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Common sense lending

Blemain Finance Limited

Annual Report and Financial Statements

For the year ended 30 June 2022

Company Registration No. 01185052

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Officers and professional advisers

Directors

PS Ball
GD Beckett*
EA Blythe *
RJ Gregory*
JE Hooper*
PA Wilson

* 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

The directors present their annual report and the audited financial statements for the year ended 30 June 2022.

Business review

Business model and strategy

The principal activity of Blemain Finance Limited ('the Company') continues to be that of a regulated specialist mortgage lender. The Company is a wholly-owned subsidiary of Together Financial Services Limited which, with its subsidiaries, operates as the Together Group ('the Group') of businesses. Alongside Together Personal Finance Limited and Spot Finance Limited, the Company is part of the Together Personal Finance division within the overall 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 Company's vision is to be the most valued lending company in the UK. This is underpinned by the strategy, which is to make finance work for diverse customer needs and deliver the best customer service in the UK specialist lender market. We plan to be an exemplar through our conduct within the specialist lending market. We fully embrace Environmental, Social and Governance (ESG) factors and place great value in diversity and inclusion, helping to make the Company a great place to work.

Macroeconomic environment and political uncertainty

As for 2020-21, over the last year the UK's economic performance has been hugely impacted by external factors. Broadly, the economy has been on an upward trajectory of recovery from the worst initial impacts of the coronavirus, though set back slightly by the spread of the Omicron variants over the winter of 2021-2022. To this was added the global impact of the Russian attack on Ukraine starting in February 2022, which increased commodity prices and disrupted trade and business confidence. However, by the end of June 2022 GDP was estimated to be 0.9% above its pre-pandemic level in real terms.

Unemployment, having risen in the early stages of the pandemic, recovered to pre-pandemic levels during the financial year despite the ending of the government's furlough scheme, to stand at 3.8% at June 2022. However, the bounceback in consumer demand, combined with price increases caused by the disruption of global supply chains, particularly in energy, has led to escalating inflation, with CPI reaching 9.4% in June 2022. Wages, though rising significantly in nominal terms, have fallen in real terms in 2022 and the increase in the cost of living for households has become a major issue for policymakers, leading in May 2022, to the announcement of further government support measures. In response, the Bank of England has progressively raised Base Rate, from 0.1% at the beginning of the year to 1.25% at June 2022 and to 1.75% by the end of August 2022. While increasing interest rates may put pressure on our customers, the Company is committed to good customer outcomes and is well placed to help see our customers through potential instability. Our portfolio, which is characterised by low LTV's protects the Company during periods of macroeconomic downturns by reducing potential exposure to negative equity and shortfalls in the value of security compared to our loans.

UK house-price inflation for the financial year was 10.7% according to the Nationwide, 13.0% according to the Halifax, reflecting the continuing excess of demand over supply. The rate of increase built up until the spring of 2022, since when the increasing cost of living and rises in Base Rate have led to expectations of some cooling in prices. The balance in demand has moved from city-centre flats towards larger, preferably detached homes in the suburbs or country. Partly as a result, the largest regional price increases have been outside London and the South East.

The economy, generally having proven robust over much of the year, the accelerating inflation and its consequences for living standards and rising interest rates have led to concern among forecasters about future trends. The Company's credit risk is particularly affected by unemployment, interest rates and movements in house prices. The Company sets assumptions about the future projected values of these economic variables for the purposes of estimating expected credit losses, and these are set out in Notes 2 and 11 to the Financial Statements.

Business review (continued)

Results

The loss before tax for the year was £2.6m (2021: £7.7m). Despite the loan book continuing to run off, reducing net interest income, the Company saw a reduction in losses. This owed to a reduction in administrative expenses, primarily due to a reduction in provisions charges to a release of £2.1m (2021: charge of £10.1m).

Net interest margin[1] has reduced slightly to 6.8% (2021: 7.4%) primarily due to increases in the variable interest rates on the parent Group's funding, which is recharged to the Company.

Position

As shown in the statement of financial position on page 28, loans and advances to customers have decreased by 18.6% to £171.5m (2021: £210.6m) as new mortgages are originated through other subsidiaries in the Together Group and existing mortgages to the Company are redeemed. Despite a loss after tax of £4.1m (2021: £6.5m), equity has increased by 213.3% due to a capital contribution of £10.0m from the Company's parent company TFSL.

During the year the Company made capital contributions of £Nil (2021: £55,000) to its subsidiary company, Spot Finance Limited.

Liquidity and funding activity

The Company is partly financed by the Group, which itself is party to a revolving credit facility (RCF) 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 both public residential mortgage-backed securitisations (RMBS) and private revolving securitisation facilities.

Activity during the year included:

- July 2021 – Brooks Asset Backed Securitisation 1 ('BABS') launch. This is a new type of private facility secured on loans with some degree of arrears or imperfect credit history, raising £71m of external funding;
- September 2021 – Together Asset Backed Securitisation 1 PLC ('TABS 1') redemption. The Group redeemed the loan notes in its first RMBS, taking back beneficial title to the mortgage assets that had previously been securitised;
- September 2021 – Together Asset Backed Securitisation 2021 – 1ST1 PLC ('TABS 5') launch. The Group launched its inaugural first charge-only RMBS, raising £302m of external funding;
- November 2021 – Bracken Midco 1 PLC Senior PIK Toggle Notes issue. The indirect parent company of Together Financial Services Limited announced the issuance of Senior PIK Toggle Notes due 2027. The proceeds of the refinancing raised £380m of external funding and was primarily used to redeem the Senior PIK Toggle Notes due 2023;
- November 2021 – Jerrold Finco PLC Senior Secured Notes issue. The Group announced issuance of an additional £100m of its 4⅞% Senior Secured Notes due 2026 which was subsequently increased to £120m following significant demand;
- March 2022 – Charles Street Asset Backed Securitisation 1 Limited ('CABS') refinance. The Group successfully refinanced its Charles Street ABS facility, significantly improving commercial terms and extending its maturity from September 2023 to March 2027. As part of the refinancing, the Group has taken the opportunity to close down the original facility and re-issue it as a new facility, Charles Street Asset Backed Securitisation 2 Limited ('CABS 2');
- April 2022 – Lakeside Asset Backed Securitisation 1 Limited ('LABS') refinance. The Group successfully refinanced the facility, extending maturity from October 2023 to April 2026, increasing it's size from £500m to £700m and adding a new funding partner;
- May 2022 – Together Asset Backed Securitisation 2022 – 2ND1 PLC ('TABS 6') launch. The Group launched its inaugural 2nd charge only Owner Occupied and Buy to Let mortgage backed securitisation, raising £321m of external funding.
- June 2022 – Together Asset Backed Securitisation 2022 – CRE1 PLC ('CRE3') launch – The Group launched a new commercial mortgage backed securitsation, raising £365m of external funding.

The Board of Together Financial Services Limited has confirmed that it will continue to provide liquidity and funding to the Company for the going concern assessment period ending 22 September 2023, which is 12 months from the date of signing this report.

Detail on monitoring and management of liquidity and funding risk is discussed in the Principal risks and uncertainties section on page 11, and further detail on the going concern assessment is set out in Note 2 to the financial statements.

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

Business review (continued)

Regulatory and legal considerations

The Company's operations are affected by a number of laws and regulations. The Company is authorised and regulated by the Financial Conduct Authority (FCA). The Company also has to comply with the relevant UK regulations, including anti-money laundering regulations, the General Data Protection Regulation and both EU Securitisation Regulations and UK Securitisation Regulations. Information on how the Company engages with the FCA and other regulators is provided in the Stakeholder Engagement report.

The Company continues to maintain pro-active ongoing communication with the FCA and aims to be an exemplar within the specialist lending sector. This includes continuing open and transparent engagement in connection with thematic reviews into the specialist lending sector, with particular reference to the treatment of vulnerable customers, and actively engaging with the regulator's requests for information as part of these reviews. The Company also continues in its actions to support customers through regular reviews of its wider forbearance toolkit aligned to customers' circumstances.

The Company is committed to delivering good customer experiences and outcomes, and has completed a number of remediation programmes where customers have been adversely affected by legacy issues. These primarily related to customers whose outcomes may have been improved if different forbearance tools had been applied, and those to whom written customer communication could have been clearer and more complete.

During the year, the Company continued to identify ways to improve customer experience and outcomes, including the development of a framework aimed at ensuring consistency of customer outcomes, which seeks to build upon and enhance existing practices, policies and procedures. The framework has a particular focus on assisting customers who have experienced financial difficulty.

