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Common sense lending

Factfocus Limited
Annual Report and Financial Statements

For the year ended 30 June 2020

Company Registration No. 01402330

Contents

Officers and professional advisers

Directors

HN Moser
GD Beckett
MR Goldberg
J Lowe (Resigned 30 September 2020)

Secretary

SE Batt

Registered office

Lake View
Lakeside
Cheadle
Cheshire
SK8 3GW

Auditor

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

Directors' report

The directors present their report for the year ended 30 June 2020.

Directors

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

Business model and strategy

The principal activity of Factfocus Limited ('the Company') continues to be that of property investment and this is not expected to change in the foreseeable future. The Company is a wholly-owned subsidiary of Together Financial Services Limited which, with its subsidiaries, operates as the Together Group of businesses ('the Together Group'). All operations are based at its head office in Cheadle, Manchester.

Results and dividends

As shown in the Company's statement of comprehensive income on page 8, the Company has made a loss after tax of £39.0k (2019: profit £9.5k). As shown in the Company's statement of financial position on page 9, equity has decreased to £478.6k from £517.6k at 30 June 2019, reflecting the retained loss for the year of £39.0k.

The directors of the Company do not recommend the payment of a dividend, (2019: £nil).

Principal risks and uncertainties

Credit risk

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

The Company has limited credit risk as its assets, other than inventories are mainly cash and cash equivalents which consist of surplus cash placed overnight with institutions with sufficiently high credit ratings, and amounts due from a related party company, which is under the common control of Together Financial Services Limited.

Liquidity and funding risk

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

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

Liquidity and funding risk is managed and mitigated at a Group level by: monitoring the liquidity position against limits and triggers, utilising a range of funding sources, forecasting the liquidity and funding position under normal and stressed conditions and reporting against risk appetite. Surplus cash balances are placed on overnight deposit with institutions with sufficiently high long-term and short-term ratings.

The board of Together Financial Services Limited has confirmed that it will provide funding to the Company for the next twelve months from the date of signing the Company's accounts.

Market risk

Market risk is the risk arising from adverse movements in market values, including movements in interest rates.

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

Interest rate risk is managed and mitigated at a Group level by: monitoring interest rate risk exposures, including a forward-looking view under normal and stressed conditions, and reporting against risk appetite.

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

Directors' report (continued)

Principal risks and uncertainties (continued)

Operational risk

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

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

- A framework of systems, controls, policies and procedures.
- Frameworks to recruit, train and retain sufficient skilled personnel.
- Utilising a Risk and Control Self-Assessment approach to identify, manage and monitor key operational risks, including cyber risk prevention systems.
- A documented and rested business continuity plan.
- A specialist business change team dedicated to managing the change projects the business is undertaking.
- Maintaining IT infrastructure to be sufficiently resilient.

Corporate governance

The Company is a wholly owned subsidiary of Together Financial Services Limited

The Board of Together Financial Services Limited ('the Board') meets a minimum of 6 times a year to provide leadership and oversight to the Company in line with its terms of reference, legal and regulatory provisions. The Board delegates certain responsibilities to its Board sub-committees and to senior management as appropriate. The Company's Board meets separately to discharge its statutory and regulatory responsibilities when required.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Environment

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

Statement of going concern

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

The Company is reliant on its parent company, Together Financial Services Limited, for its funding. The Board of Together Financial Services Limited has confirmed that it is a going concern and that it will provide funding to the Company for the next twelve months from the date of signing the Company's accounts.

On the basis the Company has adequate funding as detailed above, and based upon its current financial position, the directors have a reasonable expectation that the Company will have sufficient funding and liquidity to ensure that it will continue in operational existence for the next twelve months from the date of signing the Company's accounts. Accordingly, the directors of the Company have adopted the going concern basis in preparing the financial statements. Further details on the going concern assessment is set out in note 2 to the financial statements.

Strategic report

The directors have taken an exemption to prepare a strategic report as it's a small company as defined in the Companies Act 2006.

Directors' report (continued)

Audit information

The directors, having considered the requirements for rotation of auditors, voluntarily tendered the audit. After a competitive tender, Ernst & Young LLP were appointed as the Group's auditors for the year ended 30 June 2020.

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

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

This statement is given and should be interpreted in accordance with the provisions of s.418 (2) of the Companies Act 2006.

