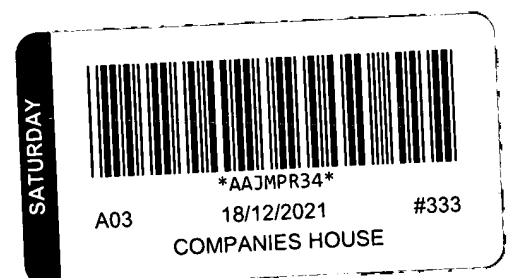




Bridging Finance Limited

Annual Report and Financial Statements

For the year ended 30 June 2021



Contents	Page
Officers and professional advisers	1
Strategic report	
Business review	2
Principal risks and uncertainties	4
Directors' report	10
Statement of directors' responsibilities	12
Independent auditor's report	13
Statement of comprehensive income	16
Statement of financial position	17
Statement of changes in equity	18
Notes to the financial statements	19

Officers and professional advisers

Directors

GD Beckett	
W Bowser*	(Resigned 25 May 2021)
MR Goldberg	
RM McTighe*	(Resigned 25 May 2021)
HN Moser	
GM Grimes	

** Non-Executives*

Secretary

SE Batt

Registered office

Lake View
Lakeside
Cheadle
Cheshire
SK8 3GW

Auditor

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

Strategic report

The directors present their annual report and the audited financial statements for the year ended 30 June 2021.

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.

Covid-19 and the macroeconomic environment

The last year saw a series of changes and reversals of lockdown restrictions in response to the changing infection rate for the coronavirus, with the UK government only finally able to allow successive relaxations from the spring of 2021 onwards. Economic activity as measured by GDP reflected this, with a second fall in the first quarter of the 2021 calendar year before improving in line with the subsequent easing of lockdown restrictions. Subject to possible disruption from new variants of the virus, current expectations are for UK economic growth to continue, buoyed by an improving global position, fuelled particularly by the US fiscal stimulus.

After the first lockdown, house-price inflation surged until summer 2021, and most expectations are that this may now stabilise or even begin to contract with the final withdrawal of the temporary stamp duty, universal credit and furlough reliefs at the end of September 2021. The termination of the latter relief may lead to a rise in unemployment, which at 4.5% has held up better than many predicted. Inflation generally, as measured by CPI, has risen to now stand at 2.5% at the end of June 2021, partly due to the recovery in oil prices. The Bank of England has held Base Rate at 0.1% since the first lockdown, however it is possible that this will increase towards the end of the year due to ongoing inflationary pressures.

The continued period of recovery since spring 2021 has led to a somewhat greater degree of consensus among economists as to the eventual economic impact of the pandemic than was the case last year. Additionally, the terms of the UK's trading and co-operation with the EU have now been agreed, though they appear subject to some review, and of course to continuing development for those aspects not covered by the agreement.

This year saw the Company continue to focus on supporting customers. This included granting mortgage-payment deferrals to certain borrowers in some cases going beyond the criteria set by the government. This scheme closed to new applicants on 31 March 2021.

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

Strategic report (continued)

Business review (continued)

Results

As shown in the Company's statement of comprehensive income, profit before tax has increased to £1,152k (2020: £828k). Net interest margin¹ decreased from 11.7% to 8.3% for the year ended 30 June 2021, primarily due to the redemption of higher-yielding loans originated in previous years, leaving a mix of lower customer rate loans that were originated in a more competitive market.

The directors of the Company do not recommend the payment of a dividend (2020: £nil).

Position

As shown in the statement of financial position, loans and advances to customers have decreased by 22.9% to £13,980k (2020: £18,121k) as new mortgages are now originated through other subsidiaries in the Together Group. At the same time equity has increased by 14.0% to £8,084k (2020: £7,089k) reflecting the net impact of retained profit after tax for the year of £996k (2020: £685k).