In addition, during the year a process was undertaken to assess the way that customer rates, and certain charges, are set and reviewed, and to consider those that have historically been charged to certain customers. This included engagement with the regulator following their thematic review in some of these areas. This exercise is now complete, and actions are in the process of being implemented. As a result of the process we will take certain actions, such as the application of caps to historic interest rates and fees, which will see redress paid to customers or reductions applied to their account balances. Disclosures in respect of these initiatives, and the expected financial impact, can be found in Note 16 to the financial statements, and further information can be found in the Stakeholder Engagement report on page 5.

After the financial year end, the FCA have introduced new Consumer Duty requirements, effective July 2023, following two consultations issued in 2021, aimed at ensuring a higher and more consistent standard of consumer protection for users of financial services. During the year, the Company has monitored the consultations and assessed the impact on the business and operations as well as making improvements in several areas. Following confirmation of the rules in July 2022, the Group is in the process of preparing detailed plans to ensure compliance with the new requirements.

The Company will continue to monitor proposed changes to the FCA regulatory landscape in order to assess the potential impact of any changes, thereby allowing procedures and processes to be adapted accordingly.

Stakeholder Engagement Report

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

Our Stakeholder Engagement report sets out how we engage with our stakeholders and, where relevant, how we have continued to evolve our approach to supporting our stakeholders in response to the wider challenges such as cost-of-living pressures, residual impacts of the Covid-19 pandemic, and beyond.

COLLEAGUES

The Strategic report sets out our Company Purpose as well as our supporting Vision and Beliefs.

Throughout the pandemic and subsequently we have focused on protecting our colleagues and on supporting their wellbeing. We have also continued to listen to feedback from our colleagues, through quarterly surveys and communications.

Our Accountability Charter continues to bring together the principles of the Senior Managers & Certification Regime and our Play your Part Beliefs. This also provides us with a solid footing in our ongoing preparation for the Financial Conduct Authority's forthcoming Consumer Duty regulations.

The principles of good conduct have been further embedded by amendments to our performance management process for all colleagues. This has enhanced the focus on the 'how' colleagues conduct themselves as well as the 'what' that they achieve, which has strengthened focus on behaviours and accountability. To support this, people managers received training on how to ensure that colleagues display the appropriate behaviours in the achievement of their objectives. Relevant colleagues continue to receive training on both the Regime and the Accountability Charter on an annual basis via an online learning module and, if appropriate, face to face sessions.

OUR DIVERSITY

Last year the Group established a Diversity and Inclusion Advisory Committee. We are committed to promoting a dynamic and inclusive workplace in which employees of all backgrounds and demographics can work together cohesively and are supported to achieve their full potential. During the year, as our work on diversity and inclusion progressed, we re-branded the Committee as the Diversity and Inclusion Steering Committee, which is chaired by Liz Blythe, non-executive director, and expanded its membership to include colleague representatives. The Committee's remit includes, gender, age, ethnicity, LGBTQ+ and disability. The CEO of the Personal Finance division is the member of Group Executive responsible for D&I matters. The Group and Division (within which the company operates) is also signed up to the Women in Finance Charter.

The Diversity and Inclusion Steering Committee aims to support senior leadership in ensuring alignment between the Company's operations and strategic aims and its diversity and inclusion goals. More information on our diversity and inclusion strategy can be found in the ESG report in the Annual Report and Consolidated Financial Statements of Together Financial Services Limited.

CUSTOMERS

Our purpose is to realise people's ambitions by making finance work. We use our experience and entrepreneurial culture to help our customers realise their ambitions. We remain committed to delivering excellent service to our customers and we monitor customer feedback to understand both what we do well and how we can improve.

Modernisation and transformation

We continue to execute a programme of modernisation and transformation to take advantage of technology to help further improve our customer and broker journey in terms of consistency, efficiency and speed. As part of this process, we are integrating new technologies through incremental change, allowing us to introduce additional IT solutions as technology advances, and our customers' needs evolve. Throughout this process, we are continually learning from our customers and take regular customer feedback at key touchpoints throughout the loan lifecycle. More information on how we're transforming and modernising our platform can be found in the Operating Review in the Annual Report and Consolidated Financial Statements of Together Financial Services Limited.

Customer Feedback

Our customer-facing colleagues are focused on delivering positive outcomes. To support this, we actively seek feedback both from our customers and intermediaries and we take complaints very seriously. For more information see our ESG Report in the Annual Report and Consolidated Financial Statements of Together Financial Services Limited.

REGULATORS

The Company undertakes lending which is authorised and regulated by the Financial Conduct Authority (FCA).

Our approach to regulatory engagement is one of openness and transparency, treating any enquiries with priority, and we follow established processes for communicating proactively with the regulator. Our Board and management team are committed to ensuring that this is effective through the right culture, clear and aligned goals, and recruiting and retaining people with the right skills and experience.

We have provided the FCA with information relating to a range of matters and we will continue to work closely with the FCA, sharing knowledge and insight of the specialist lending sector.

During the year, we have continued to monitor the regulatory landscape and have attended a number of conferences and forums led by the FCA and trade associations, such as, the Finance & Leasing Association and UK Finance. Activity in the regulatory landscape has covered a wide range of topics such as the FCA's Finalised Guidance on the Fair Treatment of Vulnerable Customers, the implementation of Consumer Duty and the publication of the FCA's annual Business Plan. We also participated in a number of forums held by trade associations regarding these regulatory publications, to discuss interpretation, assist with industry understanding and help facilitate a consistent approach to good customer outcomes throughout the industry. Actively engaging in such forums enables us to participate in industry discussions on regulatory matters and to contribute to industry feedback on current issues.

Customer redress

It is important when listening to our customers that we learn from their experience, especially when we fall short of the standards we set for ourselves or those which are in line with the FCA regulatory framework. In such circumstances it is vital that we firstly understand root causes and put things right for our customers, along with implementing sustainable changes to make the necessary improvements for the future.

The Company continually focuses on improving its customer processes and responding to changes in customer needs. During the year, we continued to identify ways to improve customer experience and to ensure customers receive good outcomes, building upon and enhancing existing practices, policies and procedures. A review has been completed to improve the way that customer rates, and certain charges, are set and reviewed, and consider those that have historically been charged to certain customers.

As mentioned previously in the Business review the Company is committed to delivering good customer experiences and outcomes, and has completed a number of remediation programmes during the year where customers have been adversely affected by legacy issues. These primarily related to customers whose outcomes may have been improved if different forbearance tools had been applied, and those to whom written customer communication could have been clearer and more complete.

Disclosures in respect of customer redress provisions can be found in Note 16 to the Financial statements.

COMMUNITY

The ESG report in the Annual Report and Consolidated Financial Statements of Together Financial Services Limited includes further information on other charity work we undertake and how we support our communities.

INVESTORS AND BANKS

Our funding is provided at a group level through UK and international banks and other financial institutions who invest in our senior secured notes (bonds), revolving credit facility and our private and public securitisations. The Group has established long-standing banking relationships and has also built strong relationships with its institutional investors, many of whom invest across a number of its funding facilities. The Group consider these relationships to be central to the continued success of our business.

The Group's investor communications are designed to be clear, transparent, and informative to give existing and potential investors the level of insight into its operations, strategy, and financial performance that they need in order to make informed investment decisions. It achieves this via ongoing quarterly reporting to its bond investors, live investor conference calls with Q&A, monthly reporting to investors in its public securitisations, and regular attendance at investor conferences. The Group hosted virtual site visits for investors during the year which provided opportunities to meet management and we carried out regular due diligence activities with banking facility providers and maintain ongoing dialogue with its rating agencies, including annual rating agency visits.

During the year, the Group concluded the refinancing of its revolving credit facility alongside further issuances under both the senior secured notes programme and public securitisation programme. These activities involved close collaboration with banking partners and investors around the financing needs of the business.

INVESTORS AND BANKS (continued)

The Group welcomes feedback received from its banks, investors and from debt and equity analysts to help it to further improve its communications. During the year, the Group conducted a survey of its investors, in order to gain further insight into their perceptions of the Group.

SUPPLIERS

Suppliers provide both direct service to Blemain and via the Group. These both play an important part in supporting our business, in particular our professional advisers and externally sourced IT developers. The Company and Group consider not only price and quality when deciding which suppliers to engage, but also the potential long-term nature of the relationships and how these can be mutually beneficial.

The Company and Group also carefully consider our material supplier contracts to ensure contractual commitments are clear and that obligations around sensitive information, such as, customer data comply with relevant regulations. In addition, we ensure that any new supplier's appointment is consistent with our Modern Slavery Statement, which is available on our website.

The Company receives a large portion of its services from its parent, the framework for which is detailed in an overarching agreement as well as individual service specific agreements. The agreement sets out all relevant terms and agreements between the firms and is monitored through internal service level reviews.

