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Together Personal Finance Limited
Annual Report and Financial Statements

For the year ended 30 June 2018

Company Registration No. 02613335

TOGETHER PERSONAL FINANCE LIMITED
Annual report and financial statements for the year ended 30 June 2018

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Officers and professional advisers

Directors

PS Ball
R Baxter*
GD Beckett
DJ Bennett*
W Bowser * (Appointed 15 January 2018)
MJJR Golby
RM McTighe*
HN Moser*
PA Wilson (Appointed 22 March 2018)

** Non-Executives*

Secretary

SE Batt

Registered office

Lake View
Lakeside
Cheadle
Cheshire
SK8 3GW

Auditor

Deloitte LLP
Statutory Auditor
2 Hardman Street
Manchester
M3 3HF

Legal advisers

Allen & Overy LLP
Bishops Square
London
E1 6AD

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

Eversheds LLP
70 Great Bridgewater Street
Manchester
M1 5ES

Milbank
10 Gresham Street
London
EC2V 7JD

Strategic report

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

Business review

Business model and strategy

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

The Company strategy remains to increase lending volumes and grow our loan book by lending responsibly to profitable segments of our markets some of which are underserved by mainstream lenders. The Company underwrites and services all its loans in house and all operations are located at its head office.

Results and dividends

As shown in the Company's statement of comprehensive income on page 10, profit before tax has increased to £9.6m (2017: £2.9m). Interest receivable by the Company increased by 89.7% to £40.4m (2017: £21.3m) primarily as a result of higher interest and loan origination income earned from growth in the size of the loan book. Underpinning this growth has been a corresponding increase in the scale and diversity of funding levels for the Together Group which together with changes in the allocation of group funding charges has led to a small reduction in interest payable to £12.3m (2017: £12.7m). Administrative expenses increased to £17.2m (2017: £4.6m) partly reflecting our continued investment in people, IT platforms and governance, but also following refinement of the way that group overheads are recharged.

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

Financial position

Significant growth in lending volumes resulted in a 69.5% increase in the net loan book to £621.5m (2017: £366.6m). The impairment allowance is little changed at £1.2m (2017: £1.1m). This increase reflects the growth in the loan book, the impairment charge representing 0.19% of the loan book at 30 June 2018 (2017: 0.29%) showing the improving quality of the book. Shareholder's funds increased by 23.1% to £41.1m (2017: £33.4m) reflecting the retained profit after tax for the year of £7.7m (2017: £2.3m).

Funding and liquidity

The Company is financed by its parent company, Together Financial Services Limited. The Company is indirectly financed by the other group companies which constitute the Together Group, and also via securitisation facilities provided by Charles Street Conduit Asset Backed Securitisation 1 Limited ('Charles Street ABS') and Together Asset Backed Securitisation 1 PLC ('Together ABS').

Liquidity is monitored at a Group level, and the Group monitors its liquidity position against the business plan on a regular basis taking into consideration the level of redemption activity, recurring income levels, planned expenditure and new business advance levels. Any material deviations are identified and appropriate action taken to ensure that sufficient liquidity headroom exists at all times.The Together Group has borrowings provided through a revolving securitisation facility, Charles Street ABS established in 2007, in which the Company and a number of fellow subsidiaries all participate. The facility is secured on specific loan assets. The total available facility to the Together Group is currently for £1bn and expires in January 2021.

On 26 September 2017, the Group announced the completion of a £275m residential mortgage-backed securitisation via the special purpose vehicle Together Asset Backed Securitisation 1 PLC.

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

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

The Board of Together Financial Services Limited has confirmed that it will continue to provide funding to the Company for the foreseeable future.

Strategic report (continued)

Business review (continued)

Macroeconomic conditions

The Company is impacted by general business and economic conditions in the United Kingdom. During the 12 months to 30 June 2018 the UK's economic performance has continued to be mixed, influenced by the continuance of the government's austerity programme and uncertainty surrounding the ongoing Brexit negotiations.

