



Together Commercial Finance Limited Annual Report and Financial Statements

For the year ended 30 June 2020

Company Registration No. 02058813



Together Commercial Finance Limited
Annual report and financial statements for the year ended 30 June 2020

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Officers and professional advisers

Directors

GD Beckett
W Bowser*
MR Goldberg
GM Grimes (Appointed 20 May 2020)
RM McTighe*
HN Moser

* *Non-Executives*

Secretary

SE Batt

Registered office

Lake View
Lakeside
Cheadle
Cheshire
SK8 3GW

Auditor

Ernst & Young LLP
2 St Peter's Square
Manchester
M2 3DF

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 Together Commercial Finance Limited ('the Company') continues to be that of a mortgage lender. The Company is a wholly-owned subsidiary of Together Financial Services Limited which, with its subsidiaries, operates as the Together Group of businesses ('the Group').

The Company strategy is to deliver secured lending to underserved customers in attractive growing markets; achieve positive customer outcomes; maintain high asset quality with prudent loan-to-value (LTVs) and reinvest profits to support future ambitions.

The Company underwrites and services all its loans in house and all operations are based at its head office in Cheadle, Manchester.

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 having 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 has been to focus on: supporting our customers including those in need of 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 2020, 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 financial stress and requesting assistance. The mortgage-payment deferrals were originally for up to 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 up to a further three months where necessary, while encouraging those able to resume payments to do so. The Company has offered payment deferrals not only to borrowers covered by the government's criteria but also to certain other customers.

Several lenders, including the Company, took the decision to temporarily pause new lending applications. The Company's focus was on managing existing pipelines, supporting existing customers, and increasing liquidity, during a time when risks for new lending were also difficult to evaluate.

We have continued to see demand for our products and have recently been able to cautiously resume accepting new mortgage applications assessed against criteria appropriate to the changed market. This means volumes will be lower initially but we expect to revise these levels over time as we gain greater clarity on the prevailing market and economic conditions. The enduring nature of the pandemic has meant that, despite our actions to date, for the long-term good of the business in September 2020 it has been necessary to announce redundancies for colleagues, 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 Together to play our part in helping our customers, 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, our focus on delivering common sense lending is more relevant than ever.

The Company's long-term strategy of prudent LTV lending provides significant mitigation from such uncertain economic times further supported by high levels of profitability. The Company's approach to managing risks is explained in the Principal Risks and uncertainties section below.

Strategic Report (continued)

Business Review (continued)

Results

Despite the economic shock of the pandemic the loan book finished the year 15.2% higher at £2,732.5m and profit before tax for the year was £89.4m (2019: £101.8m).

Interest receivable by the Company increased by 18.0% to £274.2m (2019: £232.4m) primarily as a result of increases in loans and advances to customers. Net interest margin¹ remained highly attractive at 7.0% (2019: 7.0%) given the high levels of collateral underpinning the quality of the loan book. Administration costs have decreased to £34.9m (2019: £37.0m), as a result of actions to reduce expenditure for the final three months of the year in response to the pandemic. These measures included the furloughing of staff and a reduction in certain discretionary expenditure, including the release of certain provisions for incentive payments to colleagues and senior personnel. Impairment losses increased by £45.5m from £11.8m to £57.3m for the year ended 30 June 2020, the increased charge for the year primarily reflects the deterioration in the macroeconomic conditions following the Covid-19 pandemic and the resulting impact on loan book performance. Further detail on impairment losses is set out in Note 11 of the financial statements.

Position

Loan originations during the first nine months were 11.7% higher than prior year but were curtailed with the onset of the coronavirus pandemic, finishing at £1,210.1m for the year (2019: £1,423.1m). Despite the reduced origination volumes in the latter quarter, total loans outstanding increased by 15.2% to £2,732.5m (2019: £2,372.7m) reflecting a slowdown in redemptions. The impairment allowance has increased to £99.2m (2019: £53.7m) reflecting loan book performance and the impact of Covid-19. The level of impairment cover has increased during the year with the impairment allowance representing 3.6% of the loan book at 30 June 2020 (2019: 2.2%). At the same time equity has increased by 47.5% to £247.1m (2019: £167.5m) reflecting the impact of retained profit after tax for the year of £79.6m (2019: £89.7m).

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 are subject to a fixed and floating charge in respect of these facilities. In addition the activities of the Company are also financed by Group securitisation facilities including various public residential mortgage-backed securitisations and private revolving securitisation facilities; Charles Street Conduit Asset Backed Securitisation 1 Limited ('Charles Street ABS') originated in November 2007, Lakeside Asset Backed Securitisation Limited ('Lakeside ABS') originated in January 2015, Delta Asset Backed Securitisation 2 Limited ('Delta ABS 2') issued on 29 March 2019, and a commercial real-estate warehouse facility Highfield Asset Backed Securitisation 1 Limited ('Highfield ABS') originated in June 2018. These facilities are secured on specific loan assets of the Company ('securitised assets').

