Building a sustainable future

together.

Annual Report and Accounts
for the year ended 30 June 2023

One of the UK's leading specialist lenders, Together has been making finance work to help our customers realise their ambitions for near 50 years.

Experts in property lending, we offer common sense solutions with speed, service and flexibility to help individuals and families, later life customers, entrepreneurs, SMEs, businesses, landlords and developers to solve problems and realise opportunities.

Contents

Financial highlights

£163.6m
Underlying PBT
(2022: £162.7m)

£158.6m
Statutory PBT
(2022: £151.5m)

£201.0m
Operating profit
(2022: £155.8m)

£301.1m
Net interest income
(2022: £254.8m)

33.5%
Cost-to-income ratio
(2022: 39.4%)

55.3%
Weighted average indexed LTV
(2022: 51.5%)

£233.1m
Average monthly originations
(2022: £226.8m)

> For more information on our financial KPIs, see page 34, and for further commentary on our financial performance for the year, see page 36.

Operational highlights

75%
Percentage of customer reviews[1] rated 5/5
(2022: 78%)

£1.1m
Deployed in the community
(2022: £0.2m)

INVESTORS IN PEOPLE®
We invest in people Silver

Silver Investors in People accreditation

> For more information on our operational highlights, see page 26.

> For more information on our charitable deployment in the year, see page 48.

> Please refer to the glossary in the appendices for definitions.

1. Based on 673 reviews (2022: 776 reviews) collated by Feefo, Trustpilot and Google Reviews during FY23.

Our purpose and Strategy Framework

Shaping our business for a sustainable future

We are committed to creating value for our stakeholders. When we refreshed our purpose and vision in 2021, we outlined our key objectives for delivering our strategy over the next five years and set ambitious objectives to meet these expectations.

Our vision

To be the most valued lending company in the UK

Our purpose

Realising people's ambitions by making finance work

Our strategy

We aim to deliver for each of our stakeholder groups, by meeting their diverse needs and expectations.

Delivering the right experience for our customers and partners

We are committed to making finance work to help our customers realise their ambitions by offering common sense solutions with speed, service and flexibility.

Empowering our colleagues to grow and deliver value for stakeholders

We value diversity of thinking, ideas and backgrounds and are committed to providing an inspiring purpose and investing in our colleagues so they can realise their potential.

Delivering on our sustainability strategy

We are passionate about protecting the planet, supporting our communities and enabling our customers to live more energy efficiently to help protect the future for generations to come.

Maintaining proactive relationships with our regulators

We have a culture that treats customers fairly and seeks to achieve good customer outcomes. We want to be an exemplar in the market and foster a proactive relationship with our regulators.

Creating long-term sustainable value for our shareholder and investors

We are recognised for creating sustainable value and pride ourselves on building long-term relationships, offering appropriate returns and being open and transparent.

On the following pages, our management team deep-dive into each strategic pillar and highlight how we are delivering on our purpose.

Delivering the right experience for our customers and partners

"In the current climate the increasing need for specialist lending is evident. We aim to be the best service provider in the market and help to realise our customers' ambitions."

Marc Goldberg
CEO — Sales and Distribution

There are significant opportunities to realise your property ambitions if you have the right funding partner who shares your vision.

Related KPI

5★ customer reviews

75%

Percentage of customers reviews rated 5/5 (2022: 78%)

(based on 673 (2022: 776) reviews collated by Feefo, Trustpilot and Google Review during FY23).

Our objectives

- To achieve customer experience ratings we can be proud of
- To achieve a great net promoter score
- To be externally accredited for our customer service

Empowering our colleagues to grow and deliver value for stakeholders

"Together provides our colleagues with a strategic blend of training, engagement and development. As recognised in our Silver Investors in People accreditation, we give the right level of support for our colleagues to achieve their ambitions and we're excited to build on this achievement."

Kevin Fisher
People Director

We value diversity of thinking, ideas and backgrounds. We believe in investing in our employees so they can realise their potential.

Related KPI

Silver Investors in People accreditation

INVESTORS IN PEOPLE®
We invest in people Silver

achieved within the year

Our objectives

- To be recognised externally as a great place for our employees to work
- To achieve external accreditation, which recognises that we do the best in supporting and developing our colleagues

Delivering on our sustainability strategy

"Being sustainable is the right thing to do and will only become more and more important. The issues being addressed within sustainability will only change if we all take a lead, and it is very clear that our colleagues are passionate about making a societal contribution and reducing our carbon footprint."

Paul Moran
Head of Sustainability

We've created ambitious commitments for our societal contribution and carbon footprint, giving us a clear direction for the future.

Our commitments

Deployment in the community

£1.1m

> Read more on page 48

Our objectives

- To improve the environments we live and work in
- To actively support a wide range of local, regional and national charities
- To develop the next generation by promoting diversity, inspiring creativity and encouraging young entrepreneurs

Maintaining proactive relationships with our regulators

"In response to the FCA's new Consumer Duty, we've been working with our team to deliver and evidence good outcomes for our customers."

Sarah Nield
Group Chief Compliance Officer

Our approach to regulatory engagement is one of openness, transparency and proactive communication.

The Group continually focuses on improving its customer processes and responding to changes in customer needs. To do so, we follow established processes for communicating with the regulator.

> For more information, see our Stakeholder Engagement Report on page 60 and our Risk section on pages 82-98

Our objectives

- To maintain a high level of personal conduct
- To treat customers fairly and be recognised externally for:
  - Our treatment of vulnerable customers
  - Our clear customer communications

Creating long-term sustainable value for our shareholder and investors

"Our continued robust performance is a result of the way we engage with all of our stakeholders."

Ryan Etchells
Chief Commercial Officer

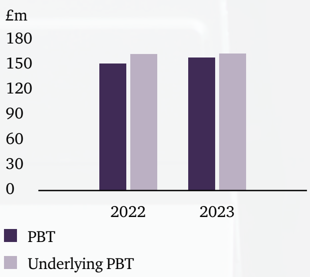
"Together's successful multi-cycle track record, proven business model and high-quality loan book have proven attractive to our investors, allowing us to develop a strong and diversified funding platform."

Chris Adams
Group Finance Director

We're focused on delivering sustainable returns with our proven business model.

Related KPI

Profit before tax



Our objectives

- To continue to grow a high-quality secured loan book
- To increase our agility, flexibility and scalability
- To build long-term relationships and deliver sustainable returns
- To improve our corporate credit strength

A purpose-driven and sustainable model

With a near 50-year track record spanning multiple economic cycles, Together's sustainable business model is driven by our purpose and underpinned by our unique family-like culture, common sense approach, deep property expertise, long-term relationships and diversified funding structure.

"Our strategic agenda is driven by our purpose and is clearly aligned with our vision of being the most valued lending company in the UK."

Gerald Grimes
Group CEO Designate

We deploy our unique strengths and resources…

People and culture

a purpose-driven culture with real people making real decisions to help our customers solve problems and realise opportunities

Established partnerships

with customers and intermediaries

Property lending expertise

for providing common sense solutions to help customers realise their ambitions

Full service model

with service-led in-house originations, servicing and collections

Flexible criteria

for lending, understanding that each customer is different

Well-established funding relationships

combining listed bonds, private and public securitisations, revolving credit facility and shareholder funds

Successful multi-cycle track record

spanning nearly 50 years

…to make finance work…

Commercial term loans

first and second charge loans secured on a variety of property types to support business growth

Buy-to-let mortgages

for customers ranging from single property accidental landlords to professional portfolio landlords

Bridging loans

regulated and unregulated loans for residential and commercial property acquisitions

Residential mortgages

first and second charge mortgages for owner-occupiers

Development finance

tailored finance for residential new builds and conversions to commercial constructions

…for all of our stakeholders

Delivering the right experience for our customers and partners


Individuals and families


Later life customers


Entrepreneurs


SMEs and businesses


Landlords


Developers

Empowering our colleagues to grow and deliver value for stakeholders

Maintaining proactive relationships with our regulators

Delivering on our sustainability strategy

Creating long-term sustainable value for our shareholder and investors

Building a long-term, sustainable future

The 12 months to 30 June 2023 have been challenging for many households and businesses, with the rising costs of energy, fuel and consumer goods driving inflation to a 40 year peak and, in what has been described as the most aggressive tightening of UK monetary policy for decades, interest rates rising to their highest level since 2008.

Against this backdrop, I am pleased to report that our business has continued to perform strongly, guided by our clear purpose and strategic focus on delivering value for our customers, our colleagues, our shareholder and investors, our regulators and our communities.

This strong performance would not have been possible without the commitment and dedication of our colleagues and, on behalf of the Board, I would like to thank everyone at Together for continuing to go the extra mile to help our customers realise their property ambitions in these challenging times.

> For more information on how we are supporting customers, see Q&A with the Group CEO Designate on page 14.

A strong and resilient performance

Despite the external volatility, Together delivered another resilient performance during the year, growing our loan book to £6.4bn while prudently controlling origination volumes, increasing rates and maintaining very conservative LTVs across the portfolio. Redemptions continued to be strong and headline arrears levels were well below pre-pandemic levels as the Group remained highly profitable and cash generative, delivering profit before tax of £158.6m and Group cash receipts of £2.2bn.

While the volume and timing of UK Bank Rate rises depressed our net interest margin in the first half of the year, as the pace of interest rate rises has slowed and we have passed rates on to customers, our margin has recovered in the second half of the year to 5.3% from 4.9% in the first half of the year.

"Our business has continued to perform strongly, guided by our clear purpose and strategic focus on delivering value."

During the year, we continued to increase the strength, diversity and maturity of our funding, raising or refinancing £1.2bn of facilities, including the issuance of TABS 7, our largest ever mortgage backed securitisation in July 2022, the launch of our new Fairway ABS warehouse in December and the upsizing of our Lakeside securitisation. Our strength in refinancing continued after the year end, with the issuance of TABS 8, refinancing of BABS and the pricing of TABS 9.

> For more information, see the Operating Review on page 26 and the Financial Review on page 34.

Focusing on delivering value

Over the course of the last 12 months, the Board has focused on ensuring the Group's strategy is in line with our purpose and delivers value to stakeholders, making sure that we are ready for the implementation of the FCA's Consumer Duty in July for our regulated business, rationalising organisational and governance structures and embedding our Sustainability strategy across the organisation. We have also continued to ensure that our capital structure, liquidity and funding lines remain appropriate to support the activities of the business both now and in the future.

As we shape our business for the future, the Board has driven the further strengthening and diversification of our Group and operational management teams and Gerald will say more about this in his Q&A. We were also pleased to welcome Jon Hogan to the Board of our Personal Finance business, bringing with him over 20 years' banking and finance experience, including serving on the regulatory boards of three UK banking entrants. On behalf of the Board, I would like to thank Liz Blythe who has stood down from the Personal Finance board after nearly four years with the Company.

> For more information, see the Operating Review on page 26.

"Together has been making finance work to help our customers realise their ambitions for nearly 50 years."

Embedding a sustainable future

We also have a long-standing tradition for supporting our local communities and charities.

Last year we published our sustainability strategy, following input from our colleagues, customers and investors, and this year we are reporting our progress as we embed this strategy across the Group. I am pleased to report that we have made good progress against each of our key sustainability pillars — Our Colleagues, Our Customers, Our Communities and Our Planet — including partnering with a leading consultancy to help us to achieve our net zero target, obtaining the Silver accreditation from Investors in People and successfully trialling an energy efficiency hub for customers.

As part of the Our Communities commitment, we are proud to have allocated over £1m to charitable causes, including supporting Centrepoint, a homeless charity for young people, as our national charity partner and the Seashell Trust, a charity that supports the development and independence of children with disabilities, as our colleague selected local charity.

> For more information, see our Sustainability Report on page 42 and our separate Sustainability Report which can be found on our Investor website at: https://investors.togethermoney.com/.

Looking to the future

Following a period of extreme uncertainty and market volatility, the UK's economic outlook is showing early signs of improvement with inflation beginning to trend lower and the pace of interest rate rises slowing. However, with real household disposable income forecast to see its largest two-year fall since records began and levels of business investment remaining stagnant since 2016, we expect increasing numbers of people and businesses to look to specialist lenders for support. With a clear purpose, a proven and well-funded business model and a successful multi-cycle track record, we believe Together is well placed to support our customers and partners, take advantage of opportunities that arise in our markets and play our part in supporting the UK's economic recovery.

Mike McTighe
Chair

Founder & Chief Executive's Statement

Supporting our customers by turning challenges into opportunities

We have been helping individuals and businesses turn challenges into opportunities for the last 50 years. This focus on making our customers' property dreams a reality is driven by our people, common sense approach to lending and flexible decision making, underpinned by expert underwriting, prudent LTVs and strong secure funding. While the economic environment continues to face significant headwinds, we believe the uncertainty will create significant opportunities for our customers and we will continue to make finance work to help them to realise their ambitions.

> See page 8 for more information on our business model.

Another strong performance

Together delivered another strong performance in the year to 30 June 2023, lending an average of £233.1m a month as we grew the loan book to £6.4bn and achieved a profit before tax of £158.6m for the year. I would personally like to thank all of my colleagues for their ongoing commitment to maintaining the strong relationships, which are a key foundation of our business and to continuing to support our customers through these challenging times.

During the year we continued to invest in shaping our business for the future, maintaining leading positions in our markets, enhancing and diversifying our group and operational management teams and delivering on our Sustainability commitments. We have also continued to strengthen our funding lines, completing our new FABS warehouse facility in December and our eighth RMBS issuance in July after the year end, and I would like to thank our banks and investors for their continued support.

While the business continues to perform very strongly we are cognisant of the wider economic environment, maintaining a rigorous discipline around costs and progressing our change programme to ensure that we remain efficient and well placed to realise the significant opportunities that we see in our markets.

> For more information on our financial performance, funding activities and Sustainability strategy, see the Financial Review on page 34, the Operating Review on page 26 and the Sustainability Report on page 42.

"We see significant opportunities across UK property markets and will continue to support our customers in realising their ambitions."

Creating lasting relationships

One of the strengths of our business is the lasting relationships that we have created with our customers, our partners and our investors, some of whom have been working with Together for many years. We invest significant time and attention in maintaining these key relationships, and in developing new ones for the future, including our long-standing commitment to supporting our local communities and charities. This year we are proud to have committed £1.1m to local and national charities and we expect to deploy similar support in the coming year. We also continue to invest in our colleagues, and have continued to hire, develop and support more apprentices and graduates.

Well positioned for the future

While the UK's economic outlook is showing signs of improving, the environment remains challenging for many individuals and businesses. With 50 years' experience, deep property expertise, strong diversified funding and our agile common sense approach, we believe Together is well placed for a successful future, helping many more customers to realise their ambitions.

Henry Moser
Founder and Group Chief Executive Officer

Turning challenges into opportunities

Hurstwood is a privately owned and managed property investment and development company founded in the early 1980s, which now has a £200m portfolio with 120 sites and 1,000 tenants.

We've been working with Together since 2008, and I don't mind saying our business wouldn't be where it is today without them by our side…

…Their people are nothing short of superb, they are very entrepreneurial and their service is second-to-none. They handle everything very smoothly, take any hurdles we come up against in their stride, and go above and beyond to ensure our partnership feels effortless. I know I can trust my dedicated contacts to be straightforward, open and honest with me – as I can be with them – and they really listen and take feedback on board. It's very much a two-way partnership.

Stephen Ashworth
Hurstwood Chairman and CEO

Q&A with Group CEO Designate

Gerald Grimes reviews the Group's performance over the year, and its future aspirations

How has Together performed against the challenging macroeconomic backdrop?

There have certainly been some economic headwinds to negotiate, with high inflation and rapidly rising interest rates, but I am really pleased with how robustly our loan book and our business have performed over the last 12 months. We have successfully grown the loan book to £6.4bn while maintaining very low loan-to-value (LTV) ratios and headline arrears levels have remained well below pre-pandemic levels. This performance is a testament to the resilience of our customers, the sustainability of our business and the ongoing commitment and dedication of all of our colleagues.

Throughout this period of extreme economic uncertainty we have focused on managing the things we can control, spending a lot of time analysing our performance, scenario planning and making strategic business decisions to protect our net interest margin, profitability and returns. These decisions have included controlling our origination volumes, increasing nominal rates, maintaining prudent LTVs and focusing on cost management, while continuing to support our customers in realising their property ambitions.

> For more information see the Operating Review on page 26 and the Financial Review on page 34.

Has the business changed much during the year?

Together has a well-established business model which has operated very successfully through a number of economic cycles over the last 50 years. However, we are constantly looking for ways to improve our performance and this often involves incremental enhancements to shape our business for the future.

We have a strong established distribution platform which combines direct, broker and intermediary channels. Over the year we evolved this platform into separate sales channels, each managed by a specialist, to ensure we can grow sustainably and achieve our purpose and vision.

Our change programme focuses on delivering efficiencies to our processes and operations. During the year we began to roll out agile practices to help us deliver change more effectively and we are now starting to embed this programme across the Group. In addition, we commenced work on implementing a new ABS platform to deliver operational efficiencies to our securitisation facilities.

We also enhanced and diversified our executive management team with the promotions of Julie Twynholm to Group Chief Risk Officer, Ryan Etchells to Chief Commercial Officer, Sarah Nield to Group Chief Compliance Officer and, following the year end, the recruitment of John Barker as Group Chief Operations Officer and the appointment of Andrea Dalton as Chief Transformation Officer as we step up our transformation programme.

> For more information on our business performance see the Operating Review on page 26.

£158.6m
Profit before tax

£6.4bn
Net loan book

> "Our robust performance is a testament to the resilience of our customers, the sustainability of our business and the ongoing commitment and dedication of all of our colleagues."

What more are you doing to support your customers?

Doing the right thing for our customers is a key focus for our business and, while our loan book has continued to perform robustly, we are very conscious that it has been a challenging time for many people and businesses across the UK.

Over the last year we have been utilising new sources of data to support operational strategies for identifying and contacting customers who may be approaching financial difficulty. By combining proactive management with appropriate intervention strategies, like our forbearance toolkit, we are able to provide support where it is needed and we have provided additional training to our colleagues covering the availability and use of these strategies. Additionally, our dedicated portfolio managers engage proactively with our customers to ensure we can anticipate problems and work quickly to resolve them, as well as helping them to realise opportunities as they arise. This also provides additional market insight, which underscores our reputation as expert property lenders who are responsive and easy to do business with.

We have also embedded Consumer Duty into all of our business activities and provided training to all relevant colleagues, ensuring all of our products are fit for purpose and sold at a price that reflects their value, that consumers are equipped to make good decisions and that our customer service is responsive and helpful.

> For more information see the Operating Review on page 26 and Stakeholder Engagement Report on page 60.

How much progress have you made in delivering your Sustainability strategy?

Our Sustainability strategy is focused on four key pillars — Our Colleagues, Our Customers, our Communities and Our Planet; all underpinned by strong governance.

Over the last year we have made good progress with 'Our Planet', establishing a Climate Working Group, partnering with the UK's leading energy and sustainability consultancy to support us in reaching net zero and establishing our climate risk management framework within our top risks.

With regard to 'Our Customers', we have created an energy performance certificate (EPC) education hub for our customers and intermediary partners on our website and we have partnered with an industry specialist to successfully trial an energy efficiency hub to help our customers reduce emissions from their properties.

Moving to 'Our Colleagues', we increased the number of women on the Executive Committee, obtained the Silver accreditation from Investors in People, signed the Race at Work Charter, joined the Business Disability Forum and became Age Accredited by 55/Redefined.

Looking at 'Our Communities', we have successfully allocated over £1m to charitable causes, signed the Sustainability Reporting Standards for Social Housing and helped to finance an estimated 237 affordable properties in the year, securing homes for tenants including key workers, vulnerable women and the elderly.

While we are just beginning the journey to deliver our Sustainability strategy, I am very proud of the progress we have made over the last 12 months.

> For more information see the Sustainability Report on page 42.

What's your vision for Together and what might the future look like for the business?

Together is one of the UK's leading expert property lenders and our vision is to be the most valued lending company in the UK — the most valued by our colleagues, our customers, our investors, our regulators and our communities.

To achieve this we will build on and enhance what has made us successful, using our deep property expertise and unique common sense approach to lending to make finance work to help our customers realise their property ambitions. We will also continue to focus on delivering our sustainability agenda to make a valuable contribution to our environment, our communities and to wider society.

While the macroeconomic landscape remains uncertain, we expect many more individuals and businesses to look to specialist lenders for support. Together will continue to be there to help under-served customers solve problems and realise opportunities, as we have been for the last 50 years.

Gerald Grimes
Group CEO Designate

Our review of the specialist lending market

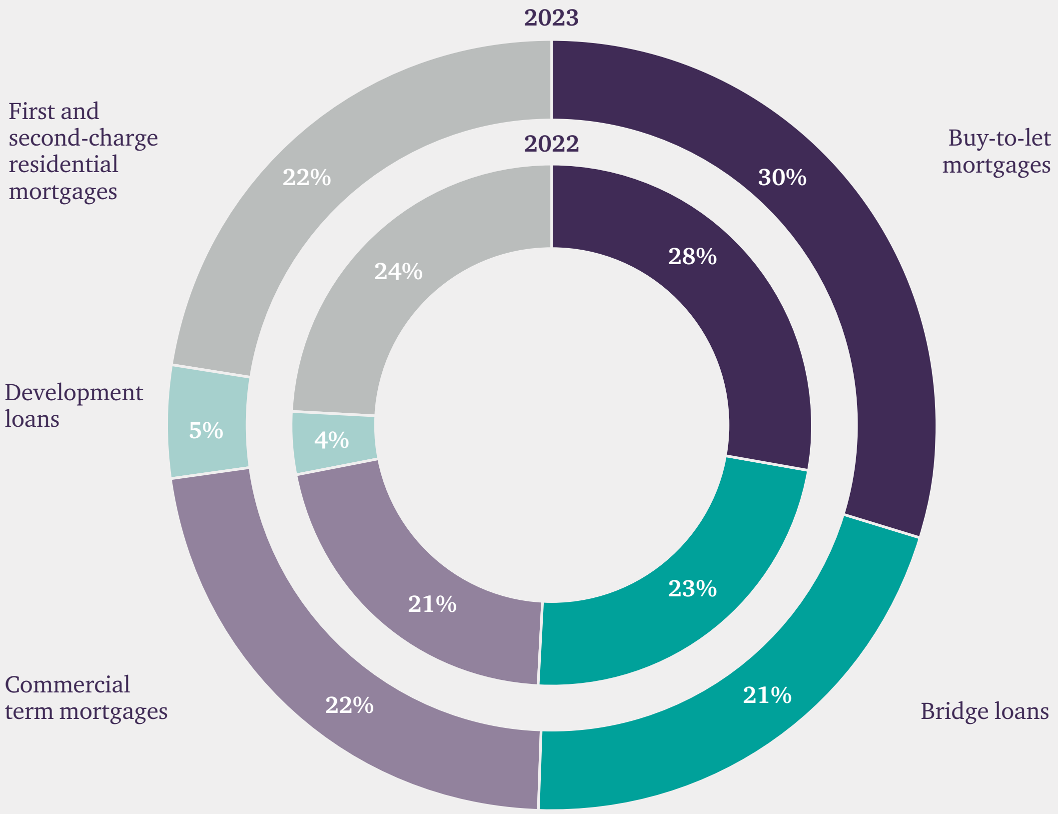
Our purpose and vision guide how we develop products and propositions to meet the needs of a diverse range of customer segments. To truly understand the needs of our customers, we have developed a detailed understanding of the markets in which we operate.

