrations.
- Undertaking liquidity and funding stress tests of our ability to withstand the emergence of risks under normal and stressed conditions.

Based on the Group's business model of funding primarily via securitisation programmes and bond markets, the Group has set risk appetites for both liquidity and funding risks. This provides a level of assurance that the Group is able to meet its liabilities and commitments when they fall due, and holds sufficient headroom, with acceptable depth of maturity, to support anticipated loan book growth and to survive a stress event in line with the appetite set by the Group. Liquidity, funding, and capital risk (see Capital Risk below) are closely related given capital provides the necessary subordination to each of the facilities, which in turn provide liquidity.

A key driver of liquidity risk within the Group arises from a number of private securitisation facilities being subject to portfolio covenants and eligibility restrictions, including concentration limits and performance measures. Amongst other requirements, such covenants limit the proportion of loans in arrears and on an individual loan basis the level of arrears determine eligibility for such facilities. In certain circumstances assets can be exchanged, repurchased or additional capital can be injected into the facilities to support compliance with facility terms thereby maintaining access to liquidity provided by such facilities. Failure to comply with facility terms or breach of non-curable performance covenants will cause such facilities go into early full amortisation with removal of undrawn facility headroom and deferral of income. The Group monitors such covenants and carries a level of cash and eligible assets to support the private securitisation facilities in a stress event in line with set risk appetites.

Increasing arrears, as a result of the wider economic consequences of the pandemic, increases the risk that insufficient resources will be available to support the private securitization facilities such that facilities remain in compliance with performance covenants, and thus the Group is able to draw on the liquidity and funding headroom from such structures.

The Group also benefits from an ordinarily highly cash-generative business model, with a high level of redemptions which is a key source of liquidity. Expectations are for continued market uncertainty which may lead to a reduction in the level of cash inflows and stress testing undertaken includes the impact of severe haircuts to expected redemption inflows.

Strategic report (continued)

Principal risks and uncertainties (continued)

Liquidity and funding risk (continued)

The liquidity and funding risks arising from reducing level of eligible assets and/or the risk of lower levels of cash inflows from redemptions can be mitigated by increasing the amount of liquidity resources held as cash. A key management action to generate net cash inflows is the ability to control levels of new lending, which in combination with a range of management actions, has increased cash holdings within the Group.

Note 2 to the financial statements provides further detail on the assessment of the going concern basis of preparation. This includes an assessment of the risks presented by any potential breaches of lending covenants, including potential mitigating actions.

Market risk

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

The Company does not carry out proprietary trading or hold positions in assets or equities which are actively traded, and the key market risk faced by the Company is interest rate risk, the risk of loss through mismatched asset and liability positions sensitive to changes in interest rates.

Interest rate risk is managed and mitigated at a Group level by:

- Regular monitoring of interest rate risk exposure at Personal Finance divisional level. This includes a forward-looking view which incorporates new business assumptions and expected redemptions.
- Closely monitoring the impact of a range of possible interest rate changes on the Group's performance and strategy.
- Undertaking hedging transactions as appropriate.

The Company's performance is not considered at material risk from changes in interest rates that are reasonably expected for the next twelve months.

Capital risk

Capital risk is the risk of failure to hold adequate capital buffers and to appropriately manage the Group's capital base to withstand the crystallisation of individual risks or a combined stress event. Given capital also comprises a material source of funding via subordination in bond and securitisation structures, insufficient capital also gives rise to funding and liquidity risk. Capital risk includes the risk of excessive gearing.

At a Company level, capital risk also includes the risk that the Company's regulatory capital requirements are not met at all times. There is regular monitoring of actual and projected regulatory capital requirements compared to capital resources to mitigate this risk.

Other areas of capital risk are managed and mitigated at a Group level by

- Regular monitoring of current and forecast levels of capital, including the gearing ratio.
- Business planning over a horizon of 12-18 months to enable the business to continually trade profitably, to grow retained earnings and provide the capital to support future growth.
- Reviewing the level of gearing within securitisation facilities and within the Group, and seeking to manage these when refinancing to maximise the Group's capital efficiency whilst ensuring sufficient capital is available to support the facilities and mitigate refinancing risk.

Operational risk

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

Operational risk is managed and mitigated for the Group and Company by:

- A framework of systems, controls, policies and procedures.
- Frameworks to recruit, train and retain sufficient skilled personnel. This includes succession planning and identification and mitigation of reliance on key individuals
- Utilising a Risk and Control Self-Assessment approach to identify, manage and monitor key operational risks.
- A documented and tested business continuity plan.
- A specialist business change team dedicated to managing the change projects the business is undertaking.
- Maintaining IT infrastructure to be sufficiently resilient.

Principal risks and uncertainties (continued)

Operational risk (continued)

- Investment in cyber risk prevention systems, resulting in a mature cyber security capability which includes:
 - A dedicated cyber security team focused on prevention and detection.
 - Top tier industry standard tools for both anti-virus and firewalls, using multiple vendors to maximise protection.
 - Market leading detection tools, continually monitoring the IT network and data.
 - Full penetration testing for externally facing networks.
 - Encryption of all mobile devices.

With the Covid-19 pandemic, the Group invoked its business-continuity process in proactively responding to the coronavirus outbreak. The immediate steps taken in the Group's response included:

- The instigation of daily meetings by the leadership team to review and direct the Group's operational response to Covid-19 and an increase in the frequency of Board and Risk Committee meetings both at Group and divisional levels to facilitate rapid decision-making.
- Rapid expansion of the IT and operational capability for colleagues to work from home.
- Adaption of systems of internal controls to support remote working.
- Changes to operational processes and IT systems to assist customers facing financial difficulty and offer mortgage-payment deferrals.
- Development of HR procedures and communications strategy to support colleagues and to support their ongoing wellbeing.
- Close monitoring of human resource levels to meet new and changing demands.
- Review of arrangements with suppliers and implementation of contingency procedures.
- Adaption of visitor and contractor policies to safeguard these individuals and our colleagues.

The Group has demonstrated an ability for the vast majority of our colleagues to work from home, and have also now put in place detailed social distancing, personal temperature testing and enhanced cleaning procedures to support a safe and phased return to the office for a number of our colleagues. All monitoring is carried out on a daily basis and reporting is presented to the Company's Board to provide oversight.

Conduct risk

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

This risk can arise from the failure to embed an appropriate culture, inadequate systems, procedures and product design, inappropriate terms and conditions, failure to recognise the needs of all customers, particularly vulnerable customers, and the risk that complaints are not managed in a fair, transparent and timely way, leading to poor customer outcomes. Failure to manage this risk sufficiently could result in reputational damage, regulatory sanction, remediation programmes, and impact the Company's operating model.

Conduct risk, also discussed within the Corporate Governance report, is managed and mitigated for the Group and Company by:

- The communication of the Group's 'beliefs', set by the Group and adopted by the Company, focus on colleague conduct, respect, accountability and customer experience.
- Annual training and awareness sessions for colleagues, for example training to identify factors which may indicate that a customer is vulnerable.
- Products are approved through a 'Product Governance framework' with a focus on customer needs.
- Adherence to a system of processes and controls which mitigate conduct risk, including monitoring and reporting against risk appetite.
- Identifying and supporting customers when things go wrong, for example, through forbearance and complaint handling.
- Root cause analysis of complaints or failings, focusing on continuous improvement aiming to identify where we could improve the outcome for customers.
- Quality assurance frameworks, which have been enhanced, including a focus on those customers impacted by Covid-19, and to focus on the potential impact on vulnerable customers or on customer who may become vulnerable.

Where potential instances are identified of activities that may have fallen short of the standards expected, a detailed assessment is carried out to understand the cause, impact and appropriate resolution, which may include remediation.

Principal risks and uncertainties (continued)

Conduct risk (continued)

As a result of undertaking internal reviews, instances were identified where, for certain customers in arrears, the outcome may have been improved if different forbearance tools had been applied. In addition, some past written communications with customers should have been clearer and more complete, including in instances where balances are not expected to be repaid by the customer by the contractual maturity date, using their current repayment schedule. Further disclosures in respect of this can be found in Note 20 to the financial statements.

Compliance risk

Compliance risk is the risk arising from the failure to comply with existing or new legislation or regulations in the markets within which the Group and Company operates. This includes the risk that the Group or Company misinterprets regulation or legislation. This could include the risk of developing business practices and processes that do not adhere to, or are not in line with the spirit of the law or regulation, leading to customer dissatisfaction or detriment, legal action against the Company and/or potentially fines from the regulator.

