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Common sense lending

Bridging Finance Limited

Annual Report and Financial Statements

For the year ended 30 June 2023

Company Registration No. 03166982

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Officers and professional advisers

Directors

GD Beckett
MR Goldberg
HN Moser
GM Grimes

Secretary

SE Batt

Registered office

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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 2023.

Business review

Business model and strategy

The principal activity of Bridging 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 Group').

The Together Group conducts its new lending business through other subsidiaries. Accordingly the Company has ceased to originate new loans but continues to service a closed loan portfolio.

The economic environment

The UK's macroeconomic environment during the period has been characterised by high inflation and subdued economic growth, with energy, fuel and food being key drivers of inflation. As a result, the Bank of England has taken the decision at multiple points throughout the year to increase the Bank Rate, which has an impact on the price of borrowing for both businesses and consumers, with the Bank Rate rising from 1.25% at the beginning of the year to 5.00% at June 2023, with further increases after the year end. Despite interest rate increases, inflation has remained at high levels, with CPI at 7.9% at June 2023, although lower than the peak of 11.1% in October 2022, and with inflation lowering since the year end.

Throughout the ongoing cost of living crisis, unemployment has remained at relatively low levels, although it has increased to 4.2% for June 2023 (June 2022: 3.9%). In the same period, real wages have fallen which has increased pressure on households across the country. The UK's growth has also remained at continued low levels in the year, with market consensus that growth will remain stagnant at best over the short term.

While increasing interest rates may put pressure on borrowers, the Together Group is committed to good customer outcomes and is well placed to help see its customers through potential instability. The nature of the portfolio, which is characterised by low loan-to-value (LTV) ratios, protects the Together Group during periods of macroeconomic downturns by reducing potential exposure to negative equity and shortfalls in the value of security compared with the loans. The Company's and the Together Group's approach to managing risks is explained in the Principal risks and uncertainties within this Annual Report and Financial Statements.

Results

As shown in the Company's statement of comprehensive income, profit before tax has decreased to £932k (2022: £1,382k) which is a reflection of the reduction in loans and advances described below. Net interest margin[1] increased from 12.7% to 13.1% for the year ended 30 June 2023, primarily due to the significant reduction in borrowings in the year, resulting in a lower interest payable figure.

The directors of the Company do not recommend the payment of a dividend (2022: £nil).

Position

As shown in the statement of financial position, loans and advances to customers have decreased by 36.6% to £6,642k (2022: £10,475k) as new mortgages continue to be originated through other subsidiaries in the Together Group. At the same time equity has increased by 8.1% to £9,945k (2022: £9,204k) reflecting the net impact of retained profit after tax for the year of £741k (2022: £1,120k).

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

Business review (continued)

Liquidity and funding activity

The Company is partly financed by the Group, with the non-securitised assets of the Company subject to a fixed and floating charge in respect of the Group's revolving credit facility and senior secured notes. In addition, the activities of the Company are also financed by public residential mortgage-backed securitisations, public commercial real-estate mortgage-backed securitisation and private revolving securitisation facilities.

Activity of the Group during the year included:

- In July 2022, the Group has completed a further RMBS, Together ABS 7, raising £470.0m of external funding with 89% of its notes rated on issuance.
- In September 2022, the Group refinanced its revolving credit facility, increasing the facility size from £71.9m to £138.3m and extended the maturity to 2026.
- Also in September 2022, the Group refinanced its BABS facility, extending its maturity to March 2027 with an additional £24m of funding secured.
- In December 2022, the Group launched a new facility, Fairway Asset Backed Securitisation 1 Limited (FABS), raising £467.4m.
- In June 2023, the Group refinanced its Lakeside ABS facility, raising a further £125.0m of funding.
- Since the year end, in July 2023, the Group issued TABS 8 raising £404.4m of external funding.
- In September 2023, the Group completed the issuance of a further RMBS, Together Asset Backed Securitisation 2023 – 1st2 PLC (TABS 9), raising £443m.
- In the same month, the Group opted to call the TABS 3 facility, repaying the funding in full.
- Also in September 2023, the Group again refinanced its BABS facility, extending the maturity date to September 2027, and raising an additional £55.0m of funding.