OUR SHAREHOLDER

Blemain Finance Limited is a wholly-owned subsidiary of Together Financial Services Limited ('TFSL') a company whose ultimate parent entity is Redhill Famco Limited which is wholly controlled by Henry Moser.

The Company CEO is a member of the TFSL Board and provides ongoing updates to the TFSL Board on the activities of the Personal Finance businesses including Blemain Finance Limited.

Section 172 Statement

Section 172 of the Companies Act 2006 defines the legal requirement for a director to act both individually and collectively, in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole with regards to all of its stakeholders.

The TPF Board is a board of directors of the Together Personal Finance (TPF) division, which consists of Together Personal Finance Limited, Blemain Finance Limited and Spot Finance Limited. The Board provides leadership for the division through governance arrangements that are independent from the Group and provides oversight of regulatory compliance, including oversight of compliance with the Senior Managers Certification Regime. More information on the division's governance structure, including the composition of the Board, and the activities of the Board and its committees, can be found in Corporate governance and committee structure.

The table below provides some examples of how the Board has complied with section 172 during the year. Many of the requirements are integral to the way that the Company operates and, therefore, references have been provided where appropriate to other sections of the annual report where more information can be found.

S.172 requirement to have regard to:	How the Board has fulfilled its s.172 duties
(a) the likely consequences of any decision in the long term	• The Board recognises the importance of understanding the effect that decision making can have on our stakeholders. • During the year, the Board considered and approved the mobilisation of projects to update IT infrastructure which included, the proposed introduction of new software to ensure that core systems will provide a sound foundation for growth of the business over the long term. • The CEO regularly updates the Board on the efficiencies achieved in operational areas, including the benefits of the automation implemented by the modernisation and transformation programme, which informs strategic decisions and priorities. • The annual process to evaluate the effectiveness of the Board and the Board's Sub-committees has been undertaken. The process will provide feedback to allow the board and committees to enhance effective decision making. • As a demonstration of the Board's commitment to foster a diverse and inclusive workplace, the Board has endorsed the establishment of groups to enhance representation of women, over 55s, LGBTQ+, minority communities and people with disabilities. • The Board approves delegated authorities, up to certain amounts of expenditure, to the CEO and management in accordance with TPF's delegated authorities matrix, and has regular sight of expenditure approved by the Group Board and Executive Committee, insofar as it relates to TPF.
(b) the interests of the company's employees	• The Board recognises the benefits of colleagues being able to interact and collaborate, which has been a key part of the Group's success for many years. Oversight of colleague health and safety was delegated to the Risk Committee and regular incident reporting was provided to the Board. • During the year, a new mechanism for increased frequency of employee surveys were introduced. These occur quarterly, and provide regular information from colleagues for the Board to take into account when considering colleague engagement, diversity & inclusion and health & well-being. • The Remuneration Committee recognised that colleague retention was of great significance and carried out reviews of the Colleague Value Proposition during the year. These reviews considered market conditions and re-aligned certain colleagues' salaries mid-year and took into account the increasing cost of living when determining overall colleague reward.
(c) the need to foster the company's business relationships with suppliers, customers and others	• Maintaining positive business relationships is crucial to the Group's long-term sustainability and is regularly reported to the Board to inform decision making. • Doing the right thing for our customers is a key focus for the business and we encourage customers to provide feedback to inform our processes. Information on how we engage with our customers and brokers can be found in our Stakeholder Engagement report. The Board receives regular updates from the CEO on customer activity and customer engagement strategies. During the year, the Board focused on the way relationships with Customers and Partners were maintained and the processes for retaining Customers. • The Company is committed to delivering good customer outcomes and has focussed on fostering positive relationships with customers by delivering improvements in the customer journey, making balanced commercial decisions in respect of pricing, and progressing remediation programmes.

(d) the impact of the company's operations on the community and the environment	• The Board plays it's part in the application of the Group's Environmental, Society and Governance strategy, a report for which is included in the Together Financial Services Limited Annual Report and Accounts and describes the Group's activities during the year to positively impact our communities and the environment. Together colleagues continue to proactively support charitable causes and consideration of how best we can continue to undertake this activity has been central to the development of the Group's Purpose.
(e) the desirability of the company maintaining a reputation for high standards of business conduct	• The Board has approved the voluntary adoption of the Wates Principles for Large Private Companies as a demonstration of its commitment to high standards of corporate governance. Information on how the Group has applied the Wates Principles can be found in the Corporate governance section. • The Board and its committees approve policies and procedures that facilitate high standards of governance and compliance in line with stakeholder and regulatory expectations. Policies are set within the overall parameters of the Group to ensure standards are consistently maintained across all business operations. • The Board and senior management team is committed to high standards of business conduct through clear and aligned goals and the appointment and retention of colleagues with the right skills and experience. The Remuneration & Nomination Committee considers succession planning twice a year, and where vacancies arise the Committee ensures that appropriate appointment procedures are followed with due regard to diversity. Where relevant, appointments follow documented SM&CR procedures in line with FCA requirements. This year, succession plans have been further developed for the Executive Committee and key individuals to ensure that the business is nurturing the right talent to fill vacancies as and when they arise. Associated development plans are being created for the pool of potential successors for each identified role and conversations are ongoing with individuals to support them in their development.
(f) the need to act fairly between members of the company	• Governance arrangements are regularly reviewed to ensure they continue to meet the requirements of the Group entities and their respective stakeholders and that they continue to meet the standards expected of a regulated financial-services organisation. • The chair meets regularly with the Group's majority shareholder and regularly provides feedback to the Board on discussions.

Principal risks and uncertainties

The principal risks the Company faces are set out below and are those which management believe could significantly impact the achievement of the Company'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, with particular and additional focus on certain risks, such as conduct and compliance. References to the Group within this section reflect this.

The Personal Finance Division of the Together Group, which includes the Company, has a governance structure independent from the Group. This includes separate Executive and Board risk committees, which operate within the parameters set by the Group. For some risks impacting upon the Company, the management and mitigation of these includes activities performed by the Group, and therefore this report includes references to the Group, where such actions serve to directly manage and mitigate the risks faced by the Company.

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 statement.

Strategic risk

Further details on the Group'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

- Regular Board oversight of the 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 Group's modernisation and transformation agenda, to improve the customer journey and increase the operational efficiency of the business.
- Consideration of, and where appropriate alignment to, the Group's strategy to ensure complimentary strategic aims are pursued by the Company and the Group.
- Board committees and management engage in horizon scanning for market and regulatory developments to ensure the Company is in position to respond to changes in market practice or capitalise on opportunities as they arise.

Sensitivity and stress testing analysis are carried out against the loan book and business plans, 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.

For further detail of stress testing, see Liquidity and Funding Risk (page 11).

Direction of travel - ↑ Increased

During the year, the Group's long term business plan, was approved as well as communicating its updated Vision, Purpose, Strategic Objectives and Beliefs.

One factor that will assist the Company in achieving its strategic objectives is the delivery of improving automation and efficiency to allow for scaled growth., The Company continues to explore new technologies and methodologies for delivering change in order to meet its strategy and vision, resulting in increased strategic risk as delays in executing the change programme may delay achievement of its strategic objectives.

Strategic Risk has also increased during the year as macroeconomic instability has continued, resulting in an increased risk that the Group may face challenges in executing its strategic plans.

The Group has made significant progress in developing its strategic objectives in relation to its environmental and social contribution. For further information see the ESG Report included in the Annual Report and Consolidated Financial Statements of Together Financial Services Limited.

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 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.

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 increasing Cost of Living. This has included accessing additional data, where appropriate, for example from credit reference agencies.
- Performance of regular assessments of the sensitivity of the loan book to movements in macroeconomic factor.
- 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.

Direction of travel - ↑ Increased

The Company continued to closely monitor its credit indicators through the year as Covid-19 restrictions were lifted.

Following interest rate rises during the second half of the year, alongside rising levels of inflation, the Company continues to closely monitor customer affordability and levels of arrears. These macroeconomic changes are yet to be reflected in the credit risk profile but the Company continues to respond and plan for potential increases in arrear levels.

Liquidity and funding risk

Definition

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

The Group faces a key liquidity risk from a number of its private securitisation facilities that are subject to portfolio covenants and eligibility restrictions. In certain circumstances assets can be exchanged, repurchased or additional capital can be injected into the facilities to ensure compliance.

Failure to comply with the facility terms or breach of non-curable performance covenants will cause facilities to go into early amortisation, with removal of undrawn facility headroom and deferral of Group cash flows which will be prioritised to repay the facilities.

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.