Compliance risk is managed and mitigated for the Group and Company by:

- Quality assurance reviews in operational areas with oversight provided by experienced risk and compliance departments.
- Independent monitoring reviews undertaken by second-line teams. Recently, these have focussed on the impact of Covid-19 on customer outcomes, from their request for a mortgage-payment deferral through to their payment deferral exit. Additional monitoring has been introduced in relation to the pre and post-offer residual application pipeline following our decision to apply tighter criteria to existing offers given the impact of Covid-19 on customer outcomes.
- Continued investment in staff training and awareness.
- Delivery of significant regulatory initiatives with the support of a dedicated change delivery department and in accordance with the Group's 'Change Delivery Framework' which includes second-line compliance engagement wherever appropriate.
- Products are approved through a 'Product Governance framework' with a focus on customer needs.
- Controls to prevent financial crime, including fraud detection, anti-money laundering checks and established processes for whistleblowing.
- Monitoring of compliance with legal obligations by an in-house legal department.
- Monitoring processes to assess compliance with the requirements of GDPR.
- Horizon scanning and impact assessments of potential regulatory and legal change. The compliance function monitors all regulatory developments, including the matters identified by the FCA in their business plan, to allow for new guidance to be considered and changes implemented where appropriate. Where potential instances are identified of activities that may have fallen short of the standards expected, a detailed assessment is carried out to understand the cause, impact and appropriate resolution, which may include remediation.

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



PA Wilson
Finance Director
21 October 2020

Corporate Governance and Committee Structure

Effective corporate governance provides assurance that the operations of the Company are successfully managed in the interests of its Group shareholder and other key stakeholders.

Board of Directors

The Together Personal Finance Board is a Board of Directors of the Together Personal Finance (TPF) division comprising Blemain Finance Limited, Together Personal Finance Limited, and Spot Finance Limited. All companies within the division have common directors. The Board provides entrepreneurial and ethical leadership for the TPF division within a control framework which enables risk to be assessed and managed and acts within delegated authority which has been agreed by Group Board.

The Board is responsible for setting risk appetite, and for agreeing and overseeing the delivery of its strategy within that risk appetite in line with the parameters set by the Group. In order to implement an effective corporate governance framework, the Board takes into account from the requirements of all stakeholders, and ensures that it has sufficient experience and resources to meet its objectives and to comply with all legal, regulatory and contractual considerations.

The Board has ultimate responsibility on all regulatory issues. The Board also ensures that the appropriate culture, values and conduct are embedded within the organisation and fully endorses the Group's beliefs.

During the year the Board voluntarily adopted the Wates Principles for Large Private Companies. Information on how the Wates Principles have been applied during the year can be found in the Corporate Governance Statement.

The companies within the TPF division are authorised and regulated by the Financial Conduct Authority (FCA) and this division is responsible for all FCA regulated activities across the Group through enhanced governance arrangements which are independent from the Group.

The Board meets a minimum of six times during the year. During 2020, additional meetings have been held to enhance governance and decision-making requirements as a result of the Covid-19 pandemic and to provide Board oversight of customer remediation activity.

Company Secretary

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

Board of Directors

Director biographies can be found on the Group's website.

Board committee structure

The Board has certain matters reserved for its consideration and delegates other matters to its committees and to senior management. The powers delegated to each committee and the Chief Executive Officer are set out in the committee terms of reference and delegated authorities, and the Board ensures that sufficient resources are made available to them to undertake their duties. The scope of the committee terms of reference includes all companies within the TPF division, details are set out in the Annual Report of Together Personal Finance which does not form part of this report.

The committees formally report to the Board after each meeting on their activities and make recommendations to the Board on any area within its remit where action is required.

Board activity

In addition to the ongoing oversight activities performed by the Board, the following key topics and principal decisions were discussed and assessed by the Board during the year:

- Setting the strategic direction of the Company within the strategic parameters of the Group and considering the infrastructure and governance required to support its requirements and the changes to those requirements during the Covid-19 pandemic, including additional support to colleagues and customers.
- Oversight of treasury reporting regarding capital structure and liquidity so far as it affected TPF.
- Approval of entry into, amendment or extension of certain debt funding agreements.
- Oversight and assurance of the regulatory capital position of the Company
- Assurance on the actions required to meet the changing market conditions as a result of the Covid-19 pandemic.
- Oversight of employee feedback
- Oversight of an employee consultation process on proposals to reduce colleague numbers, reflecting the anticipated changes to business demand in the post Covid-19 pandemic market

Corporate Governance and Committee Structure (continued)

Board activity (continued)

- Oversight of the activity undertaken to safeguard colleagues during the Covid-19 pandemic
- Oversight of FCA regulatory requirements
- Oversight of requirements for the extension of the SM&CR
- Oversight of customer service and outcomes
- Oversight of the DTRT programme to ensure that processes both historically and on a go forward basis focus on good customer outcomes
- Approval of the methods for determining, and the payment of, customer remediation
- The programme of change activity and prioritisation of key strategic and regulatory projects
- Key contracts and expenditure outside of the executive directors' delegated authority
- Approval of risk appetite of the Company
- Oversight of the three lines of defence
- Approval of budget and review of financial performance against targets
- Approval of the Company Annual Report & Accounts

Further details on the activities of the Board and TPF division committees during the year, including those in relation to the Covid-19 pandemic, can be found in the Corporate Governance Statement.

Corporate Governance Statement

For the year ended 30 June 2020, the Company voluntarily applied the Wates Corporate Governance Principles for Large Private Companies (the 'Wates Principles') as a measure of good practice for the governance of large private companies. The Wates Principles are to be adopted on an 'apply and explain' basis, and provide suggested guidance as to how companies might achieve each of the respective Principles.

As part of the preparation for the new requirements, a review was undertaken during the year on behalf of the Board to understand to what extent the TPF division's existing governance arrangements already met the standards of the Wates Principles. Following this review, actions were identified where it was felt that governance could be further strengthened.

The governance framework is structured to enable the directors to have the necessary tools to make the key principal decisions crucial for creating long-term value for the TPF division whilst meeting customer expectations, and legal and regulatory requirements.

PRINCIPLE	HOW THE PRINCIPLE HAS BEEN APPLIED DURING THE YEAR
<u>PRINCIPLE 1: PURPOSE AND LEADERSHIP</u> An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.	<ul style="list-style-type: none">• The Group sets the vision, mission and beliefs for all colleagues, and the Board ensures that the culture is embedded within the Personal Finance division.• The Board sets the TPF division's strategic aims within the parameters set by the Group, taking into account the requirements of key stakeholders, including the FCA, and ensures that the necessary experience, people and resources are in place to enable colleagues to help customers achieve their financial ambitions.• Colleague engagement surveys frequently include questions about the culture, and during the year, an externally co-facilitated review of Group culture was undertaken by Group Internal Audit in line with the internal audit plan, as approved by the Audit Committee. The outcome of the review was reported to the Board.• During the year, the Board held two strategy days. Discussions during these sessions included not only financial and operational ambition whilst continuing to achieve good customer outcomes, but also focussed on the importance of culture and diversity. Information on the Company's strategy can be found in the Strategic report.

<p><u>PRINCIPLE 2 – BOARD COMPOSITION</u></p> <p>Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.</p>	<ul style="list-style-type: none">• The Board has an equal number of independent and non-independent directors; the independent Chair has a casting vote. The Chair leads the Board and facilitates open debate and constructive discussion, whilst ensuring that the executive directors receive appropriate challenge. The role of the Chair and CEO is separate.• The Board has a wealth of experience relevant to the specialist lending sector and the directors bring a range of experience from both the financial services sector and elsewhere.• During the year, two new independent non-executive directors were appointed to the Board. Liz Blythe was appointed as a member of the Board in September 2019 and John Hooper was appointed in January 2020.• Ron Baxter resigned from the Board in September 2019. During the year, Liz Blythe replaced Ron Baxter as Chair of the Audit Committee, and John Hooper replaced Ron Baxter as Chair of the Risk Committee.• Wayne Bowser resigned from the Board in September 2019 but remains a non-executive director for Together Financial Services Limited.• All new directors undertake a thorough induction which includes meetings with key stakeholders. The onboarding of new appointments is done so in accordance with regulatory requirements under SM&CR.• The appointment of both directors was recommended to the Board by the Remuneration & Nomination Committee following a thorough process of recruitment.• During the year the Remuneration & Nomination Committee discussed diversity and succession planning to ensure that the composition of the Board and senior leadership team continue to be suitable for the size and complexity of the business.• In accordance with directors' duties under s.177 and s.182 of the Companies Act 2006, the Board is asked at each meeting to declare any interests which may give rise a conflict. Interests are logged by the Company Secretary with directors absenting themselves from discussions for which they are conflicted.• The Board's performance will be reviewed on an annual basis through the use of a board evaluation with the first board evaluation planned for the financial year 2020/21.
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Corporate Governance and Committee Structure (continued)

Corporate Governance Statement (continued)