The Board of Together Financial Services Limited has confirmed that it will continue to provide liquidity and funding to the Company to 2 November 2024, which is 12 months from the date of this report.

Detail on monitoring and management of liquidity and funding risk is discussed in the Principal risks and uncertainties section, 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 General Data Protection Regulation, and the EU Securitisation Regulations and UK Securitisation Regulations and UK tax legislation.

Corporate governance

The Company is a wholly owned subsidiary of Together Financial Services Limited. The Company's board meets separately to discharge its statutory and any other responsibilities when required. All other decisions in relation to the Company including those related to strategy, are made by the Together Financial Services Limited (TFSL) Board. Both companies have some common directors to facilitate the alignment of interests. The Board has the responsibility for oversight of the risks set out in the Principal risks and uncertainties section below.

Principal risks and uncertainties

The principal risks the Company and Group face are those that it is inherently exposed to and those which management believe could significantly impact the achievement of the Company and Group's purpose and vision. 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 within the Annual Report and Consolidated Financial Statements for Together Financial Services Limited. As the risk is managed at a Together Group level, the below risks refer to the Group risks and activities that are relevant to the Company.

Each principal risk listed below is discussed in further detail throughout the remainder of this report:

- Strategic risk
- Credit risk
- Liquidity risk
- Funding risk
- Interest rate risk
- Capital risk
- Conduct risk
- Compliance risk

Strategic risk

Further details on the Company's strategy can be found within the Strategic review.

Definition

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.

Management and mitigation

Strategic risk is managed and mitigated by:

- Regular Board oversight of the Group's strategy, including monitoring of financial and non-financial performance indicators and ensuring the alignment of objectives.
- Developing succession planning, and continuing to focus on our colleagues.
- Delivering upon the Company's modernisation and transformation agenda, to improve the customer journey and increase the operational efficiency of the business.
- Responding appropriately to the changing external environment, utilising scenario and budget setting to inform decision making.
- Consideration of, and where appropriate alignment to, the parent group's strategy to ensure complimentary strategic aims are pursued by the Company and its parent.

Sensitivity and stress testing analysis are carried out in order to monitor our ability to deliver on our strategic objectives. As part of this, we;

- Maintain a prudent statement of financial position, with diversity of mix and tenor of funding structures, and closely monitored gearing levels.
- Perform the annual budget process, with a 12-18 month outlook, and aligns with the Company and the Group's objectives.
- Perform regular reforecasting to ensure we are able to respond to a changing environment whilst still achieving our strategic objectives.

For further detail of stress testing, see Liquidity and Funding Risk (page 5 and 6).

Direction of travel

During the year, the Company continued to collect remaining receipts of the outstanding loan portfolio whilst maintaining support for its customers. Given the Company operates a closed loan book with no further originations, strategic risk is considered to be low.

Principal risks and uncertainties (continued)

Credit risk

Definition

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

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

Management and mitigation

- Undertaking stress testing to model the impact of increased numbers of customers requiring support and other interventions, to allow appropriate resource and operational planning.
- Monitoring of customer performance throughout the life of the loan, with regard to arrears, proactive collection strategies, or the application of forbearance measures.
- Capturing additional data and establishing enhanced monitoring of the specific risks posed to the portfolio by the impacts of affordability and the Cost of Living crisis. This has included accessing additional data, where appropriate, for example from credit reference agencies.
- 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 10 to the Financial statements.

Direction of travel

The rising interest rate environment and increasing cost of living pressures have continued to impact our existing customers throughout the year. The Company has also closely monitored arrears levels and customer credit data to ensure that we are supporting those customers who need it the most. Macroeconomic forecasts are modelled in our expected credit loss provisioning, which takes into account expectations around variables such as Base Rate and house prices.

Liquidity risk

Definition

Liquidity risk is the risk that the Company is unable to access sufficient liquid financial resources to meet the Company's financial obligations as they fall due. The Company relies upon the Group for the management of its liquidity.

Management and mitigation

- 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.
- Monitoring of liquidity risk against Board approved risk appetite limits and triggers.
- Monitoring of covenants and eligibility criteria within the securitisations.
- Forecasting of expected cash inflows and outflows, including the outstanding pipeline of loan offers, and monitoring of actual cash flows and the composition and quality of liquid resources.