Liquidity and funding activity

The Company is primarily financed by its parent company, Together Financial Services Limited, which itself is party to a revolving credit facility and through another Group company has issued senior secured notes. The non-securitised assets of the Company being subject to a fixed and floating charge in respect of these facilities. In addition the activities of the Company are also financed by Group securitisation facilities including various public residential mortgage-backed securitisations, public commercial real-estate mortgage-backed securitisation and private revolving securitisation facilities; Charles Street Conduit Asset Backed Securitisation 1 Limited ('Charles Street ABS') originated in November 2007, Lakeside Asset Backed Securitisation Limited ('Lakeside ABS') originated in January 2015, Delta Asset Backed Securitisation 2 Limited ('Delta ABS 2') issued on 29 March 2019, and a commercial real-estate warehouse facility Highfield Asset Backed Securitisation 1 Limited ('Highfield ABS') originated in June 2018.

In July 2020, the Group issued its fourth and largest residential mortgage backed securitisation ('RMBS'), Together Asset Backed Securitisation 2020 - 1 PLC ('TABS 4') of £361m with 81% of the notes rated AAA on issuance. In September 2020, the maturity date on the undrawn £71.9m revolving credit facility was extended from June 2021 to June 2023. In January 2021, the Group announced the issuance of £500m senior secured notes at 5.25% and due in 2027, and repaid the existing £350m of 6.125% notes due to mature in 2024. At the same time, the Group also extended the term of its subordinated shareholder loans of £25.1m to September 2027. In March 2021, the Group successfully completed its first commercial real-estate mortgage-backed securitisation Together Asset Backed Securitisation CRE 2021 PLC ('CRE 1') raising external funding of £194.3m with 80% of the notes AAA rated. As a result of demand arising from CRE 1, the Group completed a second such transaction, Together Asset Backed Securitisation CRE 2 2021 PLC ('CRE 2'), in June 2021. This raised external funding of £241.6m with 80% of the notes AAA rated.

Shortly after the year end the Group launched a wholly new type of facility, Brooks ABS, secured on loans with some degree of arrears or imperfect credit histories. The external funding raised was £71m representing an advance rate of 74%. This will release further capacity for the Group's funding, not otherwise available from securitisations of performing loans.

Between June and September 2020, temporary covenant waivers were agreed with banks in all four private securitisations, in respect of the provision of mortgage-payment holidays. The Group is not currently reliant on waivers, and following the closure of the Government mortgage-payment deferral scheme to new entrants on 31 March 2021 there remains only a small number of customers who remain on such an arrangement.

The Board of Together Financial Services Limited has confirmed its intention to continue to provide funding to the Company for 12 months from the date of this report.

Detail on the monitoring and management of liquidity and funding risk is discussed in 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.

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.

Strategic report (continued)

Corporate governance

The Company is a wholly owned subsidiary of Together Financial Services Limited. The Company's Board provides leadership and oversight in line with legal and regulatory provisions. 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 Company and Group is exposed to a variety of risks in pursuing its strategic objectives. 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.

Strategic risk

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

Strategic risk is managed and mitigated by:

- Regular Board oversight of the Group's strategy, including monitoring of financial and non-financial performance indicators;
- Regular engagement with the Company's shareholder to allow for alignment of objectives;
- Identification of areas of the market where customers value our common-sense lending and a relationship-based approach;
- Listening to customers to learn how we can improve their experience and increase customer advocacy;
- Delivering upon the Group's modernisation and transformation agenda, to improve the customer journey and increase the operational efficiency of our business;
- Assessment and consideration of broader global and UK macroeconomic environment and key industry drivers;
- Regular review and dissemination of market and competitor developments including product evolution, merger and acquisition activity and wider corporate developments;
- Maintaining strong relationships with intermediaries;
- Ongoing monitoring of the funding markets in which the Group is active, including securitisation and high yield bond markets; and
- Ongoing Board review of the risk appetite, risk exposure and mitigation.

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 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.

The level of risk has been heightened by the impact of the coronavirus pandemic; however, the Company has observed some improvements in credit risk indicators, when compared to the height of the pandemic. The Company remains cautious as the impact of government support measures ending remains unknown, and maintains appropriate levels of provisions against possible future credit losses which recognise this uncertainty.