This Market Review outlines the wider economic environment, including the general property market, and then discusses the specific markets which Together addresses to serve its customers.

We have developed our product range through multiple economic cycles and have a deep knowledge of our markets. This market knowledge and history of developing products and propositions has allowed us to design solutions for customers excluded from the wider market, with a breadth of products designed to meet those customers' needs.

Within this market review we provide indications of market sizes and our addressable market, which are based on publicly available information and our experienced management team's expertise. In a changing mortgage market, Together is well positioned to service customers who will benefit from our specialised products and service.

Together's total net loan book: £6,410m (2022: £5,248m)



Growing share in our core markets

£6.4bn
Net loan book

£158.6m
Profit before tax

55.3%
Weighted average LTV

The economic environment

The UK's macroeconomic environment in 2022-23 has been characterised by high inflation and subdued economic growth, with energy, fuel and food being key drivers of inflation. As a result, the Bank of England has taken the decision at multiple points throughout the year to increase the Bank Rate, which has an impact on the price of borrowing for both businesses and consumers, with the Bank Rate rising from 1.25% at the beginning of the year to 5.00% at June 2023, with further increases after the year end, to 5.25% in August 2023. Despite interest rate increases, inflation has remained at high levels, with CPI at 7.9% at June 2023, although lower than the peak of 11.1% in October 2022, and with inflation lowering since the year end to 6.8% in the 12 months to July 2023.

Throughout the ongoing cost of living crisis, unemployment has remained at relatively low levels, although has increased to 4.2% for June 2023 (June 2022: 3.8%). In the same period, real wages have fallen which has increased pressure on households across the country. The UK's growth has also remained at continued low levels in the year, with market consensus that growth will remain stagnant at best over the short term.

> The impact of the macroeconomic variables on our expected credit loss provisioning is explained further in Note 13 in the Financial Statements.

Despite the improvements in the UK's macroeconomic environment in the latter months of 2022-23, there remain challenges to both businesses and consumers from the continuing cost of living issues, and higher costs of borrowing. The Group has reacted to the ongoing cost of living challenges and increases in the Bank Rate, ensuring that good customer outcomes are delivered and vulnerable customers are supported, whilst repricing fixed rate mortgages and updating the rate for variable products, to reflect the changes in cost of borrowing.

When making lending decisions, the Group assesses the affordability for its prospective customers, taking into account the impact of cost of living and interest rate increases through stress testing, ensuring sustainable and controlled growth of our mortgage book.

> Increases in the Bank Rate impacts the Group's net interest margin, as our cost of borrowing rises, which is discussed in more detail in the Financial Review on page 37.

There have also been reductions in house-price inflation, with forecasts for there to be falls in property prices in the short term, which has been impacted by the squeeze from increasing cost of living and higher borrowing costs for mortgage customers. However, there remains a shortage of supply within the UK market, which may reduce the size of property price falls. The Group's mortgage portfolio is lent against secured UK property and/or land, with a business model of lending at prudent average loan-to-value (LTV) ratios. Although these LTVs can be impacted by falling property prices, the Group's prudent approach allows a buffer for this risk.

> Further information on LTVs is included within the Principal Risks section on page 91.

Uncertain economic times can create opportunities for the Group to realise ambitions for prospective customers who may not be supported elsewhere in the market, with a range of products designed to service the market in which the Group operates detailed on the following pages. Management has confidence in the resilience of the Group's current loan book, as well as the Group's ability to continue the growth of the loan book in a controlled and sustainable way that takes advantage of the opportunities available in the market.

Market Review *continued*

The Group's markets and products

In the context of the wider economy set out on the previous page, the following sections set out how the Group meets the needs of customers in its specific markets.

Buy-to-let

The market

The buy-to-let (BTL) market was forecast to soften in 2022 from c.£46bn to c.£40bn, however it significantly outperformed to deliver record lending of c.£55bn. Investors benefited from government stimulus and a rental market experiencing high demand and rising rental values. This proved attractive to many first-time investors who were encouraged to leverage savings accrued during the pandemic to become landlords.

The demand for rental property remains strong, with aspiring owner-occupiers being faced by high house prices, alongside increasing interest rates and the cost of living crisis which are further reducing affordability. The lack of housing stock that has fuelled previous rising house prices is also constraining the BTL sector. Weaker new landlord instruction and strong tenant demand are hardening rents, particularly in London. Rental inflation therefore keeps reaching new highs although stretched affordability could see this recede.

Relatively stable government support for the housing sector has meant that previous trends towards complex situations such as portfolio landlords, limited-company ownership and houses in multiple occupation have continued, as has the transition to increased regional investment. However, more recently landlords have been choosing to scale down their levels of activity because of increased borrowing costs, increasing regulation and tax changes, and a loss of capital growth. This is expected to result in the market softening in 2023 with the market forecast at £43bn.

The competitive environment

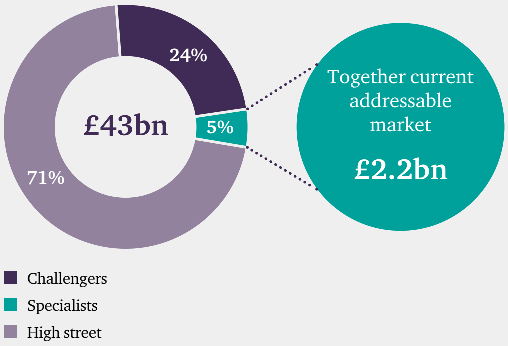
The BTL market remains commoditised (i.e. high volume, standard products for mainstream properties) and segmented by price. It is dominated by high-street lenders who are able to leverage their national brands and current-account relationships with customers. Supported by their retail funding, they can offer lower rates in less complex situations such as 'vanilla' properties or small portfolios.

Approximately a quarter of the market is addressed by challenger banks via networks and clubs of individual brokers. Like the high-street lenders these are increasingly using technology to automate their underwriting and reduce customer effort, but they still have relatively limited flexibility on credit criteria, customer profile and product characteristics, typically extending only to higher loan-to-value (LTV) ratios, first-time landlords and somewhat larger portfolios.

True specialist lenders currently represent around c£2bn of the total BTL market. Most distribution is through brokers and packagers (i.e. larger brokers specialising in more complex lending), and with some direct lending.

The Group held c.£1.9bn of buy-to-let mortgages at the year end, out of an addressable market of c£2.2bn:

Buy-to-let mortgages



UK Finance; Mortgage Market Forecasts 2023-2024.

Flexibility in lending criteria is key, often catering for houses under multiple occupation, holiday lets, off-plan lending and non-standard income or properties. The speed and quality of service is also a differentiator within specialist lending and has become increasingly important as there have been recent delays faced in the conveyancing industry. In return, specialist lenders are able to achieve higher interest rates and are typically funded through wholesale funding and securitisations.

Rising demand has continued to attract new entrants to the market, driving increased innovation and competition with variable product fees a prime example. This involves lenders offering products with higher product fees in return for a lower interest rate; such arrangements are generally cost neutral to the borrower and are offered to support those keen to protect their purchasing power.

Together's products

Together has developed its BTL proposition through relentless focus on customer outcomes and the desire to meet the needs of customers across a diverse market. Our BTL mortgages help our customers to create, build or remortgage residential property portfolios as well as funding individual properties.

Increased taxation on landlords led some investors to move into higher-yield segments not typically catered for by the high-street lenders. This created opportunities for Together, which has the ability to process complex transactions quickly, while its prudent approach to LTV ratios mitigates risk. Together is also a leading lender in the second-charge market, which allows landlords to use equity in their property to invest in improvements.

Together has a dominant position in the specialist sector of the BTL market and has been able to meet the needs of larger segments of the market, with better credit profiles and more-standard property and income. Having broken its own monthly record for BTL lending in the previous financial year, as the year developed and the rising rate environment escalated, Together prudently pivoted its strategy away from volume to focus on margin protection and effective capital usage.

Bridging

The market

2022 saw more lenders entering the bridging sector to take advantage of the opportunities in refurbishment and BTL acquisition. The market, information for which is limited and opaque to interpretation, was estimated at £6.0bn by Mintel and management estimates using the latest ASTL data suggests it reached £6.6bn for 2022. These estimates represent record lending and confirm that investor confidence was strong during most of 2022.

Towards the end of 2022, brokers reported signs of caution among investors whilst uncertainty remained in the market. Investor sentiment returned in early 2023, with homeowners and property investors using bridging loans to take advantage of opportunities to secure property.

Mintel anticipates annual growth of between 8% and 12% consistently across the next five years although the current economic outlook may provide some constraint. This outlook, along with the rising cost of wholesale funds, has seen the pricing of new bridge loans rise significantly, with tightening of lending criteria.

The market remains predominantly ‘non-serviced’ with only 25% serviced, i.e. paying interest monthly rather than on redemption. Although the London market remains strong, particularly in larger loans, the recent trend of increased regional lending continues as investors seek greater yields outside the capital.

The auction sector thrived during the pandemic, quickly going online and attracting new borrowers previously reluctant to bid in auction rooms. As a result the online model has now become firmly embedded.

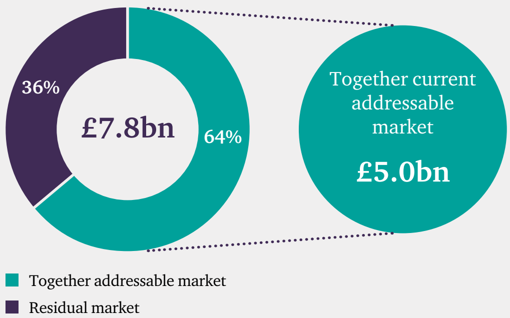
Service, in the form of speed and reliability, and reputation for reliable lending and distribution capability are key differentiators in the bridging market. With housing stock in short supply across the UK, increased opportunity to convert commercial property into residential use, and the fast-growing popularity of UK holiday lets, bridging is proving very attractive to borrowers keen to take advantage of opportunities as soon as they arise. This is reinforced by estate agents and sellers favouring cash buyers and those with access to bridging loans.

The competitive environment

There are approximately 40 major bridging lenders in the UK. The more established of these lenders cover the whole market and each account for approximately £40m-£100m of monthly lending, offering a full service with complementary products that provide exit routes from the bridging period. Within this group the challenger banks tend to offer the market-leading rates, while the non-bank lenders can offer better service and flexibility within a higher rate corridor. There are also ‘aspirational’ lenders accounting for lending of £10m-£40m per month which, while established, are looking to increase market share. Finally there is a small number of niche lenders, providing total lending of up to £20m per month, which are typically new entrants and consist of small lenders and private investors.

The Group’s bridging portfolio was c.£1.3bn at the year end and we estimate that the Group’s addressable market is c£5.0bn out of the total market:

Bridging loans



Based on Mintel Bridging Loans 2022, and FCA supplied lending data.

Together’s products

Together’s bridging product proposition is focused on meeting the needs of customers that value speed, confidence and flexibility. Together offers quick unregulated bridging-finance solutions, secured on residential and commercial properties using first-charge or second-charge loans. Its products are designed to meet the needs of small and medium-sized enterprises, individuals of high net worth and property investors. Together can help with chain breaks and is able to cater for multiple exit strategies and make use of additional security. It is also able to help investors acquire properties and land at auction. Unlike the rest of the market, the majority of Together’s bridging portfolio is serviced.

Together’s flexibility of criteria and service is key. It is also flexible in loan size, ranging on occasion up to £20m, while many less flexible lenders are limited to c.£1m. Customers in the bridging market need confidence their lender will provide funding promptly, which is why the Group’s history and reputation are invaluable, leading to it becoming a market leader.

Our flexibility of criteria also allows us to adjust our criteria to factor in changes in risk profile, allowing us to lend with the right risk-adjusted returns as the market environment continues to change.

The Group's markets and products *continued*

Commercial term

The market

The UK commercial property market is extremely diverse with loan sizes ranging from less than £100,000 to well in excess of £50m. It is also opaque; transactions are largely relationship driven rather than in advertised products, and it is dominated by institutional investors comprising UK and global lenders. Estimates of the market size therefore vary, but it is thought that lending volumes, which were significantly constrained during the coronavirus pandemic because of the sector's perceived risk, returned to pre-pandemic levels of c.£45-50bn per annum. However, diminished confidence later in 2022 and beyond, as rising inflation and an uncertain high street and higher interest rates took hold, is now expected to curtail lending in the short and medium term.

The appetite for home working remains higher than before the pandemic, which is driving demand for smaller, more flexible and higher-specification commercial properties attracting premium rents. There also remains strong investor appeal in larger commercial properties in towns and cities that offer re-purposing opportunities and, because of the lower prices, higher yields and long-term capital growth.

The competitive environment

Similar to the market for BTL lending, the commercial-term market is dominated by high-street lenders able to leverage their current-account relationships and retail funding. They account for approximately three quarters of the market, with larger corporate loans driving volume. They commonly base their lending decisions on borrowers' business plans, which also determine interest rates. Such lenders quickly grow and shrink their appetites depending on market conditions, but remain focused on servicing and recovering the amounts lent under the commercial lending schemes, which the government promoted in response to the pandemic.

Challenger banks cater for roughly 20% of the market, operating mainly through broker networks and clubs but with increasing use of aggregators. Their lending is typically at fixed rates, and tends to be restricted by sector and property type. Like the high-street lenders, some challenger banks react quickly to market conditions and have reined back their lending appetites.

Specialist lenders provide around c.£2bn of the market's originations and their distribution is mainly through broker and packager intermediaries. They tend to specialise in particular portfolios, such as mixed residential and commercial, but collectively all sectors and property types are catered for. The sector provides greater flexibility on lending criteria, including adverse credit history, and the interest rates achieved are correspondingly higher than those of the high-street and challenger lenders.

If market conditions become more challenging, mainstream lenders across all sectors may retreat or tighten lending criteria to mitigate risk in their existing portfolios rather than to them. This creates opportunities for experienced specialist lenders which can meet suitable funding gaps that emerge across both longer and shorter-term lending.

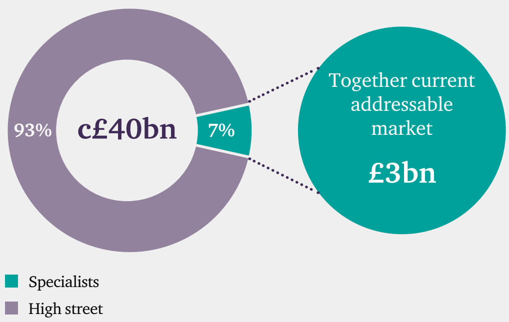
Together's products

Together offers flexible first-charge and second-charge term loans for any purpose across a diverse range of commercial property types and on land. This includes lending to owner-occupiers of commercial property units as well as commercial-property landlords. Our depth of experience means we can help customers with solutions in a wide range of circumstances, whether they are investors looking for returns or owner-occupiers looking to raise funds to grow their business.

Together has always concentrated on smaller-scale commercial real-estate lending, focusing on prudent loan-to-value ratios and affordability, and lending across a diverse range of commercial property types. Throughout the year we have adapted to the commercial term market, whilst always focusing on the quality of our lending and appropriate risk-adjusted returns.

The Group sees its addressable market share as covering the entirety of the specialist sector, with a portfolio size at the year end of £1.4bn:

Commercial term loans



Mintel Commercial Mortgages.

Development

The market

Development finance allows builders to draw down funding over the course of their projects, with further advances on a facility generally occurring upon the achievement of certain milestones. This ensures cash flow for the developer, and manages risk for the lender, as funding is released as the project's value increases. Similar to bridging, this is an opaque market which we now estimate to be worth around £13bn in 2022. This comprises just over 20% of the commercial property market plus c.30% of the development bridging market that is used for heavy refurbishment usually requiring planning permission and/or structural work. Macroeconomic uncertainty has however decreased the market size to £11bn in 2023.

The government has set targets to raise housing supply by 300,000 per year by the mid-2020's, which has meant there has been continued appetite for further housing development to meet this target. There have, however, been some challenges, particularly as surges in demand for construction materials have led to shortages and inflation in the cost of construction.

The largest five house-builders now build c.80% of all new residential properties, drawing their funding from debt and equity instruments and, historically, tending to concentrate on the south of England. SME house-builders, whose market share has steadily declined from c.40% of house-building in the 1980's to only c.20% in 2021, are being particularly supported by government funding.

The competitive environment

High-street lenders have largely retrenched from the market, which is now dominated by challenger banks and specialist lenders. Challenger banks have a lower risk appetite, focusing on the large-scale, 'vanilla' projects of experienced developers.

Specialist lenders will lend on smaller projects of both experienced and new developers, and with higher LTV ratios, which is reflected in the higher interest rates charged in the sector.

Together's products

Together offers tailored finance packages for many types and sizes of project, from new-build developments to residential conversions and small commercial construction projects. Our reputation for experience and end-to-end relationship management gives us an edge to truly meet the needs of developers, and this approach mitigates risk throughout the life of a development.

The supply pressures and delays following Brexit and the pandemic can strain the delivery of developments. The Group's experience and speed of funding provides customers with certainty that their drawdowns will be completed in time. This is complemented by our ability to provide exit products where needed, such as bridging loans while the properties are being sold or BTL loans if the developer chooses to retain the assets over the longer term.

Together's addressable market share is in the SME sector:

Development finance

Management estimate based on Bayes 2022 Commercial Real Estate lending report.

The Group's markets and products *continued*

First-charge residential loans

The market

2022 witnessed the end of the decade-long record low cost of borrowing as the Bank of England has successively raised the Bank Rate to curtail high inflation. Nevertheless, first-charge mortgage lending to owner-occupiers held up in 2022 to reach £253bn. While purchase lending contracted by 10%, remortgage activity largely offset the fall by increasing by 9% in 2022.

However, in 2023 the market is expected to shrink to £220bn, with lower levels of transactions already being experienced in the market compared to 2022 and mortgage approvals falling in 2023.

Increasing mortgage rates has been front-page news in the year due to the changing rate environment, with regular repricing happening throughout the year across the industry, and rate expectations have evolved. Higher mortgage rates mean buyers are less able or willing to borrow, placing downward pressure on house prices, particularly at a time of an increase in the cost of living.

> Note 13 to the Financial Statements sets out the macroeconomic assumptions the Group has made, including house prices, in estimating expected credit losses.

Some combination of lower house prices, lower mortgage rates and higher incomes is required to return mortgage affordability such that demand can recover and house prices stabilise.

The changing market environment is also expected to affect different property types in different ways as mortgage costs increase, with potential increased demand for lower-value properties. The impact is also expected to vary between regions, dependent upon housing stock levels and demand.

The competitive environment

The first-charge residential mortgage market has similarities to BTL mortgages in being commoditised and segmented by price. Like the BTL market it is dominated by the high-street lenders, though with some segmentation between the big banks, building societies, and smaller new banks. The banks grew their market share during 2022 to over 90% of the market, being able to offer the lowest interest rates thanks to their depositor base, automated underwriting based on credit scoring and stricter lending criteria for properties and credit history.

The challenger banks and specialist lenders who offer greater flexibility on income sources and property types saw their market shares lessen. This was because their cost of funds increased and impacted their pricing point more adversely than the high-street lenders, which diminished their ability to compete in larger markets. Should the UK economy continue to stagnate or decline, then the major lenders may tighten their criteria, which can create opportunities for specialist lenders.

Specialist lenders currently serve c1.5% of the overall homeowner mortgage market, equivalent to c£3.8bn. Their ability to be flexible on income and property types – including off-plan lending – and to cater for customers with variable credit history allows them to command premium rates.

Together's products

By offering a wider range of products and bringing much greater understanding in its lending criteria and decisions, Together meets the needs of customers who are typically excluded by the high-street lenders and challenger banks.

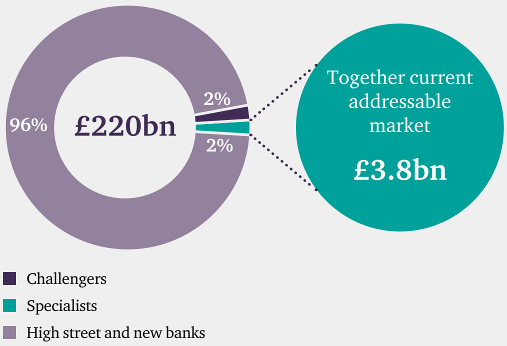
The Group's flexibility in lending criteria allows the needs of customers to be met in making finance work, including catering for self-employed customers or those with multi-faceted income. Together offers simple, easy-to-understand products catering for loan terms up to 40 years, with interest-only and capital-repayment options. It can also provide mortgages in the shared-ownership, right-to-buy and semi-commercial segments.

The flexibility also allows us to carefully manage our risk through robust underwriting, focused on affordability and security, with criteria that can be adjusted as the market changes, as seen with our enhanced affordability checks as a result of the current macroeconomic environment.

As the economic headwinds increased and sentiment waned in the second half of 2022, Together responded to the conditions by controlling its volume growth and focusing on protection of its margins. With economic uncertainty it is helpful for our customers that Together offers a range of fixed periods for its term products for those seeking payment stability, and also offers a variable rate for those requiring flexibility.

Together sees its addressable market as covering the current specialist lending sector, with a portfolio size of £0.9bn at the year end, with significant opportunities for growth in the longer term:

First-charge residential mortgages



Management estimate based on MLAR FCA data.

Second-charge residential loans

The market

This market has historically experienced consistent growth of 10-15% per annum, as it has matured and attracted more competitors. This has led to a focus on technology to redefine the proposition, reducing the cost to serve and thereby the rates and levels of service offered to customers. The market has quickly bounced back from a low of £0.7bn during the pandemic to return record lending in 2022 of £1.6bn.

Historically, second-charge lending has grown in more uncertain economic conditions and Together expects the market to grow as more borrowers are fixed into long-term first-charge mortgages in a rising interest-rate environment. A second-charge mortgage can provide a useful option compared to re-mortgaging at higher rates; and thanks to previous capital value appreciation many customers have more equity in their homes which they can leverage. However, this further growth in the market has not been seen yet in 2023, with lending currently being more comparable with 2022.

Prior to the pandemic, market growth reflected a number of factors including increasing use of second-charge mortgages as an alternative to re-mortgaging or further advances debt consolidation, greater customer awareness and growing demand for home improvements. The latter factor in particular fed demand growth coming out of the pandemic, together with borrowers wanting second-charge mortgages to finance deposits on second homes. However, the current outlook is likely to see a decline in discretionary purchases and increase the focus on debt consolidation and home improvement.

Recent market entrants have transformed the market through increasing levels of automation, with the main differentiator in the market being service, in particular speed of funding.

The competitive environment

The market for second-charge mortgages is entirely specialised and not typically served by high-street lenders. It falls into two broad categories. The first, with a two-thirds share of the market, concentrates on high-volume, low-value lending (with loan sizes typically under £30,000). This market focusing on meeting the needs of customers requiring debt consolidation and typically with LTV ratios over 75%.

The remainder of the market is given over to high-value specialist lending where the primary customer need is home improvement. This market is dominated by specialist lenders with strong experience with a focus on customer service and increasing digitisation of processes.

New market entrants, which include some of the challenger banks, have focused on automating and increasing the speed of decisions, driving down the average loan size and time to completion. Other lenders, some new fintechs and other financial services operators are understood to be developing their propositions, although some existing lenders have exited the market or have been acquired by larger lenders wanting to expand their proposition in this space.

Together's products

Together does not participate in the low-loan-size/high-LTV sector of the market, in line with its strategy of originating loans at prudent LTVs and appropriate risk-adjusted returns. The Group's proposition on meeting customer needs through its breadth of lending criteria and service proposition differentiates it from competitors.