The Group's private securitisation facilities present a key liquidity risk. These facilities are subject to portfolio covenants and eligibility restrictions but, in certain circumstances, assets can be exchanged, repurchased or additional capital can be injected into the facilities to ensure compliance.

There is a risk that facilities may go into early amortisation if there is a failure to comply with the facility terms or a breach of non-curable performance covenants. This would result in the removal of undrawn facility headroom and deferral of Group cash flows which will be prioritised to repay the facilities.

The Group monitors liquidity by reference to its total accessible liquidity (TAL), which comprises cash plus immediately accessible headroom in its funding facilities (subject to draw down notice periods), which includes the revolving credit facility and each of the private securitisations.

Principal risks and uncertainties (continued)

Liquidity risk (continued)

During the period Group TAL has decreased to £248.0m at 30 June 2023 (2022: £406.9m), due to drawing on the RCF facility ahead of Together ABS 8 completing in July 2023. Group cash balances have increased to £322.8m at 30 June 2023 (2022: £264.5m). Not all cash is accessible at any one time due to securitisation requirements and covenant restrictions, and so accessible cash, which is just one component of TAL, is lower than the total cash balance.

Direction of travel

The Group's liquidity position remains strong, as evidenced by the level of cash and its TAL.

Funding risk

Definition

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 at an acceptable cost.

Management and mitigation

- Diversification of funding sources.
- Maintenance of depth of maturity through regular new issuances and timely refinancing of existing sources of funding.
- Monitoring individual funding maturity dates and maturity concentrations.
- Monitoring the maturity mismatch between assets and liabilities.
- Proactive refinancing of facilities well in advance of their contractual maturity dates and diversification of funding.

Direction of travel

There has been a reduction in funding transactions in the year across the market due to increased uncertainty in the macroeconomic environment, which increases funding costs and makes accessing additional funding more difficult.

However, this has somewhat improved in the second half of the financial year, and since year end with an increase in the number of transactions within the market.

Interest rate risk

Definition

Interest rate risk is the risk arising from the Company's exposure to movements in interest rates as a result of repricing mismatches between assets and liabilities that are either fixed or floating rate. Interest rate risk managed at a Group level.

Management and mitigation

- Monitoring of interest rate risk exposure, including a forward-looking stress testing of earnings at risk, which incorporate new business assumptions and expected redemptions and undertaking hedging transactions as appropriate.
- Introduced a new hedging strategy to formalise the Group's interest rate risk management activity.
- Monitoring the impact of a range of possible interest rate changes on the Group's performance and strategy.

Direction of travel

The Group has continued to carefully manage its assets and liabilities following the rate rises over the year. However, the Bank of England has increased base rate to its highest level in almost 15 years and persistently high inflation has led to market expectations of further increases, reflected in higher swap rates. Base rate rises have led to an increase in the cost of the Company's variable rate of borrowings.

The Group is unable to pass these increases on immediately to its variable rate customers, due to the requirement to notify customers of rate changes at least one month before they are enacted. This lag to passing on cost of funds movements results in a temporary mismatch, lowering net interest income.

At present, the Group does not hedge our pipeline mortgages which presents further interest rate risk exposure. The Group will continue to monitor its options including its hedging strategy in order to further mitigate its exposure to interest rate risk.

Principal risks and uncertainties (continued)

Liquidity and funding risk (continued)

Definition

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 at a Group level.

Management and mitigation

- Continuous monitoring of internal capital requirements, and the projected capital levels.
- Business planning and stress testing over a forecast horizon of 12-18 months.
- Reviewing the level of gearing within securitisation facilities and within the Senior Borrower Group, and consistently managing these to ensure the Group has sufficient capital to support the facilities and to mitigate refinancing risk.

Direction of travel

Current and forecast levels of Group capital, including the gearing ratio, are monitored and reported to the Board on a regular basis.

Operational risk

Definition

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes business process, people, information security, technology infrastructure and third party risks.

Management and mitigation

- Regularly reviewing the top identified risks and the development of focused action plans to mitigate them.
- Conducting root cause analysis to understand any incidents which do occur and implement appropriate responses.
- 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 (RCSA) approach to identify, manage and monitor key operational risks, and the development of action plans to address these risks.
- Specialist risk advice, and independent assurance over the delivery of change projects by the Group Risk department.