Our credit risk management cycle includes the undertaking of the following activities:

- 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 collections 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 Covid-19. This has included accessing additional data, where appropriate, for example from credit reference agencies;
- During its implementation, assessing the performance of customers availing themselves of mortgage-payment deferral arrangements, both during and subsequent to their utilisation of these measures;
- Updated arrears management standards and processes to reflect guidance on mortgage-payment deferrals and the repossession moratorium;

Strategic report (continued)

Principal risks and uncertainties (continued)

Credit risk (continued)

- Monitoring of the characteristics of the loan portfolio, including geographical concentration and LTV;
- Implementing a programme of work to increase automation, including extension of the use of automated valuation models;
- Monitoring of credit risk exposures through credit risk management information, to enable an assessment of position versus risk appetite. This has been enhanced to provide further analysis and focus on particular risk factors emerging as a result of Covid-19;
- Performance of regular assessments of the sensitivity of the loan book to movements in macroeconomic factors; and
- Measuring and monitoring credit quality for impairment purposes using a suite of IFRS 9 models. Our detailed disclosures in respect of IFRS 9 credit modelling are included within Notes 2, 3 and 11 to the financial statements.

Liquidity and funding risk

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

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

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

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

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

A key driver of liquidity risk within the Group arises from a number of private securitisation facilities being subject to portfolio covenants and eligibility restrictions including concentration limits and performance measures. Amongst other requirements, such covenants limit the proportion of loans in arrears and on an individual loan basis the level of arrears determine eligibility for such facilities.

In certain circumstances assets can be exchanged, repurchased or additional capital can be injected into the facilities to support compliance with facility terms thereby maintaining access to liquidity provided by such facilities. Failure to comply with facility terms or breach of non-curable performance covenants will cause such facilities go into early amortisation with removal of undrawn facility headroom and deferral of cash flows to the Senior Borrower Group.

The potential for increasing arrears, as a result of the wider economic consequences of the pandemic, increases the risk that insufficient eligible assets will be available to ensure facilities remain in compliance with covenants, and thus able to provide a source of liquidity and funding for the Group. The Group monitors such covenants and carries a level of cash and eligible assets to support the private securitisation facilities in a stress event in line with set risk appetites.

Strategic report (continued)

Principal risks and uncertainties (continued)

Liquidity and funding risk (continued)

During the year, the Group has continued to implement its tried and tested strategy of proactively refinancing liabilities well in advance of their contractual maturity dates, and continued to diversify its funding sources. Several financing transactions have been successfully completed, which includes the issuance of Senior Secured Notes due 2027, the UK's first small ticket commercial real estate mortgage backed securitisation (CRE MBS) since the financial crisis (Together CRE 1), a second CRE MBS issuance (Together CRE 2), and a further public securitisation (Together ABS 4). These actions together have increased the headroom on our funding facilities to £1,434.5m (2020: £406.0m).

The Group also benefits from an ordinarily highly cash-generative business model, with a high level of redemptions which is a key source of liquidity. The actions taken by the Group during the coronavirus pandemic, which includes lower levels of loan originations, increased the levels of liquidity and leaves the Group well-positioned in the event of further macroeconomic instability which could impact upon cash generation through redemption activity.

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

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

Market risk

Market risk is the risk arising from the Company's exposure to movements in market values, including movements in interest rates.

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

Our interest rate risk management cycle includes the undertaking of the following activities at a Group level:

- Monitoring against risk appetite. During the year the Group continued to monitor exposure compared to defined triggers and limits for interest rate risk;
- Regular monitoring of interest rate risk exposure, including a forward-looking view which incorporates new business assumptions and expected redemptions;
- Closely monitoring the impact of a range of possible interest rate changes, including the possibility of negative interest rates, on the Group's performance and strategy; and
- Undertaking hedging transactions as appropriate.

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

Capital risk

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

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

- Regular monitoring of current and forecast levels of capital, including the gearing ratio at group and at facility level. We also regularly assess profitability and business performance, in order to consider the Group's ability to generate capital;
- Continuous monitoring of the required regulatory capital requirements within relevant subsidiaries and the actual levels projected;
- Business planning and stress testing over a forecast horizon of 12-18 months; and
- Reviewing the level of gearing within securitisation facilities and within the Senior Borrower Group, and seeking to manage these when refinancing to ensure the Group's capital efficiency, whilst ensuring sufficient capital is available to support the facilities and mitigate refinancing risk.

Strategic report (continued)

Principal risks and uncertainties (continued)

Operational risk

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

Operational risk includes execution risk in relation to the performance of the Group's modernisation and transformation agenda, and risks relating to the transition from the ways of working following the onset of the Covid-19 pandemic back to a sustainable, business as usual, approach.