Together is renowned for the depth and breadth of its affordability and property criteria that enable it to attract premium rates for its products in a market where competition has driven down pricing. Further enhancements to the Group's service proposition and product simplification will support its ambitions in this growth market through 2023.

The second-charge residential mortgage market offers Together significant growth potential, with a portfolio size of £0.4bn at the year end:

Second-charge residential mortgages

- Service and criteria driven
- Commoditised

Mintel Commercial Mortgages Report.

Continuing controlled growth

The Group has been operationally agile in responding to a changing market to deliver another year of success for Together.

This Operating Review includes our lending in the period, how we have supported our customers, reacted to a changing economic environment, as well as an update on our transformation programme, and information on our funding structure.

Our lending

Together has been making finance work for 50 years, and our focus remains the same, in realising ambitions for even more people whilst doing the right thing for our existing customers. Our common sense solutions help individuals and families, later life customers, entrepreneurs, SMEs and businesses, landlords and developers solve problems and realise opportunities. This has seen us grow our loan book from £5.2bn in 2022 to £6.4bn in 2023.

> Further information on our lending in the year can be found in our Financial Review on page 40.

Our operational highlights

£233.1m
Average monthly originations
(2022: £226.8m)

+59
Net promoter score (NPS)
(2022: +58)

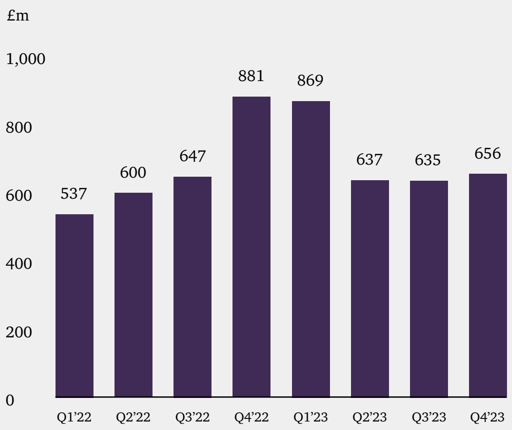
75%
Percentage of customer reviews rated 5*
(2022: 78%)

£1.1m
Deployment in the community
(2022: £0.2m)

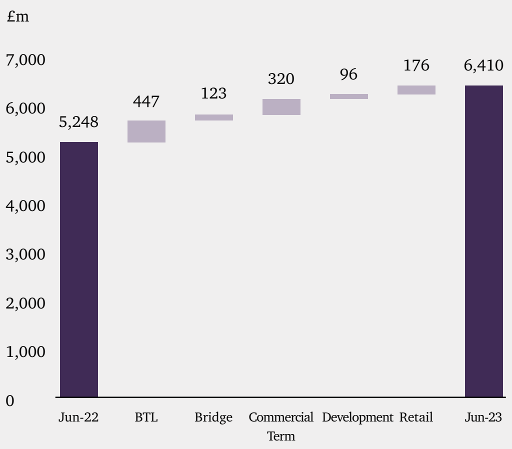
Our awards in the year

- **Best Secured Loans Provider** – Moneyfacts Awards
- **Short Term Lender of the Year** – NACFB Patron Awards
- **Silver Investors in People** accreditation
- **Platinum Trusted Service Award** – Feefo
- **Business Leader: Commercial Finance Leader Award** – Marc Goldberg – British Specialist Lending Awards
- **Underwriter of the Year** – Adam Kerfoot – British Specialist Lending Awards

Controlled originations



Diversified growth of the loan book



> "In what has been a truly challenging year for many people, our focus has been on delivering positive outcomes for our customers, our business partners and our colleagues."

Pete Ball
Personal Finance CEO

Supporting our customers

The ongoing cost of living issues continue to provide challenges in the UK economy that have the potential to impact on the ability of customers to pay.

As a result, we have assessed the potential impacts to customers at each stage of the customer lifecycle, from origination through to day-to-day servicing, and have considered what additional things we could do to help and support them in light of the challenges.

At origination, we have enhanced our affordability assessments, including through further income stressing, taking into account increases in the cost of living, and assessing the ability of customers to afford their repayments in a rising rate environment.

We are utilising external credit bureau data to anticipate those customers who may be experiencing financial difficulty, which has allowed us to have earlier engagement to support our customers.

We have also been proactive in supporting those customers who require more support, through helping them understand the options available to them, and providing the appropriate solutions to support them. One of the ways we have done this is through introducing an online self-service tool to allow early arrears customers to set repayment plans, making it easier for our customers to manage their loan as needed.

There have also been other improvements in our service to customers, including the Crystal Mark accreditation on our communication with customers on our website, attesting to our commitment to clear and simple communication.

These improvements have been made whilst considering the Consumer Duty regulations that came in following the year end for our regulated business. As a result, we have been in the process of embedding Consumer Duty throughout the business during the year, focusing on putting the needs of our customers first.

Our continued support for customers has allowed us to continue to receive strong customer feedback, with a net promoter score (NPS) of +59, which is considered 'excellent' in the industry.

Our response to a changing economic environment

Managing the rapid increase in the Bank of England's Base Rate has also been a key operational focus in the year. The business prioritised improving the rate change process such that variable rates reflect changes to the Bank Rate, whilst ensuring positive customer outcomes.

After the uncertainty in the latter half of Q2, the Group withdrew its fixed rate offer temporarily whilst honouring the price for customers in our pipeline where possible. After this short halt, the Group was able to reprice its fixed rate products at the right level to maintain the right margins and at rates that allow finance to work for our customers.

> Further information on the impact of our rate changes on net interest income and margins can be found in our Financial Review on page 37.

Shaping our business for an exciting future

The shape of our executive team has continued to change in the period, and has been bolstered by a number of internal appointments to the executive team including Ryan Etchells as Chief Commercial Officer, Sarah Nield as Chief Compliance Officer, and Julie Twynholm as Chief Risk Officer.

Since the year end, John Barker has been appointed as the Chief Operating Officer and brings significant experience in financial services, in particular leading operations, IT and change, alongside Tom Pirrie, our Chief Information Officer.

Andrea Dalton has also been appointed as the Chief Transformation Officer, bringing operational and transformation experience from a range of organisations. Andrea will work with John and Tom to accelerate our plans as we shape the business for the future.

Along with these appointments, a Transformation Steering Committee has been set up to oversee our Transformation programme, bringing non-executive oversight and leadership together with a focused group of the executive team. Further information on our transformation programme continues overleaf.

Operating Review *continued*

Delivering on our change and transformation journey

In order to continue our scalable growth, the Group has continued working on iterative changes to its systems and processes, utilising an agile approach to delivering incremental change.

This strategy focuses on the way Together prioritises, plans and subsequently delivers change incrementally in quarterly cycles to realise business value quicker. It has been fundamental in enabling the Group to adapt quickly to the volatile macroeconomic climate over the course of the past year, providing flexibility that ensures we are constantly delivering the changes that matter most for our customers, our colleagues and our stakeholders at any given point in time, aligned to our commercial, regulatory and customer commitments.

During the year, greater priority was given to changes which support our customers, safeguard our business and provide quicker benefits. As described on the previous page, strategic transformation plans have been supported by the appointment of dedicated governance and resources.

Together's transformation and change initiative is focused on three key initiatives, with progress on each of these explained below:

Build the capability to increase the Group's agility and flexibility

Objective

Investing in our core technologies will drive agility and flexibility, and set up the business for the next phase of its development.

Progress in the year

The Group has embedded agile ways of working that have seen benefits in the year in prioritising the right things at the right time.

As an example, the rate change process was prioritised and delivered to allow the Group to pass on rate rises in a more effective way.

Work has also commenced on other larger projects, such as commencing the replacement of our finance and treasury systems, and piloting a data transformation platform.

Deliver the right experience for our customers

Objective

Improving elements of the customer lifecycle, to give customers the experience they expect while allowing the Group to refocus its manual intervention where colleagues can best utilise their experience and expertise.

Progress in the year

A suite of improvements has been made to the Together website in the year, enhancing the experience for our customers. This includes prioritising a self-service option for early arrears customers to improve outcomes for customers in financial difficulty.

There have also been other focuses on forbearance tools, and effectively using credit bureau data to identify customers at risk of delinquency.

Enable a scalable cost base

Objective

Increasing the scalability of our process provides an enhanced customer journey whilst also reducing cost ratios, complementing our already-established service, speed and distinctive product offering.

Progress in the year

Incremental changes have been implemented, automating various parts of our lending process, including in relation to correspondence creation.

A number of robotic-process automation changes have taken place in key identified areas.

Funding structure and activity

Together's high-quality loan book, long track record of success through multiple economic cycles and its established position as a repeat issuer in the capital markets has allowed the Group progressively to develop a mature, diversified and flexible funding platform. This section of the Operating Review provides an overview of how the Group funds its activities, including a summary of its current funding structure, and describes the key developments during the year.

Overview

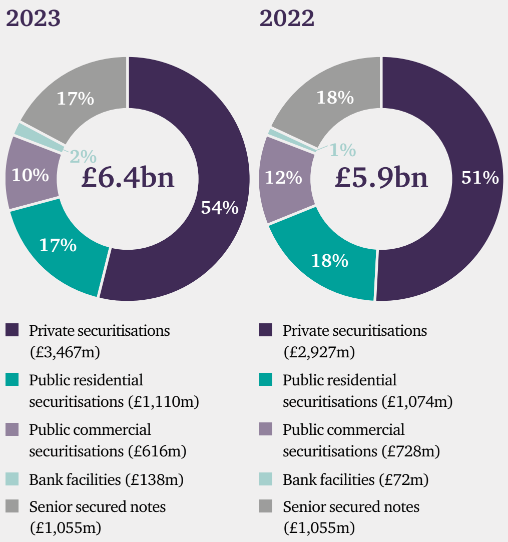
To fund its mortgage lending, Together draws on the wholesale and bond markets, underpinned by its growing, substantial shareholder funds which are now in excess of £1bn. Its diverse funding sources comprise 2 publicly listed senior secured notes (SSNs), 6 private and 10 public securitisations (including transactions since June 2023), and a revolving credit facility (RCF).

The Group is an established repeat issuer with excellent long-standing relationships with both public and private investors and lending institutions. Since July 2016, including refinancings and facility increases, it has successfully completed 7 SSN transactions, 6 RCF transactions, 12 public and 15 private securitisations.

The Group takes a prudent approach to counter-party concentration risk to ensure it is not greatly exposed to any one lender.

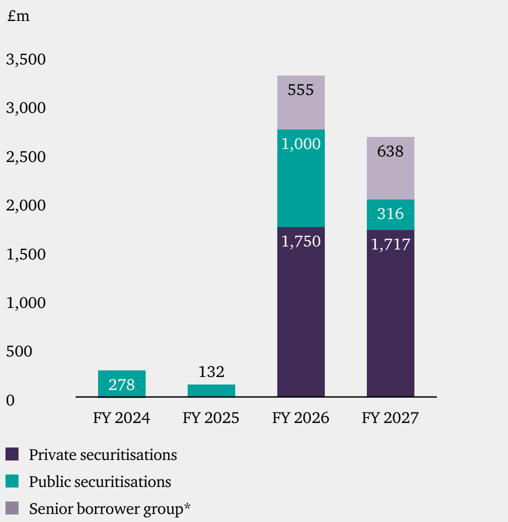
The maturity profile of the facilities is carefully managed to ensure flexibility. The average maturity of the portfolio at June 2023 was 2.9 years (June 2022: 3.7 years). Following Together ABS3 RMBS being fully paid on 15 September 2023, the earliest maturity or call date is the Together ABS4 RMBS with a call date in June 2024, and represents less than 3% of the Group's total facilities at the reporting date. The remaining Group's facilities have maturity or call dates from February 2025 and beyond.

The Group increased its facilities by £0.5bn over the last year:



Only c6% of the Group's funding will mature or reach its call date in the next two years:

Total facilities by maturity date

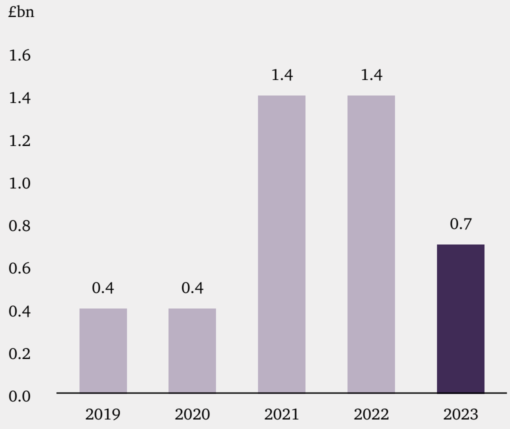


* The Senior Borrower Group facilities consist of the senior secured notes and the RCF, and are discussed in the next section.

This variety and depth of funding results in significant 'headroom' of undrawn facilities, standing at £0.7bn at 30 June 2023 (2022: £1.4bn), allowing the Group to further grow its lending and manage liquidity risk. With further funding raised since the year end.

The Group has operated with significantly increased headroom since the pandemic, despite rapidly growing its balance sheet:

Facility headroom at the year end (£bn)



The Group has developed an established and diversified funding model across multiple debt instruments supported by a significant number of banking and institutional investors along with long-term stability of substantial shareholder funds.

Our funding structure

The diagram opposite illustrates our funding structure at the year end. All loans originated by Together are initially funded by the senior borrower group (SBG), which consists of the senior secured notes, the revolving credit facility and a proportion of our shareholder funds), by cash originated from continuing loan-book activity and from excess interest income received from securitisations.

When further funds are required, eligible loans are sold into one of the six private securitisations, the allocation being based on asset type and at a prescribed advance rate. Cash is thereby released back into the SBG principally to fund the origination of further loans. Loan redemptions in the four 'revolving' private securitisations result in capacity returning to those securitisations to allow further future sales, otherwise the subordinated capital would be returned to the SBG.

Pools of loans from the revolving private Charles Street ABS 2 securitisation facility, along with loans in the SBG, are periodically transferred into new public RMBS issuances, returning funding headroom to the Charles Street ABS 2 facility and SBG respectively.

Similarly, pools of loans from Highfield ABS, Lakeside ABS and the SBG from time to time are transferred into public commercial mortgage-backed securitisations (CMBS) to create further headroom in these facilities. The SBG substitutes or repurchases defaulted or ineligible loans from the private securitisations on a periodic basis.

For the Group's public securitisations terminated at the first 'call' date under their agreements, the residual loan portfolios are initially refinanced in the SBG. These loans are then typically reissued first into one of the private revolving securitisations and later into new public securitisations, along with other relevant assets.

The private and public securitisations are bankruptcy-remote special-purpose entities, which are not legally owned by Together, and holders of their loan notes have no recourse to the Group's other assets. Together holds subordinated loan notes and benefits from excess income within such entities. In accordance with UK adopted international accounting standards, the Group is considered to retain the risks and rewards of ownership of such assets within these entities and they are therefore consolidated in the Group results accordingly.

Funding activity during the year

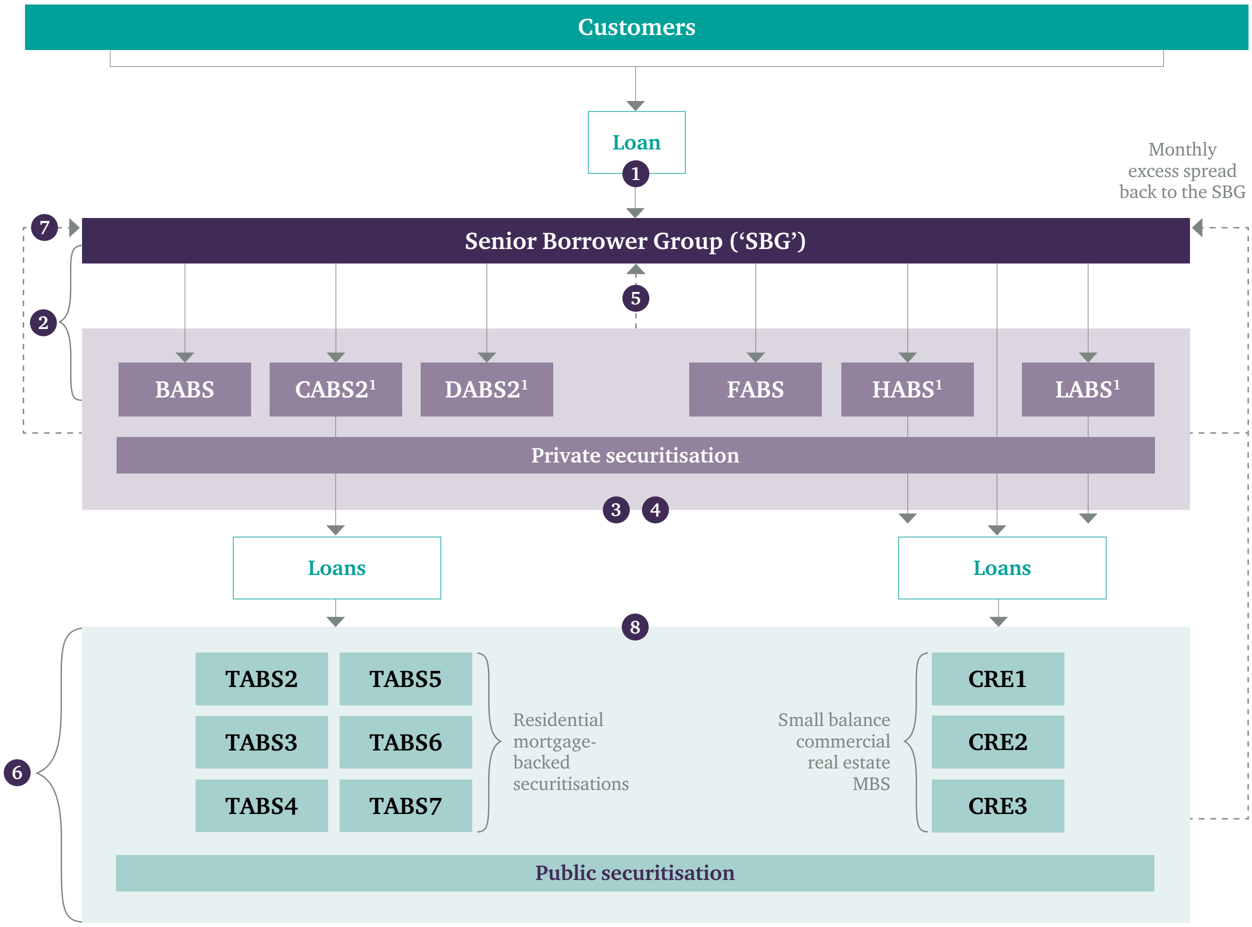
In the year to June 2023 the Group successfully raised or refinanced £1.2bn of facilities to support the Group's lending activities:

- In July 2022, the Group announced the issuance of its largest ever RMBS, Together Asset Backed Securitisation 2022 – 1ST1 PLC (TABS 7), raising £494.4m.
- In September 2022, the Group refinanced its revolving credit facility, increasing the facility size from £71.9m to £138.3m and extended the maturity to 2026.
- Also in September 2022, the Group refinanced its BABS facility, extending its maturity to March 2027 with an additional £24m of funding secured.
- In December 2022, the Group launched a new facility, Fairway Asset Backed Securitisation 1 Limited (FABS), raising £467.4m.
- In June 2023, the Group refinanced its Lakeside ABS facility, raising a further £125.0m of funding.
- Since the year end, in July 2023, the Group issued Together ABS 8 raising £404.4m of external funding.
- In September 2023, the Group announced the pricing of a further RMBS, Together Asset Backed Securitisation 2023 - 1ST 2 PLC (TABS 9).
- Also in September 2023, the Group again refinanced its BABS facility, extending the maturity date to September 2027, and raising an additional £55.0m of funding.

In November 2022 S&P upgraded the Group's rating to BB with a stable outlook, citing strong earnings resilience, stable asset quality, funding and liquidity remaining solid, and significant headroom in private facilities, whilst Fitch affirmed Together at BB- in October 2022 with a stable outlook.

Together's funding structure at the year end

Together has a diverse funding structure incorporating senior secured notes, private and public securitisations, a revolving credit facility and significant shareholder funding.



1. Revolving securitisations

1. All customer loans initially funded by SBG (senior secured notes and RCF) and from cash receipts from ongoing loan book activity.
2. When funds required, eligible loans allocated (based on asset type) and sold into one of private revolving securitsations on a random basis at prescribed advance rate, releasing cash and capital into SBG to originate further loans.
3. Pools of loans from CABS2 issued into public RMBS programme (TABS) creating headroom and typically providing initial cash flow and capital benefit to SBG through enhanced advance rate.
4. Pools of loans from HABS, LABS and SBG issued as public CRE MBS creating headroom and typically providing initial cash flow and capital benefit to SBG through enhanced advance rate.
5. SBG substitutes or repurchases defaulted/ineligible loans from private securitisations on regular basis, except from BABS and FABS facilities.
6. Public securitisations called at first call date initially refinanced into SBG and then typically reissued into new public securitisations with other relevant assets.
7. Loan redemptions in private securitisations result in capacity returning in private securitisations to allow further future sales, with subordinated capital able to be returned to SBG or retained in structure.
8. Private and public securitisation note issuers are bankruptcy-remote SPVs with no recourse to SBG. TFSL does not legally own SPVs, but they are consolidated into the Group's accounts in accordance with IFRS 10 as if wholly-owned subsidiaries (Together retains subordinated notes in structure).

A team of experts with strong customer relationships

Nathan Priestley (CEO) started the Priestley Group business in 2011. The group includes a number of divisions, of which Together works with:

- Priestley Homes purchases land for development, and converts historic landmark buildings across the UK into luxury residential, office, and mixed-use spaces. Together provides the company with development funding.
- The Priestley Investments division holds a large portfolio of buildings and rental properties. Together provides term lending.

"We've been working with Together for four years now, and although we've used other specialist lenders and high-street banks in the past, Together are now our first port of call – because their service is second to none, and we simply want to do business with them."

Together are genuinely passionate about our business, their people genuinely care about providing us with the best service, and they are a genuine partner who I can count on to be by our side on the front line helping us overcome any hurdles…

…Together aren't just finance experts, they have a deep understanding of business, property and the market we operate in.

Nathan Priestly
CEO, Priestley Group

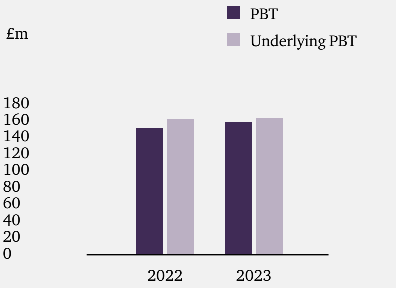
Financial Key Performance Indicators

At Together, we use a range of financial KPIs to measure our performance and position to ensure we are providing value to our stakeholders.

The financial KPIs throughout the report are presented on both a statutory and an underlying basis. Underlying financial KPIs exclude exceptional items, which provides management with a more consistent basis for comparing the Group's performance between periods.

The full suite of financial KPIs and further information on how these metrics are calculated on a statutory and underlying basis are included in the Alternative Performance Measures Appendix to the Financial Statements.

Profit before tax



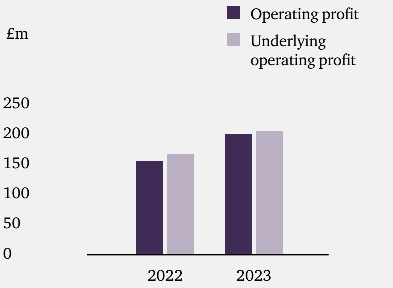
Definition

Profit before tax (PBT) is the Group's statutory PBT for the year, which is also presented on an underlying basis, adjusted for one-off exceptional items.