Direction of travel

The Company has experienced a rise in operational risk as a result of external pressures. This includes a competitive labour market, increasing our people risk, as well as the increasing cyber and fraud risk from the current geopolitical and rising cost of living environments respectively.

We have identified a need to enhance and improve our controls over change governance and our oversight of key 3rd parties who we rely on for critical business activities.

The rapid interest rate rises have put further pressure on our existing manual processes, driving increased customer contact and operational activity and therefore increasing our business process risk. The Company and Group continues to progress its change and transformation plan, to improve and enhance these processes, whilst ensuring these are scalable and efficient.

Conduct risk

Definition

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

The risk can arise from the failure to define and embed an appropriate culture, colleague behaviours that are inconsistent with defined Group and Company values, and from our business activities if they fail to deliver fair and appropriate outcomes to our customers. Failure to manage this risk sufficiently could result in reputational damage, regulatory sanction, remediation programmes, and impact the Company's operating model.

Principal risks and uncertainties (continued)

Conduct risk (continued)

Management and mitigation

- Regular review of the effectiveness of our business activities and processes for their ability to deliver consistent fair customer outcomes. Recently, reviews have focused on vulnerable customers, those with increasing balances and products at higher interest rates.
- Performance of gap analysis against industry body and regulator guidance and good practice to identify continual improvements to business processes.
- Identifying and supporting customers when things go wrong, for example, through application of forbearance tools and complaint handling.
- Root cause analysis of complaints, claims or failings, focusing on continuous improvement aiming to identify where we could improve the outcome for customers.

Direction of travel

The Company continues to put good customer outcomes at the centre of its decision-making process. We remained cognizant of our customers' circumstances and the potential for a rise in vulnerabilities.

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

Compliance risk

Definition

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 and the parent group operates.

This includes the risk that the Company or Group 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 regulations, leading to customer dissatisfaction or detriment, legal action against the Group and/or potentially fines from a regulator.

Management and mitigation

- Quality assurance reviews in operational areas with oversight provided by experienced risk and compliance departments.
- Monitoring compliance with statutory obligations by in-house Compliance, Financial Crime and Data Protection team through execution of a Board approved monitoring programme
- Monitoring of compliance with legal obligations by an in-house legal department.
- Horizon scanning and impact assessments of potential regulatory and legal change. The compliance function monitors all regulatory developments, including the matters identified in the Group's operating plan, to allow for new guidance to be considered, and changes implemented where appropriate.

Direction of travel

The level of regulatory scrutiny remains high as a result of the challenging macroeconomic environment. The Group continues to work to manage its compliance risk. During the year, a new financial crime system was implemented and progress was made on enhancing our in-process controls.

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

MR Goldberg
Director
2 November 2023

Directors' report

The directors present their report for the year ended 30 June 2023. 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 19 to the accounts.

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.

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 (2022: £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 (2022: nil). Directors' emoluments and wages and salaries relating to employees of the Group were borne by its parent company, Together Financial Services Limited, and recharged to the Company in line with approved methodologies.

Environment

The Company recognises the importance of protecting the environment, and acts to reduce its impact, by recycling and reducing energy consumption. During the year, the Company has devoted significant time and resources to the further progression of implementing our Sustainability strategy, which is detailed further within the Sustainability Report in the Annual Report & Accounts of the Together Group.

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 to 2 November 2024 which is 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 to 2 November 2024 which is a period of 12 months from the date of approval of the Company's accounts. Accordingly, the directors of the Company have adopted the going concern basis in preparing the financial statements. Further detail on the going concern assessment is set out in Note 2 to the financial statements.