Following the raising of its base rate from 0.25% to 0.5% in November 2017, the Bank of England announced a further increase to 0.75% in August 2018. This was driven by expectations of continued inflationary pressures from falling unemployment (now standing at its lowest level since 1971) fuelling gradual wage growth in the first quarter of 2018. However, UK GDP growth has remained weak as growth in productivity remains muted and the boost to spending from high levels of consumer credit has cooled. The consumer price index, having peaked at 3.1% in November 2017, fell back to 2.3% as the impact of weaker sterling following the Brexit referendum reduced.

The company operates solely in the UK and is therefore primarily affected by domestic business and economic conditions. All the Company's lending is secured against UK property and therefore it has no direct exposure to the consumer credit market. We have seen no real impact from the changes in the macroeconomic environment on our loan book, with arrears and credit losses remaining at very low levels, but whilst our performance remains sensitive to the possibility of further interest rate increases, the Group mitigates this risk by seeking to extend existing facilities on a regular basis, well ahead of maturity dates and ensures sufficient facility headroom exists to facilitate business requirements. While uncertain and volatile economic conditions present challenges, they may also reduce competition and present opportunities for specialist lenders like ourselves. The Company considers its business model of only lending if supported by low loan-to-value ratios provides strong security in the event of any downturn. However, we do have exposure to credit risk in situations where customers experience unemployment, illness, bereavement or other unexpected life circumstances which may have an impact on their ability to make repayments. In these situations, we have forbearance procedures in place to work with customers through this time.

Regulatory and legal considerations

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

Principal risks and uncertainties

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 economic 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.

Note 16 to the accounts provides detailed financial disclosures relating to credit risk.

Liquidity risk

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

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

Within commitments we include liquidity to cover for the outstanding pipeline of loan offers. Although certain pipeline offers may not be legally binding, the failure to honour an expression of intent to finance a loan contract could otherwise cause customer detriment and result in reputational risk. Surplus cash balances are placed on overnight deposit with institutions with sufficiently high long-term and short-term ratings.

Strategic report (continued)

Principal risks and uncertainties (continued)

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 equity which are actively traded, nor does it engage in any treasury trading operations. It also has no foreign currency exposure. Therefore the main market risk potentially faced by the Company is interest-rate risk, the risk of loss through mismatched asset and liability positions sensitive to changes in interest rates. This would primarily arise from debt securities issued by the Together Group securitisation vehicles. Interest rate risk is monitored at a group level, and the Company's performance is not considered at material risk from changes in interest rates that are reasonably expected for the next 12 months. In addition, the Group has the ability to undertake hedging transactions in order to mitigate potential interest rate risk, and to potentially pass on increases in funding costs to certain customers.

Conduct risk

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

The Company has no appetite for activities that may cause detriment to customers and requires all colleagues to behave and conduct business activities in accordance with the Company's values. Individual departments monitor conduct risk in their areas through quantitative and qualitative measures and the Risk and Control forum and the Customer & Conduct Excellence Forum monitor the effectiveness of this. The Company and the Together Group also considers risks arising in relation to other key stakeholders such as our shareholders, funders (bondholders and banks), brokers, others who introduce business to us and suppliers. This includes both the impact to our operations from their actions, or a failure of a key stakeholder, and also the impact of our actions on our relationship with stakeholders.

Compliance (regulatory and legal) risk

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

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

Operational risk

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

The Company aims to have in place a robust framework to manage operational risks, including systems, controls, policies and procedures. Key risks are captured through the risk control self- assessment (RCSA) process with a specific assessment made of the risk impact to customers and third parties.

The Company has taken steps to ensure that the IT infrastructure is robust so as to meet operational performance needs and is sufficiently resilient. There is a documented and tested business continuity plan in place to enable the Company to recover operations in the event of an incident. As for many institutions, the Company's principal external risk it faces is the increased cyber risk prevalent across the industry. The Company as part of the Together Group has invested heavily in this area over many years and its systems have proven robust against all the recently publicised attacks.

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

PA Wilson
Finance Director
6 September 2018

Directors' report

Directors

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

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.

Employee consultation

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

Disabled employees

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

Environment

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

Statement of going concern

As set out in the Statement of directors' responsibilities, in preparing the financial statements 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 a significant proportion of its funding. 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 foreseeable future. For this reason, they continue to adopt the going-concern basis for preparing 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 ensure that it will continue in operational existence for the foreseeable future. Accordingly, the directors of the Company have adopted the going-concern basis in preparing financial statements.