In October 2019 the Group announced the issuance of its third residential mortgage-backed securitisation (RMBS), 'Together ABS 3' raising £315m, and the successful refinancing of the Lakeside ABS facility, increasing its size from £255m to £500m and extending the maturity date to 2023. In February 2020 the Group refinanced its £375m senior secured notes, increasing the size of the issuance to £435m and extending the maturity to February 2026. The Group also extended the maturity of £25m of its subordinated shareholder loans to September 2026.

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.

The Group was proactive in its response to the uncertain funding market, and in July 2020 was able to take advantage of improving market confidence to complete its fourth RMBS, Together ABS 4. This succeeded in raising additional finance of £361m for the Group with 79.5% of the notes rated AAA on issuance. In September, the maturity date on the undrawn £71.9m RCF facility has also been extended 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 this report.

Detail on the management of liquidity and funding risk is discussed in Principal risks and uncertainties section on page 13 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 also has to comply with the relevant UK and EU regulations including anti-money laundering regulations, the EU General Data Protection Regulation, and the EU Securitisation Regulations.

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)

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.

This has been evidenced in our ability to support our customers together with our colleagues and maintain the strong business relationships with other stakeholders during the Covid-19 pandemic in 2020.

We identify our key stakeholders as:

- Colleagues
- Customers
- Community
- Regulators
- Intermediaries
- Investors, Banks, and Capital Markets
- Suppliers
- Shareholder

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

In responding to the Covid-19 pandemic we have prioritised the wellbeing of our colleagues, customer service to our borrowers, and the resilience of the business. This has sometimes resulted in changes to how we engage with stakeholders, but we have at all times sought to ensure that relationships have been managed professionally and appropriately.

COLLEAGUES

The Board provides oversight of colleague engagement and other employment matters within the parameters of the Group. All of the Group's colleagues are employed by a fellow Group company Blemain Finance Limited. Information about the activities of the Board can be found in the Corporate Governance Statement.

We recognise that our colleagues are a key strength and our achievements could not be possible without them. Our success derives not only from both their skills and knowledge but also their behaviours and attitudes and this year more than ever we are incredibly proud of our colleagues and the efforts they have made to support our customers and our business during these unprecedented times.

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

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.

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 cascade from the Board to all our colleagues within the business.

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.*
- 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.*

Strategic Report (continued)

Stakeholder Engagement Report (continued)

Beliefs (continued)

We always seek to put this statement of beliefs into action. This is why, following the implementation of the Senior Managers and Certification Regime within our regulated Personal Finance division, we chose to roll out our 'Our Accountability Charter' across the Group and why such beliefs form a cornerstone in our colleague performance conversations.

Using the Job Retention Scheme

The Covid-19 pandemic has transformed how our colleagues work together and the safeguarding of our colleagues' wellbeing has been paramount. The experienced and projected severity of the pandemic and its impact on our growth plans has also forced us to make some difficult decisions regarding furloughing and the restructuring of our business to support the continued success of our business. These matters, and also continuing considerations such as career development and judging how we are doing as an employer, are discussed below.

Like so many businesses we took the decision to furlough colleagues and across the Group this peaked at 63% of our people, reflecting the immediate impact of the pandemic to our normal business activity, and took advantage of the government's Coronavirus Job Retention Scheme to support this. 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. There were also other arrangements in place where some colleagues agreed to reduce to a four day week, with a subsequent reduction in salary, until work began to increase again.

Moving into the next phase of our response to the crisis

Whilst the recent actions we have taken have benefited our cost base we need to ensure it remains appropriate in scale and type to align to our expected activity levels during 2020 and 2021 and also taking into consideration efficiencies to be gained from our investment in technology and automation of processes. This means we still need to make important changes in the way we operate moving forwards.

In July, we began consultation with colleagues on a range of changes we are proposing to make to the business. These proposals included restructuring activities and ways of working, and putting a number of roles at risk of redundancy. Whilst we believe such measures are appropriate to support the ongoing success of the business we recognise and appreciate that this is a hugely unsettling and difficult time for colleagues, and continue to offer support through regular communication, briefings and enhanced wellbeing resources including career advice.

Colleagues' 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 Covid-19 pandemic, we utilised our existing network of Mind Matters 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.

As the government moved towards easing the lockdown, the leadership team also looked at different options to allow colleagues to transition back to office working, including social distancing and cleaning procedures to support a safe return to the office environment. All measures implemented to facilitate this safe return have been subject to a risk assessment against Government guidance and external validation. Colleagues who requested to work in the office were required to complete mandatory Health & Safety training via e-learning prior to being given access to the building.

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. Together also supports external training and qualifications for its colleagues where appropriate to their role.

Colleagues are empowered to engage in improving themselves and the organisation by internally sharing their learning and insights through a variety of forums including departmental roadshows, huddles and blogs.

In the face of the Covid-19 pandemic, a dedicated suite of tools and resources has been 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 the Covid-19 pandemic.