FY23 performance

Profit before tax has grown in the period despite the macroeconomic turbulence in the UK economy, which has been driven by strong operating performance, offset by increases in impairment as coverage has been increased on the loan book.

Operating profit



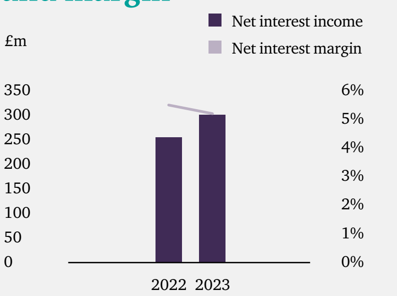
Definition

Operating profit is PBT before impairment losses.

FY23 performance

Operating profit has increased in the period driven by the increase in net interest income and careful cost control, as seen in the improvement in the cost-to-asset and cost-to-income ratios.

Net interest income and margin



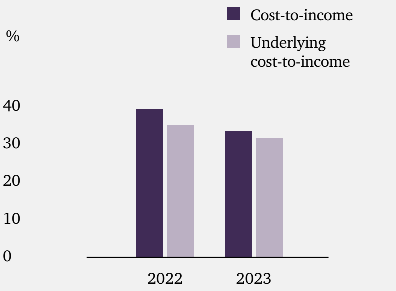
Definition

Net interest margin (NIM) is net interest income as a percentage of the average of the opening and closing net loans and advances to customers.

FY23 performance

Net interest income continues to grow with our growth in the loan book and while cost of funds has increased, this has been offset by increases passed on to variable rate loans. A time lag in passing on Bank Rate rises has decreased NIM, however it has seen improvements in the second half of the year as discussed on page 37.

Cost-to-income ratio



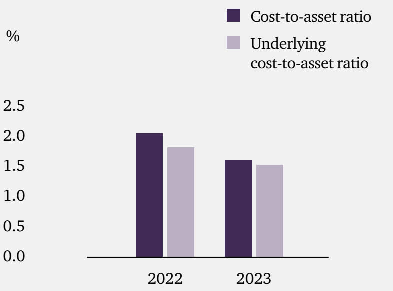
Definition

Cost-to-income ratio is administrative expenses (including depreciation and amortisation) divided by operating income.

FY23 performance

Cost-to-income ratio has improved due to the careful management of the cost base as the Group continues to see growth in net interest income.

Cost-to-asset ratio



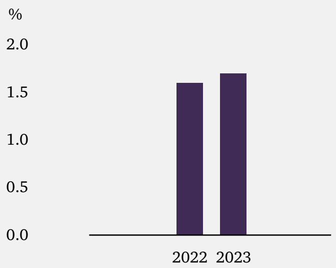
Definition

Cost-to-asset ratio is calculated as total administrative expenses expressed as a percentage of the average of the opening and closing total assets.

FY23 performance

Cost-to-asset ratio has improved due to the careful control of costs as the loan book grows and the Group continues to scale up.

ECL coverage ratio



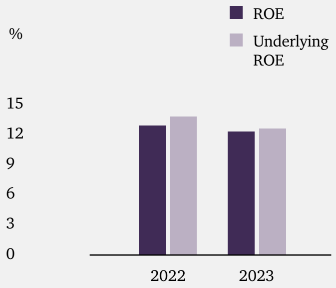
Definition

ECL coverage ratio is the Group's loss allowance expressed as a percentage of gross loans and advances to customers.

FY23 performance

The coverage ratio has increased from 1.6% to 1.7%, which primarily reflects the worsening macroeconomic conditions and forecasts in the year.

Return on equity (ROE)



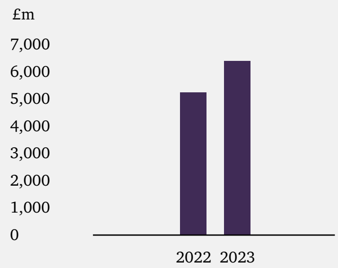
Definition

ROE is calculated as profit after tax after adding back shareholder loan interest (net of associated tax), expressed as a percentage of the average of the opening and closing shareholder funds.

FY23 performance

ROE has slightly decreased due to the continuing growth in equity, with slower growth in profit in the year driven by the increased impairment loss charge taken in the period.

Net loan book



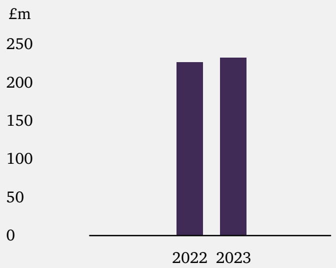
Definition

Net loan book is the net of gross loans and advances to customers and impairment allowances.

FY23 performance

The net loan book has continued to grow as the Group has passed £6bn net loans for the first time.

Average monthly originations



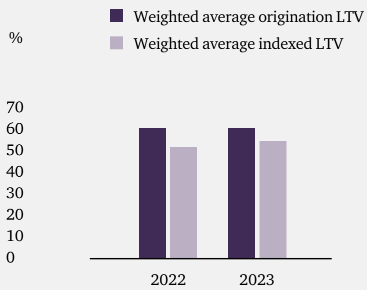
Definition

Average monthly lending.

FY23 performance

Average monthly lending has increased since the prior year, although reduced in the second half of the year as the Group continues to focus on controlled growth, as seen within the Operating Review on page 26.

Loan-to-value (LTV)



Definition

The weighted average indexed LTV is the ratio of the net book value of a loan to the value of its underlying property securities, on an indexed basis.

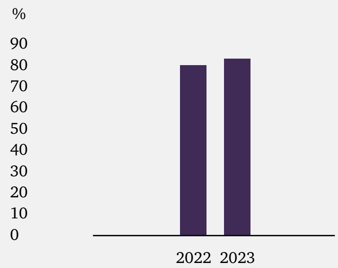
The weighted average origination LTV (WAOLTV) is the equivalent measure for originations during the period.

FY23 performance

The average indexed LTV has increased to 55.3% (2022: 51.5%) as the house price index has seen falls, although our LTVs remain at conservative levels.

The weighted average LTV at origination has, however, remained static at 61.0% (2022: 61.0%) as we continue to originate at conservative LTVs.

Gearing



Definition

Net debt gearing is the Group's net debt expressed as a percentage of its loans and advances to customers.

FY23 performance

Net debt gearing has risen in the year as the Group increased its borrowing to support the continued growth in its loan book over the year.

A strong performance with controlled growth

Chris Adams, *Group Finance Director,* discusses Together's strong financial performance in the year

"This year has seen a number of challenges in the UK economy, from the ongoing cost of living pressures to rapid increases in the Bank Rate. Despite this, we have produced another strong result, continuing to grow our loan book sustainably, whilst making sure we are supporting our customers and helping them realise their ambitions.

The Bank of England's decision to continue to increase the Bank Rate to manage inflation has led to our cost of funding increasing. A natural time lag in passing such rate increases through to customers on variable rates has impacted our net interest margin throughout the year, however this began to be less pronounced in the second half of the year as the size and pace of rate hikes decreased.

Our operating profit has increased in the year as a result of net interest income increasing from our strong loan book growth, and our focus on improving our cost efficiency metrics.

The worsening economic forecasts in the year has also been factored into our impairment allowance calculation which has been a driver of the increase in our impairment charge."

The strong financial results in the face of a challenging external environment shows the Group's resilient business model, with profit before tax reaching £158.6m (2022: £151.5m) for the year. This has all been achieved whilst continuing controlled growth with a new record loan book of £6.4bn (2022: £5.2bn).

Our loan book has continued to grow, targeting new originations at appropriate risk-adjusted returns in a changing macroeconomic environment, with the impairment provision coverage ratio increasing to reflect increased risk that is possible from deteriorating macroeconomic conditions.

While net interest income has continued to increase, driven by the growing loan book, there has been some temporary compression to our NIM as a result of the increases in the Bank Rate, in particular during the first half of the year. This trend reversed in the second half of the year as the pace of increases reduced.

The Group has also continued to be highly cash generative, with cash receipts in the year of £2.2bn (2022: £1.9bn), which has supported our further growth. This growth has also been supported by continuing funding activity in the year, which is discussed in more detail within the Operating Review on page 30.

Careful management of costs has seen favourable cost metrics in the year, with the cost-to-income ratio falling to 33.5% (2022: 39.4%).

Operating profit has increased significantly to £201.0m (2022: £155.8m) from interest income growth and careful cost control.

Economic headwinds, particularly in the first half of the year, have led to an increase in the charge for expected credit losses to £42.4m (2022: £4.3m), as coverage has been increased on the loan book.

Results for the year

The results for the year to 30 June 2023 are summarised below:

	2023 £m	2022 £m
Interest receivable and similar income	572.9	393.4
Interest payable and similar charges	(271.8)	(138.6)
Net interest income	**301.1**	254.8
Net fee and other income	0.9	2.5
Operating income	**302.0**	257.3
Administrative expenses	(101.0)	(101.5)
Operating profit	**201.0**	155.8
Impairment losses	(42.4)	(4.3)
Profit before taxation	**158.6**	151.5

Key profit-related performance indicators

	2023 £m	2022 £m
Net interest margin (NIM) (%)	5.2	5.5
Interest-cover ratio	1.61:1	2.13:1
Cost-to-income ratio (%)	33.5	39.4
Underlying cost-to-income ratio (%)	31.8	35.1
Cost-to-asset ratio (%)	1.62	2.06
Underlying cost to asset ratio (%)	1.54	1.83
Cost of risk (%)	0.7	0.1
Return on equity (%)	12.3	12.9
Underlying return on equity (%)	12.6	13.8

The section on Alternative Performance Measures within the Appendix to the Financial Statements sets out how these performance measures are calculated.

Net interest income

During the year, net interest income increased to £301.1m (2022: £254.8m). Net interest margin as a percentage of the average loan book was 5.2%, down from 5.5% last year.

Interest payable on borrowings has increased as a result of the increases in the Bank of England's Bank Rate, which is mirrored in certain debt facility reference rates Together pays, hence interest payable increasing to £271.8m (2022: £138.6m).

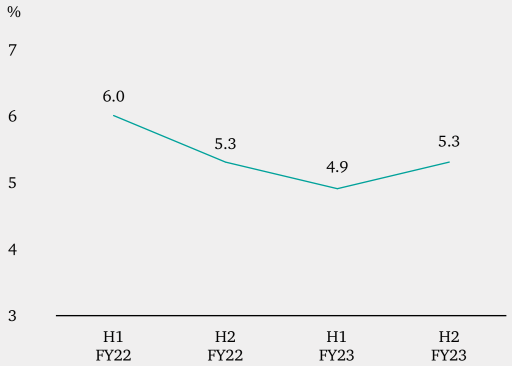
This has been offset by passing increases in cost of funds onto its existing variable rate customers as appropriate, however there is a time lag before the rises take effect as a result of governance processes and notice periods.

The impact of the lag in passing on Bank Rate increases in the year has been calculated at £20.5m, which would have led to a NIM for the year of 5.5% instead of 5.2%. As we have improved our process of adjusting interest rates, our NIM improved towards the end of the year.

Pricing for new products has also been adjusted accordingly to respond to changing interest rate and market conditions, but such changes in pricing are also subject to certain time lags as loan applications progress through the pipeline.

As well as passing on interest rate rises, a significant driver of increased interest income in the year has been the continued growth of our loan book, with these factors collectively leading to interest receivable increasing in the year to £572.9m (2022: £393.4m).

Net interest margin improved in the second half of the year.



Expenditure

The Group has focused on careful cost control during the year which has seen administrative expenses as a ratio of income improve to 33.5% (2022: 39.4%), and 31.8% (2022: 35.1%) on an underlying basis.

Alongside the Group's continued asset growth, this controlled management of costs has led to the cost-to-asset ratio improving to 1.62% (2022: 2.06%), 1.54% on an underlying basis (2022: 1.83%).

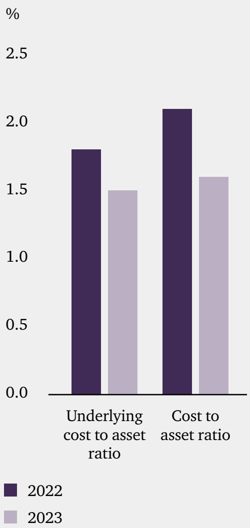
Total expenses decreased to £101.0m (2022: £101.5m). On an underlying basis, excluding exceptional costs, expenses were £96.0m (2022: £90.3m).

The small increase in underlying costs relative to the growth of the business, and despite external inflationary pressures, has come about from the Group's regular reviews of costs and its focus on maintaining cost discipline throughout the year.

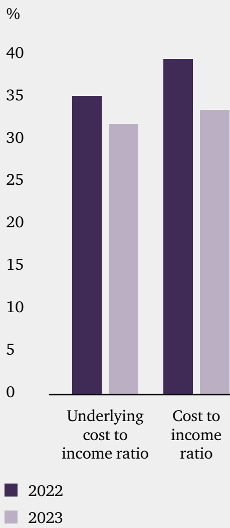
More information on the calculation of the underlying metrics can be found in the Appendices to the Financial Statements.

The Group's focus on cost control has seen improvements to both the cost-to-income and cost-to-asset ratio

Cost-to-asset ratio



Cost-to-income ratio



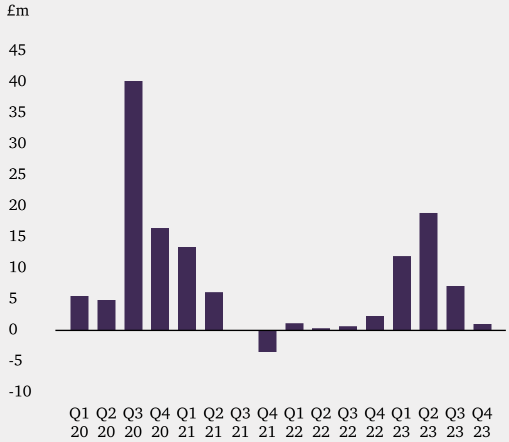
Impairment charge

The Group recognised impairment charges for the year to 30 June 2023 of £42.4m, up from £4.3m last year.

As a percentage of average loans and advances to customers, this represented a cost of risk of 0.7%, compared with 0.1% for the year ended 30 June 2022. The increased impairment charge for the year principally reflects the impact of increasing coverage levels on a growing loan book and due to the more pessimistic forward-looking macroeconomic assumptions, with arrears levels continuing to be monitored. Since June 2022, the economic outlook has changed to one of higher interest rates, lower house prices and a slight rise in unemployment (albeit at levels that are still low in historical terms), and the Group has conservatively made allowance for these in its estimation of expected credit losses.

The increase in coverage levels on a growing loan book, due to a decline in the macroeconomic outlook, has significantly impacted on the ECL charge in the period.

Impairment charge/(release)



Impairment charges are sensitive to changes in the economic outlook, as can be seen in the chart, higher charges are associated with periods where the economic outlook was deteriorating in recent periods. In addition to loan book performance, growth in the loan book also gives rise to impairment charges due to the forward-looking nature of the approach. Note 13 to the Financial Statements sets out how the Group measures expected credit losses, including the macroeconomic assumptions used and the sensitivity of loss allowances to those assumptions.

Profit

Operating profit increased to £201.0m (2022: £155.8m), which reflects the careful management of costs whilst continuing to grow net interest income through controlled growth in the loan book.

Despite an increase in the impairment charge to reflect current macroeconomic forecasts and the position of the UK economy, along with the lost income as a result of the time lag in passing on interest rates of £20.5m, the Group has seen profit before tax for the year increase to £158.6m (2022: £151.5m). This is a strong and resilient performance in spite of the economic headwinds faced in the year.

Underlying profit before tax also increased in the year to £163.6m (2022: £162.7m), with further information included in the Alternative Performance Measures Appendix to the Financial Statements.

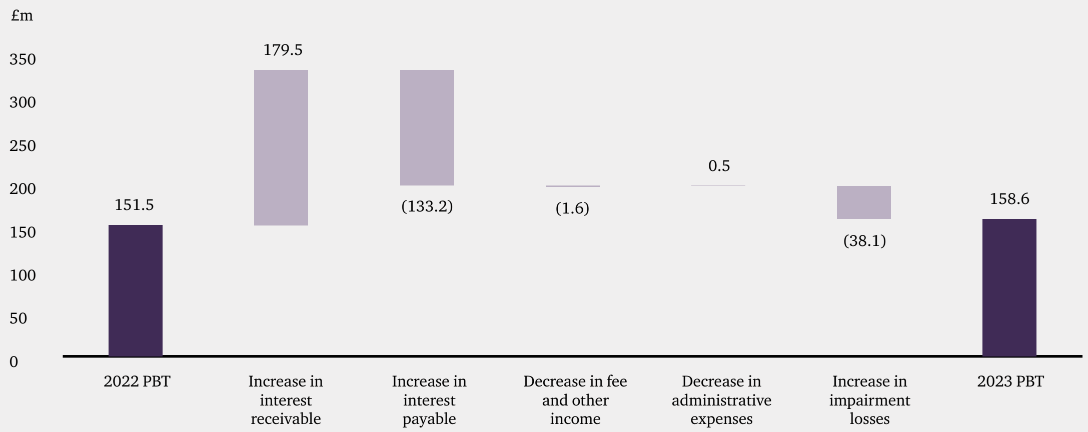
The return on equity has decreased in the period at 12.3% (2022: 12.9%) or 12.6% on an underlying basis (2022: 13.8%) as a result of the factors impacting growth in profits.

The interest-cover ratio, being the measure of the business's ability to pay the interest on its borrowings, reduced to 1.61:1 for the year to 30 June 2023 (2022: 2.13:1).

Given that the interest rate increases reflect absolute levels (i.e. an absolute percentage increase in cost of funds and net income), the fall in the interest cover rate is reflective of the disparity between the proportionate increases in interest costs on certain debt facilities compared to the proportionate increase in operating income given the different absolute levels.

The Group's strong results for the year have come about despite the increased cost of funding and additional impairment losses compared to 2022.

Profit before tax



Financial Review *continued*

Financial position

The Group's closing financial position was as follows:

	2023 £m	2022 £m
Loans and advances to customers	6,410.2	5,247.8
Cash	322.8	264.5
Fixed and other assets	124.1	68.0
Total assets	6,857.1	5,580.3
Borrowings	5,680.3	4,482.8
Other liabilities	92.5	98.9
Total liabilities	5,772.8	4,581.7
Total equity	1,084.3	998.6
Total equity and liabilities	6,857.1	5,580.3

Key performance indicators relating to the financial position are:

	2023	2022
Gross loan book (£m)	6,520.0	5,333.6
Lending volume (£m)	2,797.3	2,721.9
Net loan book growth (%)	22.1	30.8
Weighted average LTV of originations (%)*	61.0	61.0
Weighted average indexed LTV of portfolio (%)*	55.3	51.5
Net debt gearing (%)	82.9	79.7
Shareholder funds (£m)	1,118.0	1,030.0

* LTV, or loan-to-value, is the ratio of a loan's carrying amount to the value of its underlying property security.

The section on Alternative Performance Measures within the Appendices to the Financial Statements sets out how net debt gearing and shareholder funds are calculated.

Loan assets

The Group has seen further controlled growth of its net loan book growth, growing 22.1% to £6.4bn (2022: £5.2bn).

Loan originations for the year were £2.8bn (2022: £2.7bn), continuing our controlled lending growth. The Group's lending plans are set with reference to a number of factors including our target margins, returns and quality. These inform our desired level of originations, whilst considering liquidity and funding plans, and the use of capital.

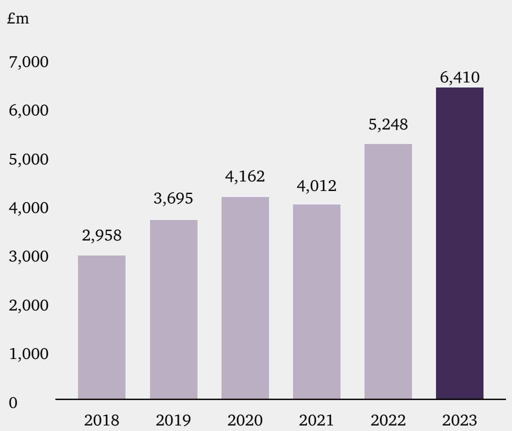
The impairment provision has increased to £109.8m (2022: £85.7m), which not only reflects the growth in the loan book, but also increases in the coverage to 1.7% (2022: 1.6%), which has largely been driven by the identified additional risk from the deterioration in the macroeconomic environment in the UK in the year.

The Group has maintained its long-standing principle of focusing lending at prudent LTVs. Despite the fall in house prices over the year, the weighted-average LTV of loans originated in the year remained static at 61.0% (2022: 61.0%).

The fall in house prices contributed to the weighted-average indexed LTV of the Group's loan portfolio as a whole increasing to 55.3% at 30 June 2023 (2022: 51.5%). This remains conservative and the Group's approach to LTV provides significant protection against any potential fall in property prices.

The Group has continued to grow its loan book, surpassing £6bn in the year.

Net loan book



Cash and cash flow

The Group manages its liquidity in order to remain within defined risk appetites.

> For more information, see Risk Management on page 97.

The Group is highly cash generative, with cash receipts in the year of £2.2bn (2022: £1.9bn), which is 37.7% of the average net loan book in the year (2022: 41.2%).

Our liquidity position is also supported by a track record of successfully financing transactions to increase and extend our funding facilities in order to allow us to meet our growth plans.

The strong levels of liquidity and cash inflows facilitate our consistent ability to service debt obligations, with a closing cash balance of £322.8m (2022: £264.5m), of which £84.3m (2022: £64.3m) was unrestricted.

Summary consolidated statement of cash flows

	2023 £m	2022 £m
Net cash generated/ (used in):		
Operating activities	(782.0)	(948.9)
Investing activities	(9.0)	(6.5)
Financing activities	849.3	991.3
Net increase/(decrease) in cash and cash equivalents	58.3	35.9
Cash and cash equivalents at the beginning of this period	264.5	228.6
Cash and cash equivalents at the end of this period	322.8	264.5

Borrowings

As described above, Together has continued its long-standing programme of raising new funding and refinancing its existing facilities.

The Group's strong franchise within the wholesale funding markets has supported its liquidity and funding management, as its funding strategy proactively seeks to refinance liabilities in advance of their contractual maturity dates along with maintaining significant facility headroom positions, thereby mitigating against refinancing risk and market accessibility in a volatile environment.

The Group increased its borrowings during the year to £5.7bn (2022: £4.5bn). Details of the Group's funding are set out in the Operating Review. Net debt gearing therefore increased to 82.9% at 30 June 2023 (2022: 79.7%).

> For more information, see Risk Management on page 98 and the Operating Review on page 29.

Equity and shareholder funding

The Group has continued its strategy of reinvesting most of its profits in the business, and at 30 June 2023 total shareholder funds, which include subordinated loans to the Group, had reached £1,118.0m (2022: £1,030.0m). As a result, equity exceeded £1bn for the first time to stand at £1,084.3m (2022: £998.6m). The increase reflected profit after tax of £129.9m and net increases in hedging reserves of £38.3m due to the impact of rising interest rates on the value of derivatives held for risk management, offset by dividends to Together's parent company of £82.5m.

Sustainability at Together

As a financially inclusive lender, we are driven by a purpose to make finance work and to help people realise their property ambitions. Our vision is to be the most valued lending company in the UK and we understand that our sustainability strategy has an important part to play in how we achieve this. The strategy recognises our responsibilities to our Colleagues, our Customers, our Communities, and our Planet.