Our operational risk management cycle includes the undertaking of the following activities by the Group and Company:

- A framework of systems, controls, policies and procedures;
- Continual monitoring of a variety of operational metrics, and evaluation of these against defined operational risk appetites;
- Regularly reviewing the top identified risks and the development of focused action plans to mitigate them;
- Maintaining an incident management process in order to mitigate the impact of any operational incidents, and conducting root cause analysis to understand any incidents which do occur and implement appropriate responses;
- Frameworks to recruit, train and retrain sufficient skilled personnel. This includes succession planning and identification and mitigation of reliance on key individuals;
- Implementing initiatives to enhance colleague engagement and maintain wellbeing, such as implementing a network of wellbeing champions comprised of colleagues across different areas of the business;
- 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;
- A documented and tested business continuity plan;
- A specialist business change team dedicated to managing the change projects the business is undertaking;
- Specialist risk advice to and independent assurance over the delivery of change project by the Group risk department;
- Maintaining IT infrastructure, which is sufficiently resilient;
- Investment in cyber risk prevention systems, resulting in a mature cyber security capability, which includes:
 - A dedicated cyber security team focused on prevention and detection;
 - Top tier industry standard tools for both antivirus and firewalls, using multiple vendors to maximise protection;
 - Market leading detection tools, continually monitoring the IT network and data;
 - Full penetration testing for externally facing networks; and
 - Encryption of all mobile devices.

The Group has demonstrated an ability for the vast majority of our colleagues to work from home. The Group implemented social distancing measures, personal temperature testing and enhanced cleaning procedures to provide a 'Covid-secure' workspace for those colleagues who were unable to work from home or where there was a necessity to work from the office, in accordance with government restrictions as they have prevailed from time to time earlier in the year.

As restrictions have been lifted, the Group has implemented plans which have supported a safe and phased return to the office of a number of our colleagues.

Strategic report (continued)

Principal risks and uncertainties (continued)

Conduct risk

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

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

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

- The communication of the Group's Vision and Purpose set by the Board, which define our organisational culture and focus on colleague conduct, respect, accountability and customer experience;
- Remuneration, recruitment, performance management and promotion practices reviewed by the Remuneration and Nomination Committee to ensure they are reinforcing the right values and embedding good colleague behaviour;
- Annual training and awareness sessions for colleagues, for example training to identify factors which may indicate that a customer is vulnerable and action that can be taken to reflect their situation and treat them fairly;
- Adherence to a system of processes and controls which mitigate conduct risk, including monitoring and reporting against risk appetite;
- Regular review of the effectiveness of our business activities and processes for their ability to deliver consistent and fair customer outcomes;
- The communication to all colleagues of the Group's gifts and hospitality policy;
- 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; and
- Quality assurance frameworks, which have recently been enhanced to include a focus on those customers impacted by Covid-19 and to focus on the potential impact on vulnerable customers or on customer who may become vulnerable.

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

Strategic report (continued)

Principal risks and uncertainties (continued)

Compliance risk

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

This includes the risk that the Company misinterprets regulation or legislation. This could include the risk of developing business practices and processes that do not adhere to, or are not in line with the spirit of the law or regulation, leading to customer dissatisfaction or detriment, legal action against the Group and/or potentially fines from the regulator.

Our compliance risk management cycle includes the following activities:

- Quality assurance reviews in operational areas with oversight provided by experienced risk and compliance departments;
- Independent monitoring reviews undertaken by second-line teams. Recently, these have focused on the impact of Covid-19 on customer outcomes, from customer requests for a mortgage-payment deferral through to their payment deferral exit;
- Proactively engaging with the Group's regulators to provide transparency with regard to actions taken to ensure compliant outcomes for legacy customers;
- Continued investment in staff training and awareness;
- Controls to prevent financial crime, including fraud detection, anti-money laundering checks and established processes for whistleblowing. The Board receives an annual report from its dedicated Money Laundering Reporting Officer (MLRO) setting out a comprehensive review of controls and compliance with relevant regulation. We are also investing in technology to manage financial crime risks;
- Monitoring of compliance with legal obligations by an in-house legal department. Regular meetings are held with operations personnel, the legal department and the compliance team to identify trends in potential legal claims and proactively make process improvements to improve customer outcomes;
- Monitoring processes to assess ongoing compliance with the requirements of GDPR; and
- Horizon scanning and impact assessments of potential regulatory and legal change.