Strategic Report (continued)

Stakeholder Engagement Report (continued)

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 the Group’s success, and our benefits package includes ‘Shared Reward’, a long-term scheme for colleagues to benefit when we achieve certain milestones. 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 Covid-19 we had to pause some events, but our focus on recognition did not stop. A key part of our communications strategy during the pandemic lockdown 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

Our latest ‘Quick Listen’ achieved a response rate of 89% and an engagement score of 89%, benchmarking strongly against the broader financial services sector, and an increase on the score of 86% achieved in July 2019. This shows our ‘Big Listen Action Plan’ – focussed around improving communication, collaboration and change – has been having an impact.

We continue to place high importance on colleague engagement, particularly as we progress through and emerge out of the Covid-19 pandemic. During this period to date, rather than our usual surveys, we have focussed on monitoring colleague health, carrying out monthly wellbeing pulse surveys to support this.

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.

Lending to our customers

We lend to a wide variety of customers including owner-occupiers, landlords, businesses, the self-employed and developers. For us, however, all of our customers’ journeys begin the moment they realise their need for finance and continues all the way through the loan relationship to eventual redemption and beyond. We remain committed to delivering excellent service, and at key touch points throughout this cycle we monitor feedback from customers to understand both what we do well and what we can improve.

Customer support during Covid-19

We take time to understand our customer’s individual circumstances to ensure that we are able to recognise their requirements and this has never been more important for customers who may have been or who are currently impacted by the pandemic. To support customers, we have offered a variety of solutions including part and full mortgage payment deferrals in line with government guidance along with using other forbearance measures where more appropriate to do so such as converting to interest only mortgages for a period of time. 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 during this challenging period.

Stakeholder Engagement Report (continued)

Listening to our Customers

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

We 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. Feedback comes from enhanced customer reporting including via our Voice of the Customer programme and through Net Promoter Scores. Since January 2019, we have 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 (2018: 74%).

Despite the challenges of the Covid-19 pandemic, we were able to react quickly to the requirements of our customers and this was shown in the feedback we received during the period.

Over the past few months, we've completely redeveloped the Existing Customers' area of the company's website to include refreshed content, a new layout and improved navigation to enhance customer experience and their ability to access support if they have been affected by Covid-19.

REGULATORS

Our approach to regulatory engagement is one of openness and transparency, treating any enquiries with high importance, and we follow established processes for communicating proactively with the regulator.

We continue to ensure that we're informed of industry best practice and data protection developments in line with Information Commissioner's Office requirements and through regular attendance at externally facilitated training and discussion forums.

In readiness for the implementation of the GDPR in 2018, a Group-wide project was initiated to oversee any required changes. Following completion of that project, a post-implementation review was undertaken, the output of which has driven some further changes to the Group's approach. Amongst other things, a number of projects are currently underway to ensure continued compliance with GDPR, including a Group-wide programme to cleanse personal data held and an exercise to enhance the Group's Records of Processing.

Further details of compliance and conduct risk are contained in the Principal risks and uncertainties section.

COMMUNITY

We launched our award winning Let's Make it Count programme in 2016 which provided colleagues with a framework to make a difference in the local community. The programme is embedded throughout the business, including Commercial Finance, within 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.

Further detail on the Group's activities under our Let's Make It Count programme are reported in the Together Financial Services Limited Annual Report and Accounts.

INTERMEDIARIES

The Intermediaries we work with, which include mortgage packagers, broker networks and mortgage clubs, are crucial to ensuring our products are available to a wide number of potential customers.

Our Together + networks, comprising over 40 of our top mortgage packaging intermediaries, continue to have access to bespoke rates, unique products and exclusive events tailored to their businesses. They are also provided with enhanced underwriting and roving support, monthly management information and quality feedback.

In June 2020, we wrote to our brokers to let them know about some changes we were making as a business due to the Covid-19 pandemic which impacted on the progression of pipeline applications. These changes related to enhanced underwriting criteria on affordability, valuation and exit strategy plausibility we had to make due the increased risks that the pandemic has created for lenders.

Nurturing long-standing, trusted relationships is vital and something we pride ourselves on. We continue to communicate openly and transparently with our broker network to ensure that the strength of our relationships is maintained during this period and into the future.

Stakeholder Engagement (continued)

INVESTORS, BANKS AND CAPITAL MARKETS

Our funding is provided by UK and international banks and other institutions who invest in private and public securitisation vehicles, into which assets originated and serviced by the Company, are sold. 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 the facilities.

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 payment deferrals to be ignored for the purposes of eligibility and in respect 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.

We continue to seek to be open and transparent with our banks and investors, to find areas where we can improve

SUPPLIERS

Suppliers also play an important part in supporting our business, in particular our professional advisers and outsourced IT developers. It is not only price and quality that is considered 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 both we and our suppliers have a clear understanding of the commitment as well as appropriate legal protection.

OUR SHAREHOLDER

Together Commercial Finance Limited (TCFL) 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 TCFL Chair and TCFL 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
- 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 Group and therefore references have been provided where appropriate to the Together Financial Services Limited Annual Report where more information can be found.

S.172 requirement to have regard to:	How the Board has fulfilled its s.172 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 in the context of the short and medium-term objectives in place to protect the long-term value of the business.• The Company operates within the parameters of the Group governance framework which facilitates efficient decision making. These arrangements enabled the business to promptly respond to the significant economic and market changes which occurred during the Covid-19 pandemic. Further information can be found in the Together Financial Services Limited Annual Report.