Over the last year, our common sense approach has been central to how we have progressed against the ambitious targets we have set. We recognise the significance of transforming our business operations to safeguard the planet's future, foster thriving communities, empower customers to embrace energy efficiency, and actively pursue a diverse and inclusive workforce.

Last year we announced our sustainability strategy, which has given us the platform to begin to embed a comprehensive sustainability agenda across the Group, in line with our purpose and vision. We have set solid foundations to ensure continued progress towards meeting our ambitious targets. We are committed to play our part in protecting the future for generations to come.

Together, our impact is greater.

Materiality assessment

Throughout the process of establishing our sustainability strategy, it has been integral for us to ensure that it aligns with our Group strategy and the expectations of all of our key stakeholders. Therefore, as confirmed in last year's report, we appointed a specialist external sustainability consultancy to work with us to develop the strategy. They reviewed our existing approach and conducted a materiality assessment to understand the opportunities and issues that were material to our key stakeholder groups. This helped us to frame our overall approach to sustainability and to identify the crucial next steps. The key stakeholders included in this process were our colleagues, investors and intermediaries.

The materiality assessment considered various environmental and social issues to establish stakeholders' expectations of Together and ensure all future sustainability initiatives were focused on those they consider most important. This involved understanding business sustainability risks and opportunities, and understanding what initiatives are already being undertaken within the business.

> For more on our stakeholder engagement, please refer to the section 172 statement on page 64.

An important part of this assessment was the interviews with key stakeholders, including members of the Board, the internal Sustainability project group, members of our "Let's Make it Count" and diversity and inclusion Togetherness groups, our banks and investors, colleagues and intermediaries. The materiality assessment informed our sustainability strategy which closely aligns with the priority issues identified through the consultations, while also responding to any funding partner, compliance or external standards spanning the breadth of social and environmental issues.

Good progress has been made in the last year, the strategy continues to develop and our actions play an important role in evidencing our vision.

Governance

Effective corporate governance is central to the success of any sustainability strategy and that is why at Together, sustainability is embedded within our governance framework. The Group's Board and Executive Committee provide leadership and oversight for the sustainability strategy and regularly monitor progress made against our targets. Members of the Group Executive Committee individually sponsor each of the sustainability pillars. Further information on Group governance can be found on pages 68-77.

Our Sustainability Committee has met monthly throughout the year. It is chaired by our Group CEO Designate and reports bi-monthly into the Group Executive Committee. The Committee is responsible for overseeing the Group's sustainability strategy, including supporting the progression, development, implementation, measurement and reporting of the strategy. Its membership consists of certain members of the Executive Committee and colleagues from across the business.

Climate risk and the Task Force on Climate-Related Disclosures (TCFD) has been a prominent consideration throughout this financial year. We have built a framework of our approach to transparency and disclosure around it. For further information see our TCFD report on page 50.

Together Financial Services Limited Board

Together Financial Services Limited Executive Committee

Sustainability Committee

Monthly meetings chaired by the CEO Designate. Membership includes members of our Executive Committee and colleague representatives. This committee supports the Board and its committees in overseeing conduct as a responsible business and ensuring progress is made against the sustainability strategy.

Diversity, Equity & Inclusion Steering Committee

Monthly meetings chaired by the Group Chief Compliance Officer and includes members of our Executive Committee, designated leads from our People team and colleague representatives who lead on driving the various diversity and inclusion ambitions forward.

Let's Make it Count pillars

Monthly meetings, led by the Let's Make it Count Lead and supported by colleague volunteers, to plan events specific to each pillar. These groups make a direct contribution to the Our Community priority within the sustainability strategy and are a vital part of the Group's charitable giving.

Sustainability Working Groups

Frequent meetings held between the sustainability team and the colleague leads for each of the sustainability pillars. This forum allows for detailed discussions on progress and ensures the Sustainability Committee is correctly advised. Such as our Climate Working Group which focuses on the 'Our Planet' pillar.

Togetherness groups

Eight colleague networking groups which help celebrate differences, remove barriers and allow colleagues to fulfil their potential. These groups meet on a regular basis to organise colleague events, encourage inclusivity and give colleagues a voice.

> Further details on the activities of the Board and committees during the year can be found in the Corporate Governance Statement on page 68.

Alignment with United Nations Sustainable Development Goals

We recognise the importance of aligning our Sustainability Strategy to the globally recognised United Nations Sustainable Development Goals (UN SDGs) Framework. The UN SDGs were developed for Nation States and were adopted by all UN Member States in 2015 to provide a blueprint for peace and prosperity for people and the planet. They recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality and spur economic growth – all while tackling climate change.

Although the UN SDGs were developed for Nation States we recognise the role businesses can play to positively contribute towards them and they provide a great framework to guide our approach. Our Sustainability Strategy and associated targets impact five of the UN SDGs, as detailed below. As the Group progresses in line with its purpose, realising people's ambitions by making finance work, its greatest contribution can be to UN SDG 11: Sustainable Cities and Communities. Our purpose guides us and ensures we are here to support customers to purchase homes, support the development of social housing and enhance communities.

SDG goal	SDG targets and indicators
5 GENDER EQUALITY	**5. Achieve gender equality and empower all women and girls** 5.5 – Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life *5.5.2 – Proportion of women in managerial positions*
8 DECENT WORK AND ECONOMIC GROWTH	**8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all** 8.5 – By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value *8.5.1 – Average hourly earnings of female and male employees, by occupation, age and persons with disabilities*
10 REDUCED INEQUALITIES	**10. Reduce inequality within and among countries** 10.2 – By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status *10.2.1 – Proportion of people living below 50 per cent of median income, by sex, age and persons with disabilities*
11 SUSTAINABLE CITIES AND COMMUNITIES	**11. Make cities and human settlements inclusive, safe, resilient and sustainable** 11.1 – By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums *11.1.1 – Proportion of urban population living in slums, informal settlements or inadequate housing*
13 CLIMATE ACTION	**13. Take urgent action to combat climate change and its impacts** 13.2 – Integrate climate change measures into national policies, strategies and planning *13.2.2 – Total greenhouse gas emissions per year*

SDG alignment to our pillars

Our **Colleagues**

We value diversity of thinking, ideas and backgrounds. We believe in investing in our employees so they can realise their potential.

Aligns with SDG:

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

Our **Customers**

We're committed to helping our customers make energy efficiency improvements to their homes. We're committed to making finance work by helping customers buy their own home, helping landlords and businesses solve problems, and realising opportunities

Aligns with SDG:

11 SUSTAINABLE CITIES AND COMMUNITIES

Our **Communities**

We'll continue to contribute to our local community and inspire our colleagues to play their part in giving back to society. We're committed to working with innovative property professionals who work to rejuvenate local communities.

Aligns with SDG:

10 REDUCED INEQUALITIES

11 SUSTAINABLE CITIES AND COMMUNITIES

Our **Planet**

We're committed to reducing our impact on the environment and we'll be transparent when we report on our progress.

Aligns with SDG:

13 CLIMATE ACTION

Our 2022/23 sustainability highlights

Our **Colleagues**

Targets	Progress this year	Future plans
Women in Leadership[1] positions **33%** by the end of December 2022 **50%** by the end of December 2026	• While we did not reach our target of 33% by December 2022, we did achieve 31%, which was a 5 percentage points increase since December 2021. • At the end of FY23, women accounted for 30% of leadership positions. • Maternity, Adoption and Paternity policies have been enhanced. • Increased diversity of our Group Executive team with two female appointments.	• Continue to review the structure of the Diversity, Equity and Inclusion (DEI) programme, ensuring that our resources are focused on effecting change. • Continue to review internal colleague focused policies to ensure they are as inclusive as possible. • Ensuring adequate data is collected and analysed to inform progress against DEI targets. • Review of our recruitment processes to ensure they support our diversity aims. • Deliver unconscious bias training for all colleagues.
Colleagues from underrepresented ethnic groups in Leadership[1] positions **20%** by the end of December 2025	• At the end of FY23, underrepresented ethnic groups accounted for 4% of leadership positions (FY22 6%) • Signatory for Race at Work Charter, commitments agreed by DEI Committee. Executive sponsor for Race appointed.	
50+ colleagues[2] **20%** by the end of December 2026	• At the end of FY23, we had 18% of positions filled by over 50s (FY22 17%). • Officially became Age Accredited employer via 55Redefined. • People team completed 55Redefined unconscious bias training.	
Additional Togetherness Groups **3** by the end of December 2022	• Three additional Togetherness groups were in place by December 2022; underrepresented ethnic groups, disability group and parents and carers. • In 2023 we created a group focusing on our 50+ colleagues.	
Increased disability metrics by the end of December 2022	• We expanded our disability metrics to capture all colleagues who identify as having a disability. The new data collected showed an increase from 1% to 5%.	
Investors in People Silver accreditation by the end of December 2023 Work towards **Gold accreditation**	• Silver Investors in People (IIP) award achieved 18 months ahead of target. • Plans have been developed to identify the additional steps to attain the gold accreditation.	• We will continue to invest in our people by leading, supporting and improving our people and culture strategy, specifically in employee engagement, communication, organisational culture and work practices to ensure we maintain the Silver accreditation and achieve Gold.

1. Leadership level are colleagues who are members of the Executive team and colleagues who report directly to them.
2. FY22 target related to 55+ but following input from an external partner, we made the decision to change to 50+.

Our **Customers**

Targets	Progress this year	Future plans
Customers supported to improve home energy efficiency through **one green mortgage product** by the end of December 2023	• Completed consumer research with the support of an external agency to better understand consumer knowledge and thoughts on environmental efficiencies and green mortgage products. • Research highlighted need for Energy Performance Certificate (EPC) and energy efficiency education – to meet this need we have launched a customer and Intermediary Partner EPC education hub on our website at togethermoney.com/sustainability/epc-hub • Research also highlighted that customers are aware of the term 'greenwashing' and that they would like to see a product that offered assistance to improve properties. • Commenced green product design.	• Utilise customer research findings to design and launch green mortgage product. • Assist our colleagues and intermediary partners to ensure our customers are correctly informed of the benefits of the green product. • Use an EPC education hub to promote green mortgage product and place us as a credible thought-leader.
Partnership with industry specialist to support customers and help them improve **home energy efficiency** by the end of December 2023	• Customer trial underway with an industry specialist. Their innovative offering provides customers with a one-stop solution to identify energy efficiency improvements, access grants and broker funding, secure contractors and finally evidence the impact with an improved EPC rating.	• Take the learnings from the trial period and look to expand the partnership. • Where gaps are identified, look to expand our trial with potential alternative specialists. • Identify where the partnership can best support our customers and ensure they understand the benefits of energy efficiency home improvements.

Our **Communities**

Targets	Progress this year	Future plans

Deploy in the community through our Let's Make it Count programme
£1m
in FY23
	• Finished the financial year having deployed £1,136,970 (FY22: £240,000).
	• This amount is a combined figure which includes:
	  • company donations – £974,916
	  • colleagues fundraising – £58,770
	  • colleague volunteering – £68,356
	  • and further relating costs for our Let's Make it Count activities and events – £34,928.
		• Build on the colleague-led, Let's Make it Count programme to further strengthen our charitable partnerships.
		• Continue to drive internal and external awareness of the work completed by our chosen charities.

Colleague annual volunteering days **50% to be used** by the end of December 2025	• Finished the financial year with 2,722 hours of volunteering completed by colleagues (FY22: 378.5), equating to 21% of all available days used.	• Create more opportunities for colleagues to volunteer than ever before. • Partner with an external volunteering platform to ensure all colleagues are able to support initiatives personal to them.
Affordable properties[1] financed **1,000** by the end of December 2025	• An estimated[2] 237 affordable properties financed in FY23, an estimated[2] increase of 92 since the end of FY22. • An estimated[2] total of 502 affordable properties financed against our December 2025 target.	• We will continue to develop the social housing channel, growing the number of vulnerable tenants we support. • We will increase our community presence with thought-leadership and brand awareness.
Signing Sustainability Reporting Standard for Social Housing by the end of December 2023	• Signed up to the Sustainability Reporting Standard for Social Housing in December 2022.	

1. Properties made available to households who, without support, would otherwise find it difficult to afford the cost of housing in the open market or they need a specific type of housing which is not commonly available.
2. Estimation based on information received at application.

Our **Planet**

Targets	Progress this year	Future plans
Carbon emissions reduction **70%** of Scope 1 & 2 by 2027 (against our FY22 emissions) **Direct energy consumption reduction** **50%** by 2030 **Net zero carbon operations** by 2030 **Net zero carbon direct and indirect emissions** by 2050	• Achieved a 30% reduction in market-based Scope 2 emissions as a result of one of our office building's electricity supply having been renewed on a zero carbon tariff since 1 October 2022. • Continued to develop our understanding of our Scope 1 and 2 emissions. As a result we have been able to produce market-based emissions for the previous financial year in order to set a Scope 1 and 2 baseline. • First year measuring Scope 3 emissions. See the TCFD report on page 50. • Engaged with external energy consultant, Inspired PLC. • Climate risk management framework agreed. • Secured planning permission for a significant development at our office headquarters which will provide us with an opportunity to improve energy efficiency.	• Develop net zero road maps and shorter-term targets for operational and supplier emissions. • Host net zero workshops to develop colleague engagement and understanding of our net zero ambitions. • Integrate climate risks into the operational business areas. • Science-based target validation. • Keep carbon considerations central to office refurbishments.

TCFD report

Climate-related financial disclosures

In the previous year, the UK government introduced new requirements on businesses to report climate-related financial disclosures, with the legislation largely reflecting the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD).

In the current year, the Group has adopted the disclosure requirements. The disclosures outline the activities the Group has conducted during FY23, along with the focuses for FY24.

Our climate considerations

The Group is committed to playing its part in seeking to address the impact of the climate crisis. We first published our environmental commitments in our Annual Report for the year ended 30 June 2021. These commitments are key to reducing the Group's carbon footprint. We have focused initially on identifying our impact so we can measure the effectiveness of our actions against our goals.

"Our Planet" is one of the four key pillars of our sustainability strategy and we are focused, in the short term, on minimising the environmental impact of our direct operations, as well as how we can have an impact on the carbon footprint of our lending. However, we remain committed to our purpose of realising people's ambitions by making finance work. As such, we will continue to lend to under-served customers, and wherever possible, assist them in reducing their own environmental impact.

Climate change and its impacts remain a key area of regulatory and reporting focus. The Group is cognisant of emerging reporting requirements as well as changes to existing frameworks. As such, in the coming year we will continue to build on our current disclosures, deepening our understanding of the impact of climate change on the Group.

The TCFD report describes the Group's current position in relation to each of the four TCFD pillars, as well as discussion around the planned activities for the future.

TCFD pillars

Governance

Together's governance around climate-related risks and opportunities

Strategy

The actual and potential impacts of climate-related risks and opportunities on Together's business and strategy

Risk management

How Together identifies, assesses and manages climate-related risks and opportunities

Metrics and targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Governance

Under the governance pillar of the TCFD recommended disclosures, in-scope entities are required to describe the organisation's governance around climate-related risks and opportunities. These governance arrangements should be discussed at both a board and management level.

Activities during FY23	Opportunities and developments for FY24
Board and Board committee oversight During the year, the Board has driven action on prioritising sustainability matters, including demanding plans, reporting and activity in this area, with the Group Finance Director being designated as the responsible Executive Committee member. The Board and its relevant sub-committees have overseen the development, approval and integration of the Group's climate-related risks framework. Furthermore, the Board has approved the designation of climate risk as a cross-cutting risk, impacting all existing level one and two risks within the Group's Enterprise Risk Management Framework (ERMF). In addition to this direct oversight, Board sub-committees, including the Risk Committee and Audit Committee, have considered climate-related matters during the year. This includes proposed climate risk metrics and requirements on climate-related financial disclosures. As well as the above, qualitative risk appetite statements and quantitative risk appetite metrics have been approved in the year.	The Board will continue to oversee sustainability considerations across the Group. It will ensure that climate-related risks and opportunities are being considered across the breadth of the business. This includes establishing a capability to report on climate emissions more regularly and track our progress in regular climate reporting which will guide future activity.
Sustainability Committee During the year, the Group established a climate working group with representatives from across the business. The working group reports into the Sustainability Committee and works to identify and monitor risks across the business. The Sustainability Committee reports into the Executive Committee and Group Board on a monthly basis. This is done through a report which provides quantitative information on the Group's progress against its targets and commitments, as well as qualitative information on the Group's climate-related risks and opportunities.	The Group will continue the process of embedding the Sustainability Committee. This will include expanding on the information reported to the Board and Executive Committee, with a view that climate-related information will inform strategic decisions. The Group's newly established climate working group will be formalised and embedded within the existing governance structure. This includes establishing reporting lines and the working group's terms of reference. Finally, the Group will look to build on the controls and procedures that are applied to the management of climate-related risks and opportunities.
Third-party expertise The Group continued to develop its climate-related expertise, working with an external adviser to continue to report our Scope 1 and 2 emissions and calculate a baseline of our Scope 3 emissions and to build our net zero roadmap. The Group also piloted a partnership with a third party to provide retrofitting services for customer properties, exploring our ability to support customers in reducing their energy usage and our scope 3 emissions.	The Group will continue to work with its external adviser improving our Scope 1, 2 and 3 emissions measurement and formalising the net zero roadmap. We will look to understand the outcome of the retrofitting pilot scheme and will determine whether a full roll-out would be of benefit to our customers. Finally, the Group will look to work with external advisers to develop our quantitative scenario analysis.

TCFD report *continued*

Strategy

The Group has continued to develop its risk management and sustainability strategies through the following activities. These considerations include the following:

- Assess the climate-related risks and opportunities identified by the Group over the short, medium and long term.
- Assess the impact of climate-related risks and opportunities on the Group's business, strategy and financial planning.
- Assess the resilience of our strategy, taking into consideration different climate-related scenarios.

Activities during FY23	Opportunities and developments for FY24
The Group has considered its exposure to climate risks within its climate-related risks framework. The framework also gauges the impact and likelihood of each given risk, resulting in an approximation of the level of materiality.	The Group will continue to monitor for any emerging climate-related risks, and will update the climate-related risks framework accordingly. The Group will also look to quantify the potential impact of the risks identified. We will then determine appropriate responses and mitigating actions for the risks identified.
The Group has considered the Bank of England's Climate Biennial Exploratory Scenario (CBES) analysis when performing initial assessments of climate-related risks. The scenario analysis did not identify any significant vulnerabilities.	The Group will continue to build on the existing scenario analysis, quantifying the impact of each scenario on the financial performance and position. This will involve obtaining appropriate data from a third-party expert.
The Group has continued to explore climate-related opportunities during the year, engaging with customers over their needs. We have launched an EPC education hub to support our customers and intermediaries in their sustainability journey.	The Group will look to develop a green mortgage product that is of benefit to our customers and is in line with the Group's purpose. The outcome of the retrofitting pilot scheme will also be analysed to determine whether this partnership would be beneficial for our customers. The Group will continue to monitor existing opportunities whilst remaining cognisant of any emerging opportunities.

Risk management

Julie Twynholm, *Group Chief Risk Officer,* explains how Together's approach to climate risk has evolved over the past 12 months

"In the last year we have begun to embed climate risk management into our enterprise risk management framework, implementing a Climate Risk Management Policy, risk appetite statements and a limited number of quantitative risk appetite metrics.

Going forward, we will continue to mature our climate risk management approach and plan to develop and approve a number of climate pathway scenarios. This will enable climate risk to be built into our planning process and the establishment of forward-looking risk appetites for both physical and transition risks."

Risk management

The Group has undertaken actions during the year to develop the assessment of climate-related risk, in the context of the Group's wider risk management framework. The following table describes:

- Our processes for identifying and assessing climate-related risks.
- Processes for managing climate-related risks.
- How processes for identifying, assessing and managing climate-related risks are integrated into the Group's overall risk management.

Further information on the Group's wider risk management is included within the Risk Management report on page 86.

Activities during FY23	Opportunities and developments for FY24
The Group has begun to embed climate risk within the enterprise risk management framework (ERMF) and this is reflected in updates to the policy. Climate risk has been identified, and approved, as an overarching risk, impacting all level one and level two risks within the ERMF. Climate risk therefore is a source of risk for all the risk types listed in our risk universe, and could add to or exacerbate any of the elements described within the ERMF.	Climate risk within the ERMF will continue to be embedded as part of ongoing risk management, with the process continuing to mature. The Climate Risk Working Group have a roadmap of activities for assessing and addressing the related climate risk across the business in order to progress the initial assessment.
The climate-related risks framework was finalised, following input from stakeholders from across the business. The framework was then taken through the appropriate governance channels and was approved. Note that the framework sets out an initial view of climate related risks.	Within the context of the climate risk management framework, the Group will consider its vulnerability in relation to each identified risk, as well as the potential speed of onset. The Climate Risk Working Group will progress through a roadmap of activities, building on the initial framework set.
During the year, risk metrics were established against a number of those risks identified within the climate-related risks framework. Associated risk appetite levels have also been set. These metrics and appetites have been approved through the Group's risk governance channels.	Following the establishment of the Group's climate-related metrics and appetites, regular reporting against these will now be taken to the Executive Risk Committee. The Group will also consider whether there are any specific risk management measures that should be implemented in response to the monitoring of metrics and appetite. Additional risk appetite metrics will be developed as we obtain additional data, including Scope 3 related data and future climate impact data.

Risk identification and measurement

As previously noted, climate is an overarching risk, so identification takes place across all existing level one and two risk types. We remain aware of emerging climate risks through regular horizon scanning as well as through the use of scenario analysis, historical data and models, with climate-related risks now being reported into the governance structure.

The measurement of climate risk is reflected within the Group's climate-related risks framework, which considers the likelihood and impact of each risk, resulting in an inherent risk rating. This risk rating then informs the Group's response to the risk in question as well as the resource assigned to the risk.

Risk management, monitoring and reporting

Risk management of climate-related risks involves the formulation of an action plan for mitigating risks and may include risk acceptance, risk reduction, and risk avoidance. Risks assessed outside of risk appetite must have approved action plans in place to reduce the risk to an acceptable level or an approved risk acceptance.

Monitoring of climate-related risks takes place through the Group's approved risk metrics, which have associated trigger and limit levels, as well as through stress testing and scenario analysis.

Effective climate-related risk reporting is contingent on providing management and the governance structure with clear, climate-related risk information. The Group regularly reports on key metrics and exposures against risks appetite limits, and will look to build scenario analysis.

Climate risks and opportunities

Use of scenario analysis

The Group has considered the Bank of England's Climate Biennial Exploratory Scenario (CBES) when identifying climate-related risks. The scenario outlines three paths with reference to climate policy action:

Scenario	Overview of scenario	Macroeconomic impact
Early policy action	In this scenario, climate policy is ambitious from the offset and global CO_2 emissions are reduced to net zero at around 2050. Global warming is limited to 1.8°C, falling to 1.5°C by the end of the century. Adjustments to the economy mean there is headwind to growth, which fades towards the end of the scenario as the productivity benefits of green technology are realised.	• UK growth dips temporarily to an average of 1.4% between 2026 and 2030 and recovers to around 1.6% by the end of the scenario. • Unemployment drops to 5.0% by 2025 and remains consistent throughout the scenario. • Property prices grow at around 3.4% throughout the scenario.
Late policy action	The implementation of climate policy within this scenario is significantly delayed, meaning a more abrupt, disorganised transition. Global warming is limited to 1.8°C but remains at this level to the end of the century. The nature of the transition results in some material short-term macroeconomic disruption, along with rises in unemployment and a short period of recession.	• The UK experiences negative growth between 2031-33 with a trough of -2.7%. Following this, the economy recovers and growth is experienced until the end of the scenario. • Unemployment peaks at 8.5% in 2033 and remains above 5% through to 2050. • During the period of recession between 2031-33, property prices fall by about 20% before recovering to growth for the remainder of the scenario.
No additional policy action	This scenario assumes that no additional action is taken to address climate change and its impacts. This leads to widespread, and in some cases, irreversible changes in precipitation, ecosystems and sea-levels. These changes have permanent impacts on living and working conditions, buildings and infrastructure. GDP growth is permanently lower and there is an increase in macroeconomic uncertainty. Global warming is expected to reach 3.3°C by 2050.	• UK growth remains consistent at around 1.3% throughout the scenario. • Unemployment drops to 5.0% by 2028 and remains consistent to 2050. • House price growth throughout the scenario is sub-trend at around 2.7%.