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

MR Goldberg
Director
23 October 2020

Statement of directors' responsibilities

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that 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.

Independent auditor's report to the members of Factfocus Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Factfocus Limited for the year ended 30 June 2020 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 June 2020 and of its 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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Report on the audit of the financial statements (continued)

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:
Blake Adlem
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Blake Adlem (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
26 October 2020

Statement of comprehensive income
As at 30 June 2020
Unless otherwise indicated, all amounts are stated in £000

Income statement	Note	2020	2019
Sundry income		-	-
Operating income		**-**	**-**
Administrative expenses	4	(41.5)	(45.7)
(Loss)/profit before taxation		**(41.5)**	**(45.7)**
Income tax	5	2.5	55.2
Profit after taxation		**(39.0)**	**9.5**

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

Statement of financial position
As at 30 June 2020
Unless otherwise indicated, all amounts are stated in £000

	Note	2020	2019
Assets			
Cash and cash equivalents		14.8	10.3
Inventories	6	615.0	610.8
Other assets	7	24.1	20.3
Investments	8	2.1	2.1
Total assets		**656.0**	**643.5**
Liabilities			
Other liabilities	9	143.4	89.4
Deferred tax liability	10	34.0	36.5
Total liabilities		**177.4**	**125.9**
Equity			
Share capital	11	200.0	200.0
Retained earnings		278.6	317.6
Total equity		**478.6**	**517.6**
Total equity and liabilities		**656.0**	**643.5**

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

Company Registration No. 01402330

Signed on behalf of the Board of Directors

HN Moser
Director

MR Goldberg
Director

Statement of changes in equity
Year ended 30 June 2020
Unless otherwise indicated, all amounts are stated in £000

2020	Share capital	Retained earnings	Total
At beginning of the year	200.0	317.6	517.6
Loss for the year	-	(39.0)	(39.0)
At end of the year	**200.0**	**278.6**	**478.6**

2019	Share capital	Retained earnings	Total
At beginning of the year	200.0	308.1	508.1
Profit for the year	-	9.5	9.5
At end of the year	**200.0**	**317.6**	**517.6**

1. Reporting entity and general information

Factfocus Limited is incorporated and domiciled in the United Kingdom. The Company is a private company, limited by shares, and registered in England (Company number: 01402330). The registered address of the Company is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW. The principal activity of Factfocus Limited remains property investment.

2. Significant accounting policies

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

Basis of preparation

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the individual accounting policies and 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 and standards not yet effective.

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

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

Going concern

The directors have assessed, in the light of current and anticipated economic conditions, the Company's ability to continue as a going concern.

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

The Group closely monitors and manages its liquidity, funding and capital position and compliance with financial covenants and produces regular forecasts and scenarios.

These projections have been updated in light of the changing outlook due to the coronavirus outbreak to assess the impact of a range of factors which might arise as a result and in particular the impact that this has on our customers, the property market and on the wholesale-funding market. Specific consideration was given to the impact of: offering mortgage-payment deferrals in line with government guidance, the slowing of customer repayment behaviour, increases in credit risk, declining property values, reduced access to wholesale-funding markets, changes in market rates of interest, reductions to new mortgage-origination volumes and changes to operating costs.

The Group's decision early in the pandemic, to temporarily pause accepting new loan applications retained additional cash within the Group. The Group's business model, being one which is ordinarily highly cash generative, operating in profitable market segments and lending at prudent loan-to-value (LTV) ratios, provides mitigation to many downside risks. Expectations are for continued economic uncertainty which may lead to a reduction in the level of cash inflows, and stress testing undertaken includes the impact of severe haircuts to expected redemption inflows.

2. Significant accounting policies (continued)

Going concern (continued)

The risk of lower levels of cash inflows from redemptions can be mitigated by increasing the amount of liquidity resources held as cash. A key management action to improve cashflow is the ability to control levels of new lending.

Alongside the shareholder funding and retained equity which has consistently been reinvested back into the business, the Group is reliant on the wholesale funding markets, including a combination of public securitisations, private revolving securitisations, senior secured notes and a revolving credit facility (RCF).