Strategic Report (continued)

	<ul style="list-style-type: none"> On an annual basis, the Board approves the trading plan for the upcoming 12 to 18 months. Further information can be found within the Strategic report. 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 which are regularly reported to the Board. During the Covid-19, wellbeing surveys were circulated to gather additional feedback with output reported to the Board to inform discussions on ways of working. Further information on the Company's response to the Covid-19 pandemic, in line with government guidelines, including furloughing of colleagues and safe working environments can be found in the Stakeholder Engagement report. Colleague reward schemes recognise achievement and performance, including a Group Shared Reward Scheme which encourages colleague retention through the provision of a longer term incentive horizon. Further information can be found in the Together Financial Services Limited Annual Report.
(c) the need to foster the company's business relationships with suppliers, customers and others	<ul style="list-style-type: none"> Maintaining positive stakeholder relationships is crucial to the Company's 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 and we encourage customers to provide feedback. Further Information can be found in our Stakeholder Engagement report. The Group recognises the importance of fostering relationships with investors and banking facility providers. More information can be found in the Together Financial Services Limited Annual Report.
(d) the impact of the company's operations on the community and the environment	<ul style="list-style-type: none"> Support for charities and community projects continues via our Group-wide colleague led initiative "Let's Make It Count". The Board receives annual reporting on initiatives undertaken to reduce the impact of the business's operations on the environment. More information on this can be found in the Together Financial Services Limited Annual Report.
(e) the desirability of the company maintaining a reputation for high standards of business conduct	<ul style="list-style-type: none"> This year, the Board approved the adoption of the Wates Principles for Large Private Companies as a demonstration of its commitment to best practice governance. Information on how the Wates Principles have been applied can be found in our Corporate Governance statement. The Board adopts the vision, mission and beliefs which are embedded across the Group through policies and procedures which reinforce good business conduct. Information on the company's culture which is set by the Group and embedded by the Board can be found in the Stakeholder Engagement report.
(f) the need to act fairly between members of the company	<ul style="list-style-type: none"> The overarching governance arrangements are regularly reviewed to ensure they continue to meet the requirements of all the company and its respective stakeholders. 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 is 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. 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 Company'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 the 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:

- 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.
- The new lending criteria have been applied to the existing pipeline to evaluate whether valuations and affordability assessments undertaken prior to coronavirus are still appropriate.
- 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.
- 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 government guidance on mortgage-payment deferrals.
- Continuing to focus lending on areas of the market where the Company has specific expertise, which only includes secured lending, within the UK, at prudent LTVs.
- 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 2, 3 and 11 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 Group'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 for new business, 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 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 amortisation with removal of undrawn facility headroom and deferral of cashflows to the senior borrower group. 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.

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 improve cashflow is the ability to control levels of new lending, which in combination with other management actions, has increased cash holdings within the Group.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Liquidity and funding risk (continued)

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.

Within commitments, as disclosed in Note 19 of the financial statements, we include amounts for undrawn elements of existing development funding commitments.

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.

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, including 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 and comparing to agreed Board appetite limits.
- 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.

Capital risk is managed and mitigated at a Group level by:

- Regular monitoring of current and forecast levels of capital, including the gearing ratio.
- Business planning and stress testing over a horizon of 12-18 months to identify forecast positions.
- Reviewing the level of gearing within securitisation facilities and within the group, and seeking to manage these when refinancing to improve 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 business continuity plan that is periodically tested.
- A specialist business change team dedicated to managing the change projects the business is undertaking.
- Maintaining IT infrastructure, which is sufficiently resilient.

Strategic Report (continued)

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 Group Board and Risk Committee meetings 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.
- 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.

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, 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, 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 Groups 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.
- 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.
- Identifying and supporting customers when things go wrong, for example, through listening to customers 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 have recently been updated to include a focus on those customers impacted by Covid-19.

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.

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 Company operates. This includes the risk that the 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 Group and/or potentially fines from the regulator.

Compliance risk is managed and mitigated by:

- Quality assurance reviews in operational areas with oversight provided by experienced risk and quality assurance departments.
- Independent monitoring reviews undertaken by second-line teams.
- Continued investment in staff training and awareness.

Strategic Report (continued)


Principal risks and uncertainties (continued)

Compliance risk (continued)

- 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 Company and the Group also consider risks arising in relation to other key stakeholders such as our shareholders, investors and banks, intermediaries, colleagues, and our community. This includes both the impact to our operations from their actions, or the failure of a key stakeholder, and also the impact of our actions on our relationship with stakeholders.

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



MR Goldberg
Director
23 October 2020

Corporate Governance

Corporate Governance

Effective Corporate Governance provides confidence 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 Commercial Finance Board is a board of directors of the Together Commercial Finance (TCF) division comprising Together Commercial Finance Limited, Harpmanor Limited, Bridging Finance Limited and Auction Finance Limited. All companies within the division have common directors. The Board provides leadership for TCF division within a control framework which enables risk to be assessed and managed. For all other matters, the companies within the TCF division fall within scope of the Matters Reserved for the Together Financial Services Limited Board and their Committee Terms of Reference. The TCF Board directors also sit on the Group Board.