<p><u>PRINCIPLE 3 – DIRECTORS’ RESPONSIBILITIES</u></p> <p>The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.</p>	<ul style="list-style-type: none"> • The key matters considered and principal decisions made by the Board during the year are set out in the Corporate Governance and Committee Structure section. • The Chair of the Board and Committee Chairs regularly meet with the Company Secretary to discuss governance arrangements. • The Board and committees receive a wide range of reports from all areas of the business which include a summary of the impact, both positive and adverse, to inform key decisions. The Company Secretary works with the chairs to ensure that agendas are appropriately structured to facilitate appropriate challenge. • During the year work began by the Company Secretary, CEO and Chief Risk Officer to review the contents of the Board and Committee meeting packs with a view to ensuring packs are of an appropriate size and quality. Work will continue on an ongoing basis so that reporting continues to appropriately reflect business priorities. • All Board and Committee actions are monitored and tracked to completion to ensure that, alongside comprehensive and accurate minutes, a complete record of decision making is maintained. • During the year the Board refreshed their matters reserved and committee terms of reference to ensure that the independent governance framework was up to date and appropriate under SM&CR. In addition, a new delegation of authority to the CEO was approved by the Board in July 2019. Matters reserved, terms of reference and delegated authorities are reviewed on an annual basis. • During the Covid-19 pandemic, a weekly meeting of the Board was held in conjunction with the other operating boards of the Group. The purpose of the meeting was to keep the boards informed of the business response to the pandemic and to provide a forum for constructive challenge and oversight during a time of significant uncertainty. • The agenda for the weekly meeting included standing items for HR, risk, treasury and finance to ensure that the boards remained fully informed on the key issues facing the business and the ongoing impact on colleagues. Regular assurance was provided by the Chief Risk Officer, HR Director and Head of Internal Audit. • The Board delegated the responsibility for ensuring that regulatory responsibilities would be met under SM&CR to a steering committee, the membership of which included the Chair of the Board and the Company Secretary. The Steering Committee provided updates to the Board at each meeting on their progress. • During the year, the Board maintained oversight of the DTRT programme and associated remediation work through the provision of regular reporting which included project updates, KPIs and trend data. A number of additional board meetings were held where required, to ensure remediation decisions were made in a timely manner so as not to hold up the progress being made by the business to resolve legacy issues. More information on DTRT and how we engage with the FCA can be found in the Stakeholder Engagement report.
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Corporate Governance and Committee Structure (continued)

Corporate Governance Statement (continued)

<p>PRINCIPLE 4 – OPPORTUNITY AND RISK</p> <p>A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.</p>	<ul style="list-style-type: none"> • Following the outbreak of the Covid-19 pandemic, the strategic plan and priorities were re-considered in light of a new economic climate. • One of the key areas of focus during the year was transformation and automation of key business processes. The Board receive regular updates on the relevant work streams to ensure that both the division's interests and regulatory requirements are being met. • The Risk Committee operates under delegated authority from the Board on matters of risk management and internal controls. More information on the Committee's activities can be found in the Corporate Governance and Committee Structure section. • The Board adopts the Group enterprise risk management framework which provides a formalised structure for the risk management of the Group. On an annual basis, the Board reviews and approves the risk appetite statements and metrics within the parameters set by the Group, with additional conduct and compliance metrics specific to its regulated operations. • The Group CRO has responsibilities under SM&CR which include escalation of matters to the Chair of the Board Risk Committee as appropriate. The Committee ensures that the CRO has direct access to the Committee Chair and the Chair of the Board. • The Group CRO, Chief Compliance Officer and Group Head of Internal Audit are regular attendees at all Board, Risk and Audit Committee meetings. • Treasury and financial updates are standing items on the Board agenda to ensure that the Board remains fully informed on the funding and liquidity position of the Group so far as it affects the TPF division. Updates are comprehensive and agendas are structured to allow time for detailed discussion. • In April, a Risk Assurance Sub-Committee was set up with combined delegation of authority from the both Group and TPF Board Risk Committees. Information on the activities of the sub-committee can be found in the Corporate Governance and Committee Structure section. • In April, the Board approved changes to both the Group's annual internal audit plan and the compliance charter following guidance issued from relevant professional bodies in response to the developments of the Covid-19 pandemic. The amendments allowed the 2nd and 3rd lines of defence to provide assurance to the Board on changes in business process due to the pandemic. Additions to the internal audit plan included a risk management review, to assess whether all current and emerging risks had been identified in relation to how the pandemic was effecting the Group. In addition, audits on pandemic planning, home working, the furlough process and an ongoing monitoring of customer operations were carried out, the outputs of which were reported in the first instance to the Risk Assurance Sub-Committee. • The Board considered proposals for the redundancy of colleagues to ensure that it was satisfied that following the reduction of the colleague population, all regulatory requirements and SM&CR accountabilities would continue to be met and that good customer outcomes would be maintained.
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Corporate Governance and Committee Structure (continued)

Corporate Governance Statement (continued)

<p>PRINCIPLE 5 - REMUNERATION</p> <p>A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.</p>	<ul style="list-style-type: none"> • The Board delegates authority to its Remuneration & Nomination Committee which is comprised of independent non-executive directors. More information on the activities of the Committee can be found in the Corporate Governance and Committee Structure section. • Colleague pay is benchmarked externally and pay rises and bonus payments are linked to performance. Executive remuneration is based around a balanced scorecard of objectives and behaviours. • Colleagues are asked to show how they've evidenced the beliefs as part of the performance review process and the Remuneration & Nomination Committee take the culture and beliefs into consideration when approving reward schemes for all colleagues, including executive directors. The Committee ensures that incentives drive behaviours that are aligned to delivering good customer outcomes. • The Remuneration & Nomination Committee regularly review and approve changes to the colleague Shared Reward Scheme to ensure that profit targets remain achievable, continue to provide realistic incentives to colleagues and continue to encourage colleague retention through the provision of a longer term incentive horizon. • In May, the TPF and TFSL Remuneration & Nomination Committees met to discuss the approach to pay and reward for the forthcoming period in light of the Covid-19 pandemic. The Committees agreed that due to a large proportion of colleagues being on furlough, and the attention of those colleagues remaining in the business being focussed primarily on pandemic related activities, colleague end of year performance reviews would be postponed until later in the calendar year. Despite the uncertainty, regular documented colleague 121s continued to take place to provide a framework of support and feedback for both colleagues and management and to ensure that performance management continued to take place during this time.
<p>PRINCIPLE 6 - STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT</p> <p>Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.</p>	<ul style="list-style-type: none"> • During the year, Board and Committee reporting was enhanced to require authors to identify which stakeholder groups required consideration when considering and making decisions. More information on the Board's consideration of stakeholders in fulfilling their duties under the Companies Act 2006 can be found within the S.172 Statement. • More information on stakeholder engagement and employee engagement, including engagement during the Covid-19 pandemic can be found in the Stakeholder Engagement report • During the period, the Audit Committee undertook its annual review of the Whistleblowing Policy to ensure that the process in place for colleagues to raise concerns about misconduct and unethical practices remained effective and appropriate. The Group Whistleblowing Champion continues to be the Chair of the Group Audit Committee.

Directors' report

Directors' report

The directors present their report for the year ended 30 June 2020. Certain information required to be included in a directors' report can be found in the other sections of the annual report, as referenced below and in each of the sections that follow. All of the information presented in these sections is incorporated by reference into this Directors' report and is deemed to form part of this report.

- The Company's strategy, business model and likely future developments can be found within the Strategic report.
- The Company's principal risks and risk management processes are set out in the Strategic report.
- The Group's governance arrangements can be found within the Corporate Governance section.
- Events taking place after the balance sheet are disclosed in note 27 to the accounts.

Directors' indemnities

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

Results and dividends

The results for the year are set out in the Business Review within the Strategic report. There was no dividend paid during the year (2019: £nil). The directors of the Company do not recommend the payment of a dividend. A full review of the financial performance of the Group is included within the Business review.

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and internal publications. Employees are consulted regularly on a wide range of matters affecting their current and future interests. The Company recently announced that it has launched an employee consultation process on proposals to reduce colleague numbers reflecting the anticipated future levels of lending activity and a revised operating structure. Further detail is provided in the Stakeholder Engagement report on page 7 and Post Balance Sheet Note 27.

Disabled employees

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

Environment

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

Statement of going concern

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

The Company is reliant on its parent company, Together Financial Services Limited ('the Group'), for financial support as it is dependent upon liquidity and funding being sourced at a Group level. The Board of Together Financial Services Limited has confirmed that it is a going concern and that it will provide financial support to the Company for the 12 months from the date of signing the Company's accounts.

On the basis that the Company has adequate funding and support as detailed above, together with its current performance and financial position, the directors have a reasonable expectation that the Company will have sufficient funding and liquidity to continue in operational existence for the foreseeable future. Accordingly, the directors of the Company have adopted the going-concern basis in preparing the financial statements. Further detail on the going concern assessment is set out in Note 2 to the financial statements.

Directors' report (continued)

Directors' report (continued)

Principal risks and uncertainties

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

Audit information

The directors, having considered the requirements for rotation of auditors, voluntarily tendered the audit. After a competitive tender, Ernst & Young LLP has been appointed as the Group's auditors for the year ended 30 June 2020.

In the case of each of the persons who is a director of the Company at the date when this report is approved:

- As far as each of the directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- Each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any audit information and to establish that the Company's auditor is aware of that information.