Using the CBES scenarios as previously outlined, the Group has concluded that our exposure to climate risk over all scenarios in the short term is not material. Furthermore, as expected, in the early policy action scenario, the risk to the Group arises in the medium term and relates more to those transitional risks identified. In the late and no additional action scenarios, the Group's exposure to climate risk arises in the long term and relates more to the physical risks identified.

The Group will look to expand on the scenario analysis in FY24, introducing quantitative disclosures where applicable in line with relevant frameworks and utilising the appropriate governance and risk management channels.

Risks

Impact – qualitative assessment

- Very low
- Low
- Medium
- High

In the previous year, the Group established the time horizons for considering climate-related risks and opportunities.

Given the nature of climate-related risks, they can become apparent over a wide variety of time-frames from months, to years, to decades. We have adopted best practice by defining what time-frames are relevant for each risk identified. The time-frames we have assessed against are:

- Short term – up to 3 years
- Medium term – up to 10 years
- Long term – over 10 years

Risk category and type		Example risks
Credit		
Transitional	**Timeframe:** Medium–long term **Impact:** Low	• Increased risk of default due to reduced affordability caused by increasing energy costs arising from the transition to net zero. • Increased risk of loss given default due to reduced house prices arising from changes to government policies.
Physical	**Timeframe:** Medium–long term **Impact:** Low	• Increased risk of loss given default due to reduced house prices as a result of physical impacts. • Increased risk of probability of default and loss given default due to increased exposure to uninsured properties as a result of rising insurance costs.
Financial		
Transitional	**Timeframe:** Short term **Impact:** Low	• Risk of higher funding costs due to investor requirements on the portfolio and/or Company compliance with climate-related requirements.
Physical	**Timeframe:** Medium term **Impact:** Very low	• Increased costs as a result of operational and credit risks outlined within this table.
Operational		
Transitional	**Timeframe:** Short–medium term **Impact:** Very low	• Risk that existing third parties will not meet our climate change requirements and new relationships will need to be identified. • Risk that operational costs increase due to activities required to demonstrate our transition to net zero.
Physical	**Timeframe:** Medium–long term **Impact:** Very low	• Increased risk of disruption to operations due to flooding or other climate risks directly affecting our customers and increasing contact with us. • Increased risk of flooding or other damage to our offices preventing employee access or systems damage.

TCFD report *continued*

Risks (continued)

Risk category and type		Example risks
Strategic		• Risk that we do not meet our wider business targets due to management of the portfolio required to meet our obligations under government climate change regulations.
Transitional	**Timeframe:** Medium term **Impact:**	
Compliance		• Risk that climate-related requirements result in some properties not being able to be mortgaged, or only with a mortgage at a high rate, causing consumer detriment.
Transitional	**Timeframe:** Medium term **Impact:**	
Conduct		• Risk of reputational damage if we are not seen to be making progress against on net zero targets. • Risk of reputational damage if we lend to corporate customers who are not playing their part in meeting net zero targets, reducing our appeal to colleagues and customers.
Transitional	**Timeframe:** Short–medium term **Impact:**	
Physical	**Timeframe:** Short–medium term **Impact:**	• Risk that customers are adversely affected by an industry movement towards stricter lending criteria to manage physical risks.

Opportunities

The Group remains cognisant of the climate-related opportunities available. These are considered as part of the Group's strategy in positioning itself for a transition to a low-carbon economy and supporting our customers during this change.

During the year, the Group has engaged customers in research relating to green mortgages and environmental products. The purpose of the research was to understand the needs of our customers within this sphere. The research highlighted the need for more educational resources for our customers to enhance understanding of Energy Performance Certificates (EPCs) and the associated impending regulatory change.

In response to this research, the Group has launched an EPC education hub on its website. This includes customer-specific guidance along with a range of resources detailing the necessary actions for improving their EPC rating.

The Group is also exploring an opportunity in the form of a partnership, working together to retrofit customers' homes. We are currently exploring this opportunity through a pilot scheme. Retrofitting would be beneficial for our customers, reducing energy costs whilst reducing their impact on the climate.

Metrics and targets

As part of its wider sustainability strategy, the Group published climate-related metrics and targets in its Annual Report for the year ended 30 June 2022.

These metrics and targets allow the Group to assess and manage its climate-related risks and opportunities. The disclosure requirements in relation to metrics and targets are as follows:

- Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
- Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
- Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Activities during FY23	Opportunities and developments for FY24
Throughout the year, the Sustainability Committee has monitored progress against the Group's climate-related targets. The committee has also reported on this progress to the Board and other relevant committees.	The Group will establish milestones and/or interim targets in relation to its existing long-term targets. This will serve as another tool for monitoring progress against our climate-related commitments. Further metrics and targets are likely to be defined and monitored in relation to the Group's identified climate-related opportunities.
During the year, the Group established a set of metrics in relation to some of the more significant climate-related risks identified. These metrics are subject to monitoring by the Sustainability Committee.	Once the Group has finalised its approach to the identified climate-related opportunities, we will look to establish a set of metrics with which to monitor them. The monitoring of these metrics will also be within the remit of the Sustainability Committee.
The Group has worked with an external adviser to continue reporting our Scope 1 and 2 emissions and develop a Scope 3 baseline for FY23 and to develop a roadmap to net zero. As part of the Scope 3 baselining, the Group has utilised the Partnership for Carbon Accounting Financials (PCAF) standard for measuring our financed emissions.	The Group will look to further improve the measurement of our Scope 3 emissions, improving the quality of our data and refining our financed emissions methodology. We will also look to further develop and formalise our net zero road-map.
The Group has furthered the understanding of our data requirements in relation to our metrics and targets.	The continued improvement of our data on our mortgage portfolio, both from a quantitative and qualitative perspective, will further inform our assessment of climate-related risks and opportunities.

Metrics

During the year, the Group identified initial metrics relating to those climate-related risks considered to be most pertinent to the achievement of our strategy. The initial metrics identified will then drive our data requirements to ensure the data we have in relation to climate risk allows us to measure our performance.

These risks have been approved through the appropriate governance channels and are subject to monitoring through both the Sustainability Committee and the Risk Committee.

We will look to establish metrics to monitor our climate-related opportunities moving forward; these metrics will be subject to approval from the Sustainability Committee.

TCFD report *continued*

Greenhouse gas emissions

The Group monitors its greenhouse gas (GHG) performance to track performance against its net zero targets, and to support the UK's ambition to reduce GHG emissions to net zero by 2050.

Energy use by source	Units	2023	2022*
Gas	kWh	**1,002,386**	768,278
Electricity	kWh	**1,918,925**	1,891,939
Transport	kWh	**631,365**	322,257
Total		**3,552,676**	2,982,474

Emissions by category	Units	2023	2022
Scope 1 & 2 location based			
Scope 1 – Combustion of gas and fuel for transport	tCO_2e	**305.1**	209.4
Scope 2 – Purchased electricity	tCO_2e	**392.3**	370.7
Total Scope 1 & 2 (location based)	tCO_2e	**697.4**	580.1
Scope 1 & 2 market based			
Scope 1 – Combustion of gas and fuel for transport	tCO_2e	**305.1**	210.2
Scope 2 – Purchased electricity	tCO_2e	**264.3**	381.4
Total Scope 1 & 2 (market based)	tCO_2e	**569.4**	591.6
Total Scope 3 – Upstream and downstream activities	tCO_2e	**159,169.3**	n/a
Total Scope 1, 2 & 3 (location based)	tCO_2e	**159,866.7**	n/a
Total Scope 1, 2 & 3 (market based)	tCO_2e	**159,738.7**	n/a

Intensity ratio	2023	2022
Scope 1 & 2 intensity ratio – Total emissions T/CO_2e employee (location-based)	**0.91**	0.86
Scope 1 & 2 intensity ratio – Total emissions T/CO_2e employee (market-based)	**0.74**	0.88

* Certain 2022 figures have been restated to be on a comparable basis to 2023 so that both are calculated using the same methodology.

> Relevant definitions have been included within the Glossary within the Appendices to the Financial Statements.

Scope 1 & 2 emissions

Our Scope 1 emissions have increased in the year, which has been driven by a full year of COVID restrictions being eased, leading to more office and site-based working, more travel and more business events when compared to the prior year.

Electricity usage has increased for the same reasons and therefore Scope 2 emissions on a location-based approach (based on the average emissions usage on the local grid) have increased since the prior year. However, Together's Scope 2 emissions when calculated on a market-based approach (using emissions from Together's chosen tariff) have decreased as a result of us moving one of our two main office buildings to a zero carbon energy tariff in October 2022, in turn reducing our intensity ratio on market-based Scope 1 & 2 since the prior year.

Other energy improvements in the year include increasing the percentage of our car fleet that are electric or hybrid vehicles, and working towards the decommissioning of a server room.

Scope 3 emissions

The most significant source of Scope 3 emissions is the financed emissions, through mortgage lending. According to the Partnership for Carbon Accounting Financials (PCAF) guidance, emissions from all energy consumed by the properties during the reporting year, should be apportioned based on LTV and emissions calculated under Scope 3 Category 15.

This year marks the Group's first year measuring financed emissions, creating a baseline for comparison for future periods. Understanding the extent of our financed emissions is key to monitoring our progress against targets and to fully account for our impact on the climate, with these emissions accounting for 97% of Together's total carbon footprint.

Currently, Together has calculated financed emissions using an average consumption based approach, as company specific data on financed emissions are not currently readily available. As we look to improve our climate-related data as part of our risk management roadmap, we will refine our methodology for calculating Scope 3, as per the GHG Protocol, using more Together specific data, such as EPC ratings and floor space.

Other Scope 3 emissions include emissions from purchased goods & services, employee commuting, and capital goods, in order of magnitude.

Methodology

The below outlines the Group's approach to calculating the emissions associated with each of Scope 1, 2 and 3:

Scope	Sub-category	Methodology
Scope 1	Emissions related to the combustion of fuels	Total GHG emissions related to the combustion of fuels in our operations, multiplied by a UK emissions factor.
	Emissions related to transportation	Total GHG emissions related to transportation, multiplied by a UK emissions factor.
Scope 2	Emissions related to the generation of procured electricity	Direct electricity consumption multiplied by a market-based emissions factor that takes into account Together's chosen energy tariff, and a location-based factor which is based on local grid average emissions.
Scope 3	Category 1: Purchased goods and services	Spend by category multiplied by DEFRA conversion factors.
	Category 2: Capital goods	Spend by category multiplied by DEFRA conversion factors.
	Category 3: Fuel-related emissions	Activity-based electricity, gas and transport fuel consumption using Well-to-Tank (WTT) emissions factors.
	Category 4: Upstream and transportation distribution	Spend on transportation of materials, including the destination location and transport mode, multiplied by DEFRA conversion factors.
	Category 5: Waste generated in operations	Emissions data related to the Group waste as calculated by our waste management provider and using BEIS emissions factors.
	Category 6: Business travel	Spend by transport type and number of hotel stays, multiplied by a BEIS emissions factor.
	Category 7: Employee commuting	Distance travelled in miles, average commuter days and mode of travel from employee survey.
	Category 12: End of life treatment of sold products	Weight of letters and brochures distributed to customers.
	Category 15: Investments	See Scope 3 emissions section on previous page for further details.

The Scope 1 and 2 intensity ratio is calculated by dividing the emissions by average monthly number of employees as included in Note 7 of the Financial Statements.

Targets

The Group's targets below were formalised and presented within the FY22 Annual Report and Accounts.

Targets	Actions taken during FY23	Focus for FY24
To reduce our carbon emissions from our own operations by 70% by 2027 To reduce our direct energy consumption by 50% by 2030 To be net zero for our own operations by 2030 To be net zero for our direct and indirect emissions by 2050	• The Group continued the process of converting the company fleet to electric/hybrid vehicles, with 79% of the fleet converted as at year end. • The Group renewed one of its office buildings to a zero carbon electricity tariff. • Partnering with a third-party expert, the Group improved accuracy of Scope 1 and 2 reporting and developed a baseline for its Scope 3 emissions, including financed emissions.	• The Group will continue to make improvements to the energy efficiency of its office buildings as part of a wider refurbishment programme. This will include improving the insulation of the buildings as well as the office plant. • Following the baselining exercise during FY23, we will look to hone the methodology we employ as well as the accuracy of the data used. This will form the basis for our net zero roadmap. • The Group will support its customers in the transition to a net zero economy, providing the information and support to make energy efficiency improvements to their properties.

Following the baselining exercise during the year, the Group will look to regularly monitor and report progress in relation to the targets outlined above.

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 wider economic challenges, such as the cost of living crisis. Further information is provided in our Sustainability Report.

Our customers and partners

Our purpose is to make finance work for our customers. 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 automation

We continue to execute a process of modernisation and automation 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 touch-points throughout the loan lifecycle. More information on how we are modernising our platform can be found in the Operating Review.

Listening to our customers

Our customer-facing colleagues are focused on delivering positive outcomes. To support this, we actively seek feedback from both our customers and intermediaries and we take complaints very seriously. We have implemented a number of enhancements to our customer service over the last year, which are discussed in more detail in our Operating Review.

We understand that we have a part to play in supporting our customers to make energy efficiency improvements to their homes. We have conducted research to better understand our customers' needs in this area. For more information see our Sustainability Report.

Partners

Maintaining good relationships with our partners provides us with confidence that we will be able to satisfy our lending appetite going forward. The intermediaries we work with, which include mortgage packagers and brokers, are central to ensuring our products are available to a wide range of potential customers.

We adopt tailored strategies to address the needs of our partners who are segmented into gold, silver, bronze and green categories. A roving underwriter service is provided to support pre-underwriting reviews and support complex enquiries to ensure we maintain excellent levels of service for both partners and customers.

We continue to develop and streamline our application processes to improve the customer journey for both direct and intermediary customers.

We will continue to seek to identify evolving market trends and emerging market segments where we believe we are well placed to help under-served customers and build successful market positions. By listening to the feedback that our customers and partners provide, we will continue to enhance our propositions, differentiate our loan offerings and seek to provide excellent service to our customers.

Suppliers

Suppliers play an important part in supporting our business, in particular our professional advisers and externally sourced IT developers. We 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.

We 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.

Our colleagues

The Strategic Report introduces our Group Purpose as well as our supporting vision and beliefs.

Together continues to focus on supporting colleague well-being and delivers a comprehensive value proposition for colleagues. We have continued to listen to feedback from our colleagues via an interactive engagement platform, which enables management to receive real time feedback from colleagues on completion of quarterly engagement surveys. More details on our engagement with colleagues can be found in our Sustainability Report.

We continue to support colleagues at the start of their careers, through our apprentice and graduate programmes. Through our 50+ diversity and inclusion strand we offer support to colleagues as they move towards the end of their careers, as well as continuing to celebrate those colleagues who achieve long service milestones.

During the year, managers were encouraged to have discussions with their teams about career development with the launch of Confident Career Conversations workshops. The sessions helped managers understand how to support colleagues with their development and work towards their career goals.

Our Accountability Charter continues to bring together the principles of the Senior Managers & Certification Regime and our Play your Part Beliefs – respect for people, doing the right thing, and being accountable. This also provides us with a solid foundation to our ongoing compliance with the Financial Conduct Authority's Consumer Duty regulations.

The principles of good conduct have been further embedded by amendments to our performance management process for all colleagues to enhance the focus on 'how' colleagues conduct themselves as well as 'what' they achieve. This 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

During the year, our work on diversity and inclusion continued to progress. Our Diversity & Inclusion Committee evolved to become the Diversity, Equity & Inclusion Committee so that the committee now also includes equity of opportunity as part of its remit. The committee aims to support senior leadership in ensuring alignment between the Group's operations and its diversity, equity and inclusion goals. More information on our diversity, equity and inclusion strategy can be found in the Sustainability Report.

Three new colleague Togetherness groups were also established within the year:

- Sunflowers – disability awareness group.
- Embrace – underrepresented ethnic groups.
- Parents & Carers.

In December 2022, we also signed up to the Race at Work Charter, which is championed by the Chief Compliance Officer.

Our regulators

The companies within our Personal Finance division undertake 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 people with the right skills and experience.

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, including the new Consumer Duty, the latest publication of the FCA Business Plan, firms' progress on embedding the FCA's Finalised Guidance on the Fair Treatment of Vulnerable Customers, supporting borrowers impacted by the rising cost of living, Borrowers in Financial Difficulty and Mortgage Prisoners.

In June 2023, the Government announced the Mortgage Charter, which seeks to provide additional protections for customers who may face financial difficulties. We are undertaking an impact assessment of each of the commitments within the Charter, in order to determine whether similar outcomes can be made available to our customers.

Customer redress

The Group continually focuses on improving its customer processes and responding to changes in customer needs. During the period, the regulated division 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.

A process has been 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, which has included continued engagement with the regulator following their thematic review in this area. This programme was successfully completed in the financial year.

Disclosures in respect of customer redress provisions can be found in Note 20 to the Financial Statements.

Our investors and shareholder

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

Our investor communications are designed to be clear, transparent and informative to give existing and potential investors the level of insight into our operations, strategy and financial performance that they need in order to make informed investment decisions. We achieve this via ongoing quarterly reporting to our bond investors, live investor conference calls with Q&A, periodic reporting to investors in our public and private securitisations, and regular attendance at investor conferences.

We hosted on-site and virtual visits for investors during the year which provided opportunities to meet management and we carry out regular due diligence activities with banking facility providers and maintain ongoing dialogue with our rating agencies, including on-site annual visits. We also attended a number of conferences throughout the year, including securitisation industry conferences in Europe and North America as well as high yield and leveraged finance conferences, both virtually and in person.

During the year, we successfully completed further issuances under the public securitisation programme. These activities involved close collaboration with banking partners and investors around the financing needs of the business.

We welcome feedback received from our banks, investors and from debt and equity analysts and we used the results of the 2023 Investor Survey to help us to further improve our communications.

Our shareholder

The Company is a wholly owned subsidiary of Bracken Midco2 Limited, a company whose ultimate parent entity is Redhill Famco Limited, which is wholly controlled by Henry Moser. Mr Moser sits on the Board and meets regularly with non-executive directors outside the Boardroom. This facilitates alignment between Board decisions and the interests of the shareholder.

Our private ownership structure provides a long-term stable form of capital, which supports making decisions to create long-term value. More information can be found in the Financial Review.

Our communities

We understand that our impact extends beyond our local community and the communities in which we operate. The Sustainability Report includes information on the charity work we undertake and how we support our local community and on our impact on the wider environment.

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 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 Group operates and therefore references have been provided where appropriate to other sections of the Annual Report where more information can be found.

Section 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 established the Transformation Steering Committee, which receives regular reporting from the Chief Transformation Officer on the progress of business and IT transformation projects. The Board provided challenge and oversight to ensure the effective governance of the projects. • The Board approved a three-year plan, which reset the business objectives following market disruption experienced during September 2022. The Board is updated at each meeting with progress against the objectives within the plan to ensure operating plans are aligned with long term goals. • The Board received periodic updates on the sustainability strategy during the year and requested to be kept up to date with developments to the strategy. • The Board had oversight of significant appointments within the Executive team to ensure the business had the right skills and knowledge in the long-term. During the year, the Chief Risk Officer was replaced and new appointments were made to the roles of Chief Compliance Officer, Chief Commercial Officer and Chief Transformation Officer to strengthen the skills within the Executive team.
b. the interests of the company's employees	• The Board receive real-time updates on colleague well-being via reporting from the people team on quarterly employee surveys, which allows the Board to provide support for colleague initiatives, for example on colleague well-being. • The Board continued its support for the improvement of DE&I within the workforce, including supporting the commitment of the business to achieve its targets to increase diversity within the senior management team. • The Board supported a review of the employee value proposition, which included payments to assist colleagues to manage the cost of living crisis, including the £2k fuel allowance payments for most colleagues.
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. The Board receives regular updates from management on customer activity and customer engagement strategies. During the year, the Board received updates on the progress towards introduction of the new Consumer Duty responsibilities from its regulated subsidiaries. • Investor feedback is considered on an ongoing basis and particularly when relevant to decisions relating to funding transactions. • The Board approves contracts in line with the Group's financial delegated authority framework. During the year, this included the consideration and approval of key software and service contracts. • The Board supported the establishment of a procurement function and the roll out of an enhanced supplier management framework and policy.

Section 172 requirement to have regard to:	How the Board has fulfilled its s.172 duties
d. the impact of the company's operations on the community and the environment	• The Sustainability Report 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. • The Board supported the introduction of the charitable donations framework, which was developed at the request of the shareholder. The Board approved donations in line with the Group's strategy – more detail can be found in the Sustainability Report. • The Board supports the Group's environmental targets, which include reducing carbon emissions from the Company's operations by 70% by 2027, and to be carbon net zero by 2030. The Board receives updates on the Group's progress against these targets through quarterly updates from the Head of Sustainability.
e. the desirability of the company maintaining a reputation for high standards of business conduct	• The Board has approved the 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. Where relevant, divisional boards and committees consider and adopt their own policies which are set within the overall parameters of the Group to ensure standards are consistently maintained across all business operations. The Board approved new policies during the year in relation to Commercial Finance Pricing and Group Financial Risk. • The Board provided oversight of a project to enhance the effectiveness of the Group's corporate governance framework. This included a number of actions identified to strengthen the governance of the Group's Executive Committee. More information on the activities of the Group Executive Committee can be found in the Corporate Governance report.
f. the need to act fairly between members of the company	• The Group's overarching governance arrangements are regularly reviewed to ensure they continue to meet the requirements of all the Group entities and their respective stakeholders.

Strategic Report approved by the Board of Directors and signed on behalf of the Board.

Gerald Grimes
Group CEO Designate

15 September 2023

An agile approach, enabling customers to seize opportunities

Vita Group is an award-winning property company, specialising in high-quality residential buildings and student living.

"We're an agile business that often moves very quickly, and we need a lending partner who are flexible enough to support us on that journey. Together understood and delivered that from the off."

Every deal we've done has been straightforward and effortless, and most importantly, in the timescales we need. They'll listen, trust our judgement and look at the bigger picture because of their expertise and ability to recognise a good business opportunity. What's really special about our partnership is that Together place their trust in us to make the right calls, and we can trust them to deliver the funding we need…

…Together have truly gone above and beyond when we've needed to act quickly on a deal that's too good to miss. They believe in us, let us seize opportunities, and do our best work.

I know Together are in our corner, so we can concentrate on the projects we know are right for our business.

Michael Slater
CFO, Vita Group

Corporate Governance

Board and committee structure

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

The Board provides strong leadership within a framework of prudent and effective controls. The Board is responsible for setting risk appetite and overseeing the delivery of the Group's objectives within that risk appetite.

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 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.