The Board of directors 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 effectively implement the Group's corporate governance framework, the Board takes into account considerations from all stakeholders, and ensures that TCF has sufficient experience and resources to meet its objectives and to comply with all legal, regulatory and contractual considerations. The Board also ensures that the appropriate culture, values and conduct are embedded within the organisation and fully endorses the Group's beliefs.

The Board meets a minimum of six times during the year. During 2020, additional meetings have been held in response to enhanced governance and decision-making requirements as a result of the Covid-19 pandemic.

During the year the Board 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.

Corporate Governance Statement

For the year ended 30 June 2020, Together Commercial Finance Limited ("the Company") applied the Wates Corporate Governance Principles for Large Private Companies 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 Group's preparation for the new requirements, a review was undertaken during the year on behalf of the Board to understand to what extent the Group's existing governance 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 Board operates within the overall governance framework for the Group. The framework is structured to enable the directors of all entities within the Group to have the necessary tools to make the key principal decisions crucial for creating long-term value, whilst meeting stakeholder 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 TCF Board adopts the vision, mission and beliefs which have been set across the Group. Colleagues are asked to show how they've evidenced the beliefs as part of the performance review process.• The Board sets the Company's strategic aims within the parameters set by the Group to take into account the requirements of key stakeholders and ensures that the necessary experience, people and resources are in place to help colleagues and customers achieve their financial ambitions. Information on the Company's strategy can be found in the Strategic Report.
<u>PRINCIPLE 2 – BOARD COMPOSITION</u> 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.	<ul style="list-style-type: none">• 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 knowledge relevant to the specialist commercial lending sector and benefits from non-executive directors who provide challenge and bring a range of knowledge and expertise from both the financial services sector and elsewhere.• The approval of directors taking external appointments is a matter reserved for the Group Remuneration & Nomination Committee, to ensure that directors continue to have sufficient capacity to make a valuable contribution and that there are no material conflicts.• During the year, the Group Remuneration & Nomination Committee discussed diversity and succession planning to ensure that the composition of the Board continues to be suitable for the size and complexity of the Group.• A Board evaluation planned for Q4 was deferred due to the Covid-19 pandemic.

PRINCIPLE	HOW THE PRINCIPLE HAS BEEN APPLIED DURING THE YEAR
<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 Chair of the Board regularly meets with the Company Secretary to discuss governance arrangements, and ensuring that agendas are structured to facilitate appropriate discussion and challenge. • The TCF division has delegated authority for financial approvals in accordance with the Group's financial delegated authorities matrix. The division also has delegated authority for the management of operations and the day to day running of the commercial lending business. • The Board 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 for the commercial finance business. • The Board receives information in a timely manner via a secure Board portal to maintain confidentiality. • All Board 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 Covid-19 pandemic, a weekly meeting of the Group Board and the Boards of its operating subsidiaries was held; the meeting was chaired by the Group Board Chair. The agenda for the weekly update included standing items for HR, risk, treasury and finance to ensure that the boards remained fully informed, and could provide oversight of, the key issues facing the business.
<p><u>PRINCIPLE 4 – OPPORTUNITY AND RISK</u></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. More information on the Company's strategy can be found in the Strategic Report. • One of the key areas of focus during the year was the transformation and automation of key business processes. More information on the activities undertaken across the Group in respect of this work can be found in the Together Financial Services Limited Annual Report. • The Board operates under delegated authority from the Group Board on matters of risk management and internal controls. The Group enterprise risk management framework (ERMF) provides a formalised structure for the risk management of the Group including TCF. The Board reviews and approves the risk appetite statements and associated limits and early warning triggers on an annual basis or more frequently if required. Further details can be found within the Strategic Report. • In April, a Group Risk Assurance Sub-Committee was established with delegation of authority from the Group Risk Committee to further strengthen the governance and risk-management frameworks during the pandemic. Information on the activities of the sub-committee can be found in the Together Financial Services Limited Annual Report. • Information on the principal risks and uncertainties facing the Company and risk management framework can be found in the Strategic Report. • Following guidance issued from relevant professional bodies in response to the Covid-19 pandemic, in April, the Group Board approved changes to the Group's annual internal audit plan. Further details can be found in the Together Financial Services Limited Annual Report.