Principal risks and uncertainties

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

Audit information

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

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

This statement is given and should be interpreted in accordance with the provisions of s418 (2) of the Companies Act 2006.

Directors' report (continued)

Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

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

Paul Wilson

PA Wilson
Finance Director
6 September 2018

Statement of directors' responsibilities

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

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

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

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

Independent auditor's report

Independent auditor's report to the members of Together Personal Finance Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Together Personal Finance Limited (the 'company'):

- give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Independent auditor's report (continued)

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.

We have nothing to report in respect of these matters.

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

David Heaton

David Heaton (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester
United Kingdom
6 September 2018

Statement of comprehensive income

Year ended 30 June 2018

All amounts are stated in £m

Income statement	Note	2018	2017
Interest receivable and similar income	4	40.4	21.3
Interest payable and similar charges	5	(12.3)	(12.7)
Net interest income		28.1	8.6
Fees and commission income	6	0.1	0.1
Fees and commission expense	7	(1.1)	(1.0)
Operating income		27.1	7.7
Administrative expenses	8	(17.2)	(4.6)
Operating profit		**9.9**	**3.1**
Impairment losses	10	(0.3)	(0.2)
Profit before taxation		9.6	2.9
Income tax	9	(1.9)	(0.6)
Profit after taxation		7.7	2.3

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

Statement of financial position

As at 30 June 2018

All amounts are stated in £m

	Note	2018	2017
Assets			
Loans and advances to customers	10	621.5	366.6
Other assets	11	0.2	0.1
Total assets		**621.7**	**366.7**
Liabilities			
Borrowings	12	408.4	222.5
Other liabilities	13	171.2	110.5
Current tax liabilities		1.0	0.3
Total liabilities		**580.6**	**333.3**
Equity			
Share capital	14	-	-
Retained earnings		41.1	33.4
Total equity		**41.1**	**33.4**
Total equity and liabilities		**621.7**	**366.7**

These financial statements were approved and authorised for issue by the Board of Directors on 6 September 2018.

Company Registration No. 02613335

Signed on behalf of the Board of Directors

PS Ball
Director

PA Wilson
Director

Statement of changes in equity

Year ended 30 June 2018

Unless otherwise indicated, all amounts are stated in £m

2018	Share capital	Retained earnings	Total
At beginning of the year	-	33.4	33.4
Retained profit for the financial year	-	7.7	7.7
At end of the year	**-**	**41.1**	**41.1**

2017	Share capital	Retained earnings	Total
At beginning of the year	-	17.6	17.6
Capital contribution	-	13.5	13.5
Retained profit for the financial year	-	2.3	2.3
At end of the year	**-**	**33.4**	**33.4**

Notes to the financial statements

1. Reporting entity and general information

Together Personal Finance Limited is incorporated and domiciled in the UK. The Company is a private company, limited by shares, and registered in England (Company number: 02613335). The registered address of the Company is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW. The Company is primarily involved in financial services.

2. Significant accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with 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.

The Company has taken advantage of the disclosure exemptions under FRS 101 in relation to presentation of comparative information in respect of certain assets, presentation of a cashflow statement, 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 group operates.

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

Going concern

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

Interest income and expense

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

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

Fee and commission income and expense

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

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

Fees and commissions expenses primarily consist of legal and valuation fees and credit search fees.

2. Significant accounting policies (continued)

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 net profit 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 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

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

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

Financial liabilities

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

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

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

Impairment of financial assets

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

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

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

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

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

Securitisation

Where the 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 Together Group 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 Together Group's consolidated statement of financial position. The Company recognises a deemed loan liability to the SPE against which it offsets the subordinated notes in the securitisation which it holds. The amount of loan notes reported represents the Company's net liability.

Notes to the financial statements (continued)

3. Critical accounting estimates and judgements

In applying the accounting policies set out above, the Company makes significant estimates and assumptions that affect the reported amounts of assets and liabilities as follows:

a) Loan impairment allowances

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

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

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

b) Revenue

Interest income

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

Fees and commission

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

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

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

4. Interest receivable and similar income

	2018	2017
Interest on loans and advances to customers	**40.4**	**21.3**

Included within interest on loans and advances to customers is £0.1m (2017: £0.1m) relating to impaired loans.