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

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



MR Goldberg
Director
27 October 2021

Directors' report

Directors' report

The directors present their report for the year ended 30 June 2021. 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 20 to the accounts.

Directors

All directors listed below have served throughout the year and to the date of this report, unless otherwise indicated:

GD Beckett	
W Bowser*	(Resigned 25 May 2021)
MR Goldberg	
GM Grimes	
RM McTighe*	(Resigned 25 May 2021)
HN Moser	

* *Non-Executives*

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 (2020: £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 (2020: nil). For part of the year, directors' emoluments and wages and salaries relating to employees of the Group were borne by a fellow subsidiary company of Together Financial Services Limited, Blemain Finance Limited, and recharged to the Company, in line with approved methodologies. Employees were transferred to Together Financial Services Limited pursuant to TUPE regulations on 15 March 2021. From the date of the transfer, emoluments and wages and salaries relating to employees were borne and recharged by Together Financial Services Limited.

Environment

While the Company operates in the financial services sector, which is generally considered to have a relatively limited environmental impact, it recognises the importance of protecting the environment, and acts to reduce its impact by recycling and reducing energy consumption.

Statement of going concern

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

The Company is reliant on its parent company, Together Financial Services Limited, for financial support. The Board of Together Financial Services Limited has confirmed that it is a going concern and that it will provide financial support to the Company for the 12 months from the date of signing the Company's accounts. Further detail on the going concern assessment is set out in Note 2 to the financial statements.

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

Directors' report (continued)

Directors' report (continued)

Principal risks and uncertainties

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

Audit information


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

A handwritten signature in black ink, appearing to read 'MR Goldberg', written over a horizontal line.

MR Goldberg
Director
27 October 2021

Statement of directors' responsibilities

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable 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

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 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes 1 to 20, 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 2021 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 a period of 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 there is 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.

Independent auditor's report (continued)

Report on the audit of the financial statements (continued)

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.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, 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.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, Financial Conduct Authority rules and regulations, and UK Tax Legislation.
- We understood how the Company is complying with those frameworks by making enquiries of management, internal audit, legal counsel, 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.
- 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 journals indicating unusual transactions based on our understanding of the business, incorporated unpredictability into the nature, timing, and extent of our testing, and challenged assumptions and judgements used by management in key areas of estimation.
-

Independent auditor's report (continued)

Report on the audit of the financial statements (continued)

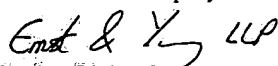
Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- 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.


Stephen Littler (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
27 October 2021

Statement of comprehensive income

Year ended 30 June 2021

All amounts are stated in £000

Income statement	Note	2021	2020
Interest receivable and similar income	4	2,239	3,532
Interest payable and similar charges	5	(906)	(1,167)
Net interest income		1,333	2,365
Fees and commission income	6	33	69
Fees and commission expense	7	(16)	(39)
Other income	8	7	13
Operating income		1,357	2,408
Administrative expenses	9	(322)	(448)
Operating profit		1,035	1,960
Impairment release/(charge)	11	117	(1,132)
Profit before taxation		1,152	828
Income tax	10	(157)	(143)
Profit after taxation		995	685

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 2021

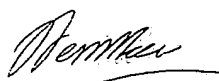
All amounts are stated in £000

	Note	2021	2020
Assets			
Cash and balances at bank		3,068	2,991
Loans and advances to customers	11	13,980	18,121
Other assets	12	234	61
Property, plant and equipment	13	-	3
Deferred tax asset	14	345	333
Total assets		17,627	21,509
Liabilities			
Other liabilities	15	9,543	14,420
Total liabilities		9,543	14,420
Equity			
Share capital	16	-	-
Retained earnings		8,084	7,089
Total equity		8,084	7,089
Total equity and liabilities		17,627	21,509

These financial statements were approved and authorised for issue by the Board of Directors on 27 October 2021.