PRINCIPLE	HOW THE PRINCIPLE HAS BEEN APPLIED DURING THE YEAR
<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 Group Board delegates authority to the Group Remuneration & Nomination Committee, which has the responsibility for agreeing the pay and reward policy for Group colleagues including those working within TCF, and for setting the individual remuneration packages of the executive directors. More information on the activities of the Group Committees can be found in the Together Financial Services Limited Annual Report. • Colleague pay is benchmarked externally and pay increases and bonus payments are linked to performance. Executive remuneration is based around a balanced scorecard of objectives and behaviours. • Following the government's announcement regarding their job retention scheme, the Group Board recommended the furlough of a proportion of colleagues. Information on the use of the job retention scheme can be found in the Stakeholder Engagement Report. • In May, the Group Remuneration & Nomination Committee met to discuss the approach to pay and reward for the forthcoming period in light of the Covid-19 pandemic. Due to a large proportion of colleagues being on furlough, and those colleagues remaining in the business being focussed primarily on pandemic related activities, the colleague end of year performance reviews were agreed to be postponed until later in the calendar year. Consequentially, the decision regarding the payment of the Group's performance related bonus to colleagues was also postponed.
<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 reporting was enhanced across the Group to require authors to identify which stakeholder groups were considered when making decisions, and TCF directors were included in training on stakeholder considerations and their duties under s.172 in the context of increasing understanding of new corporate reporting requirements applicable to the Group. • More information on stakeholder and employee engagement, including engagement during the Covid-19 pandemic can be found in the Stakeholder Engagement Report. • During the period, the Group Audit Committee undertook its annual review of the Group Whistleblowing Policy to ensure that the process in place for all colleagues to raise concerns about misconduct and unethical practices remained effective. 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 Strategic report.
- Events taking place after the balance sheet are disclosed in note 21 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.

Employees

The Company has no employees (2019: nil). Directors' emoluments and wages and salaries relating to employees of the Group are borne by a fellow subsidiary company of Together Financial Services Limited, Blemain Finance Limited, and recharged to the Company, in line with approved methodologies.

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, 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. Further detail on the going concern assessment is set out in Note 2 to the financial statements.

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.

Principal risks and uncertainties

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

Directors' report (continued)

Directors' report

Audit information

The directors, having considered the requirements for rotation of auditors, voluntarily tendered the audit. After a competitive tender, Ernst & Young LLP were 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



MR Goldberg
Director
23 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 year. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements 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 Together Commercial Finance Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Together Commercial 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 21, 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 profit 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 (continue)

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 20, 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.

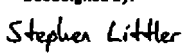
Auditor's responsibilities for the audit of the financial statements

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 (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Manchester
26.10.20

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	274.2	232.4
Interest payable and similar charges	5	(95.9)	(84.6)
Net interest income		178.3	147.8
Fees and commission income	6	3.9	3.8
Fees and commission expense	7	(1.5)	(1.0)
Other income	8	0.9	-
Operating income		181.6	150.6
Administrative expenses	9	(34.9)	(37.0)
Operating profit		146.7	113.6
Impairment losses	11	(57.3)	(11.8)
Profit before taxation		89.4	101.8
Income tax	10	(9.8)	(12.1)
Profit after taxation		79.6	89.7

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

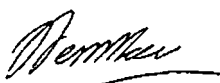
Unless otherwise indicated, all amounts are stated in £m

	Note	2020	2019
Assets			
Cash and cash equivalents		15.3	12.1
Loans and advances to customers	11	2,732.5	2,372.7
Other assets	12	0.5	0.3
Current tax asset		0.6	-
Deferred tax asset	13	5.2	5.3
Total assets		2,754.1	2,390.4
Liabilities			
Borrowings	14	1,555.5	1,317.1
Other liabilities	15	951.5	899.5
Current tax liabilities		-	6.3
Total liabilities		2,507.0	2,222.9
Equity			
Share capital	16	-	-
Retained earnings		247.1	167.5
Total equity		247.1	167.5
Total equity and liabilities		2,754.1	2,390.4

These financial statements were approved and authorised for issue by the Board of Directors on 23 October 2020.

Company Registration No. 02058813

Signed on behalf of the Board of Directors



HN Moser
Director



MR Goldberg
Director

Statement of changes in equity

Year ended 30 June 2020

Unless otherwise indicated, all amounts are stated in £m

2020	Share capital	Retained earnings	Total
At beginning of the year	-	167.5	167.5
Retained profit for the financial year	-	79.6	79.6
At end of the year	-	247.1	247.1

2019	Share capital	Retained earnings	Total
At beginning of the year	-	101.5	101.5
Changes on initial application of IFRS 9	-	(23.7)	(23.7)
Restated balances at beginning of year	-	77.8	77.8
Retained profit for the financial year	-	89.7	89.7
At end of the year	-	167.5	167.5

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

1. Reporting entity and general information

Together Commercial Finance Limited is incorporated and domiciled in the UK. The Company is a private company, limited by shares and is registered in England (Company number: 02058813). The registered address of the Company is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW. The Company is a provider of unregulated mortgage finance.

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 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 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.

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.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

2. Significant accounting policies (continued)

Going concern (continued)

Alongside the shareholder funding and retained equity which has consistently 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 ABS 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 TogetherABS 4 transaction, the Group's facility headroom increased to £770m.

In September 2020, the maturity date on the undrawn £71.9m RCF facility has been 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, 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: increases in the number or concentration of customers who elect to take a mortgage-payment deferrals due to Covid-19; 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.

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 this report, on the basis that the Company has adequate funding and support as detailed above, upon review of its current performance and 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.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

2. Significant accounting policies (continued)

Interest income and expense

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

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.

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.