This statement is given and should be interpreted in accordance with the provisions of s.418 (2) of the Companies Act 2006.

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



PA Wilson
Finance Director
21 October 2020

Statement of directors' responsibilities

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

Independent auditor's report to the members of Blemain Finance Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Blemain Finance Limited for the year ended 30 June 2020 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 June 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent auditor's report (continued)

Report on the audit of the financial statements (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 26, 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 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 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 <https://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.

DocuSigned by:

Stephen Littler

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Stephen Littler (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
21 October 2020

Statement of comprehensive income

Year Ended 30 June 2020

Unless otherwise indicated, all amounts are stated in £m

Income statement	Note	2020	2019
Interest receivable and similar income	4	30.6	38.2
Interest payable and similar charges	5	(10.1)	(12.2)
Net interest income		20.5	26.0
Fee and commission income	6	0.3	0.2
Fee and commission expense	7	(0.3)	(0.1)
Impairment of investment	15	(0.1)	(0.2)
Other income	8	0.4	0.1
Operating income		20.8	26.0
Administrative expenses	9	(27.4)	(18.5)
Operating (loss)/profit		(6.6)	7.5
Impairment losses	13	(2.5)	(1.8)
(Loss)/profit before taxation		(9.1)	5.7
Income tax	12	(0.1)	(0.9)
(Loss)/profit after taxation		(9.2)	4.8

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

Statement of financial position

As at 30 June 2020

Unless otherwise indicated, all amounts are stated in £m

	Note	2020	Restated 2019
Assets			
Loans and advances to customers	13	261.2	318.0
Other assets	14	4.2	4.6
Investments	15	0.1	0.2
Property, plant and equipment	16	4.7	5.4
Intangible assets	17	8.1	8.8
Current tax asset		2.9	-
Deferred tax asset	18	1.5	1.3
Total assets		282.7	338.3
Liabilities			
Current tax liabilities		-	0.6
Borrowings	19	182.8	223.8
Provisions for liabilities and charges	20	18.2	3.7
Other liabilities	21	70.7	90.0
Total liabilities		271.7	318.1
Equity			
Share capital	22	0.1	0.1
Share-based payment reserve	25	1.6	1.6
Retained earnings		9.3	18.5
Total equity		11.0	20.2
Total equity and liabilities		282.7	338.3

These financial statements were approved and authorised for issue by the Board of Directors on 21 October 2020.

Company Registration No. 01185052

Signed on behalf of the Board of Directors:



PS Ball
Director



PA Wilson
Director

Statement of changes in equity

Year ended 30 June 2020

Unless otherwise indicated, all amounts are stated in £m

	Share capital	Share-based payment reserve	Retained earnings	Total
2020				
At beginning of the year	0.1	1.6	18.5	20.2
Loss for the financial year	-	-	(9.2)	(9.2)
At end of the year	0.1	1.6	9.3	11.0

	Share capital	Share-based payment reserve	Restated Retained earnings	Total
2019 Restated				
At beginning of the year	0.1	1.6	14.6	16.3
Adjustment relating to prior period	-	-	0.6	0.6
Changes on initial application of IFRS 9	-	-	(1.5)	(1.5)
Restated balances at beginning of the year	0.1	1.6	13.7	15.4
Retained profit for the financial year	-	-	4.8	4.8
At end of the year	0.1	1.6	18.5	20.2

Notes to the financial statements

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

1. Reporting entity and general information

Blemain Finance Limited is incorporated and domiciled in the UK. The Company is a private company, limited by shares, and registered in England (Company number: 01185052). The registered address of the Company is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW. The Company is a regulated specialist mortgage lender.

2. Significant accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101). This applies the recognition and measurement requirements of International Financial Reporting Standards (IFRS) but provides certain exemptions from the disclosure requirements of IFRS.

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

The Company's parent undertaking, Together Financial Services Limited, includes the Company in its consolidated financial statements, and therefore the Company is exempt from the obligation to prepare and deliver consolidated accounts. The consolidated financial statements of Together Financial Services Limited are available to the public and may be obtained from Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW. In these financial statements, the Company has taken advantage of the disclosure exemptions under FRS 101 in relation to the presentation of comparative information in respect of certain assets, a cash flow statement, disclosures in respect of IFRS 7 and IFRS 13, standards not yet effective and related party transactions.

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

These financial statements have been prepared on the historical cost basis as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Going concern

The directors have assessed, in the light of current and anticipated economic conditions, the Company's ability to continue as a going concern.

The Company is reliant on its parent company, Together Financial Services Limited (the "Group"), for financial support. The Board of Together Financial Services Limited has confirmed that it is a going concern and that it will provide financial support to the Company for the 12 months from the date of signing the Company's accounts.

The Group closely monitors and manages its liquidity, funding and capital position and compliance with financial covenants and produces regular forecasts and scenarios.

These projections have been updated in light of the changing outlook due to the coronavirus outbreak to assess the impact of a range of factors which might arise as a result and in particular the impact that this has on our customers, the property market and on the wholesale-funding market. Specific consideration was given to the impact of: offering mortgage-payment deferrals in line with government guidance, the slowing of customer repayment behaviour, increases in credit risk, declining property values, reduced access to wholesale-funding markets, changes in market rates of interest, reductions to new mortgage-origination volumes and changes to operating costs.

The Group's decision early in the pandemic, to temporarily pause accepting new loan applications retained additional cash within the Group. The Group's business model, being one which is ordinarily highly cash generative, operating in profitable market segments and lending at low average loan-to-value (LTV) ratios, provides mitigation to many downside risks. Expectations are for continued economic uncertainty which may lead to a reduction in the level of cash inflows, and stress testing undertaken includes the impact of severe haircuts to expected redemption inflows.

Notes to the financial statements (continued)

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

2. Significant accounting policies (continued)

Going concern (continued)

The risk of lower levels of cash inflows from redemptions can be mitigated by increasing the amount of liquidity resources held as cash. A key management action to improve cashflow is the ability to control levels of new lending.

Alongside the shareholder funding and retained profit which has primarily been reinvested back into the business, the Group is reliant on the wholesale funding markets, including a combination of public securitisations, private revolving securitisations, senior secured notes and a revolving credit facility (RCF).

A key risk associated with wholesale funding is refinancing risk, where the Group has a proven track-record of successfully refinancing borrowings. The coronavirus outbreak has had an impact on the capital markets and the availability and/or pricing of wholesale funding. The depth of maturity in the Group's existing debt facilities provides significant mitigation in respect of refinancing risk with the earliest maturity of wholesale funding, being the Highfield Asset Backed Securitisation 1 Limited facility in June 2022 and the earliest call date on public securitisation is Together ABS1 in September 2021.

In addition the Group has demonstrated an ability to access the wholesale markets in current market conditions. In July 2020, the Group successfully issued the latest and largest issuance in its residential mortgage-backed securitisation (RMBS) programme Together Asset Backed Securitisation 2020 - 1 PLC (Together ABS 4) raising £361m. On completion of the Together ABS 4 transaction, the Group's facility headroom increased to £770m.

In September 2020, the maturity date on the undrawn £71.9m RCF facility was extended from June 2021 to June 2023.

In May 2020, the Group and each of the note purchasers to its four private securitisations entered into waivers and amendments of its facility documents in order to support the provision of mortgage-payment deferrals of up to three months in line with the then government guidance in response to the Covid-19 outbreak. The government subsequently provided guidance that borrowers should have the ability to extend mortgage-payment deferrals, so the Group has agreed further modifications to such waivers for each of its private securitisations.

In respect of the private securitisations, the Group may, in certain circumstances, need to seek further waivers and amendments within the going-concern assessment period. This includes, but is not limited to, impacts on covenants as a result of: a further extension in the duration of the mortgage-payment deferrals scheme; deterioration in loan-book performance due to adverse economic conditions; or reductions in property values. In the event that waivers or amendments are required but not agreed, and existing headroom in covenants is utilised causing a breach, and the breach is not rectified by using headroom in other facilities within a defined cure period, then the noteholders of the private securitisation facilities have the option to call a default of the facility. If a facility defaults, then the cash inflows from the securitised asset pool for each facility are used to repay the interest and principal of the most senior loan notes with the deferred consideration and any interest payment of the subordinated notes due to the originators deferred until such time as all the liabilities ranking more senior are repaid in full, which would defer cash inflows receivable to the Senior Borrower Group.

Aside from the private securitisations, the facilities within the Senior Borrower Group, being the Senior Secured Notes and the RCF, also include certain financial covenants, including tests on gearing and minimum levels of interest cover tested on a debt-incurrence basis and a maintenance basis respectively for each of the facilities. To evaluate the Group's resilience to meeting these tests, a reverse-stress scenario has been developed and was considered as part of the going-concern assessment. The scenario is one which assumes no cashflows are received from the securitisations, there is no access to drawdown funding from the private securitisations, and no access to the wholesale funding markets is possible, and therefore loan-origination volumes are limited to meeting pipeline commitments. This is considered by the directors to be an extreme outcome. However due to the bankruptcy-remote nature of securitisations, the default of one or more private securitisation facilities would not mean that the Group cannot continue to operate as a going concern. The Group could continue in such a scenario by servicing the loans funded by the Senior Borrower Group. Stresses were applied to cash inflows to assess the ability to continue to service and repay borrowings as they fall due, and stresses on profitability were separately considered to assess the ability to comply with gearing covenants.