Company Registration No. 03166982

Signed on behalf of the Board of Directors



HN Moser
Director



MR Goldberg
Director

Statement of changes in equity

Year ended 30 June 2021

Unless otherwise indicated, all amounts are stated in £000

2021	Share capital	Retained earnings	Total
At beginning of the year	-	7,089	7,089
Retained profit for the financial year	-	995	995
At end of the year	-	8,084	8,084

2020	Share capital	Retained earnings	Total
At beginning of the year	-	6,404	6,404
Retained profit for the financial year	-	685	685
At end of the year	-	7,089	7,089

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.

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

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

Going concern

The directors have assessed the Group's ability to continue as a going concern, including specific consideration of the continuing impacts of the coronavirus pandemic upon the Group through the effects on our customers, the property market, and the wholesale funding market.

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

Although consensus economic forecasts are now more optimistic than those earlier in the pandemic during 2020, the Group has continued to regularly reassess and reforecast its liquidity and funding positions, and compliance with financial covenants, in order to proactively manage the risks which may arise with respect to the going-concern assumption.

The Group's business model, being one which is ordinarily highly cash generative, operating in profitable market segments and lending at low average loan-to-value (LTV) ratios, provides mitigation to many downside risks.

As part of the Group's monitoring and reforecasting for the impacts of the pandemic, specific consideration has been given to the following during the period:

- the impact of offering mortgage-payment deferrals in line with government guidance;
- exit strategies for customers post the mortgage-payments deferrals;
- the impact of advancing other forbearance measures to our customers;
- changes in customer-repayment behaviour;
- increases in credit risk;
- the potential for declining or stagnating property values;
- possible reduced access to wholesale-funding markets;
- changes in market rates of interest;
- reductions in new mortgage-origination volumes; and
- changes to operating costs.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £000

2. Significant accounting policies (continued)

Going concern (continued)

Many of the potential challenges included above have either not emerged during the period or not emerged to a significant extent. The Group has, for example, retained access to wholesale-funding markets 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.

Stress testing has been performed in order to assess the extent to which these factors would have to detrimentally impact cash flows in order for the Group to be unable to meet its liabilities as they fall due, and the extent of any increase in credit losses which could result in covenant breaches on the Group's borrowings. The results of this stress testing are detailed further below.

In response to the pandemic, the directors and Group management have undertaken a number of actions in order to mitigate potential risks.

Alongside shareholder funding and profits which have been retained in the business, to fund its lending the Group is reliant on the wholesale funding markets, including a combination of public securitisations, private revolving securitisations, senior secured notes and a revolving credit facility (RCF).

A key risk associated with wholesale funding is refinancing risk, where the Group has a proven track-record of successfully refinancing borrowings. The coronavirus outbreak has had some impacts on the capital markets and the availability and/or pricing of wholesale funding at certain points earlier in the pandemic. The depth of maturity in the Group's existing debt facilities provides significant mitigation in respect of refinancing risk. Following the refinancing of the Highfield Asset Backed Securitisation (ABS) facility, the earliest maturity of wholesale funding is the Delta ABS 2 facility (the amount drawn at 30 June 2021 of £125.0m representing 2.8% of the Group's available borrowing facilities), and is not due until March 2023. Following the redemption of the notes issued by Together ABS 1, the earliest call date on any of the Group's public securitisations is Together ABS2 in November 2022.

With specific reference to the Company, it is currently profitable and has predictable profitability throughout the going concern 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 limited. Despite this, the Group has offered financial support covering the going concern period.

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

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.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £000

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. procurement fees paid to introducers are recognised as an adjustment to the contractual interest rate and recorded in interest income.

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

Taxation

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

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

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

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

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

Cash and cash equivalents

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

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £000

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, are recognised immediately in the income statement. The Company may also consider qualitative factors in determining whether a modification is substantial.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £000

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. In the ordinary course of business the Company does not purchase or originate credit-impaired financial assets; management therefore considers any such balances to be immaterial.

If, due to the financial difficulties of the borrower, the terms of a financial asset are renegotiated or modified, or the asset is replaced with a new one, then an assessment is made of whether the asset should be derecognised. A loan to a borrower granted such concessions due to forbearance is considered to be credit impaired 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.

Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation as a result of a past event, which is reliably measurable and where it is probable that the Company will be required to settle that obligation. Provisions are measured at the best estimate of the amount required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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

3. Critical accounting 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 ECL, in particular the economic variables driving credit risk and the number and relative weightings of the scenarios used.
- Determining the criteria for a significant increase in credit risk and indicators of credit impairment.