Directors' report (continued)

Principal risks and uncertainties

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

Audit information

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

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
2 November 2023

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom 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 Company 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 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company financial position and financial performance;
- state whether UK Accounting Standards, including FRS 101, 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bridging Finance Limited (the 'Company') for the year ended 30 June 2023 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes 1 to 19, 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 2023 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. 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period ending 2 November 2024, which is twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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 contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 statement of directors' responsibilities set out on page 11, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006 and UK Tax Legislation.
- We understood how the Company is complying with those frameworks by making enquiries of management, internal audit, those charged with governance, and reviewing relevant committee minutes and board reports. We enquired as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the Company, or that otherwise seek to prevent, deter or detect fraud. We considered the risk of fraud through inappropriate journal postings. We identified the greatest potential for fraud through inappropriate journal postings, the risk of fraud in revenue recognition relating to effective interest rate accounting and expected credit loss provisions.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of management and internal audit for their awareness of any known instances of non-compliance or suspected non-compliance with laws and regulations, reviewing key policies and correspondence exchanged with regulators. We performed journal entry testing, with a focus on post-closing adjustments and those considered to be at a heightened risk of fraud based on our understanding of the business and incorporated unpredictability into the nature, timing, and extent of our testing. In addition, we designed specific audit procedures to address the risk of fraud in revenue recognition relating to effective interest rate accounting and expected credit loss provisions, including challenging the assumptions and judgements made by management, with the support of auditor's specialists where applicable.
- The Company operates in the financial services industry, which is a highly regulated environment. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

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.

Ernst & Young LLP

Richard Vessey (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
2 November 2023

Statement of comprehensive income
Year ended 30 June 2023
All amounts are stated in £000

Income statement	**Note**	**2023**	**2022**
Interest receivable and similar income	4	1,517	2,133
Interest payable and similar charges	5	(393)	(583)
Net interest income		**1,124**	**1,550**
Fees and commission income	6	23	30
Fees and commission expense	7	(10)	(13)
Operating income		**1,137**	**1,567**
Administrative expenses	8	(200)	(335)
Operating profit		**937**	**1,232**
Impairment (charge)/release	10	(5)	150
Profit before taxation		**932**	**1,382**
Income tax	9	(191)	(262)
Profit after taxation		**741**	**1,120**

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 2023
All amounts are stated in £000

	Note	2023	2022
Assets			
Cash and balances at bank		306	1,104
Loans and advances to customers	10	6,642	10,475
Other assets	11	2,848	56
Deferred tax asset	12	245	297
Total assets		**10,041**	**11,932**
Liabilities			
Borrowings	13	44	344
Other liabilities	14	52	2,384
Total liabilities		**96**	**2,728**
Equity			
Share capital	15	-	-
Retained earnings		9,945	9,204
Total equity		**9,945**	**9,204**
Total equity and liabilities		**10,041**	**11,932**

These financial statements were approved and authorised for issue by the Board of Directors on 2 November 2023.

Company Registration No. 03166982

Signed on behalf of the Board of Directors

MR Goldberg
Director

Statement of changes in equity
Year ended 30 June 2023
Unless otherwise indicated, all amounts are stated in £000

2023	Share capital	Retained earnings	Total
At beginning of the year	-	9,204	9,204
Retained profit for the financial year	-	741	741
At end of the year	**-**	**9,945**	**9,945**

2022	Share capital	Retained earnings	Total
At beginning of the year	-	8,084	8,084
Retained profit for the financial year	-	1,120	1,120
At end of the year	**-**	**9,204**	**9,204**

Notes to the financial statements

Unless otherwise indicated, all amounts are stated in £000

1. Reporting entity and general information

Bridging Finance Limited is incorporated and domiciled in the UK. The Company is a private company, limited by shares, and registered in England (Company number: 03166982). 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 and 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

In preparing these financial statements, the directors have assessed 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, given the management of the Group's funding and liquidity occurs at the Group level. The Board of Together Financial Services Limited has confirmed that it is a going concern and that it will provide financial support to the Company to 2 November 2024, which is 12 months from the date of signing the Company's accounts.

As part of the Group's ongoing monitoring and reforecasting, consideration has been given to the changing macroeconomic environment and outlook and specific consideration has been given to the following:

- changes in customer-repayment behaviour;
- changes in credit risk;
- potential for declining or stagnating property values;
- potential for access to wholesale-funding markets;
- changes in market rates of interest;
- changes in new mortgage-origination volumes; and
- changes to operating costs.

2. Significant accounting policies (continued)

Going concern (continued)

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 against many downside risks. The factors listed above have an impact upon the results of the Group, to a greater or lesser degree, however are not projected to cast significant doubt on the entity's ability to continue as a going concern.