Board of Directors

The current Board members are as follows:

	Joined Together
Mike McTighe Non-executive director and Chair	November 2010
Wayne Bowser Non-executive director	December 2015
Joe Shaoul Non-executive director	April 1997
Henry Moser Group CEO	September 1974
Gerald Grimes Group CEO Designate	April 2020
Pete Ball Personal Finance CEO	August 2016
Marc Goldberg CEO – Sales and Distribution	April 1989
Gary Beckett Group MD and Chief Treasury Officer	May 1994

Mike McTighe

Non-executive director and Chair

Mike was appointed Chair in 2010. Mike brings significant experience to the Board having held a number of senior executive positions at globally recognised companies such as General Electric, Motorola and Philips.

For more than 20 years Mike has been a non-executive director, and in many cases chairman, of over 20 public and private companies around the world. Additionally, he was on the board of the UK Communications Sector Regulator, Ofcom, for eight years and was awarded the Grant Thornton UK Chairman of the Year award in 2010. Mike is currently the non-executive Chairman of IG Group Holdings plc and Openreach Ltd, the heavily regulated, structurally separate arm of BT Group plc to which he was appointed as inaugural Chairman in January 2017.

Mike is also the Chair of the Remuneration and Nomination Committees and member of the Audit and Risk Committees.

Wayne Bowser

Non-executive director and
Chair of Audit and Risk Committees

Wayne joined Together in 2015 as a non-executive director and Chair of the Audit and Risk Committees.

Wayne has over 20 years of executive management experience, including Deputy Head of commercial banking at HSBC, and has held non-executive directorships at various leading firms in sectors including house building, motor dealership and private equity investments.

Wayne is also a member of the Remuneration and Nomination Committees.

Joe Shaoul

Non-executive director

Joe has been a non-executive director on the Board since 1997. Besides bringing continuity to the Board's membership, he also brings significant experience having held a number of directorships and consultancy positions. These roles have included Chairman of Atlantic House Fund Management, acting as a consultant to CB Richards Ellis and for Svenska Handelsbanken, and as a partner at a large Manchester-based law firm for many years. Joe was also a non-executive director of Bridge Insurance Brokers Limited and UK Land & Property Limited.

Joe is a member of all the Group Board committees.

Henry Moser

Group Chief Executive Officer

Henry founded Together in 1974 and, with his extensive property and lending expertise, has overseen the significant growth and success of the Company for almost 50 years

Henry has taken the lead in the recruitment of an experienced executive team to support him with the operational management of the business.

His role involves particular emphasis on the strategic direction of the Group and oversight of commercial loan underwriting. As Together's founder, he has helped foster the people-first approach, which defines the ethos of the business.

Gerald Grimes

Group CEO Designate

Gerald joined Together in April 2020 as Group CEO Designate, and was appointed to the Board in May 2020.

Gerald has over 30 years of financial services experience having held senior executive and consultancy roles in a number of organisations including Barclays, GE Capital, The Funding Corporation, Hitachi Credit and most recently PCF Bank. In addition, he has served as a board director of the Financial Leasing Association (previously Chairman), as a member of the Bank of England Advisory Board, and held an advisory role with the FCA Small Business Practitioner Board.

Pete Ball

Personal Finance CEO

Pete joined Together in 2016 as the Chief Executive Officer of the Personal Finance division. Pete has over 25 years' experience working within the financial services sector, having previously served as CEO of Harrods Bank and as Commercial Director of Virgin Money.

As Chief Executive Officer of the Personal Finance division, Pete oversees the Group's regulated lending activity and is accountable for the application of the Senior Managers & Certification Regime (SM&CR) for the Group's regulated entities.

Marc Goldberg

CEO – Sales and Distribution

Marc has been with the Company for more than 30 years and was appointed to the Board in 2001.

As Chief Executive Officer of Sales and Distribution, Marc oversees the sales activity across the Group, helping Together meet its ambitions and building Together's brand across the lending market. He is renowned for his commercial acumen and his commitment to the industry.

Gary Beckett

Group Managing Director and Chief Treasury Officer

Gary joined Together in 1994 and was appointed to the Board in 2000; he was appointed Group Chief Financial Officer in 2001.

Gary, a chartered accountant, assumed the role of Managing Director and Chief Treasury Officer in 2018 to assist the Chief Executive Officer in helping to drive the strategy for the business and promote effective collaboration across the Group, whilst continuing to play a leading role in the Treasury function.

Gary has 30 years' experience managing finance and treasury functions and, prior to joining Together, he worked at a national accountancy practice.

Corporate Governance *continued*

Board and committee structure *continued*

The Board

The Board approves the Group's vision and purpose, and sets the cultural tone from the top. The Board is collectively responsible for the success of the Group 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 and committee agendas are the responsibility of the Company Secretary. Board agendas are developed with input from the CEO Designate and are structured around the Group's objectives, to enable the Board to discuss and challenge the Group's performance against its strategic aims. Agendas are agreed in advance and are reviewed by the relevant chair. The Group Chief Risk Officer is a standing attendee at Board meetings, to provide second 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 on any recommendations for the Board's approval, ensuring that the Board as a whole is updated on the matters on which it delegates authority.

The Group has two operational divisions, Personal Finance and Commercial Finance. The Commercial Finance division is comprised of companies which conduct unregulated lending. The Sales and Distribution CEO formally reports on the activities of the Commercial Finance division to the Group Board at each meeting. Oversight of the division's strategy, risk profile and financial position is provided by the Group Board.

The companies which comprise the Personal Finance division are authorised and regulated by the Financial Conduct Authority (FCA) and this division is responsible for all FCA regulated activities across the Group. The Personal Finance division is governed independently from the Group, and has a board committee structure, which provides oversight of regulatory compliance, including compliance with the SM&CR.

The Personal Finance board is comprised of three independent non-executive directors, one shareholder nominated non-executive director, and two executive directors, the Personal Finance (PF) CEO and PF Finance Director. The PF CEO and shareholder nominated director both sit on the Group Board and the PF CEO reports to the Board on the activities of the division at each meeting. The PF Chair also attends Group Board meetings where appropriate. More information on the independent governance of the PF division can be found in the Together Personal Finance Limited Annual Report and Accounts.

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:

- Approval of the three-year strategic plan and consideration of the infrastructure, resources and governance required to support the achievement of the plan.
- Oversight of the Group's culture, including consideration of colleague engagement, investment in colleague training and development and monitoring the culture and performance against the Group's strategic aims.
- Oversight of colleague well-being and health and safety performance.
- Oversight of the development of the Group's sustainability framework.
- Approval of charitable donations in line with the charitable donation framework.
- Capital management and allocation.
- Approval of the funding plan and entry into, amendment or extension of certain debt funding agreements.
- Approval of dividend payments.
- Ongoing review of the appropriateness of the organisational and governance structures to support the Group's activities and approval of the Corporate Rationalisation project.
- Changes in the legal and regulatory landscape.
- The programme of change activity and prioritisation of key strategic and regulatory projects including oversight of the Group's IT and Change programmes.
- Approval of the Group's risk appetite and risk management framework.
- Approval of the Group annual budgets and review of interim reforecasts.
- Review and approval of Group 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.
- Key contracts and expenditure outside the executive directors' delegated authority.
- Approval of the Group's tax policy and tax strategy.
- Approval of the Group Annual Report and Accounts.
- Consideration of the effectiveness of the governance of the Group and approval of the commencement of a governance effectiveness project to support the Board to have greater focus on the Group's strategic objectives and priorities.

Audit Committee

The Audit Committee operates under delegated authority from the Board on matters of financial reporting, financial controls, the Internal Audit function and the external auditor. The committee meets at least four times a year.

It is responsible for the oversight of the reporting of the Group's financial information, the effectiveness of its internal controls and risk management, the Group's Internal Audit function and the relationship with the external auditor.

The committee oversees the performance and appointment of the Group's external auditor. During the year the committee evaluated the performance of the external auditor, and recommended their reappointment for the financial year ended 30 June 2023. The committee also reviewed the external auditor's observations and control findings from their audit for the year ended 30 June 2022 and the audit plan for the year ended 30 June 2023.

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.

The committee monitors the implementation of actions via the Internal Audit report presented at each meeting of the committee. During the year, the committee undertook its annual review of the Group Whistleblowing policy to ensure that the process in place for colleagues to raise concerns about misconduct and unethical practices remained effective. The Chair of the Audit Committee continues in the role of Group Whistleblowing Champion.

During the year, the committee considered the impact of macroeconomic instability and the associated effect upon the Group's financial reporting. This has included specific consideration of the impact on the Group's judgements, assumptions and disclosures relating to expected credit losses, the Group's going concern assessment and the quality and detail of the associated disclosures. The committee continues to monitor new developments in accounting regulation through horizon scanning in order to understand and assess their impact on the Group.

Risk Committee

The Risk Committee operates under delegated authority from the Board on matters of risk management and internal controls. The committee meets at least four times a year.

The committee has responsibility for oversight and advice to the Board on current risk exposures and the future risk strategy of the Group. It 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 by providing challenge and independent oversight.

Reporting directly into the committee with its own delegated powers and responsibilities is the Executive Risk Committee, which is supported by other committees, such as the Asset and Liability Committee. The committee receives regular updates from both first and second line.

The committee continually monitors and reviews the reporting of the Group's top risks and updates to policies and risk appetites and considers the action plans against each of the top risks on an ongoing basis to ensure effective management and mitigation of the Group's risk profile.

The committee has continued to provide challenge to the executive team as to how they are identifying and managing our material risks across all of our level one risk types – strategic, credit, financial, operational, conduct and compliance risks. In particular, given the current macroeconomic environment, the committee has overseen how management are navigating this to provide the right outcomes for our customers whilst maintaining the integrity of the business model. Importantly, for our regulated business, this has included our compliance with the Consumer Duty regulations by the end of July 2023.

Corporate Governance *continued*

Board and committee structure *continued*

Remuneration and 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 setting the Pay and Reward Policy for the executive directors and senior management and for determining their individual remuneration. It is also responsible for approving remuneration budgets and all colleague incentive schemes.

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

During the year, the committee continued to monitor the approach to diversity and inclusion. More information on our diversity and inclusion strategy can be found in the Sustainability Report. The committee recognises the importance of having sound succession plans in place, and has oversight of activities in respect of succession planning for senior positions, business-critical roles and subject matter experts.

During the year, the committee supported the approach to pay and reward, to ensure it remained appropriate for the Group. More information on this can be found in the Corporate Governance Statement.

Disclosure Committee

The Disclosure Committee operates under delegated authority from the Board, to review and approve public disclosures concerning the Group and to consider matters brought to its attention which would be likely to give rise to an obligation to make a market announcement in accordance with applicable market abuse regulations.

Dividend Committee

The Dividend Committee operates under delegated authority from the Board. The committee approves the payment of interim dividends and recommends the payment of final dividends to the Board, taking into account the financial position of the company and the Group as well as other relevant matters.

Transformation Steering Committee

The Transformation Steering Committee is a combined committee of the Group and Together Personal Finance (TPF) Boards which includes representatives from both businesses, and is chaired by a non-executive director from the TPF Board. The committee was constituted during the year for the purpose of ensuring the successful delivery of the Together Group Transformation objectives and has full responsibility for the successful execution of the transformation programme. The committee meets regularly and provides update on progress to both Boards.

Executive Committee

The Executive Committee has oversight of business operations and meets formally once a month to monitor the operational performance of the business against Board approved strategic and operating plans. The discussions in the meetings are structured around dashboards that monitor KPIs, which drive agreed goals and objectives for our key stakeholder groups of colleagues, customers and partners, shareholder and investors, communities and regulators.

Relevant business functions provide updates to activities that support the achievement of these goals and objectives, as well as recommending corrective actions when performance is off course and more general updates on key activities of those business functions.

The committee has oversight of sustainability and diversity, equity and inclusion through regular reporting from the respective committees. More information on the activities of these committees can be found in our Sustainability Report on page 43.

During the year, the committee received regular updates regarding preparations for the introduction of the FCA's Consumer Duty regime.

This year, the committee welcomed three new members, the Group's new Chief Commercial Officer, Ryan Etchells, Chief Compliance Officer, Sarah Nield, and the newly appointed Chief Risk Officer, Julie Twynholm, who was appointed following the resignation of Steve Miller on 14 January 2023. Information on their responsibilities can be found elsewhere in the Annual Report.

Since the year-end, John Barker was appointed as the Chief Operating Officer and brings significant experience in financial services, in particular leading operations, IT and change. Andrea Dalton has also been appointed as the Chief Transformation Officer, bringing experience operational and transformation experience from a range of organisations.


It's a
big world
out there.
THE SUNDAY TIMES
100
BEST
COMPANIES
TO WORK FOR
together

Corporate governance statement

For the year ended 30 June 2023, Together Financial Services Limited (‘the Company’) 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 Board sets the overall governance framework for the Group. The framework is structured to enable the directors of all entities within the Group to have the necessary tools to make the key principal decisions crucial for creating long-term value, supporting our sustainability goals, and meeting our legal and regulatory requirements.

The Wates Principles

The North Star

Purpose and leadership

Characteristics of governance

Board composition

Director responsibilities

Specific matters

Opportunity and risk

Remuneration

Stakeholder relationships and engagement

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.

How the principle has been applied during the year

- The Board sets the Group’s objectives, taking into account key stakeholders, 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 Group’s strategy can be found in the Strategic Report.
- In December 2022, the Board approved a revised strategic plan and financial reforecast which was presented by the business in response to the significant market turbulence experienced during the year. The plan provided updates on progress against the Group’s strategic objectives and set out key activities and areas of focus for each core business function. Progress made on the Group’s strategic objectives is regularly discussed by the Group Executive Committee with updates provided to the Board at each meeting.

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.

How the principle has been applied during the year

- 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 experience within the specialist lending sector and benefits from three 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 to a conflict. Interests are logged by the Company Secretary and directors recuse themselves from discussions for which they are conflicted as appropriate.

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.

How the principle has been applied during the year

- The Company Secretary works with the chairs of the Board and committees to ensure that agendas are structured to facilitate appropriate discussion and challenge with sufficient time given to key areas of focus. 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. 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.
- The Matters Reserved for the Board and Committee terms of reference are regularly reviewed to ensure clear responsibilities and delegation of authority. Information on the activities of the Board and its committees during the year can be found in the Corporate Governance section.
- The Company Secretary provides an update on key governance activity to each Board meeting. The update includes a governance dashboard which gives a clear view of how the circulation of packs and minutes are tracked 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.

Corporate governance statement *continued*

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.

How the principle has been applied during the year

- The Risk Committee operates under delegated authority from the Board on matters of risk management and internal controls. This year, the newly appointed CRO completed a thorough review of risk reporting, which has led to a more streamlined pack, with enhanced information, to drive a better quality of discussion around the key risks facing the business. More information on the Committee's activities can be found in the Board and committee structure section.
- The Group Enterprise Risk Management Framework provides a formalised structure for the risk management of the Group. 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 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 by the divisional CEOs. More information on this work can be found in the Operating Review.
- The Board regularly receives comprehensive Treasury and financial risk updates to ensure that members remain informed on the funding and liquidity position of the Group. During the year the Board received training from the Treasury team to enhance its understanding of the funding transaction process.

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.

How the principle has been applied during the year

- The Board delegates authority to its Remuneration and Nomination Committee. More information on the activities of the committee can be found in the Board and Committee Structure section.
- During the year the Remuneration and Nomination Committee approved an increase to colleague base pay in recognition of the financial challenges facing colleagues. The committee also took into consideration the increased cost of living when making decisions regarding the approach to the annual salary review.

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.

How the principle has been applied during the year

- The Board receives regular reporting on progress made against the Group's sustainability targets. More information on the activities of the Sustainability Committee including the strategy can be found in the Sustainability Report.
- More information on stakeholder engagement including colleague engagement, can be found in the Stakeholder Engagement Report.

Directors' Report

The directors present their report for the year ended 30 June 2023. Certain information required to be included in a directors' report can be found in the other sections of the Annual Report, as referenced below and in each of the sections that follow. All of the information presented in these sections is incorporated by reference into this Directors' Report and is deemed to form part of this report.

The Group's principal activity continues to be the provision of mortgage finance secured on property and land within the United Kingdom. The directors do not expect any significant change to the activities of the Together Financial Services Limited group of companies, trading as Together ('the Group').

Results

The results for the year are set out in the consolidated statement of comprehensive income. The profit before tax for the year ended 30 June 2023 was £158.6m (2022: £151.5m). A full review of the financial performance of the Group is included within the Financial Review and commentary on the Group's future outlook is given in the Strategic Report.

Financial position

As shown in the consolidated statement of financial position, loans and advances to customers net of impairment provisions have increased by 22.1% to £6,410.2m (2022: £5,247.9m). At the same time, shareholders' funds have increased by 8.5% to £1,118.0m (2022: £1,030.0m), including shareholder loans and notes of £33.7m (2022: £31.4m). This includes dividends of £82.5m (2022: £48.8m) during the year. No further dividends are proposed.

Full reviews of the Group's financial position and funding and cash position are included within the Financial Review and the Operating Review.

> For details of events occurring after the reporting date, see Note 31 to the Financial Statements.

Employee engagement

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

> Further detail of the Group's engagement with its employees is provided in the Stakeholder Engagement Report.

Disabled employees

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

Environment

The Group recognises the importance of protecting the environment, and acts to reduce its impact, by recycling and reducing energy consumption. During the year the Group has devoted significant time and resources to further development of our ESG strategy, which is detailed further within the Sustainability Report.

Under the Companies (Directors' report) Regulations 2018, the Group is required to comply with the Streamlined Energy and Carbon Report (SECR) reporting framework to disclose energy use and associated greenhouse gas (GHG) emissions; this is set out in detail in the Sustainability Report.

During the year, the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 have also become mandatory for the Group as a large private company, with the relevant disclosures included in the TCFD Report within the Strategic 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 Group will continue in operation for a period of at least 12 months from the date of this report.

The directors have assessed, in the light of current and anticipated economic conditions, the Group's ability to continue as a going concern for a period up to 15 September 2024, which is 12 months from the date of signing this report. Further detail on this assessment is set out in Note 2 to the Financial Statements.

The directors are satisfied that the Company and the Group has adequate resources to continue in operation for the going concern assessment period. Accordingly, the directors have adopted the going-concern basis in preparing these accounts.

Directors

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

Mike McTighe*   Non-executive director and Chair
HN Moser   Group Chief Executive Officer
G Grimes   Group Chief Executive Officer Designate
PS Ball
GD Beckett
W Bowser*
MR Goldberg
JM Shaoul*

* Non-executives.

The Company Secretary throughout the year was SE Batt.

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.

Charitable donations

During the year the Company made donations of £974,916 (2022: £224,000) to charities. Further information on our total deployment in the community is included within the Sustainability Report.

Political donations

During the year neither the Group nor the Company made any political donations.

Auditors

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

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

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

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

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

Gerald Grimes

Group CEO Designate

15 September 2023

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Parent Company financial statements in accordance with UK adopted international accounting standards. 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 Group and the Company and of the profit of the Group and 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 UK adopted international accounting standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company and Group financial position and financial performance;
- State whether UK adopted international 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 appropriate to presume that the Company and the Group will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Company and the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and Group 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.

Risk Management

Overview of risk management within the Group

The Risk Management report explains the Group's approach to managing risk, the key themes identified in FY23, the principal risks the Group is currently exposed to and how these risks are currently being managed and mitigated.

Enterprise risk management framework

The Group is exposed to a variety of risks in pursuing its strategic objectives. To identify and manage these risks the Group utilises an enterprise risk management framework (ERMF).

The ERMF is designed and implemented in a way which is considered appropriate for the nature, scale and complexity of the Group and to be responsive to changes in the external environment. It provides the necessary organisational arrangements for managing risks in a consistent and structured manner and sets out how this is governed.

The ERMF is reviewed on an annual basis via attestations to ensure continued application and relevance, with formal approval by the Board on a triennial cycle.

Risk governance and oversight

The Group's Board is committed to creating the right culture for risk management, which is aligned to the achievement of the Group's strategy and is implemented through the ERMF.

The Board delegates certain responsibilities to sub-committees, with the Together Financial Services Limited (TFSL) Risk Committee being responsible for oversight of risk management for the Group. In addition, the Personal Finance division has a separate Risk Committee, which operates within the parameters set by the TPFL Board.

> Further details on the remit of the TFSL Risk Committee, and its actions during the year, can be found within the Corporate Governance section on page 75.

Three lines

The Group's system of internal controls and risk management activities uses a 'three lines' model, both at a Group and divisional level:

First line

The first line is operational management within the Group and at its highest level is the Group Executive Committee (Group ExCo). The Group ExCo members are responsible for the management and execution of business processes in alignment with the Group's strategy and business plan.

The role of the first line is to identify, own and manage risks within the areas they are responsible for. This includes executing risk and control self-assessments (RCSAs), embedding the ERMF and maintaining effective internal controls.

The first line are also involved in guiding the development of internal risk policies and procedures as well as implementing said policies and procedures. Finally, operational management provide assurance on the execution of business processes and the operation of the control framework.

Second line

The second line is comprised of the Group Risk Department along with the Group Legal team. The Group risk function is led by the Group Chief Risk Officer and the Group Chief Compliance Officer.

The role of the second line is to assess and oversee the risk profile of the business in accordance with the Board approved risk appetites across our level one risks: strategic, financial, credit, operational, conduct and compliance.

This includes providing specialist advice and oversight in areas such as Financial Crime, Operational Resilience and Information Security.

This is achieved through the design, implementation and operation of the ERMF. This provides the framework under which the following are designed and deployed: Group Risk Appetite Framework, Risk Policy Framework, Risk & Control Self Assessments (RCSA's) and incident management processes. The Risk function also provides assurance over key business risks, working collaboratively across all three lines to provide sufficient coverage.

The second line reports into the Group and divisional Executive and Board Risk Committees. This includes providing the consolidated Group Risk Reports for consideration.

Third line

The third line is comprised of the Group Internal Audit function, which is led by the Head of Internal Audit.

The role of Internal Audit is to provide assurance to the Group and divisions on the achievement of their objectives as well as reviewing risk management activity schedules and providing objective assurance. Internal Audit also conducts testing and verification over the effectiveness of the Group's governance and internal control frameworks.

The third line reports independently to the Group and Personal Finance Audit Committees.

The Group has a coordinated approach to assurance, which maps the key risks faced by the Group to the assurance activities in place across the three lines, to allow effective oversight and to increase focus on specific risks, as required.

Julie Twynholm, *Group Chief Risk Officer,* discusses the importance of risk to the fundamentals of our business

It's been a volatile last 12 months in the mortgage sector. What are your key thoughts?

The past 12 months have been characterised by significant volatility in the mortgage sector, which has highlighted the importance of being prepared for swift changes in interest rates and the ability to respond promptly and effectively. We have continued to put customers at the heart of our strategy to deliver good customer outcomes in a challenging environment.

By embracing a proactive approach to risk management, we are ensuring that our business remains resilient and capable of responding to shifting market dynamics. We have implemented robust strategies to mitigate potential risks associated with volatile interest rates, enabling us to protect the interests of our stakeholders and customers while continuing to pursue growth opportunities.

Through these measures, we are able to adapt to changing market conditions, and provide uninterrupted support to our valued customers. Our ongoing commitment to managing risk effectively strengthens our position in the mortgage sector and reinforces our ability to deliver long-term value to our shareholders.

How has the business responded to the recent rapid interest rate rises?