5. Interest payable and similar charges

	2018	2017
On borrowings	**12.3**	**12.7**

Included within interest on borrowings is interest payable on loan notes and amounts owed to group undertakings.

6. Fee and commission income

	2018	2017
Fee income on loans and advances to customers	**0.1**	**0.1**

7. Fee and commission expense

	2018	2017
Legal, valuations and other fees	0.8	0.6
Insurance commissions and charges	0.3	0.4
	1.1	**1.0**

8. Administrative expenses

	2018	2017
Other administrative costs	**17.2**	**4.6**

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 Together Group based on operational and financial drivers.

The audit fee borne by Blemain Finance Limited in respect of the Company in 2018 is £42,000 (2017: £1,500).

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

9. Income tax

	2018	2017
Current tax		
Corporation tax	1.9	0.6
Total tax on profit	**1.9**	**0.6**

There are no adjustments in respect of prior years. Deferred tax asset/liability at 30 June 2018 is £nil (2017: £nil).

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

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

	2018	2017
Profit before tax	**9.6**	**2.9**
Tax on profit at standard UK corporation tax rate of 19.00%/19.75%	1.8	0.6
Expenses not deductible for tax purposes	0.1	-
Tax charge for year	**1.9**	**0.6**

10. Loans and advances to customers

	2018	2017
Gross loans and advances	622.7	367.7
Less: allowances for impairment on loans and advances	(1.2)	(1.1)
	621.5	**366.6**

Gross loans and advances are repayable:

	2018	2017
Due within one year	178.1	77.5
Due within 1-5 years	154.0	105.6
Due after five years	290.6	184.6
	622.7	**367.7**

Allowance for impairment losses	2018	2017
At beginning of year	(1.1)	(1.3)
Charges to the income statement	(0.2)	(0.2)
Unwind of discount	0.1	0.1
Write-offs net of recoveries	-	0.3
At end of year	**(1.2)**	**(1.1)**

Impairment losses for year	2018	2017
Charges to the income statement	(0.2)	(0.2)
Amounts written off	(0.1)	-
	(0.3)	**(0.2)**

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

11. Other assets

	2018	2017
Prepayments and accrued income	**0.2**	**0.1**

12. Borrowings

	2018	2017
Bank facilities	5.4	4.1
Loan notes	406.0	220.8
Debt issue costs	(3.0)	(2.4)
Total borrowings	**408.4**	**222.5**

The borrowings other than bank facilities are due for settlement after 12 months.

The loan notes are provided through a revolving securitisation vehicle Charles Street ABS and an amortising facility provided by Together ABS, in which the Company and a number of fellow Together Group subsidiaries participate. Under the facilities, the participants sell beneficial title to certain mortgage assets to the two securitisation vehicles and the Company recognises a corresponding deemed loan liability against which it offsets its investment in Charles Street ABS and Together ABS subordinated notes. The amount of loan notes reported represents the Company's net liability.

13. Other liabilities

	2018	2017
Amounts owed to group undertakings	170.7	110.2
Accruals and deferred income	0.5	0.3
	171.2	**110.5**

14. Share capital

All amounts are stated in pounds.

Authorised	2018	2017
100,000 ordinary shares of £1 each	**100,000**	**100,000**

Called up, allotted and fully paid	2018	2017
2 ordinary shares of £1 each	**2**	**2**

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

15. Financial instruments and fair values

All the Company's financial assets and liabilities are held at amortised cost. The carrying value is a reasonable approximation of fair value for all financial instruments other than for loans and advances to customers and for borrowings. For loans and advances to customers and for borrowings, fair value is calculated based upon the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The fair value of financial assets is adjusted for incurred loss provisions.

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

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

	Level 1	Level 2	Level 3	Total fair value	Carrying value
2018					
Financial assets					
Loans and advances to customers	-	-	627.1	**627.1**	**621.5**
Financial liabilities					
Borrowings	-	393.5	5.4	**398.9**	**408.4**
2017					
Financial assets					
Loans and advances to customers	-	-	373.0	**373.0**	**366.6**
Financial liabilities					
Borrowings	-	216.6	-	**216.6**	**222.5**

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

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

The borrowings are made up principally of the loan notes, which are provided through a securitisation vehicle and are secured on specific loan assets of the Company.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

16. 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.