Cash and cash equivalents

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

Financial assets & liabilities

Financial assets

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

All the Company's financial assets are classified as measured at amortised cost. Amortised cost is 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.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

2. Significant accounting policies (continued)

Financial assets (continued)

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.

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.

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.

Impairment of financial instruments

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.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

2. Significant accounting policies (continued)

Impairment of financial instruments (continued)

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.

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.

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 11 to the accounts.

b) 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.

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 sensitivities thereon is set out in Note 11 to the accounts.

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 (continued)

b) 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	274.2	232.4

Included within interest on loans and advances to customers is £11.2m (2019: £9.5m) relating to impaired loans.

5. Interest payable and similar charges

	2020	2019
On borrowings	95.9	84.6

Included within interest on borrowings is interest payable on amounts owed to the parent company, Together Financial Services Limited of £45.2m (2019: £42.5m).

6. Fee and commission income

	2020	2019
Fee income on loans and advances to customers	3.9	3.7
Other fees receivable	-	0.1
	3.9	3.8

7. Fee and commission expense

	2020	2019
Legal, valuations and other fees	0.2	0.2
Insurance commissions and charges	1.3	0.8
	1.5	1.0

8. Other income

	2020	2019
Other income	0.9	-

Other income includes grant income received from the government in respect of employees who were furloughed under the Job Retention Scheme. The grant income was received by a fellow subsidiary company of Together Financial Services Limited, Blemain Finance Limited and was allocated to companies within the Group based on operational drivers in a similar way to the corresponding administrative expenses for staff costs.

9. Administrative expenses

	2020	2019
Administrative costs	34.9	37.0

Company overheads, including directors' emoluments, wages and salaries, office administration costs, and auditor remuneration are borne by a fellow subsidiary company of Together Financial Services Limited, Blemain Finance Limited and are recharged to companies within the Group based on operational and financial drivers.

The audit fee borne by Blemain Finance Limited (a separate group company) in respect of the Company in 2020 was £35,000 (2019: £31,050).

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

10. Income tax

	2020	2019
Current tax		
Corporation tax	9.4	11.4
Adjustment in respect of previous years	0.2	-
Total current tax	9.6	11.4
	2020	2019
Deferred tax		
Origination and reversal of temporary differences	0.8	0.7
Effect of changes in tax rate	(0.6)	-
Total deferred tax	0.2	0.7
Total tax on profit	9.8	12.1

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

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

	2020	2019
Profit before tax	89.4	101.8
Tax on profit at standard UK corporation tax rate of 19.00%/(2019: 19.00%)	17.0	19.3
Effects of:		
Income not taxable	-	0.3
Expenses not deductible for tax purposes	0.4	(2.0)
Group relief*	(7.2)	(5.5)
Adjustment in respect of prior years	0.2	-
Changes in tax rate	(0.6)	-
Tax charge for year	9.8	12.1

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.

* The group referred to is the tax group headed by Redhill Famco Limited, the ultimate parent of the Company, as described in Note 20.

11. Loans and advances to customers

	30 June 2020			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances	1,900.3	585.1	346.3	2,831.7
Loss allowance	(8.5)	(19.1)	(71.6)	(99.2)
	1,891.8	566.0	274.7	2,732.5
	30 June 2019			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances	1,911.5	315.8	199.1	2,426.4
Loss allowance	(9.6)	(8.3)	(35.8)	(53.7)
	1,901.9	307.5	163.3	2,372.7

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

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

11. Loans and advances to customers (continued)

Loans and advances to customers include total gross amounts of £9.7m (2019: £10.9m), equivalent to £5.5m net of impairment allowances (2019: £8.0m), loaned to companies in which a Director of this Company is also director and shareholder. Further detail on related party transactions is set out in note 17.

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. For development loans, PDs are assigned using a slotting approach which comprises a range of quantitative and qualitative criteria.
- 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.

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 forbome 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.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

11. Loans and advances to customers (continued)

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 £45.5m to £99.2m (2019: £53.7m).

Allowance for impairment losses	2020	2019
At beginning of the year	(53.7)	(56.9)
Charges to the income statement	(57.8)	(12.7)
Unwind of discount	11.2	9.5
Write-offs net of recoveries	1.1	6.4
At end of year	(99.2)	(53.7)

Impairment losses for the year	2020	2019
Movements in ECL, charged to income	(57.8)	(12.7)
Amounts released from deferred income	(0.7)	1.1
Write-offs net of recoveries	1.2	(0.2)
Charge to income statement	(57.3)	(11.8)

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 unweighted ECL when 100% probability was applied to all the scenarios as at 30 June 2020 and 30 June 2019.

Scenarios	2020		2019	
	Probability of the scenario	Unweighted ECL	Probability of the scenario	Unweighted ECL
Upside	10%	49.1	-	-
Mild upside	10%	56.9	30%	30.6
Base case	50%	75.1	40%	34.0
Stagnation	10%	125.9	-	-
Downside	10%	159.3	30%	103.1
Severe downside	10%	225.1	-	-
Weighted average		99.2		53.7

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), applied in each scenario, would result in an increase in the impairment allowance of £18.6m at 30 June 2020 (30 June 2019: £8.7m); conversely, a 10% increase would result in a decrease in the impairment allowance of £14.5m at 30 June 2020 (30 June 2019: £6.0m).