Further detail on the judgements in respect of the measurement of ECL and sensitivities thereon is set out in Note 11 to the accounts.

Key sources of estimation uncertainty

a) Loan impairment allowance

As a result of the Covid-19 pandemic the Company utilises macroeconomic forecasts which are significantly changed from those applied pre-pandemic, when the external environment was more benign. These forecasts, and the other assumptions and estimates necessary for the calculation of ECL, contain a greater level of uncertainty than in previous periods due to the increased level of uncertainty in the economic outlook. Further detail on these estimates and assumptions and sensitivities thereon is set out in Note 11 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.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £000

4. Interest receivable and similar income

	2021	2020
Interest on loans and advances to customers	2,239	3,532

Included within interest on loans and advances to customers is £510k (2020: £667k) relating to the income adjustment on impaired loans.

5. Interest payable and similar charges

	2021	2020
On borrowings	2	4
On amounts owed to parent company	904	1,163
On borrowings	906	1,167

6. Fee and commission income

	2021	2020
Fee income on loans and advances to customers	22	56
Other fees receivable	11	13
	33	69

7. Fee and commission expense

	2021	2020
Legal, valuations and other fees	1	-
Insurance commissions and charges	15	39
	16	39

8. Other income

	2021	2020
Other income	7	13

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

9. Administrative expenses

	2021	2020
Administrative costs	322	448

Company overheads, including directors' emoluments, wages and salaries, office administration costs, and auditor remuneration were borne by a fellow subsidiary company of Together Financial Services Limited, Blemain Finance Limited, and were recharged to companies within the Group based on operational and financial drivers. On 15 March 2021, employees were transferred to Together Financial Services Limited pursuant to TUPE regulations with costs then recharged within the Group based on operational and financial drivers. On 31 March 2021, certain specified assets and liabilities were transferred to Together Financial Services Limited from Blemain Finance Limited. From the date of the transfer, all administrative expenses are borne and recharged by Together Financial Services Limited.

The audit fee borne by Blemain Finance Limited (a separate group company) and Together Financial Services Limited in respect of the Company in 2021 was £2,500 (2020: £2,500).

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £000

10. Income tax

	2021	2020
Current tax		
Corporation tax	170	112
Adjustment in respect of previous years	(1)	20
Total tax on profit	169	132
Deferred tax		
Origination and reversal of temporary differences	49	47
Adjustment in respect of prior years	-	1
Effect of tax rates	(61)	(37)
Total deferred tax	(12)	11
Total tax on profit	157	143

Corporation tax is calculated at 19.0% (2020: 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:

	2021	2020
Profit before tax	1,152	828
Tax on profit at standard UK corporation tax rate of 19.00% (2020: 19.0%)	219	157
Effects of:		
Expenses not deductible for tax purposes	-	2
Adjustment in respect of prior years	(1)	21
Effect of changes in tax rate	(61)	(37)
Tax charge for year	157	143

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax asset at 30 June 2021 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences (2020: 19%), which led to a £31k increase in the value of the deferred tax asset.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £000

11. Loans and advances to customers

2021				
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances	-	-	15,723	15,723
Loss allowance	-	-	(1,743)	(1,743)
	-	-	13,980	13,980

2020				
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances	-	5,349	15,127	20,476
Loss allowance	-	(541)	(1,814)	(2,355)
	-	4,808	13,313	18,121

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 credit risk and are in receipt of a mortgage-payment deferral

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

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

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

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

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

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £000

11. Loans and advances to customers (continued)

Significant increases in credit risk, forbearance and contract modifications

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

The Company uses qualitative and quantitative criteria, including:

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

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

Loss allowance and impairment losses for the year

A loss allowance is derived from the application of the accounting policies for measurement of ECL as explained in Note 2. The loss allowance has decreased by £612k to £1,743k (2020: £2,355k).