Principal risks and uncertainties (continued)

Liquidity and funding risk (continued)

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.
- Close monitoring of liquidity risk against limits, triggers, covenants and restrictions to ensure compliance and ensure early identification of any liquidity stress.
- Forecasting of expected cash inflows and outflows, including the outstanding pipeline of loan offers, and monitoring of actual cashflows.
- Proactive refinancing of facilities well in advance of their contractual maturity dates and diversification of funding.
- Diversification of funding sources and over a range of periods.
- 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.
- Reviewed and updated the Group's Contingency Funding Plan to incorporate lessons learned from the pandemic.
- Developed a divisional wind-down plan to ensure appropriate liquidity is held separately to allow the regulated division to wind down in an orderly manner should the need ever arise.

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.

During the period TAL has decreased to £406.9m at 30 June 2022 (2021: £453.3m), whilst cash balances have increased to £264.5m at 30 June 2022 (2021: £228.6m). This is primarily a result of the funding of new lending to grow the loan portfolio. 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.

The TPF division individually also holds separately ringfenced cash which is segregated and acts as a liquidity backstop buffer.

For further details on the Group's funding activities, see the Strategic Report in the Annual Report and Consolidated Financial Statements for Together Financial Services Limited.

Direction of travel –

Liquidity ↔ Unchanged

Funding ↓ Decreased

The Group has successfully launched a number of new facilities in FY22 as well as completing a number of transactions to refinance existing borrowing facilities well in advance of their contractual maturity date resulting in reduced funding risk.

This increased funding diversity remains key against the backdrop of the Group's growing business volumes and mitigates increases in risk of funding a growing loan portfolio, meaning that in aggregate the level of liquidity risk is unchanged.

Market risk

Definition

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

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

Management and mitigation

- Regular monitoring of interest rate risk exposure, including a forward-looking view which incorporates new business assumptions and expected redemptions and undertaking hedging transactions as appropriate.
- Closely monitoring the impact of a range of possible interest rate changes on the Group's performance and strategy.

Direction of travel - ↑ Increased

The Group has continued to carefully manage its assets and liabilities following the rate rises over the year. However, interest rate risk is expected to rise given the increasing demand for fixed rate lending and high levels of uncertainty relating to future interest rates due to current macroeconomic pressures. The Group will continue to monitor its options, including undertaking appropriate hedging transactions, in order to mitigate its and the Company's exposure to interest rate risk.

Principal risks and uncertainties (continued)

Capital risk

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.

Management and mitigation

- Continuous monitoring of the required regulatory capital requirements with relevant subsidiaries and the actual levels projected.
- 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 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.

Direction of travel - ↔ Unchanged

The Group continues to closely monitor levels of capital against requirements and remains responsive to outcomes of stress testing.

Gearing levels remained within appetite throughout the year.

Current and forecast levels of Group capital, including the gearing ratio, are monitored and reported to the Board on a regular basis. Total shareholder funds increased by £90.9m over the year (2021: £79.7m), which is net of dividends paid in the year of £48.8m. The net debt gearing ratio[2] has increased to 79.7% at 30 June 2022 (30 June 2021: 75.6%) as a result of net debt increasing more slowly than loans and advances to customers.

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 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 implemented following the onset of the Covid-19 pandemic back to a sustainable, business as usual, approach.

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 to and independent assurance over the delivery of change projects by the Group Risk department.
- Investment in cyber risk prevention systems, resulting in a mature cyber security capability, including a dedicated cyber security team and market-leading detection tools.

Direction of travel - ↑ Increased

The Group adopted an ambitious change agenda, which naturally increased operational risk however as part of the agenda there are new third party systems being introduced, thereby more specifically increasing the Group's exposure to both third party and cyber risk.

The monitoring and management of these risks as part of operational readiness is a primary consideration for the Group and Company.

We also continue to learn and understand the long-term impacts of Covid-19 on ways of working.

2 Net debt gearing ratio is calculated as net debt divided by net loan book

Principal risks and uncertainties (continued)

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 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 Group's operating model.

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.
- Mobilising projects to enhance the approach to account management within the Personal Finance division, in order to improve the consistency of approaches to the management of both new and existing customers.
- Performance of gap analyses 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 - ↔ Unchanged

The Company continues to put good customer outcomes at the centre of its decision-making process. This has meant a number of projects, including reviewing our practices and policies, have taken place during FY22. We remained supportive of those customers impacted by Covid-19 and the increasing Cost of Living. 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.

The Company is committed to delivering positive customer experiences and outcomes, and has completed remediation programmes where customers have been adversely affected by legacy issues. In addition, the Company continues to assess its policies and procedures, and has developed a framework aimed at ensuring consistency of customer outcomes, which seeks to build upon and enhance existing practices, policies and procedures. A provision has been recognised to reflect that the Group may make payments to customer populations in scope upon finalisation of the framework. Further disclosures in respect of this can be found in Note 16 to the Financial Statements.

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 the Group 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 regulations, leading to customer dissatisfaction or detriment, legal action against the Company 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.
- Proactively engaging with the Group's regulators to provide transparency with regard to actions taken to ensure compliant outcomes for legacy customers.
- Monitoring compliance with regulatory 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. 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.
- Horizon scanning and impact assessments of potential regulatory and legal change. The compliance function monitors all regulatory developments, including the matters identified in its Business Plan, to allow for new guidance to be considered, and changes implemented where appropriate.

Principal risks and uncertainties (continued)

Compliance risk (continued)

Direction of travel - ↔ Unchanged

The level of regulatory change continues to be high with significant focus on non-bank lending. However, the Group has the capabilities to respond and interacts with the regulator to take part in thematic reviews when required.

A number of remediation programmes have been completed, with others still on going, where customers have been adversely affected by legacy issues. The completed remediation programmes primarily related to customers whose outcomes may have been improved if different forbearance tools had been applied, and those to whom written customer communication could have been clearer and more complete. Following such programmes, the Company remains committed to ensuring it delivers good customer experiences and outcomes.

Further to this a framework has been developed aimed at ensuring consistency of customer outcomes, which seeks to build upon and enhance existing practices, policies and procedures, and is focused on assisting customers who have experienced financial difficulty.

Further disclosures in respect of this can be found in Note 16 to the Financial Statements.

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

P.A Wilson
Finance Director
22 September 2022

Corporate Governance and Committee Structure

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

Board of directors

The Together Personal Finance Board is a board of directors of the Together Personal Finance (TPF) division, comprising Together Personal Finance Limited, Blemain Finance Limited and Spot Finance Limited. All companies within the division have common directors, the majority of which are non-executive directors. The companies within the TPF division are authorised and regulated by the Financial Conduct Authority (FCA) and this division is responsible for all FCA regulated activities across the Group through enhanced governance arrangements which are independent from the Group.

The Board provides entrepreneurial and ethical leadership for the TPF division within a framework of prudent and effective controls. The Board is responsible for setting risk appetite, and for agreeing and overseeing the delivery of its strategy within that risk appetite, in line with the parameters set by the Group.

In order to implement an effective corporate governance framework, the Board takes into account the requirements of all stakeholders, and ensures that it has sufficient experience and resources to meet its objectives and to comply with all legal, regulatory and contractual considerations. The Board also ensures that the appropriate culture, values and conduct are embedded within the organisation and fully endorses the Group's Purpose and Vision.

The Board meets a minimum of six times during the year. Board meetings are an important forum for directors to discharge their duties under s.172 of the Companies Act 2006. The following section provides an overview of the activities of the Board and committees during the year.

The Board continues to voluntarily adopt the Wates Principles for Large Private Companies. Information on how the Wates Principles have been applied can be found in the Corporate Governance Statement.

Company Secretary

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

The Board

The Board supports and adopts the Group's Purpose and Vision, and promotes the cultural tone from the top. The Board is collectively responsible for the success of the Company and demonstrates strong and entrepreneurial leadership through an effective Board and committee structure.

The Board discharges some of its responsibilities directly and delegates other matters to its committees and to senior management as appropriate. The powers delegated to each committee are set out in its terms of reference, which are reviewed on an annual basis.

Board agendas are agreed in advance by the relevant chair, CEO and the Company Secretary and are structured around the Company's objectives, to enable the Board to discuss and challenge the Company's performance against its strategic aims. The Group's Chief Risk Officer and Head of Internal Audit are standing attendees at Board meetings, to provide second line and third line oversight.

The chairs of the committees formally report to the Board after each meeting on key issues and topics raised at those meetings, as well as any recommendations for the Board's approval, ensuring that the Board as a whole is updated on the matters on which it delegates authority. Further details on the activities of the Board and committees during the year can be found in the Corporate Governance Statement.