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 £5.7m at 30 June 2020 (30 June 2019: £3.9m). 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 £5.5m at 30 June 2020 (30 June 2019: £3.6m).

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

11. 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 Group 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 Group 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	11.9
Sensitivities – mortgage-payment deferrals	
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)	1.4
Measure all loans which are in a Covid-19 mortgage-payment deferral, currently in Stage 2 using a lifetime ECL – credit impaired (Stage 3)	2.3

12. Other assets

	2020	2019
Amounts owed by related parties	0.1	0.1
Other debtors	0.4	0.1
Prepayments and accrued income	-	0.1
	0.5	0.3

Amounts owed by related parties are repayable on demand.

13. Deferred tax asset

	2020	2019
At beginning of the year	5.3	1.0
Charge to income statement	(0.7)	(0.7)
IFRS 9 transition adjustment	-	5.0
Effect of changes in tax rate	0.6	-
	5.2	5.3

All figures relate to short term timing differences.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

14. Borrowings

	2020	2019
Amounts owed to Charles Street ABS	638.4	578.6
Amounts owed to Delta ABS 2	169.5	179.6
Amounts owed to Highfield ABS	382.8	307.0
Amounts owed to Lakeside ABS	216.6	181.2
Amounts owed to Together ABS 1	40.2	50.0
Amounts owed to Together ABS 2	20.6	27.1
Amounts owed to Together ABS 3	92.4	-
Debt issue costs	(5.0)	(6.4)
Total borrowings	1,555.5	1,317.1

The loan notes are provided through revolving securitisation vehicles provided by Charles Street ABS, Delta ABS 2, Highfield ABS and Lakeside ABS, and amortising RMBS provided by Together ABS 1, Together ABS 2 and Together ABS 3, in which the Company and a number of fellow Group subsidiaries participate. Under these facilities, the participants sell beneficial title to certain mortgage assets to the securitisation vehicles. The Company recognises a corresponding deemed loan liability against which it offsets the subordinated notes it holds in the securitisation. The amount of the liability reported represents the Company's net liability. Charles Street ABS has an expiry date of September 2023, Delta ABS 2 has an expiry date of March 2023, Highfield ABS has an expiry date of June 2022, Lakeside ABS has an expiry date of November 2023 while Together ABS 1, 2 and 3 have expiry dates of September 2021, November 2022 and September 2023 respectively.

In the case of the amortising facilities², the expiry date is the date of the option to call the facilities. The expiry date for Charles Street ABS, Delta ABS 2 and Highfield ABS include an amortisation period of one year.

15. Other liabilities

	2020	2019
Amounts owed to Group undertakings	947.8	894.3
Trade creditors	-	0.2
Other creditors	0.2	1.1
Other taxation and social security	0.1	-
Accruals and deferred income	3.4	3.9
Total other liabilities	951.5	899.5

Amounts owed to Group undertakings are repayable on demand.

16. Share capital

All amounts are stated in pounds.

Authorised	2020	2019
1,000 ordinary shares of £1 each	1,000	1,000
Called up, allotted and fully paid	2020	2019
2 ordinary shares of £1 each	2	2

² The amortising facilities are Together ABS 1, Together ABS 2 and Together ABS 3.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

17. Related party transactions

Relationships

The Company has the following related parties:

Entity	Nature of transactions
Charles Street Commercial Investments Limited	The Company refers borrowers outside its lending criteria to Charles Street Commercial Investments Limited in return for introduction fees. The Company performs underwriting, collection and arrears-management activities for these loans for which it is reimbursed.
Sterling Property Co. Limited	Sterling Property Co. Limited provides property management services for properties repossessed or placed into LPA receivership by the Company.
August Blake Developments Limited, Edgworth Developments Limited, Sunnywood Estates Limited	The Company provides loans with interest charged at 5% per annum, secured on certain assets of these companies. The Company also manages accounts payable on behalf of these entities.

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

Transactions

The amounts receivable from related parties by the Company are disclosed in Note 12 to the financial statements. The Company had the following transactions with related parties during the year:

	2020	Paid	2019	Paid
	Charge/ (credit) to income or equity		Charge/ (credit) to income or equity	
Interest on related party loans	(0.6)	-	(0.8)	-
Impairment of related party loans	1.9	-	0.7	-
	1.3	-	(0.1)	-

18. Contingent liabilities

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).

19. Commitments

The Company has commitments to extend credit which are not recorded on the balance sheet relating to undrawn elements of existing facilities. The amounts do not represent the amounts at risk at the balance sheet date but the amounts that would be at risk should the facilities be fully drawn upon in the event that the customer defaults.

At 30 June 2020, the Company had undrawn commitments to lend of £85.3m (30 June 2019: £88.9m) relating to future drawdowns on existing facilities granted to customers. The ECL on these commitments is included within the ECL recognised in Note 11 Loans and advances to customers.

20. 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

21. 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 30 September 2020, 5% 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, although none were employees of the Company.

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 has also been extended to June 2023.