The key risks which could cause doubt as to whether the Group could continue to operate as a Going Concern are judged to be primarily in relation to funding and liquidity. The Group has a diverse mix of funding sources, which are structured in order to reduce the risk to the Group. Funding and liquidity risks, including reverse stress testing to identify the point at which the Group would cease to be able to operate, are discussed below.

Funding

The Group has a diverse funding base, utilising shareholder funds, private and public securitisation facilities, senior secured notes and a revolving credit facility to fund its activities and lending.

The Group has retained access to wholesale-funding markets throughout the market disruption during the past several years, which has allowed the continuation of the existing strategy of refinancing facilities in advance of their contractual maturities. This is just one example of risk factors which have been considered as part of scenario planning, but have not so far crystallised into significant adverse effects on the Group's business.

A key risk associated with wholesale funding is refinancing risk, where the Group has a proven track record of successfully refinancing borrowings. The depth of maturity in the Group's existing debt facilities provides significant mitigation in respect of refinancing risk. The earliest maturity of wholesale funding is the Highfield Asset Backed Securitisation facility in September 2025, with the amount drawn at the reporting date representing 6.8% of the Group's borrowings. Following the redemption of Together Asset Backed Securitisation 3 in September 2023, the earliest call date on the Group's public securitisations is Together Asset Backed Securitisation 4 in June 2024, representing 3% of the Group's borrowings at the reporting date.

To mitigate refinancing risk, the Group has demonstrated an ability to access the wholesale funding markets on multiple occasions during the year, as seen within the liquidity and funding section of the Business review on page 3.

Stress testing

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 in respect of the former and maintenance tests on gearing in respect of the latter.

To evaluate the Group's resilience in 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 cash flows 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 could not 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 period. Even in the event that actual experience approached the level of reductions judged unrealistic, further management actions could be taken to mitigate the impact. The Group has periodically repeated the reverse-stress testing, which continues to show significant headroom

2. Significant accounting policies (continued)

Going concern (continued)

In addition, the potential impact of reductions in the level of profitability were assessed (as a proxy for a reduction in equity), using increases in expected credit losses as the primary driver, in order to determine the reduction which would result in the Group's gearing breaching the RCF covenant. The testing showed that profitability would have to fall by a substantial amount with the probability of such a severe outcome is considered remote.

The deployment of additional management actions could also mitigate the possible impacts, including but not limited to: renegotiation of the terms of existing borrowings, raising alternative funding and measures to further reduce costs.

With specific reference to the Company, it is currently profitable and has predictable profitability throughout the going concern assessment period given its run-off status. The Company also holds significant reserves of cash and significant retained earnings. As such, the directors consider the uncertainties related to the use of the going concern assumption to be remote.

The directors are satisfied that the Company and the Group have adequate resources to continue in operation for the going concern assessment period ending 2 November 2024, which is 12 months from the date of signing this report.

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.

2. Significant accounting policies (continued)

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. procuration 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 temporary 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, and include short-term highly liquid debt securities.

2. Significant accounting policies (continued)

Financial assets & liabilities

Financial assets

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

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

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

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

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

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

Financial liabilities

The Company's financial liabilities, which largely consist of borrowings, are all classified as measured at amortised cost. 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 using the original effective interest rate, are recognised immediately in the income statement. The Company may also consider qualitative factors in determining whether a modification is substantial.

2. Significant accounting policies (continued)

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.

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 or to have experienced a significant increase in credit risk. If this is the case a loss allowance will be recognised equivalent to the full lifetime ECL. If there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment, the loss allowance on the new asset will generally be based on a 12-month ECL.

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

Loans are written off when the Company expects no further recovery and the amount of the loss has been determined. For accounts which are in a shortfall position, this is judged to occur when an account is fully provided against, and no payments have been received for six consecutive months. 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.

3. Critical accounting estimates 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 expected credit losses (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.
- Deter mining where there is requirement for post model adjustment and determining inputs for the calculation of ECL where there is such a requirement.

Further detail on the judgements in respect of the measurement of ECL and sensitivities thereon is set out in Note 10 to the accounts.