Notes to the financial statements (continued)

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

2. Significant accounting policies (continued)

Going concern (continued)

The results of the reverse-stress test showed that unrealistic reductions in expected cash inflows within the Senior Borrower Group would be required for the Senior Borrower Group not to be able to meet its liabilities as they fall due within the going-concern assessment period, after available management actions were considered. In addition, the risk to gearing was separately assessed and it was found that very substantial reductions in profitability would be required to result in breaches of the RCF-gearing covenant. The probability of such outcomes is considered remote and could be further reduced by the deployment of additional management actions. A number of management actions would also be possible to preserve or increase available financial resources, including but not limited to: renegotiation of the terms of existing borrowings, raising additional funding and measures to further reduce costs.

The directors are satisfied that the Group have adequate resources to continue in operation for the going concern assessment period. The directors have a reasonable expectation that the Company will have the ability to continue for the going concern assessment period, which is 12 months from the signing of this report, on the basis that the Company has adequate funding and a letter of support from its parent company, upon review of its current performance, financial position, and based on a review of the going concern evaluation undertaken by the Group. Accordingly, the directors of the Company have adopted the going-concern basis in preparing the financial statements.

Additional disclosures have also been included within the Principal risks and uncertainties section of the Strategic report, which are cross-referenced to this note.

Interest income and expense

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

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

Fee and commission income and expense

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

Fees and commissions which are not considered integral to the effective interest rate are generally recognised on an accruals basis when the service has been provided. These items primarily consist of legal and valuation fees, and credit-search fees.

Leases

Policy applicable from 1 July 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 July 2019.

Notes to the financial statements (continued)

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

2. Significant accounting policies (continued)

Leases (continued)

The Company as a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone costs.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Company's incremental borrowing rate. Generally, the Company uses the interest rate implicit in the lease.

The lease liability is measured at amortised cost using the incremental borrowing rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company as lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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

Notes to the financial statements (continued)

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

2. Significant accounting policies (continued)

Leases (continued)

Policy applicable before 1 July 2019

The Company as lessee

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

Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

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

The Company as lessor

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

Pension benefits

During the year, the Company operated a defined contribution scheme and made contributions to employees' personal pension plans.

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

Share-based payments

The Company's parent undertaking, Together Financial Services Limited, has granted options under an equity-settled scheme to senior management of the Group, who are also employees of the Company.

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

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

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

Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Taxation

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

Notes to the financial statements (continued)

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

2. Significant accounting policies (continued)

Taxation (continued)

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

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

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

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

Financial assets and liabilities

Financial assets

All of the Company's financial assets are initially recognised at fair value, plus for assets measured at amortised cost, any directly attributable transaction costs.

All of the Company's financial assets are classified as measured at amortised cost, being the gross carrying amount less expected impairment allowance, using the effective interest rate method, as they meet both of the following conditions:

- The assets are held within a business model whose objective is to hold the assets to collect contractual cash flows; and
- The contractual terms of the financial assets give rise to cash flows at specified dates that are solely payments of principal and interest on the principal amounts outstanding.

The Company's business model for its financial assets is to hold them to collect contractual cash flows, with sales of mortgage loans and advances to customers only made internally to consolidated special purpose vehicles for the purpose of collateralising the issuance of loan notes. The loans' cash flows are consistent with a basic lending arrangement, the related interest only, including consideration for the time value of money, credit and other basic lending risks, and a profit margin consistent with such an arrangement. Cash and cash equivalents also meet these conditions and accordingly management has classified all of the Company's financial assets as measured at amortised cost.

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

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. The Company then assesses whether the new terms are substantially different from the original ones. If the terms of an asset are substantially different, it is derecognised and a new asset recognised at its fair value using its new effective interest rate. If the terms are not substantially different, the Company recalculates the gross carrying amount using the original effective interest rate and recognises a modification gain or loss in the income statement. Such modifications typically arise from forbearance because of financial difficulties of the borrower, with allowance already made for impairment. Any modification gain or loss is included in interest income. A modified loan's credit risk is assessed to see if it remains higher than on initial recognition for the purposes of calculating expected credit losses.

Financial liabilities

The Company's financial liabilities, which largely consist of borrowings, are all classified as measured at amortised cost for both the current and prior period. All of the Company's financial liabilities are recognised initially at fair value, less any directly attributable transaction costs.

Other creditors include aged amounts received from customers the company is unable to locate, and these will remain there until the write-off process is completed.

Notes to the financial statements (continued)

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

2. Significant accounting policies (continued)

Impairment of financial instruments

Financial liabilities are derecognised when their contractual obligations are discharged, cancelled or have expired. An exchange of financial liabilities with substantially different terms or a substantial modification to the terms of an existing financial liability is treated as an extinguishment of the original liability and the recognition of a new one. It is assumed that terms are substantially different if the discounted present value of the cash flows under the new terms is at least 10% different from the discounted present value of the remaining cash flows of the original liability. All gains or losses on non-substantial modifications, calculated as a change in the net present value of future cash flows, are recognised immediately in the income statement. The Company may also consider qualitative factors in determining whether a modification is substantial. The Company's policy for such modifications was to defer related transaction costs as adjustments to the carrying value of the instrument, amortised over its remaining expected life.

The Company recognises loss allowances for Expected Credit Losses (ECLs) on loans and advances to customers and any exposures arising from loan commitments. ECLs are a probability-weighted estimate of the present value of credit losses discounted over the expected life of an instrument at its original effective interest rate (EIR). Credit losses for financial assets are the difference between the contractual cash flows and the cash flows expected to be received.

The Company considers whether financial assets are credit impaired at each reporting date. A financial asset is credit impaired when one or more events that have a detrimental impact on its estimated future cash flows have occurred. Evidence of credit impairment includes:

- Significant financial difficulty of the borrower
- Breach of contract such as default, or becoming past due
- The granting of concessions to the borrower that the Company would not otherwise consider
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

For financial instruments on which credit risk has not increased significantly since initial recognition, the Company measures loss allowances at an amount equal to the 12-month ECL, i.e. the portion of lifetime ECL of those default events expected to arise within 12 months of the reporting date, weighted by probability of that event occurring. For all other financial instruments loss allowances are measured at an amount equal to the full lifetime ECL, i.e. the lifetime ECL arising from all default events that may occur over the life of the instrument, probability weighted. The latter category of instruments includes those that have objective evidence of impairment at the reporting date.

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

If, due to the financial difficulties of the borrower, the terms of a financial asset are renegotiated or modified, or the asset is replaced with a new one, then an assessment is made of whether the asset should be derecognised. A loan to a borrower granted such concessions due to forbearance is considered to be credit impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In the latter case, the measurement of the loss allowance on the new asset will generally be based on a 12-month ECL.

Interest income is recognised at the effective rate on the gross carrying amount of a financial asset, i.e. before allowance for impairment, except for those assets which are credit impaired, for which interest income is recognised on the carrying amount net of the allowance for impairment.

Loans are written off when the Company expects no further recovery and the amount of the loss has been determined. The Company may continue to apply enforcement activities to loans written off and any subsequent recoveries are recognised as impairment gains in the income statement.

Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amount of financial assets measured at amortised cost and as a provision in the case of loan commitments.

Securitisation

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

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

Notes to the financial statements (continued)

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

2. Significant accounting policies (continued)

Investments

Fixed asset investments are stated at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

Property, plant and equipment

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

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

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

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

Intangible assets

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

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

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

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

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

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

Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation as a result of a past event, which is reliably measurable and where it is probable that the Company will be required to settle that obligation. Where matters are less certain, such as when it is possible an obligation exists, or where the outflow of economic resources is possible but not probable, then a contingent liability is disclosed. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Where matters are less certain, such as when it is possible an obligation exists, or where the outflow of economic resources is possible but not probable, then a contingent liability is disclosed.

Notes to the financial statements (continued)

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

2. Significant accounting policies (continued)

Restatement of prior period

The prior period balance sheet and statement of changes in equity has been restated under IAS 8 due to an error. The restatement is due to the recognition of deferred tax on bonus schemes which were not fully recognised in prior periods. The affected financial statement lines for the prior periods are as follows:

	2018	Restatement	2018 (restated)	2019	Restatement	2019 (restated)
Assets						
Deferred tax asset	-	0.5	0.5	0.7	0.6	1.3
Total assets	476.4	0.5	476.9	337.7	0.6	338.3
Liabilities						
Deferred tax liability	0.1	(0.1)	-	-	-	-
Total liabilities	460.1	(0.1)	460.0	318.1	-	318.1
Equity						
Retained earnings	14.6	0.6	15.2	17.9	0.6	18.5
Total equity	16.3	0.6	16.9	19.6	0.6	20.2
Total equity and liabilities	476.4	0.5	476.9	337.7	0.6	338.3

3. Critical accounting judgements and key sources of estimation uncertainty

In preparing these financial statements, the Company's management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the amounts reported for the Company's performance and financial position. Where possible, estimates and associated assumptions are based on historical experience, objective information, or other relevant factors and are reviewed at each reporting date. Actual results may differ from these estimates, and revisions to estimates are recognised prospectively.