Audit Committee

The Audit committee operates under delegated authority from the Board on matters of financial reporting, financial controls and oversight of the Internal Audit function and the external auditor. It is responsible for the oversight of the reporting of the Company's financial information and the effectiveness of its internal controls and risk management. The committee is made up entirely of non-executive directors.

The committee meets at least four times a year.

During the year, the external auditor was invited to each meeting; the Chair of the committee also met with the audit partner outside the formal meeting process.

Corporate Governance and Committee Structure (continued)

Audit Committee (continued)

In July 2021, the Committee approved the performance of an External Quality Assessment of the Internal Audit function, which was the first time such an assessment had been carried out. The exercise took into consideration feedback from individual committee members and key management personnel as part of the assessment, and reviewed a sample of four Internal Audit files. The report concluded that the internal audit function was operating within the range that would be expected for an organisation of Togther's size and maturity.

The committee discussed the report at its meeting in November 2021 and subsequently agreed the Action Plan to address the recommendations. These actions are tracked by the Audit Committee with regular progress updates being provided by the Internal Audit function.

The committee monitors the implementation of actions raised during Internal Audit's engagements via the Internal Audit report presented at each meeting of the committee. During the year, the committee undertook its annual review of the Whistleblowing policy to ensure that the process in place for colleagues to raise concerns about misconduct and unethical practices remained effective.

During the year, the committee considered the impact of macroeconomic instability and the associated effect upon the Company's financial reporting, including factors such as the residual impact of the Covid-19 pandemic and the impacts of the war in Ukraine. This has included specific consideration of the impact on the Company's judgements, assumptions and disclosures relating to expected credit losses; the Company's going concern assessment and the quality and detail of the associated disclosures. The committee also continues to exercise oversight of accounting judgements made in relation to customer and legal provisions.

Risk Committee

The Risk committee operates under delegated authority from the Board on matters of risk management and internal controls. It has responsibility for oversight and advice to the Board on current risk exposures and the future risk strategy of the Company. The committee ensures that proper control systems are in place and that appropriate consideration is given to current and future risks. The committee is also responsible for ensuring that management develop appropriate policies and strategies to secure the long-term sustainability of the business. It is responsible for embedding and maintaining a supportive culture in relation to risk management and for providing assurance to the Board that the processes for risk management and internal control are adequate and effective. The committee is made up entirely of non-executive directors.

The Risk committee meets at least four times a year.

Reporting directly into the committee with its own delegated responsibilities is the Executive Risk committee.

During the year, the committee approved the Business Continuity Testing Plan and reviewed and recommended to the Board for approval the Group Product Governance Policy. The committee monitored the impacts of the rising cost of living and the war in Ukraine upon the macro environment and the Company's exposure to certain risk types. The committee also placed focus upon people risk, given the labour market pressures which continued to be in place during the year. The committee continued to monitor a number of temporary changes to the Company's internal risk metrics that were introduced to reflect the impact of Covid-19 upon the Company's risk profile.

Remuneration & Nomination Committee

The Remuneration and Nomination committee operates under delegated authority from the Board on matters of remuneration, recruitment of directors and senior management and succession planning. It is also responsible for assessing the balance of skills, experience and knowledge of the Board to ensure it remains appropriate. The committee has responsibility for the approval of the Pay and Reward Policy for the Executive Directors and SMFs. It is also responsible for approving remuneration budgets for all other Blemain Finance Limited colleagues. The committee is made up entirely of non-executive directors.

The Remuneration and Nomination committee meets at least three times a year.

During the year, the committee discussed the importance of diversity and inclusion and approved the approach to developing a new diversity and inclusion strategy for the Company. More information on our diversity and inclusion strategy can be found in the ESG Report included in the Annual Report and Consolidated Financial Statements of Together Financial Services Limited. The committee recognises the importance of having sound succession plans in place, and during the year had oversight of activities in respect of succession planning for senior positions, business critical roles and subject matter experts.

In May, the committee approved changes to the approach to pay and reward, to ensure it remained appropriate for the Company. More information on this can be found in the Corporate Governance Statement.

Corporate Governance and Committee Structure (continued)

Board Activity

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

- Setting the strategic direction of the Company, considering the infrastructure, resources and governance required to support its requirements.
- Review of the Group's Environment, Society and Governance (ESG) credentials and future requirements to the extent that it concerns BFL.
- Oversight of culture, within the parameters of the Group, including consideration of colleague engagement, investment in colleague training and development and monitoring the culture and performance against the Company's strategic aims.
- Oversight of colleague wellbeing and health and safety performance.
- Approval of the Wind Down Plan for submission to the FCA.
- Ongoing review of the appropriateness of the organisational and governance structures to support the Company's activities.
- Regular updates from the executive directors on performance against objectives and review of financial performance against targets and budgets.
- Changes in the legal and regulatory landscape.
- The programme of change activity and prioritisation of key strategic and regulatory projects including oversight of the Company's modernisation and transformation programme.
- Approval of the Company's risk appetite and risk management framework within the risk appetite of the Group.
- Approval of the Company's annual budgets.
- Review and approval of Company policies and seeking of assurance over the internal control framework which has been implemented to monitor compliance.
- Cyber resilience, information security and data management, including compliance with the General Data Protection Regulation.
- Approval of the Company Annual Report and Accounts.

Further details on the activities of the Board and committees during the year can be found in the Corporate Governance Statement.

Corporate Governance Statement

For the year ended 30 June 2022, the Company voluntarily adopted the Wates Corporate Governance Principles for Large Private Companies as a measure of good practice for the governance of large private companies. The Wates Principles are to be adopted on an 'apply and explain' basis, and provide suggested guidance as to how companies might achieve each of the respective principles.

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

PRINCIPLE	HOW THE PRINCIPLE HAS BEEN APPLIED DURING THE YEAR
PRINCIPLE 1 – PURPOSE AND LEADERSHIP An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.	• During the year, the Company has embedded the Group's new Purpose and Vision. This has included aligning long-term strategic planning, operational plans and colleague objectives to the Purpose and Vision approved by the board. • The Board sets TPF's strategic objectives within the parameters set by the Group, taking into account key stakeholders, including the FCA, and ensures that the necessary experience, skills and resources are in place to help our customers, partners, colleagues, community, and our wider society realise their ambitions by making finance work. More information on the Company's strategy can be found in the Strategic report.
PRINCIPLE 2 – BOARD COMPOSITION Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.	• The Chair leads the Board and facilitates open debate and constructive discussion whilst ensuring that the Executive Directors receive appropriate challenge. The role of the Chair and CEO is not exercised by the same individual. • The Board has a wealth of knowledge relevant to the specialist lending sector and the Board benefits from three independent non-executive directors who provide challenge and bring a range of knowledge and expertise from both the financial services sector and elsewhere. • The approval of directors taking external board appointments is a matter reserved for the Remuneration and Nomination Committee. This ensures that directors continue to have sufficient capacity to make a valuable contribution to the Group and that there are no material conflicts. • In accordance with directors' duties under s.177 and s.182 of the Companies Act 2006, directors are asked at each meeting to declare any interests which may give rise a conflict. Interests are logged by the Company Secretary and directors recuse themselves from discussions for which they are conflicted as appropriate. During the year, the Group Conflicts of Interest Policy was reviewed and updated to ensure that processes continued to reflect the Company's ethical and regulatory responsibilities in regards to colleague interests including those of the Board.
PRINCIPLE 3 – DIRECTORS' RESPONSIBILITIES The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.	• The Company Secretary works with the chairpersons of the Board and sub-committees to ensure that agendas are structured to facilitate appropriate discussion and challenge. Board and committee agendas are structured in line with objectives to focus discussions on the key business deliverables required to support the achievement of longer term goals alongside operational updates. • The Board and committees receive information in a timely manner via a secure Board portal to maintain confidentiality. • All Board and committee actions are monitored and tracked to completion to ensure that, alongside comprehensive and accurate minutes, a complete record of decision making is maintained. • Reporting of management information on key governance activity is provided to each Board meeting by the Company Secretary via a governance dashboard. The dashboard provides a clear view of how the circulation of packs and minutes are tracking against agreed Service Level Agreements. The Company Secretary and chairs use this information to monitor activities and ensure that governance processes continue to facilitate effective decision making and adhere to best practice. • The Company's governance framework is regularly reviewed to ensure the governance structure is appropriate and effective for the size, structure and complexity of the Company. Improvements have been introduced during the year to enhance the efficiency of the existing framework.