A key risk associated with wholesale funding is refinancing risk, where the Group has a proven track-record of successfully refinancing borrowings. The coronavirus outbreak has had an impact on the capital markets and the availability and/or pricing of wholesale funding. The depth of maturity in the Group's existing debt facilities provides significant mitigation in respect of refinancing risk with the earliest maturity of wholesale funding, being the Highfield Asset Backed Securitisation 1 Limited facility in June 2022 and the earliest call date on public securitisation is Together Asset Backed Sercuritisation1 in September 2021.

In addition the Group has demonstrated an ability to access the wholesale markets in current market conditions. In July 2020, the Group successfully issued the latest and largest issuance in its residential mortgage-backed securitisation programme Together Asset Backed Securitisation 2020 - 1 PLC (Together ABS 4) raising £361m. On completion of the Together ABS 4 transaction, the Group's facility headroom increased to £770m.

In September 2020, the maturity date on the undrawn £71.9m RCF facility has been extended from June 2021 to June 2023.

In May 2020, the Group and each of the note purchasers to its four private securitisations entered into waivers and amendments of its facility documents in order to support the provision of mortgage-payment deferrals of up to three months in line with the then government guidance in response to the Covid-19 outbreak. The government subsequently provided guidance that borrowers should have the ability to extend mortgage-payment deferrals, so the Group has agreed further modifications to such waivers for each of its private securitisations.

In respect of the private securitisations, the Group may, in certain circumstances, need to seek further waivers and amendments within the going concern assessment period. This includes, but is not limited to, impacts on covenants as a result of: increases in the number or concentration of customers who elect to take a mortgage-payment deferrals due to Covid-19; a further extension in the duration of the mortgage-payment deferrals scheme; deterioration in loan-book performance due to adverse economic conditions; or reductions in property values. In the event that waivers or amendments are required but not agreed, and existing headroom in covenants is utilised causing a breach, and the breach is not rectified by using headroom in other facilities within a defined cure period, then the noteholders of the private securitisation facilities have the option to call a default of the facility. If a facility defaults, then the cash inflows from the securitised asset pool for each facility are used to repay the interest and principal of the most senior loan notes with the deferred consideration and any interest payment of the subordinated notes due to the originators deferred until such time as all the liabilities ranking more senior are repaid in full, which would defer cash inflows receivable to the Senior Borrower Group.

Aside from the private securitisations, the facilities within the Senior Borrower Group, being the Senior Secured Notes and the RCF, also include certain financial covenants including tests on gearing and minimum levels of interest cover tested on a debt-incurrence basis and a maintenance basis respectively for each of the facilities. To evaluate the Group's resilience to meeting these tests, a reverse-stress scenario has been developed and was considered as part of the going concern assessment. The scenario is one which assumes no cashflows are received from the securitisations, there is no access to drawdown funding from the private securitisations, and no access to the wholesale funding markets is possible, and therefore loan-origination volumes are limited to meeting pipeline commitments. This is considered by the directors to be an extreme outcome. However due to the bankruptcy-remote nature of securitisations, the default of one or more private securitisation facilities would not mean that the Group cannot continue to operate as a going concern. The Group could continue in such a scenario by servicing the loans funded by the Senior Borrower Group. Stresses were applied to cash inflows to assess the ability to continue to service and repay borrowings as they fall due, and stresses on profitability were separately considered to assess the ability to comply with gearing covenants.

The results of the reverse-stress test showed that unrealistic reductions in expected cash inflows within the Senior Borrower Group would be required for the Senior Borrower Group not to be able meets its liabilities as they fall due within the going concern assessment period, after available management actions were considered. In addition, the risk to gearing was separately assessed and it was found that very substantial reductions in profitability would be required to result in breaches of the RCF-gearing covenant. The probability of such outcomes is considered remote and could be further reduced by the deployment of additional management actions. A number of management actions would also be possible to preserve or increase available financial resources, including but not limited to: renegotiation of the terms of existing borrowings, raising additional funding and measures to further reduce costs.

2. Significant accounting policies (continued)

Going concern (continued)

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

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 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. As deferred tax assets can be group relieved it is still deemed recoverable.

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

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

Cash and cash equivalents

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

Inventories

Inventories consist of stock properties and are valued at the lower of cost and net realisable value. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

Financial assets

All of the Company's financial assets are initially recognised at fair value plus any directly attributable transactions 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. 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.