Critical judgements in applying the Company's accounting policies

a) Loan impairment allowance

The calculation of the Company's allowance for losses on its loans and advances to customers under IFRS 9 relies on the following key matters:

- The incorporation of forward-looking information in the measurement of ECL, in particular the economic variables driving credit risk and the number and relative weightings of the scenarios used.
- Determining the criteria for a significant increase in credit risk and indicators of credit impairment.

Further detail on the judgements in respect of the measurement of ECL and sensitivities thereon is set out in Note 13 to the accounts.

b) Provisions and contingent liabilities

There is considerable judgement required to estimate provisions and to provide useful information concerning the nature of the uncertainty contained within these estimates, including the disclosure of a range of possible impacts. There is also judgement required in determining whether contingent liability disclosures are required. Further disclosures in respect of this can be found in Note 20 to the financial statements.

c) Going concern

Critical judgements, estimates and assumptions have been necessary in evaluating the Company's ability to continue as a going concern and concluding that no material uncertainties have been identified during the going-concern assessment period. Further detail is set out in Note 2.

Notes to the financial statements (continued)

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

3. Critical accounting judgements and key sources of estimation uncertainty

Key sources of estimation uncertainty

a) Loan impairment allowance

As a result of the Covid-19 pandemic the Company has used significantly changed macroeconomic forecasts and these forecasts and the other assumptions and estimates necessary for the calculation of ECL contain a greater level of judgement than in previous reporting periods due to the increased level of uncertainty. Further detail on these estimates and assumptions and the sensitivities thereon is set out in Note 13 to the accounts.

b) Provisions and contingent liabilities

The calculation of the Company's provisions contain significant estimation uncertainty. Further disclosures in respect of this can be found in Note 20 to the financial statements.

c) Interest income recognition

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

4. Interest receivable and similar income

	2020	2019
Interest on loans and advances to customers	30.6	38.2

Included within interest on loans and advances to customers is £1.1m (2019: £1.4m) relating to credit impaired loans.

5. Interest payable and similar charges

	2020	2019
On borrowings	10.0	12.2
On lease liabilities	0.1	-
	10.1	12.2

Included within interest on borrowings is interest payable on amounts owed to the parent company, Together Financial Services Limited, of £5.1m (2019: £6.4m).

6. Fee and commission income

	2020	2019
Fee income on loans and advances to customers	0.3	0.2

7. Fee and commission expense

	2020	2019
Legal, valuations and other fees	0.2	0.1
Insurance commissions and charges	0.1	-
	0.3	0.1

Notes to the financial statements (continued)

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

8. Other income

	2020	2019
Rental income	-	0.1
Other income	0.4	-
	0.4	0.1

Other income includes grant income received from the government in respect of employees who were furloughed under the Job Retention Scheme (£0.2m) and income relating to research and development expenditure credit (£0.2m).

9. Administrative expenses

	Note	2020	2019
Staff costs	10	44.9	52.7
Auditor's remuneration	11	0.3	0.4
Depreciation of property, plant and equipment	16	1.5	1.7
Amortisation of intangible assets	17	4.2	2.7
Operating lease rentals		-	1.5
Provisions for liabilities and charges	20	17.3	1.5
Recharged to other Group companies		(40.8)	(42.0)
		27.4	18.5

There were gains on the disposal of property, plant and equipment of £0.1m (2019: £0.1m loss).

10. Staff costs

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

	2020 No.	2019 No.
Management and administration		
Full time	688	695
Part time	62	45
	750	740

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

Staff remuneration	2020	2019
Wages and salaries	37.7	41.4
Social security costs	4.0	4.8
Pension costs	1.4	1.1
	43.1	47.3
Directors' remuneration		
Emoluments	1.8	5.3
Company contribution to personal pension plan	-	0.1
	1.8	5.4
Total staff costs	44.9	52.7

The emoluments of the highest paid director were £0.6m (2019: £2.4m), including £nil (2019: £nil) of Company contributions to a defined contribution pension scheme. Details of the pension arrangements operated by the Company are given in Note 24. During the year, the Company paid £nil (2019: £0.3m) to a director on his resignation from the Board.

Notes to the financial statements (continued)

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

11. Auditor's remuneration

	2020	2019
Fees payable for the audit of the Company's accounts	-	-
Fees payable for the audit of other Group companies including on behalf of related parties	0.3	0.3
Other services	-	0.1
	0.3	0.4

The audit fee for the Company in 2020 is £18,000 (2019: £15,000). The audit fees, and fees for non-audit services for the ultimate parent companies and all their subsidiary undertakings were borne by the Company, both in the current and prior financial years.

12. Income tax

	2020	2019
Current tax		
Corporation tax	-	1.5
Adjustment in respect of previous years	0.3	(0.1)
	0.3	1.4
Deferred tax		
Origination and reversal of temporary differences	0.2	(0.7)
Adjustment in respect of prior years	(0.2)	0.2
Effect of changes in tax rates	(0.2)	-
Total deferred tax	(0.2)	(0.5)
Total tax	0.1	0.9

Corporation tax is calculated at 19.00% (2019: 19.00%) of the estimated taxable (loss)/profit for the year.

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

	2020	2019
(Loss)/profit before tax	(9.1)	5.7
Tax on (loss)/profit at standard UK corporation tax rate of 19.00%	(1.7)	1.1
Effects of:		
Adjustment in respect of prior years	0.1	0.1
Income not taxable	-	(0.3)
Group relief *	1.9	-
Changes in tax rate	(0.2)	-
Tax charge for year	0.1	0.9

* The group referred to is a tax group headed by Redhill Famco Limited, the ultimate parent company of Blemain Finance Limited.

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2018) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2017. In March 2020, the government announced that the main rate of corporation tax will remain at 19%, rather than reducing to 17% from 1 April 2020. The deferred tax asset at 30 June 2020 has been calculated based on these rates which led to a £0.2m increase in the value of the deferred tax asset.

Notes to the financial statements (continued)

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

13. Loans and advances to customers

30 June 2020				
	Stage 1	Stage 2:	Stage 3	Total
Gross loans and advances	181.5	29.7	56.2	267.4
Loss allowance	(0.5)	(0.4)	(5.3)	(6.2)
	181.0	29.3	50.9	261.2

30 June 2019				
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances	235.3	36.3	51.8	323.4
Loss allowance	(0.3)	(0.3)	(4.8)	(5.4)
	235.0	36.0	47.0	318.0

The Company had no material financial assets that were credit impaired on purchase or origination.

Measurement of expected credit losses (ECL)

ECL model

The Company considers whether financial assets are credit impaired at each reporting date. For these purposes, it considers default to occur, and such loans are considered to be credit impaired, in any of the following circumstances relating to a loan:

- It becomes 90 days or more past due
- Its security has been taken into possession
- The appointment of receivers
- There is evidence of fraud
- Loans which exhibit certain indicators of credit risk and are in receipt of a mortgage payment deferral

The Company calculates its ECL using a statistical model based on probability of default (PD), loss given default (LGD) and exposure at default (EAD):

- PD is an estimate of the likelihood of default over a given time horizon, estimated at a point in time. The calculation is based on statistical models that utilise both market and internal data, based on current conditions adjusted to take into account estimates of future conditions that will impact PD and estimates for customer prepayment behaviour.
- LGD is an estimate of the likely loss in the event of a default. The expected loss amounts vary according to loan-to-value (LTV) ratios and future collateral prices. The estimates are based on the Group's history of recovery rates, calculated as forced-sale discounts, and the probability of repossession given default (PPGD), discounted at the original effective interest rate of the loan for the average period for recovery of sale proceeds. The LGD calculation includes floors, i.e. minimum losses, which are assigned based on the LTV of the loan and the type of security and have been developed from historical data.
- EAD is an estimate of the expected gross carrying amount at a future default date. EAD is based on the current loan amount adjusted for expected repayments of principal, contractual drawdowns of loan commitments, and the impact of missed payments which would be expected for an account in default.

Notes to the financial statements (continued)

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

13. Loans and advances to customers (continued)

Measurement of expected credit losses (ECL) (continued)

ECL model (continued)

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

- A financial instrument not credit-impaired on initial recognition is classified in stage 1. The loss allowance for such instruments is calculated as the portion of lifetime ECL of those default events expected to occur within 12 months of the reporting date, weighted by the probability of that default occurring.
- An instrument moves to stage 2 if there is an increase in its credit risk that is significant but not such that the instrument is considered credit impaired. The loss allowance for stage 2 instruments is calculated as the lifetime ECL. The determination of significant increases in credit risk is explained further, later in this section.
- Stage 3 instruments are credit impaired and the loss allowance calculated as the lifetime ECL.