PRINCIPLE 4 – OPPORTUNITY AND RISK A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks	• During the year, the board has considered the evolving macroeconomic climate and its potential impact on the Company's ability to achieve its strategic objectives. More information on the Company's strategy can be found in the Strategic report. • The Risk Committee operates under delegated authority from the Board on matters of risk management and internal controls. More information on the Committee's activities can be found in the Corporate Governance and Committee Structure section. • The Company enterprise risk management framework provides a formalised structure for the risk management of the Company. The Board reviews and approves the risk appetite statements and associated limits and early warning triggers on an annual basis or more frequently if required. More information on the principal risks and uncertainties facing the business and risk management framework can be found in the Risk management section. • The Company, along with the Group, continues to focus on the transformation and modernisation of key business processes and the benefits of efficiencies achieved through automation are regularly reported to the Board through a suite of operational KPIs. More information on this work can be found in the Operating review. • Treasury and financial risk updates are standing items on the Board agenda to ensure that the Board remains informed on the funding and liquidity position of the Company. Updates are comprehensive and agendas are structured to allow time for detailed discussion.
PRINCIPLE 5 - REMUNERATION A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.	• The Board delegates authority to its Remuneration and Nomination Committee. More information on the activities of the Committee can be found in the Corporate Governance and Committee Structure section.
PRINCIPLE 6 – STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.	• More information on stakeholder engagement and employee engagement can be found in the Stakeholder engagement report. • During the year, the Group board approved its ESG priorities and the TPF divisional board will play its part in the application of the programme. Amongst these, colleague engagement, customer advocacy and community investment set out the Group's targets in respect of engagement with those stakeholder groups.

Directors' report

The directors present their report for the year ended 30 June 2022. 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 Company's governance arrangements can be found within the Corporate governance section.

- Events taking place after the balance sheet are disclosed in Note 22 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 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 (2021: £nil). The directors of the Company do not recommend the payment of a dividend.

Employees

The Company has no employees (2021: nil). Directors' emoluments and wages and salaries relating to employees of the Group were borne by Together Financial Services Limited and recharged to the Company, in line with approved methodologies.

Environment

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

For further information, please see the ESG report within the Group's annual report.

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 as it is dependent upon liquidity and funding being in part sourced at a Group level. The Board of Together Financial Services Limited has confirmed that it is a going concern and that it will provide financial support to the Company for the going concern assessment period ending 22 September 2023, which is 12 months from the date of signing this report.

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

Principal risks and uncertainties

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

Directors' report (continued)

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 continued 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

PA Wilson
Finance Director
22 September 2022

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 the 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 applicable 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 appropriate 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 make sure that its 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, Directors' report and corporate governance statement 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 Blemain Finance Limited

Opinion

We have audited the financial statements of Blemain Finance Limited (the 'Company') for the year ended 30 June 2022 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes 1 to 22, 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 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. 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 22 September 2023, 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.

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 23, 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 United Kingdom Generally Accepted Accounting Practice, 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. We considered the risk of fraud through inappropriate journal postings and the risk of fraud in key areas of estimation, notably expected credit loss provisions, conduct and legal provisions, and revenue recognition relating to effective interest rate accounting.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquires 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 key areas of estimation, 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.

DocuSigned by:

Stephen Littler

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Stephen Littler (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
22 September 2022

Statement of comprehensive income
Year Ended 30 June 2022
Unless otherwise indicated, all amounts are stated in £m

Income statement	Note	2022	2021
Interest receivable and similar income	4	19.1	24.6
Interest payable and similar charges	5	(6.1)	(7.1)
Net interest income		**13.0**	**17.5**
Fee and commission income	6	0.1	0.3
Fee and commission expense	7	-	(0.2)
Other income	8	-	0.2
Operating income		**13.1**	**17.8**
Administrative expenses	9	(13.6)	(23.5)
Operating loss		**(0.5)**	**(5.7)**
Impairment losses	11	(2.1)	(2.0)
Loss before taxation		**(2.6)**	**(7.7)**
Income tax	10	(1.5)	1.2
Loss after taxation		**(4.1)**	**(6.5)**

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 2022
Unless otherwise indicated, all amounts are stated in £m

	Note	2022	2021
Assets			
Cash and cash equivalents		7.0	6.3
Loans and advances to customers	11	171.5	210.6
Other assets	12	2.9	3.9
Deferred tax asset	14	1.3	2.7
Total assets		**182.7**	**223.5**
Liabilities			
Current tax liabilities		-	0.8
Borrowings	15	100.3	114.1
Provisions for liabilities and charges	16	13.5	20.8
Other liabilities	17	54.8	83.3
Total liabilities		**168.6**	**219.0**
Equity			
Share capital	18	0.1	0.1
Share-based payment reserve	20	5.3	1.6
Retained earnings		8.7	2.8
Total equity		**14.1**	**4.5**
Total equity and liabilities		**182.7**	**223.5**

These financial statements were approved and authorised for issue by the Board of Directors on 22 September 2022.

Company Registration No. 01185052

Signed on behalf of the Board of Directors:

PS Ball
Director

PA Wilson
Director

Statement of changes in equity
Year ended 30 June 2022
Unless otherwise indicated, all amounts are stated in £m

2022	Share capital	Share-based payment reserve	Retained earnings	Total
At beginning of the year	0.1	1.6	2.8	4.5
Capital contribution	-	3.7	10.0	13.7
Loss for the financial year	-	-	(4.1)	(4.1)
At end of the year	**0.1**	**5.3**	**8.7**	**14.1**

2021	Share capital	Share-based payment reserve	Retained earnings	Total
At beginning of the year	0.1	1.6	9.3	11.0
Loss for the financial year	-	-	(6.5)	(6.5)
At end of the year	**0.1**	**1.6**	**2.8**	**4.5**

1. Reporting entity and general information

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

2. Significant accounting policies

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

Basis of preparation

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

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

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

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

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

Going concern

The directors have assessed the Company's ability to continue as a going concern. This includes specific consideration, including both the residual impacts of the coronavirus pandemic and also more recent macroeconomic factors, including the impact of the war in Ukraine and the rising cost of living.

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 for the 12 months from the going concern assessment period ending 22 September 2023, which is 12 months from the date of signing this report.

As part of the Group's ongoing monitoring and reforecasting, specific consideration, including both the residual impacts of the coronavirus pandemic and also the more recent geopolitical and macroeconomic tensions, has been given to the following:

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

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. Many of the potential challenges included above have either not emerged during the period or not emerged to a significant extent. It is the expectation that this, along with the limited direct exposure to the current geopolitical tensions, will continue to limit downside risk to the Group going forward.

2. Significant accounting policies (continued)

Going concern (continued)

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, crystalised into significant adverse effects on the Group's business.

A reverse-stress scenario has been developed 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. 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, in the extreme scenario set out above where no cash is available from securitisations.

Alongside the shareholder funding and profits which has been retained in the business, the Group is reliant on the wholesale funding markets to fund lending, 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 Delta Asset Backed Securitisation (ABS) 2 facility, the earliest maturity of wholesale funding is the Highfield ABS facility (the drawn amount at 30 June 2022 of £118.2m representing 2.0% of the Group's available borrowing facilities), and is not due until September 2025. 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.

To mitigate the refinancing risk the Group has, post year-end, continued to demonstrate an ability to access the wholesale funding markets:

- In July 2022, the Group announced the issuance of its largest ever RMBS, Together Asset Backed Securitisation 2022 – 1st1 PLC (TABS 7), raising £470m.
- In September 2022, the Group refinanced its Brooks Asset Backed Securitisation 1 Limited (BABS), with an additional £24m of funding secured.
- Also, in September 2022, the Group refinanced its revolving credit facility, increasing the facility size from £71.9m to £138.3m and extending the maturity date initially to 2026.

In respect of the private securitisations, the Group may, in certain circumstances, need to seek further waivers and amendments within the going-concern assessment period, although this risk is considered to have reduced compared with the prior year. This could include, but is not limited to, impact on covenants as a result of: a further extension in the duration of the mortgage-payment deferrals scheme, significant deterioration in loan book performance due to adverse economic conditions, or material reductions in property values.

In the event that waivers or amendments are required but not agreed, and existing headroom in covenants is utilised causing a breach, and the breach is not rectified by using headroom in other facilities within a defined cure period, then the noteholders of the private securitisation facilities have the option to call a default of the facility. If a facility defaults, then the cash inflows from the securitised asset pool for each facility are used to repay the interest and principal of the most senior loan notes with the deferred consideration and any interest payment of the subordinated notes due to the originators deferred until such time as all the liabilities ranking more senior are repaid in full. This would delay cash inflows ordinarily flowing back to the originators of the loans as excess spread from each of the securitisations.

The directors are satisfied that the Group has the ability and intention to continue to support the Company for the going concern assessment period ending 22 September 2023, which is 12 months from the date of signing this report. 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. The directors have also based their expectation upon review of the Company's current performance, financial position, forecasted compliance with regulatory capital requirements, 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.