Key sources of estimation uncertainty

a) Loan impairment allowance

The Company utilises macroeconomic forecasts and the other assumptions and estimates necessary for the calculation for ECL. Further detail on these estimates, assumptions and sensitivities thereon is set out in Note 10 to the accounts.

b) Interest income recognition

Interest income is recognised using the effective interest rate (EIR) method. The EIR of a financial instrument is the rate which exactly discounts the estimated future cash flows of the instrument to its carrying amount. In calculating the EIR, all contractual terms of the financial instrument are taken account of, including transaction costs and other premiums or discounts, but not expected credit losses.

The estimation of future cash flows requires the Company to estimate the expected behavioural lives of groups of assets. The Company utilises models which draw upon the Company's actual historical experience, however there is estimation uncertainty to the extent that future performance may not mirror that of the past.

Climate-related matters

In making the judgements and estimates required for preparation of these financial statements, the directors have had regard to the potential impacts of climate-related factors. For the current reporting period, it has been judged that no material adjustment to the judgements or methods of estimation is required to reflect the potential impacts of climate-related matters.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £000

4. Interest receivable and similar income

	2023	2022
Interest on loans and advances to customers	**1,517**	**2,133**

Included within interest on loans and advances to customers is £270k (2022: £405k) relating to the income adjustment on impaired loans.

5. Interest payable and similar charges

	2023	2022
On borrowings	84	26
On amounts owed to parent company	309	557
On borrowings	**393**	**583**

6. Fee and commission income

	2023	2022
Fee income on loans and advances to customers	19	19
Other fees receivable	4	11
	23	**30**

7. Fee and commission expense

	2023	2022
Insurance commissions and charges	10	13
	10	**13**

8. Administrative expenses

	2023	2022
Administrative costs	**200**	**335**

Company overheads, including directors' emoluments, wages and salaries, office administration costs, and auditor remuneration were borne by the Company's parent, Together Financial Services Limited, and were recharged to companies within the Group based on operational and financial drivers. The apportionment of directors' emoluments to the Company is £nil.

The audit fee borne by Together Financial Services Limited in respect of the Company in 2023 was £9,000 (2022: £2,750).

Unless otherwise indicated, all amounts are stated in £000

9. Income tax

	2023	2022
Current tax		
Corporation tax	139	214
Adjustment in respect of previous years	(1)	-
Total tax on profit	**138**	**214**

Deferred tax		
Origination and reversal of temporary differences	52	49
Effect of tax rates	-	(1)
Total deferred tax	**52**	**48**
Total tax on profit	**190**	**262**

Corporation tax is calculated at 20.50% (2022: 19.0%) 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:

	2023	2022
Profit before tax	932	1,382
Tax on profit at standard UK corporation tax rate of 20.50% (2022: 19.0%)	191	263
Effects of:		
Adjustment in respect of prior years	(1)	-
Effect of changes in tax rate	-	(1)
Tax charge for year	**190**	**262**

Unless otherwise indicated, all amounts are stated in £000

10. Loans and advances to customers

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross loans and advances	-	-	7,156	7,156
Loss allowance	-	-	(514)	(514)
	-	**-**	**6,642**	**6,642**
ECL coverage (%)	**-**	**-**	**7.2**	**7.2**

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross loans and advances	-	-	11,267	11,267
Loss allowance	-	-	(792)	(792)
	-	**-**	**10,475**	**10,475**
ECL coverage (%)	**-**	**-**	**7.0**	**7.0**

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

Note that all loans and advances within the Company are now classified as stage 3 reflecting their expected realisable value.

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 increased credit risk such as forborne accounts as described below, or specific accounts where stage overrides are made on a specific case basis.

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.

Unless otherwise indicated, all amounts are stated in £000

10. Loans and advances to customers (continued)

ECL model (continued)

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 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;
- Increases in internal risk scores on certain portfolio accounts;
- External credit bureau data signifying increases in credit risk for a customer;
- 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 increased credit risk such as forborne accounts as described below, or specific accounts where stage overrides are made on a specific case basis.

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

Loss allowance and impairment losses for the year

A loss allowance is derived from the application of the accounting policies for measurement of ECL as explained in Note 2. The loss allowance has decreased by £278k to £514k (2022: £792k) as the number of loans outstanding in the year has decreased significantly, with a drop in average LTV, reducing the potential for losses.