Improvements in credit quality may result in instruments moving categorisation, from stage 3 to stage 2 where they are no longer considered credit impaired or to stage 1 where the credit risk is no longer significantly increased compared with initial recognition. Such transitions occur only after the completion of probationary periods.

Significant increases in credit risk, forbearance and contract modifications

The Company monitors all financial instruments that are subject to credit risk to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase then the Company measures the loss allowance based on a lifetime rather than a 12-month ECL.

The Company uses qualitative and quantitative criteria, including:

- A loan becoming 30 days or more past due,
- Certain qualitative indicators, such as those used in the servicing of the loan which indicate increased credit risk,
- There is an increase in the lifetime PD of the loan since origination which is judged to be significant, and
- Loans which exhibit certain indicators of credit risk and are in receipt of a mortgage-payment deferral.

The Company offers forbearance to assist customers who are experiencing financial distress and considers an account as forborne at the time a customer in financial difficulty is granted a concession. For accounting purposes, any gains or losses arising upon granting forbearance are usually not material because losses are already included in ECLs. Subsequently, the Company may determine after a probationary period that a restructuring has significantly improved credit risk such that the asset is moved back to stage 1.

Loss allowance and impairment losses for the year

A loss allowance is derived from the application of the accounting policies for measurement of ECL as explained in Note 2. The loss allowance has increased by £0.8m to £6.2m (2019: £5.4m).

Allowance for impairment losses	2020	2019
At beginning of year	(5.4)	(8.2)
Charges to the income statement	(2.0)	1.1
Unwind of discount	1.1	1.4
Write-offs net of recoveries	0.1	0.3
At end of year	(6.2)	(5.4)

Impairment losses for the year	2020	2019
Movements in ECL, charged to income	(2.0)	1.1
Write-offs net of recoveries	(0.5)	(2.9)
Charged to the income statement	(2.5)	(1.8)

Notes to the financial statements (continued)

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

13. Loans and advances to customers (continued)

Critical accounting estimates

Key areas of estimation uncertainty in the ECL models are the macroeconomic scenarios used, and the calculations of loss given default and probability of default.

Macroeconomic scenarios

The Group uses forward-looking information, contained in a range of economic scenarios, in its measurement of ECL and in identifying significant increases in credit risk. In practice, this is achieved by modelling an ECL for each scenario and calculating a probability-weighted total. These scenarios entail a high degree of uncertainty in their estimation.

The following table shows the unweighted ECL for each of the scenarios modelled as at 30 June 2020 and 30 June 2019 and the probabilities that were applied in the calculation of ECL.

Scenarios	2020		2019	
	Probability of the scenario	Unweighted ECL	Probability of the scenario	Unweighted ECL
Upside	10%	4.1	-	-
Mild upside	10%	4.3	30%	4.0
Base case	50%	4.8	40%	4.2
Stagnation	10%	6.7	-	-
Downside	10%	8.5	30%	8.4
Severe downside	10%	13.9	-	-
Weighted average		6.2		5.4

Sensitivities can be derived from this table by applying different combinations of probabilities to the unweighted ECLs and comparing these to the weighted average which is the amount already recorded within the statement of financial position.

Loss given default

The LGD model uses current security values and forecast HPI assumptions to project property values for each of the economic scenarios. An immediate and sustained 10% reduction in forecast house prices (ie a 10% haircut applied to the index in each forecast future period), applied in each scenario, would result in an increase in the impairment allowance of £0.9m at 30 June 2020 (30 June 2019: £0.6m); conversely, a 10% increase would result in a decrease in the impairment allowance of £0.6m at 30 June 2020 (30 June 2019: £0.4m).

Probability of default and probability of repossession given default

A 10% relative worsening of both PDs and PPGDs simultaneously (eg a 1.0% PD increasing to 1.1%) would increase the total impairment allowance by £0.3m at 30 June 2020 (30 June 2019: £0.2m). A 10% relative improvement of both PDs and PPGDs simultaneously (eg a 1.0% PD decreasing to 0.9%) would result in a decrease in the impairment allowance by £0.3m at 30 June 2020 (30 June 2019: £0.2m).

Notes to the financial statements (continued)

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

13. Loans and advances to customers (continued)

Critical accounting judgements

Key areas of judgement in the ECL models include judgements about which loans have been subject to a significant increase in credit risk since initial recognition and therefore should be classified as Stage 2, with a resultant loss allowance based on a lifetime rather than a 12-month ECL. The Company does not automatically consider a request for a mortgage-payment deferral, as a result of the coronavirus pandemic, as representing a significant increase in credit risk requiring a change in classification of the loan to stage 2 or to stage 3. Instead the Company uses a number of indicators of credit risk to determine whether a loan which has received a mortgage-payment deferral should be reclassified to stage 2 or to stage 3.

The sensitivities below were performed by recalculating the impairment allowance by changing only those items stated, and with all other variables unchanged.

Sensitivities	Increase in allowance
Measure all loans in Stage 1 using a lifetime ECL	0.4
Sensitivities – mortgage-payment deferrals	Increase in allowance
Measure all loans which are in a Covid-19 mortgage-payment deferral, currently in Stage 1, using a lifetime ECL not credit impaired (Stage 2)	0.1
Measure all loans which are in a Covid-19 mortgage-payment deferral, currently in Stage 2 using a lifetime ECL credit impaired (Stage 3)	0.1

14. Other assets

	2020	2019
Amounts owed by related parties	0.5	1.2
Other debtors	0.9	0.4
Prepayments and accrued income	2.8	3.0
	4.2	4.6

Amounts owed by related parties are repayable on demand. Included within amounts owed by related parties is a loan owed to the owner of the ultimate parent company of £0.2m (2019: £0.3m). The loan is interest free and repayable on demand. During the year the Company made a capital contribution of £50k (2019: £300k) to its subsidiary company, Spot Finance Limited, by forgiving a portion of amounts owed to the Company.

15. Investments

	2020	2019
Investment in subsidiary		
At beginning of year	0.1	-
Additions	-	0.3
Impairment of investment during the year	(0.1)	(0.2)
At end of year	0.0	0.1
Other investments	0.1	0.1
Total investments	0.1	0.2

The Company held the following investment in subsidiary undertakings:

	Country of registration	Interest in ordinary shares and voting rights	Principal activity
Spot Finance Limited	England and Wales	100%	Retail lending

Spot Finance Limited is incorporated in Great Britain and operates throughout the United Kingdom. Its registered address is Lake View, Cheadle, Cheshire, SK8 3GW.

Notes to the financial statements (continued)

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

16. Property, plant and equipment

2020	Fixtures, fittings and equipment	Motor vehicles	Total
Cost			
At beginning of year	7.9	1.8	9.7
Additions	0.5	0.4	0.9
Disposals	(0.1)	(0.3)	(0.4)
At end of year	8.3	1.9	10.2
Depreciation			
At beginning of year	3.5	0.8	4.3
Charge for the year	1.3	0.2	1.5
Disposals	(0.1)	(0.2)	(0.3)
At end of year	4.7	0.8	5.5
Net book value			
At end of year	3.6	1.1	4.7
At beginning of year	4.4	1.0	5.4

17. Intangible assets

	2020	2019
Cost		
At beginning of year	14.5	11.4
Additions	3.5	3.2
Disposals	-	(0.1)
At end of year	18.0	14.5
Amortisation		
At beginning of year	5.7	3.1
Charge for the year	4.2	2.7
Disposals	-	(0.1)
At end of year	9.9	5.7
Net book value		
At end of year	8.1	8.8
At beginning of year	8.8	8.3

18. Deferred tax asset

2020	Accelerated capital allowances	Short-term timing differences	Total
At beginning of the year	(1.0)	2.3	1.3
Charge to income statement	0.1	(0.1)	-
Effect of changes in tax rates	-	0.2	0.2
At end of year	(0.9)	2.4	1.5
Restated 2019			
At beginning of the year (restated)	(0.7)	1.2	0.5
IFRS 9 transition	-	0.3	0.3
Charge to income statement	(0.1)	0.8	0.7
Adjustment in respect of prior years	(0.2)	-	(0.2)
At end of year	(1.0)	2.3	1.3

Notes to the financial statements (continued)

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

19. Borrowings

	2020	2019
Bank facilities	29.5	24.1
Amounts owed to Charles Street ABS	107.5	140.7
Amounts owed to Together ABS 1 ²	38.4	50.5
Amounts owed to Together ABS 2 ²	7.0	8.8
Debt issue costs	(0.6)	(1.1)
Lease liabilities	1.0	0.8
	182.8	223.8

The amounts owed to Charles Street ABS, Together ABS 1 and Together ABS 2 comprise deemed loans equivalent to the current balance of the mortgage loans transferred to these entities. Under the facilities, the Company has sold beneficial title to certain mortgage assets to the three securitisation vehicles and the Company recognises a corresponding deemed loan liability against which it offsets its investment in Charles Street ABS, Together ABS 1 and Together ABS 2 subordinated notes. Charles Street ABS has an expiry date of September 2023 and Together ABS 1 and Together ABS 2 have expiry dates of September 2021 and November 2022 respectively.