2. Significant accounting policies (continued)

Interest income and expense

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

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

Fee and commission income and expense

Fees and commissions which are an integral part of the effective interest rate of a financial instrument e.g. 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.

Share-based payments

The Company's parent undertaking, Together Financial Services Limited, has granted options under an equity-settled scheme to senior management of the Group, who were also employees of the Company. The employees' contracts were transferred to Together Financial Services Limited on 15 March 2021 as set out in note 9.

The cost of providing the options is charged to the income statement over the vesting period of the related options. The corresponding credit is made to a share-based payment reserve within equity as per note 20.

In the Company's financial statements the fair value of services received, measured by reference to the fair value at the date of grant, is recognised over the vesting period, through the income statement. A corresponding credit to the share-based payment reserve, representing a capital contribution received from the parent company as the Company does not settle the awards with the holders, is recognised within equity.

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

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.

2. Significant accounting policies (continued)

Taxation (continued)

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

Financial assets and liabilities

Financial assets

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

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

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

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

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

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

Financial liabilities

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

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

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

Impairment of financial instruments

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

2. Significant accounting policies (continued)

Impairment of financial instruments (continued)

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

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

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

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

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

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

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

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

Securitisation

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

Financial assets transferred to SPEs under securitisation agreements are not derecognised by the Company because it retains the risks and rewards of ownership, and all financial assets and liabilities related to the SPE continue to be held on the Company's consolidated statement of financial position.

Investments

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

2. Significant accounting policies (continued)

Provisions and contingent liabilities

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

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

Critical judgements in applying the Company's accounting policies

These critical judgements are those which the directors consider to result in a significant risk of material adjustment in the carrying amounts of the Group's assets and liabilities within the next financial year.

a) Loan impairment allowance

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

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

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

b) Provisions and contingent liabilities

There is considerable judgement required to estimate provisions and to provide useful information concerning the nature of the uncertainty contained within these estimates, including the disclosure of a range of possible impacts. There is also judgement required in determining whether contingent liability disclosures are required. Further disclosures in respect of this can be found in Note 16 to the financial statements.

c) Going concern

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

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

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

a) Loan impairment allowance

The Company utilises macroeconomic forecasts and the other assumptions and estimates necessary for the calculation of ECL. Further detail on these estimates and assumptions and sensitivities thereon is set out in Note 11 to the accounts.

b) Provisions and contingent liabilities

The calculations of the Company's provisions contain significant estimation uncertainty. Further disclosures in respect of this can be found in Note 16 to the financial statements.

c) Interest income recognition

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

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 judgments or methods of estimation is required to reflect the potential impacts of climate related matters, based on the information currently available to the Company.

4. Interest receivable and similar income

	2022	2021
Interest on loans and advances to customers	**19.1**	**24.6**

Included within interest on loans and advances to customers is £0.9m (2021: £1.2m) relating to credit impaired loans.

5. Interest payable and similar charges

	2022	2021
On borrowings	**6.1**	**7.1**

Included within interest on borrowings is interest payable on amounts owed to the parent company, Together Financial Services Limited, of £2.5m (2021: £3.7m).

6. Fee and commission income

	2022	2021
Fee income on loans and advances to customers	**0.1**	**0.3**

7. Fee and commission expense

	2022	2021
Legal, valuations and other fees	-	0.1
Insurance commissions and charges	-	0.1
	-	0.2

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

8. Other income

	2022	2021
Other income	-	**0.2**
	-	**0.2**

Other income includes £Nil (2021: £0.1m) grant income received from the government in respect of employees who were furloughed under the Job Retention Scheme and £Nil (2021: £0.1m) income relating to research and development expenditure credit.

9. Administrative expenses

	2022	2021
Administrative expenses	13.6	23.5
	13.6	**23.5**

Company overheads, including directors' emoluments, office administration costs, and auditor remuneration were previously borne by the Company and recharged to companies within the Group based on operational and financial drivers. During the prior year, on 15 March 2021, employees and certain specified assets and liabilities were transferred to Together Financial Services Limited from Blemain Finance Limited. From the date of the transfer, all overheads are borne and recharged by Together Financial Services Limited.

Amounts totaling £1.1m (2021: £1.1m) relating to the emoluments of the directors of the Company were recharged to the Company by Together Financial Services Limited.

The audit fee borne by Together Financial Services Limited in respect of the Company totaled £25,000 (2021: £21,000). The Company has no employees.

10. Income tax

	2022	2021
Current tax		
Corporation tax	-	-
Adjustment in respect of previous years	-	-
	-	-
Deferred tax		
Origination and reversal of temporary differences	1.6	(0.4)
Adjustment in respect of prior years	(0.2)	(0.5)
Effect of changes in tax rates	0.1	(0.3)
	1.5	**(1.2)**
Total tax charge/(credit)	**1.5**	**(1.2)**

Corporation tax is calculated at 19.00% (2021: 19.00%) of the estimated taxable loss for the year.

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

10. Income tax (continued)

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

	2022	2021
Loss before tax	(2.6)	(7.7)
Tax credit on loss at standard UK corporation tax rate of 19.00% (2021: 19.00%)	(0.5)	(1.5)
Effects of:		
Adjustment in respect of prior years	(0.2)	(0.5)
Expenses not deductible for tax purposes	0.7	-
Group relief *	1.4	1.6
Capital allowances in excess of depreciation	-	(0.5)
Changes in tax rate	0.1	(0.3)
Tax charge/(credit) for year	**1.5**	**(1.2)**

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

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 2022 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences, which led to a £0.1m (2021: £0.2m) increase in the value of the deferred tax asset.

11. Loans and advances to customers

	30 June 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross loans and advances	109.0	22.7	42.7	174.4
Loss allowance	(0.1)	(0.1)	(2.7)	(2.9)
	108.9	**22.6**	**40.0**	**171.5**
ECL coverage (%)	0.1	0.4	6.3	1.6

	30 June 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross loans and advances	137.1	27.4	49.5	214.0
Loss allowance	(0.1)	(0.2)	(3.1)	(3.4)
	137.0	**27.2**	**46.4**	**210.6**
ECL coverage (%)	0.1	0.7	6.1	1.5

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

Measurement of expected credit losses (ECL)

ECL model

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

- It becomes 90 days or more past due
- Its security has been taken into possession

11. Loans and advances to customers (continued)

Measurement of expected credit losses (ECL) (continued)

ECL model (continued)

- The appointment of receivers
- There is evidence of fraud
- Loans which exhibit certain indicators of increased credit risk.

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

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

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

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

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

Significant increases in credit risk, forbearance and contract modifications

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

The Company uses qualitative and quantitative criteria, including:

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

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.

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

11. Loans and advances to customers (continued)

Loss allowance and impairment losses for the year

A loss allowance is derived from the application of the accounting policies for measurement of ECL as explained in Note 2. The loss allowance has decreased by £0.5m to £2.9m (2021: £3.4m).

Allowance for impairment losses	2022	2021
At beginning of year	(3.4)	(6.2)
Charges to the income statement	(1.0)	(1.3)
Unwind of discount	0.9	1.2
Write-offs net of recoveries	0.6	2.9
At end of year	**(2.9)**	**(3.4)**

Impairment losses for the year	2022	2021
Movements in ECL, charged to income	(1.0)	(1.3)
Write-offs net of recoveries	(1.1)	(0.7)
Charged to the income statement	**(2.1)**	**(2.0)**

Critical accounting estimates

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

Macroeconomic scenarios

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

The following table shows the unweighted ECL for each of the scenarios modelled as at 30 June 2022 and 30 June 2021 and the probabilities that were applied in the calculation of ECL.

	2022		2021	
Scenarios	**Probability of the scenario**	**Unweighted ECL**	**Probability of the scenario**	**Unweighted ECL**
Upside	10%	2.1	10%	2.2
Mild upside	10%	2.2	10%	2.3
Base case	50%	2.4	50%	2.6
Stagnation	10%	3.1	10%	3.8
Downside	10%	3.7	10%	4.9
Severe downside	10%	5.3	10%	8.4
Weighted average		**2.8**		**3.4**

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

Loss given default

The LGD model uses current security values and forecast HPI assumptions to project property values for each of the economic scenarios. An immediate and sustained 10% reduction in forecast house prices (ie a 10% haircut applied to the index in each forecast future period), applied in each scenario, would result in an increase in the impairment allowance of £0.3m at 30 June 2022 (30 June 2021: £0.6m); conversely, a 10% increase would result in a decrease in the impairment allowance of £0.2m at 30 June 2022 (30 June 2021: £0.4m).