2. Significant accounting policies (continued)

Financial liabilities

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

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

Impairment of financial instruments

Financial assets were impaired and impairment losses incurred if, and only if, there was objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the assets and prior to the reporting date and that had an impact on the estimated future cash flows of the financial asset that could be reliably estimated.

Investments

Current asset investments are stated at the lower of cost and net realisable value.

3. Critical accounting estimates and key sources of estimation uncertainty

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

No critical judgements have been identified in applying the Company's accounting policies.

Our key sources of estimation uncertainty are:

Impairment of assets

The only significant area where judgement is made is the impairment of financial assets. The Company regularly assesses whether there is evidence that financial assets are impaired. Financial assets of the Company include amounts due from a related party, Centrestand Limited, and the loan is repayable on demand. Centrestand Limited is under the common control of the Company's ultimate owner, HN Moser, and the Directors consider that the Company would suffer no material loss by allowing Centrestand Limited to repay over time, and so no loss allowance has been recognised.

4. Administrative expenses

	2020	2019
Administrative costs	41.5	45.7

Company overheads, including directors' emoluments, wages and salaries, office administration costs, and auditor remuneration are borne by Blemain Finance Limited for the group and are recharged to companies within Group based on operational and financial drivers.

The audit fee borne by Blemain Finance Limited in respect of the Company in 2020 is £2,000 (2019: £1,000).

Unless otherwise indicated, all amounts are stated in £000

5. Income tax

	2020	2019
Current tax		
Adjustment in respect of previous years	-	(48.4)
	-	**(48.4)**
Deferred tax		
Origination and reversal of temporary differences	(6.8)	(6.8)
Effect of changes in tax rate	4.3	-
	(2.5)	**(6.8)**
Total tax on (loss)/profit	**(2.5)**	**(55.2)**

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

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

	2020	2019
(Loss)/profit before tax	(41.5)	(45.7)
Tax on profit at standard UK corporation tax rate of 19.00% (2019: 19.00%)	(7.9)	(8.7)
Effects of:		
Group relief*	1.1	1.9
Adjustment in respect of prior years	-	(48.4)
Effect of changes in tax rate	4.3	-
Tax charge for year	**(2.5)**	**(55.2)**

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2018) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2017. In March 2020, the government announced that the main rate of corporation tax will remain at 19%, rather than reducing to 17% from 1 April 2020. The deferred tax asset at 30 June 2020 has been calculated based on these rates.

* The group referred to is the tax group headed by Redhill Famco Limited, the ultimate parent Company, as described in note 14.

6. Inventories

	2020	2019
Properties held for resale	**615.0**	**610.8**

7. Other assets

	2020	2019
Amounts owed by related party	**24.1**	**20.3**

Amounts owed by related parties are repayable on demand.

8. Investments

	2020	2019
Other investments	2.1	2.1
Total investments	**2.1**	**2.1**

Unless otherwise indicated, all amounts are stated in £000

9. Other liabilities

	2020	2019
Amounts owed to parent company	131.9	77.9
Other creditors	11.5	11.5
	143.4	**89.4**

Amounts owed to parent company are repayable on demand.

10. Deferred tax liability

	2020	2019
At beginning of year	36.5	43.3
Charge to income statement	(6.8)	(6.8)
Effect of tax rates	4.3	-
At end of year	**34.0**	**36.5**

All figures relate to short term timing differences in both 2020 and 2019.

11. Share capital

All amounts are stated in pounds.

Authorised, called-up, allotted and fully paid	2020	2019
200,000 ordinary shares of £1 each	**200,000**	**200,000**

12. Related party transactions

Relationships

The Company has the following related parties:

Entity	Nature of transactions
Centrestand Limited	The Company collects rents and pays service charges and costs on behalf of Centrestand Limited.

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

Transactions

The amounts receivable from Centrestand Limited are disclosed in note 7 to the financial statements. The Company had the following transactions with the related party during the year:

	2020		2019	
	Charge/ (credit) to income or equity	Paid/ (received)	Charge/ (credit) to income or equity	Paid/ (received)
Accounts payable transactions, cash receipts and transfers	-	4	-	(1)
	-	4	-	(1)

13. Contingent liabilities

As at 30 June 2020, the Company's assets, along with those of the Together Group, were subject to a fixed and floating charge in respect of £785m senior secured notes (2019: £725m) and £10m in respect of bank borrowings (2019: £55m).

14. 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.