Allowance for impairment losses	**2023**	**2022**
At beginning of the year	(792)	(1,743)
Charges to the income statement	(63)	(18)
Unwind of discount	270	405
Write-offs net of recoveries	71	564
At end of year	**(514)**	**(792)**

Impairment losses for the year	**2023**	**2022**
Movements in ECL, charged to income	(63)	(18)
Amounts released from deferred income	8	31
Write-offs net of recoveries	50	137
(Charge)/Release to income statement	**(5)**	**150**

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.

Unless otherwise indicated, all amounts are stated in £000

10. Loans and advances to customers (continued)

Macroeconomic scenarios

The Company 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 2023 and 30 June 2022.

	2023		2022	
Scenarios	**Probability of the scenario**	**Unweighted ECL**	**Probability of the scenario**	**Unweighted ECL**
Upside	10%	308	10%	303
Mild upside	10%	354	10%	351
Base case	50%	447	50%	539
Stagnation	10%	600	10%	1,044
Downside	10%	702	10%	1,397
Severe downside	10%	942	10%	2,128
Weighted average		**514**		**792**

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 (i.e. a 10% haircut applied to the index), applied in each scenario, would result in an increase in the impairment allowance of £103k at 30 June 2023 (30 June 2022: £184k); conversely, a 10% increase would result in a decrease in the impairment allowance of £75k at 30 June 2023 (30 June 2022: £135k).

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 £10k at 30 June 2023 (30 June 2022: £38k). 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 £10k at 30 June 2023 (30 June 2022: £38k).

11. Other assets

	2023	2022
Amounts owed by Group undertakings	2,793	-
Amounts owed by related parties	54	54
Prepayments and accrued income	1	2
	2,848	**56**

Amounts owed by related parties are repayable on demand.

Unless otherwise indicated, all amounts are stated in £000

12. Deferred tax asset

2023	Accelerated capital allowances	Short-term timing differences	Total
At beginning of the year	7	290	297
Charge to income statement	-	(52)	(52)
Effect of tax rates	-	-	-
At end of period	**7**	**238**	**245**

2022	Accelerated capital allowances	Short-term timing differences	Total
At beginning of the year	6	339	345
Charge to income statement	-	(49)	(49)
Effect of tax rates	1	-	1
At end of period	**7**	**290**	**297**

13. Borrowings

	2023	2022
Amounts owed to Brooks ABS	48	354
Debt issue costs	(4)	(10)
	44	**344**

14. Other liabilities

	2023	2022
Amounts owed to Group undertakings	-	2,333
Accruals and deferred income	12	14
Other creditors	40	37
	52	**2,384**

Amounts owed to Group undertakings are repayable on demand.

Unless otherwise indicated, all amounts are stated in £000

15. Share capital

All amounts are stated in pounds.

Authorised, called-up, allotted and fully paid	2023	2022
100 ordinary shares of £1 each	100	100

16. Related party transactions

Relationships

The Company has the following related party:

Entity	*Nature of transactions*
Charles Street Commercial Investments Limited (CSCIL)	The Company and CSCIL collect payments from customers they have in common and transfer any sums belonging to the other entity.

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

Transactions
The amount receivable from related parties by the Company is disclosed in Note 11 to the financial statements. The Company had no other transactions during the year apart from the movement in the related party balance.

17. Contingent liabilities

As at 30 June 2023, 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 £1,055m senior secured notes (30 June 2022: £1,055m), and £70.0m in respect of the revolving credit facility (30 June 2022: £nil).

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 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.

19. Events after reporting date

In July 2023, the Group issued an RMBS, Together Asset Backed Securitisation 2023 – 1ST 1 PLC (TABS 8), raising £404.4m in external funding.

In September 2023, the Group completed the issuance of a further RMBS, Together Asset Backed Securitisation 2023 – 1st2 PLC (TABS 9), raising £443m.

In the same month, the Group exercised its option to redeem the loan notes in Together ABS 3, taking back the beneficial title to the mortgage assets that had previously been securitised.

Also in September 2023, the Group refinanced its BABS facility, extending the maturity date to September 2027 and raising an additional £55.0m of funding.