Probability of default and probability of repossession given default

A 10% relative worsening of both PDs and PPGDs simultaneously (eg a 1.0% PD increasing to 1.1%) would increase the total impairment allowance by £0.1m at 30 June 2022 (30 June 2021: £0.2m). A 10% relative improvement of both PDs and PPGDs simultaneously (eg a 1.0% PD decreasing to 0.9%) would result in a decrease in the impairment allowance by £0.1m at 30 June 2022 (30 June 2021: £0.2m).

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

11. Loans and advances to customers (continued)

Critical accounting judgements

Key areas of judgement in the ECL models include judgements about which loans have been subject to a significant increase in credit risk since initial recognition and therefore should be classified as Stage 2, with a resultant loss allowance based on a lifetime rather than a 12-month ECL. The Company uses a number of indicators of credit risk to determine whether a loan should be reclassified to stage 2 or to stage 3.

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

Sensitivities	**2022**	**2021**
Measure all loans in Stage 1 using a lifetime ECL – increase in allowance	**0.1**	**0.1**

12. Other assets

	2022	**2021**
Amounts owed by related parties	2.9	3.5
Other debtors	-	0.4
	2.9	**3.9**

13. Investments

The Company held the following investment in subsidiary undertakings:

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

The carrying value of the subsidiary was £Nil at 30 June 2022, 30 June 2021.

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

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

14. Deferred tax asset

2022	Accelerated capital allowances	Short-term timing differences	Total
At beginning of the year	-	2.7	2.7
Charge to income statement	-	(1.5)	(1.5)
Adjustment in respect of prior years	-	0.2	0.2
Effect of changes in tax rates	-	(0.1)	(0.1)
At end of year	**-**	**1.3**	**1.3**

2021	Accelerated capital allowances	Short-term timing differences	Total
At beginning of the year	(0.9)	2.4	1.5
Charge to income statement	0.7	(0.3)	0.4
Adjustment in respect of prior years	0.2	0.3	0.5
Effect of changes in tax rates	-	0.3	0.3
At end of year	**-**	**2.7**	**2.7**

15. Borrowings

	2022	2021
Amounts owed to Charles Street ABS	-	79.8
Amounts owed to Charles Street ABS 2	46.9	-
Amounts owed to Together ABS 1[2]	-	29.0
Amounts owed to Together ABS 2[2]	4.4	5.6
Amounts owed to Together ABS 5[2]	3.1	-
Amounts owed to Together ABS 6[2]	32.5	-
Amounts owed to Brookside ABS	14.1	-
Debt issue costs	(0.7)	(0.3)
	100.3	**114.1**

The amounts owed to Charles Street ABS 2, Together ABS 2, Together ABS 5, Together ABS 6 and Brookside ABS comprise deemed loans equivalent to the current balance of the mortgage loans transferred to these entities. Under the facilities, the Company has sold beneficial title to certain mortgage assets to the five securitisation vehicles and the Company recognises a corresponding deemed loan liability against which it offsets its investment in the relevant vehicle's subordinated notes. Charles Street ABS 2 has a maturity date of March 2027, Together ABS 2 November 2022, Together ABS 5 October 2025, Together ABS 6 May 2026[3] and Brookside ABS January 2026.

In the case of the amortising facilities, the maturity date is the date of the option to call the facility. The expiry date for Charles Street ABS 2 and Brookside ABS include an amortisation period, which commences one year prior to the maturity date.

[3] Together ABS 2, Together ABS 5 and Together ABS 6 are amortising facilities.

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

16. Provisions and contingent liabilities

2022	Customer provisions	Other provisions	Total
At beginning of the year	9.7	11.1	20.8
Charge/(release) for the year	1.3	(3.4)	(2.1)
Provisions utilised	(2.6)	(2.6)	(5.2)
At end of year	**8.4**	**5.1**	**13.5**

As at 30 June 2022, the Company has recognised provisions of £13.5m (30 June 2021: £20.8m). Estimating the amount of provisions requires the exercising of significant levels of judgement, with the amounts representing the best estimate of the amount required to settle or transfer the obligation at the reporting date. It is possible that the ultimate outcome could differ from amounts currently provided.

During the year the Company has completed remediation programmes where customers have been adversely affected by legacy issues. These primarily related to customers whose outcomes may have been improved if different forbearance tools had been applied, and those to whom written customer communication could have been clearer and more complete.

The Company continually focusses on improving its customer processes and responding to changes in customer needs. During the year, the Company continued to identify ways to improve customer experience and outcomes, including the development of a framework aimed at ensuring consistency of customer outcomes, which seeks to build upon and enhance existing practices, policies and procedures. The current best estimate is that the Company may incur costs of £4.0m.

In addition, during the year a process was undertaken to assess the way that customer rates, and certain charges, are set and reviewed, and consider those that have historically been charged to certain customers. This included engagement with the FCA following their thematic review in some of these areas. This exercise is now complete, and actions are in the process of being implemented. As a result of the process we will take certain actions, such as the application of caps to historic interest rates, which will see redress paid to customers or reductions applied to their account balances.

The current best estimate is that the Company may incur costs of £2.4m. This represents management's best estimate at the balance sheet date, derived by considering potential scenarios which could impact upon certain populations of live and redeemed loans and additionally £0.8m which relates to estimated operational expenditure associated with these activities.

As a financial services company, the Company is required to comply with relevant legislation, and has processes in place to meet these standards and to manage any legal claims against the Company. Where such claims are received, the Company will investigate the facts and circumstances and will defend claims without merit.

Other provisions substantially represents a provision for such legal claims, which includes both legal claims already received but not yet concluded, and an expectation for future claims which are yet to be received, but relate to events which are judged to have already occurred, and the anticipated costs of undertaking these processes for claims which are received by the Company. An increase in the time period we are forecasting to receive claims over of 50% would result in an increase in the provision of £1.0m (50% decrease: reduction of £1.0m).

Contingent liabilities - Fixed and floating charges

As at 30 June 2022, 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 £1,055.0m senior secured notes (30 June 2021: £935.0m) and £nil in respect of bank borrowings (30 June 2021: £nil).

17. Other liabilities

	2022	2021
Amounts owed to Group undertakings	54.8	83.3
	54.8	**83.3**

Amounts owed to Group undertakings are repayable on demand.

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

18. Share capital

Authorised, called-up, allotted and fully paid	2022	2021
100,000 ordinary shares of £1 each	**0.1**	**0.1**

19. Related party transactions

Relationships

The Company has the following related parties:

Entity	Nature of transactions
Bracken House Properties LLP	Up to 31st March 2021, The Company paid operating lease and insurance costs to Bracken House Properties LLP for its provision of the Group's head office property. There were no transactions during the year.
Charles Street Commercial Investments Limited	Up until 31st March 2021, the Company performed accounts payable, collection and arrears-management activities for these loans. There were no transactions during the year.
August Blake Developments Limited, Edgworth Developments Limited, Sunnywood Estates Limited	Up until 31st March 2021, the Company managed accounts payable on behalf of these entities, for which it was reimbursed. There were no transactions during the year.

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

Transactions

The amounts receivable from and payable to related parties by the Company are disclosed in Notes 12 and 17 to the financial statements. The Company had the following transactions with related parties during the year:

	2022		2021	
	Charge to income or equity	Paid	Charge to income or equity	Paid
Lease and insurance costs	-	-	1.5	1.2
Accounts payable transactions	-	-	-	1.0
	-	-	1.5	2.2

20. Share-based payments

Certain employees of the Company had previously been granted D shares and options over E shares in the Company's parent, Together Financial Services Limited. A proportion of the D shares vested and the cost was recognised in equity as a share-based payment reserve in previous years' results.

During the year, the conditions linked to the vesting of the D shares have been judged to have increased in probability, resulting in a catch up charge for the portion of the vesting period elapsed during which no charge was recognised due to the improbability of the awards vesting. Whilst the holders of the D shares are no longer employed by the Company, following the TUPE transfer to the company's parent, Together Financial Services Limited, which occurred during the prior year, the Company is required to recognise the portion of the catch up charge which related to the period prior to the transfer of those employees. As such, the Company has recognised a share based payment charge of £3.7m relating to the period prior to 15 March 2021, with a corresponding entry within equity.

21. 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.

22. Events after the reporting date

Funding activity

In July 2022, the Group announced the issuance of its largest ever RMBS, Together Asset Backed Securitisation 2022 – 1ST1 PLC (TABS7), raising £470m.

In September 2022, the Group refinanced its Brooks Asset Backed Securitisation 1 Limited (BABS), with an additional £24m of funding secured,

Also, in September 2022, the Group refinanced its revolving credit facility, increasing the facility size from £71.9m to £138.3m and extending the maturity date initially to 2026.