Maximum exposure to credit risk

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

	2018	2017
Gross loans and advances	622.7	367.7
Allowance for impairment	(1.2)	(1.1)
Loans and advances to customers	**621.5**	**366.6**
Amounts owed by Group undertakings	-	-
	621.5	**366.6**

The Company's principal material credit risk relates to its loans and advances to customers. The above table represents the maximum credit risk exposure of the Company at the year-end without taking account of any underlying security.

Impaired and past-due loans

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

	2018	2017
Gross loans and advances	622.7	367.7
Accounting adjustments	0.1	2.0
Gross customer balances	**622.8**	**369.7**

Reported loans and advances differ from customer balances mainly due to various accounting adjustments necessary to comply with accounting standards, as loans and advances must be accounted for using an effective interest rate.

Loan assets are categorised:

Neither past due nor impaired

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

Past due but not impaired

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

Impaired assets

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

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

16. Credit risk (continued)

Gross customer balances are analysed as follows:

	2018	2017
Performing		
Not past due	596.8	352.4
Past due less than 2 months	7.2	4.7
	604.0	**357.1**
Non performing but not impaired		
Past due 2-3 months	5.7	2.4
Past due over 3 months	10.7	8.7
	16.4	**11.1**
Impaired	2.4	1.5
Gross customer balances	**622.8**	**369.7**

Management considers that contractual arrears of two months or more constitute a trigger for a potential loss event. On identification of a loss event a provision for impairment is considered based on the probability of default of the loan and the expected loss given default. The above amounts are analysed in accordance with the basis used for internal management reporting. This basis does not make adjustment for forced-sale discounts on realisation of security, nor for the discounting of future cash flows. Additional allowance is made for both of these factors in stating impairment under accounting standards.

Collateral held

A key measure the business uses in assessing credit risk is the ratio of the loan amount to the value of the underlying security (LTV). Prior valuations are indexed using established regional house price indices to estimate the current security value. The table below shows gross customer balances by indexed LTV banding:

	2018	2017
60% or less	395.3	239.4
60–85%	225.3	128.1
85–100%	2.0	2.1
More than 100%	0.2	0.1
Gross customer balances	**622.8**	**369.7**

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

16. Credit risk (continued)

Concentration of credit risk

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

	2018 %	2017 %
East Anglia	2.4	2.7
East Midlands	3.1	3.3
Ireland	0.1	0.1
London regions	32.6	33.3
North East	1.7	1.5
North West	7.1	6.8
Scotland	5.0	5.2
South East	27.1	26.3
South West	6.7	6.3
Wales	3.2	3.7
West Midlands	5.1	4.9
Yorks & Humber	5.9	5.9
Gross customer balances	**100.0**	**100.0**

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

	2018 %	2017 %
Up to £50,000	17.9	21.8
£50,000-100,000	26.5	30.2
£100,000-250,000	29.2	29.0
£250,000-500,000	12.7	8.5
£500,000-1,000,000	6.4	3.6
£1,000,000-2,500,000	6.8	6.9
More than £2,500,000	0.5	-
Gross customer balances	**100.0**	**100.0**

Forbearance

The Company offers a range of approaches to assist customers experiencing financial distress. The Company considers an account as forborne at the time a customer in financial difficulty is granted a concession. The offer of forbearance is considered separately for each customer dependent on their individual circumstances. Forbearance can be temporary or permanent in nature depending on the circumstances of the customer and the concession agreed. Examples of concessions agreed include reduced payment arrangements, extension of the mortgage term, or a change in the repayment profile. Impairment is recognised based upon the contractual arrears position rather than changes in customers' preferred payment dates or to reflect agreed payment arrangements.

17. Contingent liabilities

As at 30 June 2018, the Company's assets, along with those of the Together Group's assets were subject to a fixed and floating charge in respect of £725m senior secured notes (2017: £575m) and £25m in respect of bank borrowings of the Group (2017: £nil).

Notes to the financial statements (continued)

18. 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 principal place of business for Together Financial Services and Redhill Famco Limited is Lake View, Lakeside, Cheadle, Cheshire, United Kingdom, SK8 3GW.