Allowance for impairment losses	2021	2020
At beginning of the year	(2,355)	(1,981)
Charges to the income statement	(77)	(1,060)
Unwind of discount	510	666
Write-offs net of recoveries	179	20
At end of year	(1,743)	(2,355)

Impairment losses for the year	2021	2020
Movements in ECL, charged to income	(77)	(1,060)
Amounts released from deferred income	(262)	(32)
Write-offs net of recoveries	456	(40)
Release/(charge) to income statement	117	(1,132)

Critical accounting estimates

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

Macroeconomic scenarios

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

The following table shows unweighted ECL when 100% probability was applied to all the scenarios as at 30 June 2021 and 30 June 2020.

Scenarios	2021		2020	
	Probability of the scenario	Unweighted ECL	Probability of the scenario	Unweighted ECL
Upside	10%	916	10%	1,070
Mild upside	10%	1,008	10%	1,264
Base case	50%	1,356	50%	1,787
Stagnation	10%	2,250	10%	3,128
Downside	10%	2,786	10%	3,878
Severe downside	10%	3,686	10%	5,278
Weighted average		1,743		2,355

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £000

11. Loans and advances to customers (continued)

Loss given default

The LGD model uses current security values and forecast HPI assumptions to project property values for each of the economic scenarios. An immediate and sustained 10% reduction in forecast house prices (ie a 10% haircut applied to the index), applied in each scenario, would result in an increase in the impairment allowance of £330k at 30 June 2021 (30 June 2020: £497k); conversely, a 10% increase would result in a decrease in the impairment allowance of £254k at 30 June 2021 (30 June 2020: £326k).

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 £76k at 30 June 2021 (30 June 2020: £120k). 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 £76k at 30 June 2021 (30 June 2020: £120k).

12. Other assets

	2021	2020
Amounts owed by related parties	229	54
Prepayments and accrued income	5	7
	234	61

Amounts owed by related parties are repayable on demand.

13. Property, plant and equipment

	2021	2020
Cost		
At beginning of year	78	78
Disposals	(78)	-
At end of the year	-	78
Depreciation		
At beginning of year	75	74
Charge for the year	-	1
Disposals	(75)	-
At end of year	-	75
Net book value		
At end of year	-	3
At beginning of year	3	4

All property, plant and equipment is in respect of motor vehicles.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £000

14. Deferred tax asset

	Accelerated capital allowances	Short-term timing differences	Total
2021			
At beginning of the year	6	327	333
Adjustment in respect of previous years	-	(49)	(49)
Effect of tax rates	-	61	61
At end of period	6	339	345

	Accelerated capital allowances	Short-term timing differences	Total
2020			
At beginning of the year	8	336	344
Charge to income statement	(1)	(46)	(47)
Adjustment in respect of previous years	(1)	-	(1)
Effect of tax rates	-	37	37
At end of period	6	327	333

15. Other liabilities

	2021	2020
Amounts owed to Group undertakings	9,481	13,053
Accruals and deferred income	14	1,302
Other creditors	48	65
	9,543	14,420

Amounts owed to Group undertakings are repayable on demand.

16. Share capital

All amounts are stated in pounds.

	2021	2020
Authorised, called-up, allotted and fully paid		
100 ordinary shares of £1 each	100	100

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £000

17. 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 12 to the financial statements. The Company had no other transactions during the year apart from the movement in the related party balance.

18. Contingent liabilities

As at 30 June 2021, 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 £935m senior secured notes (30 June 2020: £785m) and £nil in respect of bank borrowings (30 June 2020: £10m).

19. 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.

20. Events after reporting date

As the Company has ceased to originate new loans, the following are not expected to have a financial impact.

In July 2021, the Group announced the launch of the Brooks ABS facility. This is a new type of facility secured on loans with some degree of arrears or imperfect credit history. The Brooks ABS facility raised £71m of external funding.

In September 2021 the Group refinanced its £525m Highfield ABS facility, extending its maturity date from June 2022 to September 2025 and reducing the coupon. As part of the refinance, the Highfield ABS became a revolving facility having become amortising in June 2021.

In September 2021 the Group redeemed the loan notes in its first residential-mortgage-backed securitisation, Together ABS 1, taking back beneficial title to the mortgage assets that had previously been securitised.

Also in September 2021 the Group announced the pricing of its inaugural 1st charge only RMBS, the £318m Together Asset Backed Securitisation 2021 – 1ST1 PLC RMBS ('TABS 1ST1'). The £318m facility is expected have 89% of its notes rated AAA.