In the case of the amortising facilities, the expiry date shown is the date of the option to call the facility. The expiry date for Charles Street ABS include an amortisation period of one year.

Bank facilities are repayable on demand and lease liabilities are payable within two years.

20. Provisions and contingent liabilities

2020	Customer provisions	Other provisions	Total
At beginning of the year	2.2	1.5	3.7
Charge for the year	16.0	1.3	17.3
Provisions utilised	(2.7)	(0.1)	(2.8)
At end of year	15.5	2.7	18.2

In previous periods, provision amounts were included in accruals and deferred income within other liabilities. As a result of the increase in provisions in the year ended 30 June 2020, provision amounts are now disclosed separately in the statement of financial position and reclassified in prior period comparatives.

As a result of undertaking internal reviews, instances were identified where, for certain customers in arrears, the outcome may have been improved if different forbearance tools had been applied. In addition, some past written communications with customers should have been clearer and more complete, including in instances where balances are not expected to be repaid by the customer by the contractual maturity date, using their current repayment schedule.

The Company has continued to focus on the resolution of these matters, providing regular updates on progress to the FCA. Changes to operational processes for the application of forbearance and for communicating more clearly with customers have already been implemented. Experienced third-parties have been appointed to support this activity, including providing additional resource and support in establishing an appropriate assurance framework.

In order to address these matters in a timely and appropriate manner for customers, work is being undertaken in a phased approach. In the initial phase, remediation is not intended to be based on individual customer-level reviews, but instead will be calculated using a defined set of parameters and criteria for the customer populations, which simplifies and expedites progress whilst also ensuring customer detriment, where experienced, is appropriately addressed.

A provision of £14.2m for forbearance and customer-communication remediation has been estimated at the reporting date. Depending on the outcome of further testing and the selection of certain judgements and assumptions, the total financial impact is estimated to be within the range of £9.4m to £15.1m. In addition, a further £0.6m provision has been estimated for administrative expenses relating to the remediation.

The forbearance provision and the customer communications provision represent the estimated financial impacts arising from both live and redeemed customers and comprise: (i) estimated customer settlement payments, (ii) expected accrued interest between the reporting date and the assumed remediation date, and (iii) estimated administration costs related to the remediation activities.

² Together ABS 1 and Together ABS 2 are amortising facilities.

Notes to the financial statements (continued)

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

20. Provisions and contingent liabilities (continued)

The calculation of the forbearance and customer communications provisions and the estimated ranges of impacts contains some limitations, and a number of significant judgements and estimates have been necessary, including judgements about the circumstances where customers may have been disadvantaged, the estimated amounts for customer redress due, judgements about the extent of the customer population included, the extent of any overlap between remediation activities, and the assumed timing of remediation activities.

Other provisions include a £2.6m provision for legal claims. The value of claims will depend on the number of claims and as to what the level of legal costs and settlement will be. The company will defend claims without merit. A 10% increase in the settlement amount and legal costs will increase the provision by £0.2m (10% decrease: £0.2m). A 10% increase in the number of claims will increase the provision amount by £0.2m (10% decrease: £0.2m).

Estimates for provisions and associated ranges are based on management's best estimate using the information available. Further work will be undertaken during the remediation phase, planned for completion during the coming year, which could lead to a revision of the provisions estimate, potentially outside of the current estimated range.

The total provisions above also comprise of other provisions which are individually immaterial.

Contingent liabilities - Fixed and floating charges

As at 30 June 2020, the Company's non-securitised assets, along with those of the Together Group's non-securitised assets were subject to a fixed and floating charge in respect of £785.0m senior secured notes (30 June 2019: £725.0m) and £10.0m in respect of bank borrowings (30 June 2019: £55.0m).

21. Other liabilities

	2020	2019
Amounts owed to Group undertakings	50.7	68.2
Trade creditors	1.0	1.4
Other creditors	1.2	1.5
Other taxation and social security	0.6	1.0
Accruals and deferred income	17.2	17.9
	70.7	90.0

Amounts owed to Group undertakings are repayable on demand. Trade and other creditors are payable within one year.

As set out in Note 20, provision amounts previously included within accruals and deferred income have been disclosed separately for the year ended 30 June 2020 and comparative amounts have been reclassified accordingly.

22. Share capital

Authorised, called-up, allotted and fully paid	2020	2019
100,000 ordinary shares of £1 each	0.1	0.1

Notes to the financial statements (continued)

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

23. Related party transactions

Relationships

The Company has the following related parties:

Entity	Nature of transactions
Bracken House Properties LLP	The Company pays operating lease and insurance costs to Bracken House Properties LLP for its provision of the Group's head office property.
Charles Street Commercial Investments Limited	The Company performs accounts payable, collection and arrears-management activities for these loans.
August Blake Developments Limited, Edgworth Developments Limited, Sunnywood Estates Limited	The Company manages accounts payable on behalf of these entities, for which it is reimbursed.

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

Transactions

The amounts receivable from and payable to related parties by the Company are disclosed in Notes 14 and 20 to the financial statements. The Company had the following transactions with related parties during the year:

	2020		2019	
	Charge to income or equity	Paid	Charge to income or equity	Paid
Lease and insurance costs	1.4	1.8	1.4	1.4
Accounts payable transactions	-	1.2	-	2.8
	1.4	3.0	1.4	4.2

24. Pension arrangements

During the year the Company contributed to employees' personal pension plans. The total cost for the year amounted to £1.4m (2019: £1.1m). Additionally, the Company operated a defined contribution scheme for which the pension costs charge for the year amounted to £nil (2019: £nil).

25. Share-based payments

Senior management of Together Financial Services Limited, who are also employees of the Company, has previously been granted D shares and options over E shares of the Company. The ability to dispose of such shares and execute such options is conditional on sale of shares held by other shareholders amounting to 25% or more of the Company's share capital on a cumulative basis. The value of these shares is dependent upon the value of the Company at the time of granting. Awards are treated as equity settled and are satisfied by the same entity where the obligation rests at the point awards are realised. The options over the E shares have not yet been exercised.

26. Ultimate parent company

The Company is a subsidiary undertaking of Together Financial Services Limited, a company incorporated in Great Britain and registered in England and Wales.

The smallest group of which the Company is a member, and for which group financial statements are drawn up, is that headed by Together Financial Services Limited. The largest group of which the Company is a member, and for which group financial statements will be drawn up, is that headed by Redhill Famco Limited (the Company's ultimate parent undertaking). The principal place of business and registered address for Together Financial Services and Redhill Famco Limited is Lake View, Lakeside, Cheadle, Cheshire, United Kingdom, SK8 3GW, and both are privately owned and limited by shares.

Notes to the financial statements (continued)

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

27. Events after the reporting date

a) Mortgage-payment deferrals

After the balance sheet date the continuing development of the Covid-19 pandemic has resulted in the Company maintaining its actions to serve its customers and protect colleagues, consistent with the supportive measures announced by the UK government. The Company has offered mortgage-payment deferrals to a number of customers as a result of Covid-19. At 31 August 2020, 10% of the Company's loans, by value, still remained on mortgage-payment deferrals as a result of Covid-19.

The impact of mortgage payment deferrals on the Company, including on its liquidity and funding position, has been considered in the going-concern assessment disclosures set out in Note 2.

b) Restructuring

With the severity of the pandemic and its impact on business, the Group has had to make some difficult decisions regarding restructuring the business and the Group launched an employee consultation process on proposals to reduce colleague numbers reflecting the anticipated future levels of lending activity and efficiencies in a revised operating structure. This employee consultation process ended on 7 September 2020 and as a result 191 colleagues were made redundant within the Group.

c) Funding activity

On 16 July 2020, Together successfully priced the latest and largest issuance in its residential mortgage backed securitisation programme, the Together Asset Backed Securitisation 2020 - 1 PLC ('Together ABS 4'). The issuance, which has an effective advance rate of 92% received strong support from investors and resulted in £361m of additional funding being raised. Together ABS 4 is supported by a portfolio of 1st and 2nd charge owner-occupied and buy-to-let residential mortgages, secured against properties in England, Wales and Scotland, and refinances assets forming part of the Group's AA rated £1.25bn Charles Street facility ('Charles Street ABS').

Given the government's announcement to extend mortgage-payment deferrals to support individuals and families and the uncertainty surrounding the economic outlook, the Group has agreed further modifications to waivers for each of its private securitisations, including agreement of modifications to Lakeside ABS in August 2020 and Charles Street ABS in September 2020.

Also in September, the maturity date on the Group's undrawn £71.9m RCF facility was been extended to June 2023.