The speed and volume of recent rate rises has been a drastic change from the previous 15 years of a low and stable rate environment. Throughout the past 12 months, we have demonstrated our agility by responding decisively to the changing rate environment, actively controlling our net loan book growth and raising nominal rates across our products, as well as maintaining prudent LTVs on new lending as we focused on margin protection and recovery. We have the breadth of products and mechanisms to move swiftly to improve margins, or to drive growth. For example, in September 2022, we took the decision to withdraw all of our fixed rate products from the market for a number of weeks as we assessed the rapidly changing interest rate environment, before making a phased return at higher rates in late October. During this period, we managed our reputational risk by continuing to honour our mortgage pipeline.

Along with rate rises, there has been a lot of news coverage about the cost of living crisis. How is Together managing this risk?

A key focus for us over the last 18 months has been to carefully monitor and respond to changing economic conditions, linked to external factors such as the war in Ukraine, inflationary pressures and ensuing cost of living crisis.

Doing the right thing for our customers is a key focus for the business and we began utilising new sources of data to support operational strategies for identifying and contacting customers who may be approaching financial difficulty. Proactive management, including of our larger portfolio customers, combined with a variety of appropriate strategies, such as our forbearance toolkit, are at our disposal to provide support. We have been monitoring the impact of rising rates across our portfolios and, to date, payment performance remains robust as illustrated by the arrears profile of the book, whilst also amending our underwriting criteria to factor in increasing inflation in our affordability assessments.

For our people, we focused considerable effort into enhancing our employee value proposition, including providing additional fuel allowance payments of £2k to the majority of colleagues to help over the winter period, which has now been committed to roll into the base salary in the coming year. In addition to this we have enhanced our maternity, paternity and adoption leave pay.

How has the Group's approach to technology developed over the year?

We recognise the crucial role of technology advancement in our sector, and the need to keep pace with these developments, to ensure we have effective controls, remain resilient, are compliant and to scale with our planned growth. We have implemented an agile approach to our change management, enabling us to enhance our business swiftly and effectively to meet our evolving needs throughout the last year.

Since adopting the agile methodology at the beginning of 2022, we have successfully embedded this approach throughout our organisation, reaping the benefits of its flexibility and speed. Our agile approach empowers us to make the right decisions promptly and ensures timely delivery, allowing us to derive value from our initiatives at the earliest possible stage.

Whilst we are embracing technology and automation to enhance our control environment, maintain resilience, maintain compliance and build scalability, we are committed to continuing to deliver bespoke customer services for unique situations through our customer-facing colleagues, maintaining the people-focused culture of our business.

Risk Management *continued*

Enterprise risk management framework

Risk universe

In pursuing its strategic objectives, the Group is exposed to a variety of risks. The risk categories in the Group's risk universe are defined at level one and level two, each with a risk appetite and definition.

During the year, the Group has identified climate risk as an over-arching risk that impacts all level one and level two risks. This reflects the impact, and potential impact, of climate change across numerous aspects of the business.

Risk culture

Management recognise the importance of risk culture in embedding the ERMF and, therefore, ensuring more intelligent risk-based decisions are made. The Group's risk culture is built on the following elements:

Effective communication

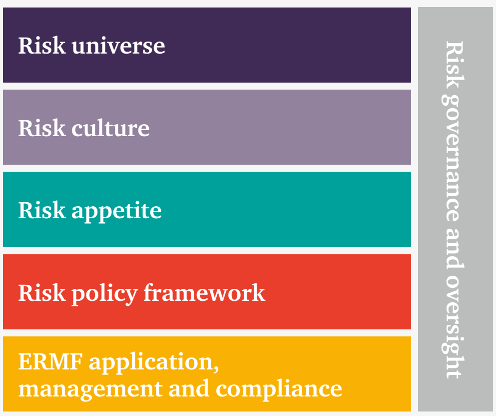
- Having a clear and consistent risk message articulated in the Group's values.
- Holistic reporting of risk management activities, progress and effectiveness.

Accountability

- Active management of risks and usage of timely management information to facilitate effective risk decisions.
- Establishing expected colleague behaviour through the conduct risk framework, reinforced through risk management training programmes for all colleagues.

Incentives

- Having a clear and consistent set of beliefs which are utilised as part of annual colleague performance management.



Risk appetite

The Group's risk appetite is the amount of risk that the Group is willing to accept in pursuit of its strategic objectives. The management and review of the Group's risk appetite is a dynamic process and is constantly updated to reflect changes in the environment in which the Group operates.

Risk appetite is set at a Group level and by risk category (Strategic, Financial, Credit, Operational, Conduct and Compliance). The Board sets the overall risk appetite for the Group and the Commercial Finance division. In the Personal Finance division, the divisional board has the flexibility to set their own risk appetite – within the risk appetite defined by the TFSL Board – which may be informed by regulatory requirements.

Risk policy framework

The risk policy framework sets out the policy requirements for monitoring and managing the Group's principal risks. Executive members are accountable for the policies assigned to them, with each policy setting out the approach to managing each risk, whilst communicating the monitoring and reporting requirements.

ERMF application, management and compliance

Each area of the business is responsible for embedding and applying the ERMF, which includes identifying, assessing and reporting on risks, assessing the effectiveness of the control environment and tracking actions against risks.

In order for the ERMF to be effective, it is underpinned by:

- A Board and senior management led culture;
- Appropriate organisational structures and processes, such as committees and management meetings, which have a clear role in risk management; and
- Clear communication and relevant training to all colleagues on management of risks, which is tailored to their responsibilities and performance management processes that reward the right behaviour.

Top and emerging risks

The Group's top and emerging risks are considered by the Group Risk Committee and are subject to close monitoring and management. Top risks are those risks that have the potential to impact the delivery of the Group's strategy whereas emerging risks are those that have unknown components that are likely to crystallise over a longer period.

1 Macroeconomic and political uncertainty

There have been a number of macroeconomic and political challenges in the UK throughout the year as detailed within the economic environment section on page 19.

The resulting squeeze on the financial position of individuals and businesses in the economy has the potential to impact on the ability of some customers to afford their mortgage repayments.

Increases in the Bank of England's Bank Rate also leads to increasing borrowing costs for the Group, which can result in compression of our net interest margin as a result of the lag in being able to pass these rates onto customers.

What we did in FY23

In response to macroeconomic factors during the year, the Group:

- Closely monitored financial resources and concluded frequent refreshes of financial projections, stress testing and monitoring of key risk indicators under a range of scenarios. This scenario planning and stress testing has informed management decisions on resourcing and processes, and the prioritisation of change activities;
- Implemented and embedded the tools, resources and processes needed to proactively manage and assist arrears cases;
- Continuous assessments of our competitive position to make informed decisions around our product and pricing;
- Implemented a more active hedging strategy to improve management of interest rate risk within the Group;
- Reviews of our administrative cost base and identification of efficiencies where appropriate; and
- Made significant operational improvements to pass on cost of fund changes to customers in an efficient and controlled manner.

Direction and focus for FY24

The macroeconomic outlook remains pessimistic at the year end, with continued high inflation and forecast house price falls. The Group continues to perform stress testing and run scenario analysis to ensure that the Group is well-positioned and able to take the appropriate management actions to mitigate downside macroeconomic risk. The Group also manages its macroeconomic risks through its business model of lending at conservative LTVs.

Furthermore, economic forecasts currently anticipate continued cost of living pressures over the next few years, with low and stagnant growth in the UK economy. The Group continues to support those of our customers facing challenges whilst closely monitoring arrears levels.

Risk Management *continued*

Top and emerging risks *continued*

2

Operational process risk

As part of our ambitious growth plan, we recognise that we need to enhance our operational capability and continue to deliver appropriate customer service for our customers. The Group is committed to enhancing data management and control frameworks in order to support the ongoing enhancements to our operational processes.

What we did in FY23

In response to its operational process risk, the Group:

- Re-engineered key operational processes to embed improved in-process controls;
- Improved risk and control self-assessment engagement in operational areas to ensure key risks are appropriately recognised, assessed and effectively mitigated;
- Enhanced and developed our data strategy and roadmap; and
- Obtained assurance over critical business processes across multiple operational departments.

Direction and focus for FY24

The Group will continue to prioritise operational process enhancement, including automating key processes where possible whilst still maintaining flexibility to ensure our customers remain at the heart of what we do. The Group will give particular focus to key areas such as data management, control frameworks and operational capacity and capability in order to support our ongoing process enhancements.

3

Change

Change is key to ensuring that the business is competitive, provides good customer outcomes and is efficient and effective in its daily activities. The size and scale of changes needed to leverage new technology and maintain current systems and services is a key challenge for all financial services firms. The Group remains committed to investing, managing and overseeing an effective change management function, as demonstrated by the continued embedding and enhancement of agile methodologies during the year.

What we did in FY23

In response to its change risk, the Group:

- Continued to enhance the in-flight governance around the agile processes to deliver timely identification of delivery risks;
- Enhanced the processes for prioritisation and commitment to change activities to ensure that those changes needed to address high risks or that offered high reward are delivered;
- Introduced new tools and systems to support the Agile teams in delivering the required changes efficiently and effectively; and
- Obtained increased resource to assist in delivering the desired and necessary changes within the required timescales and delivering the full level of value.

Direction and focus for FY24

The Group continues to support change through investment in people, processes and systems to enable the timely delivery of changes that deliver the expected level of value. We will continue to enhance the governance processes to ensure that any deviations are identified and addressed early to protect the value they will deliver.

4

Cybersecurity

Due to the geopolitical environment and the ever-evolving nature and complexity of cyber threats, there is a heightened cyber risk. To manage this risk, there have been a number of elements that have been considered:

- Strengthened our external and internal perimeter defences;
- Continued to enhance our response capabilities to ensure that any realised threats are identified and resolved efficiently and effectively; and
- Continued to evolve the tools and process used to counter cyber threats, including educating our key stakeholders on how they play their part in protecting the business.

What we did in FY23

In response to the cybersecurity risk faced in the year, the Group:

- Continued to make progress against the Group's cyber roadmap;
- Built on existing infrastructure, improving security and defences; and
- Closely monitored related metrics and carried out extensive testing to understand weaknesses in environment.

Direction and focus for FY24

The Group will continue to invest in its cybersecurity capabilities and will focus on enhancing the level of maturity of its related controls and defences in line with changes in the landscape, utilising third-party experts.

5

Regulatory and conduct changes

The Group closely monitors changes in regulation as they have the potential to impact the way we do business. Remaining cognisant of regulatory and conduct changes is also in line with our commitment to deliver good customer outcomes. Failure to comply with changes in regulation could result in fines, reputational damage and the potential revocation of regulatory permissions.

What we did in FY23

In response to the continued focus on regulation and conduct in FY23, the Group:

- Developed and implemented a roadmap for the FCA's new Consumer Duty;
- Continued to make good progress against existing customer remediation projects; and
- Monitored and acted on guidance relating to supporting customers in a rising cost of living environment.

Direction and focus for FY24

The Group will focus on continuing to provide, and demonstrate, good outcomes within all of its interactions with customers and potential customers, ensuring this through the design and execution of all processes that have the potential to lead to poor customer outcomes.

It is expected that there will be an increase in customer vulnerabilities given the current macroeconomic environment. The Group will continue to support its customers and be proactive in implementing any changes to FCA rules or guidance.

The Group's compliance function will also continue to monitor proposed changes to the FCA regulatory landscape, to assess the potential impact of any changes, and to allow for procedures and processes to be adapted accordingly.

Risk Management *continued*

Top and emerging risks *continued*

6 Climate

Climate risk continues to receive significant public interest as well as increasing regulatory scrutiny. Climate risk primarily arises in two channels: physical risks and its impact on the valuation of assets and liabilities, and transitional risk from the movement towards a low-carbon economy. There is also the potential for reputational risk arising from a failure to meet stakeholder demands in relation to climate management and monitoring.

What we did in FY23

In response to climate change risk during FY23, the Group:

- Developed and embedded a climate-related risk framework;
- Partnered with a third party to baseline our Scope 3 emissions and begin roadmapping our path to net zero; and
- Formalised our climate-related governance and began regular reporting and monitoring of climate-related risks and opportunities to the Board.

Direction and focus for FY24

The Group will focus on furthering our understanding of the impact of climate-related risks on both financial performance and planning. This will involve building on our current qualitative scenario analysis and developing our quantitative analysis.

The Group will also look to build on our net zero pathway plan and to further understand the impact of our operations on climate through the Scope 3 baseline.

> Further details on the Group's actions during FY23, along with the focus areas for FY24, can be found in our TCFD report on page 50.

7 People

The market for talent and experience remains highly competitive, with continued challenges posed by high rates of inflation within the UK economy. The Group remains committed to providing an engaging working environment for employees, as demonstrated by our achievement of Silver accreditation for Investors in People during the year.

What we did in FY23

In response to its people risk, the Group:

- Continued to make improvements to the colleague value proposition;
- Regularly conducted employee engagement surveys to understand areas of focus for colleagues;
- Continued to develop and refine succession planning, retention strategies and career progression plans with a view to reducing key person dependency risk;
- Closely monitored key operational metrics to understand areas of focus for resource; and
- Built on our existing DE&I strategy, with the Group's DE&I networks organising events throughout the year.

Direction and focus for FY24

The Group continues to support our colleagues, recognising their significant contribution and providing opportunities for personal development. We will continue to attract talent through our competitive employee offering and our commitments to diversity.

Principal risks and uncertainties

The principal risks the Group faces are those that it is inherently exposed to and those which management believe could significantly impact the achievement of the Group's purpose and vision.

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

1

Strategic risk

Definition

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

Management and mitigation

- Regular Board oversight of the Group's strategy, including monitoring of financial and non-financial performance indicators and ensuring the alignment of objectives.
- Developing succession planning, and continuing to focus on our colleagues.
- Delivering the Group's modernisation and transformation agenda, to improve the customer journey and increase the operational efficiency of the business.
- Responding appropriately to the changing external environment, utilising scenario and budget setting to inform decision making.

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, which aligns with the Group's objectives, and the longer term 3 year plan.
- Perform regular forecasting to ensure we are able to respond to a changing environment whilst still achieving our strategic objectives.

Direction of travel in FY23

Increased

During the year, the Group's strategic risk increased as a result of the macroeconomic environment. In the first half of FY23, market instability was fuelled by the announcement of the government's economic strategy. Moving into the second half of FY23, the outlook continues to remain more pessimistic than last year, driven by below forecast falls in inflation with both wage growth and core inflation proving more stubborn than expected. This has led to expectations that the Bank of England will have to raise rates further and keep them higher for longer than previously assumed.

Market volatility has, at times, made product pricing more difficult for the Group, with fixed-rate lending temporarily paused in September following the mini-budget. Throughout the year, the Group has responded to external pressures that have threatened to impact its performance.

> Further details on the Group's strategy can be found on page 2.

Risk Management *continued*

Principal Risks and Uncertainties *continued*

2

Credit risk

Definition

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

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

Credit risk also arises if the value of assets used as security for loans falls in value, given this is the primary source of recourse should a borrower fail to repay amounts due.

Management and mitigation

- The Group's comprehensive underwriting procedures, which, as appropriate, have regard to creditworthiness, affordability levels, repayment strategies and LTV ratios.
- Customer affordability models are utilised by the Group, and are tailored to the customer and loan type. We continued to update affordability models throughout the year in response to external pressures such as inflation and rising Bank Rate.
- 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.
- Measuring and monitoring credit quality for impairment purposes using expected credit loss models. Our detailed disclosures in respect of expected credit loss modelling are included within Notes 2, 3 and 13 to the Financial Statements.

Direction of travel in FY23

Increased ↑

The rising interest rate environment and increasing cost of living pressures have continued to impact our customers throughout the year. These factors have been taken into consideration when forecasting and adjusting affordability models during FY23. The Group has also closely monitored arrears levels and customer credit data to ensure that we are supporting those customers who need it the most. Macroeconomic forecasts are modelled in our expected credit loss provisioning, which takes into account expectations around variables such as Bank Rate and house prices.

Maximum exposure to credit risk

The Group's maximum exposure to credit risk and allowance for impairment is as follows:

Audited	Note	2023 £m	2022 £m
Included within the statement of financial position:			
Gross customer balances		6,540.3	5,357.1
Accounting adjustments		(20.3)	(23.5)
Gross loans and advances to customers	13	6,520.0	5,333.6
Less: allowance for impairment	13	(109.8)	(85.7)
Loans and advances to customers	13	6,410.2	5,247.9
Cash and cash equivalents	11	322.8	264.5
Derivatives held for risk management	12	62.2	11.2
Amounts owed by related parties	14	1.3	1.3
Other assets	14	3.1	1.0
		6,799.6	5,525.9
Not included within the statement of financial position:			
Commitments to lend (net of ECL)	29	155.9	219.1
Maximum exposure to credit risk		6,955.5	5,745.0

2

Credit risk *continued*

Cash and cash equivalents are primarily surplus cash placed overnight with institutions with sufficiently high credit ratings. The Group's material credit risk therefore relates to loans and advances to customers. The maximum exposure to credit risk increased to £6,955.5m during FY23, largely as a result of growth in the loan book, growth in cash balances and growth in derivatives balances.

An impairment allowance is held against the gross exposures on loans and advances to customers, measured on an expected credit loss (ECL) basis under IFRS 9. Further details on the Group's ECL methodology, and the movement in impairment losses through the year, is shown in Note 13 to the Financial Statements.

The analysis that follows in this section is presented based upon gross customer balances. The table above shows that this differs from the total loan book balance recognised in the statement of financial position as a result of various accounting adjustments required under IFRS, such as accounting using the effective interest rate methodology. The Group's accounting policies are set out in Note 2 to the Financial Statements.

Collateral held

The Group enters into agreements with customers taking security for loan receivables over immovable property.

A key measure the Group uses in assessing credit risk is the ratio of the loan amount to the value of the underlying security (LTV). Valuations obtained on origination are updated by indexing using established regional house price indices to estimate the current security value and, in some cases, they are updated to reflect a more recent valuation of the security where this has been obtained. The table below shows gross loan balances by indexed LTV banding.

	2023 £m	2023 % of gross balances	2022 £m	2022 % of gross balances
60% or less	**3,651.8**	**55.9**	3,630.3	67.8
61 – 85%	**2,736.0**	**41.8**	1,625.3	30.3
86 – 100%	**81.6**	**1.2**	63.5	1.2
Greater than 100%	**70.9**	**1.1**	38.0	0.7
Gross loan balances	**6,540.3**	**100.0**	5,357.1	100.0

Of the gross loan balances at 30 June 2023, 97.7% (30 June 2022: 98.1 %) of loans had an indexed LTV of less than or equal to 85%.

The weighted average LTV of new lending has remained static during the year.

	2023 %	2022 %
Buy-to-let	**65.0**	64.5
Development	**46.7**	43.6
Bridging	**63.1**	60.8
Commercial term	**56.7**	58.4
Retail	**54.2**	56.7
Average weighted LTV of new lending	**61.0**	61.0

Principal Risks and Uncertainties *continued*

2

Credit risk *continued*

Concentration of credit risk

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

	2023 %	2022 %
East Anglia	4.0	4.3
East Midlands	4.5	4.0
Ireland	0.1	0.1
London	14.5	15.3
North East	1.6	1.6
North West	18.8	17.3
Scotland	5.4	5.2
South East	23.4	24.9
South West	6.1	6.3
Wales	3.9	3.7
West Midlands	9.5	9.8
Yorks & Humber	8.2	7.5
Gross loan balances	**100.0**	100.0

The Group credit risk appetite framework includes specific concentration metrics and the loan portfolio is regularly monitored against this.

The Group's lending portfolio falls into the following concentrations by loan size.

	2023 %	2022 %
Up to £50,000	5.3	6.8
£50,000 – £100,000	12.4	13.8
£100,000 – £250,000	24.5	24.6
£250,000 – £500,000	18.0	16.6
£500,000 – £1,000,000	11.7	11.2
£1,000,000 – £2,500,000	12.2	12.1
More than £2,500,000	15.9	14.9
Gross loan balances	**100.0**	100.0

The proportion of the Group's gross loan balances in excess of £2.5m has shown an increase compared to the prior year. Of these loans, 93.6% (30 June 2022: 93.7%) have an LTV of under 85% at 30 June 2023.

Forbearance

Forbearance occurs when a concession is made on the contractual terms of a loan or mortgage in response to a borrower's financial difficulties. Forbearance measures are to support the customer and are based on the individual's unique circumstances. In the Personal Finance division, this is offered in accordance with regulatory guidance.

For those customers requiring additional assistance, the Group works with a number of not-for-profit agencies, with relevant colleagues receiving training during the year on our forbearance measures and how to support customers with these.

A range of forbearance options are available, including:

- Informal payment plan setting;
- Reduced payment plans;
- Interest rate amendments/deferrals/freezes;
- Term extensions;
- Variation of contracts;
- Capitalisation of payment shortfalls;
- Assisted sales; and
- Balance adjustments and reduction in redemption figures.

Loans are reported as forborne until they meet the exit criteria which includes:

- Performing for two years since the last forbearance event;
- Making regular payments; and
- The loan being less than 30 days past due.

3

Liquidity risk

Definition

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

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

Direction of travel in FY23

Liquidity: unchanged

The Group's liquidity position remains strong, evidenced by the level of cash and its total accessible liquidity (TAL).

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

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

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

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

4

Funding risk

Definition

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

Management and mitigation

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

Direction of travel in FY23

Funding: increased

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

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

Risk Management *continued*

Principal Risks and Uncertainties *continued*

4

Funding risk *continued*

The following is an analysis of the gross undiscounted contractual cash flows payable on our financial liabilities, including expected future interest payments, based upon forecast market rates for floating rate instruments.

Audited 30 June 2023	Carrying value £m	Repayable on demand and up to 1 year £m	1 – 2 years £m	3 – 5 years £m	More than 5 years £m	Total £m
Revolving credit facility	70.0	70.2	–	–	–	70.2
Loan notes	4,511.3	777.0	533.5	3,550.5	–	4,861.0
Senior secured notes	1,055.2	53.3	53.3	1,135.0	–	1,241.6
Obligations under finance leases	29.1	1.1	1.1	2.4	24.5	29.1
Subordinated shareholder loans	33.7	–	–	–	68.0	68.0
	5,699.3	901.6	587.9	4,687.9	92.5	6,269.9
Debt issue costs	(19.0)	–	–	–	–	–
Borrowings	5,680.3	901.6	587.9	4,687.9	92.5	6,269.9
Trade creditors	3.2	3.2	–	–	–	3.2
Other creditors	1.2	1.2	–	–	–	1.2
Commitments to lend	–	156.0	–	–	–	156.0
	5,684.7	1,062.0	587.9	4,687.9	92.5	6,430.3

Audited 30 June 2022	Carrying value £m	Repayable on demand and up to 1 year £m	1 – 2 years £m	3 – 5 years £m	More than 5 years £m	Total £m
Revolving credit facility	–	–	–	–	–	–
Loan notes	3,391.9	490.1	587.9	2,777.4	–	3,855.4
Senior secured notes	1,055.4	50.4	53.3	1,188.3	–	1,292.0
Obligations under finance leases	29.6	1.0	1.0	2.2	25.4	29.6
Subordinated shareholder loans	31.4	–	–	–	68.0	68.0
	4,508.3	541.5	642.2	3,967.9	93.4	5,245.0
Debt issue costs	(25.5)	–	–	–	–	–
Borrowings	4,482.8	541.5	642.2	3,967.9	93.4	5,245.0
Trade creditors	3.3	3.3	–	–	–	3.3
Other creditors	0.5	0.5	–	–	–	0.5
Commitments to lend	–	219.4	–	–	–	219.4
	4,486.6	764.7	642.2	3,967.9	93.4	5,468.2

The weighted average maturity of the Group's borrowings is 2.9 years at 30 June 2023 (30 June 2022: 3.9 years) and the Group has a strong track record of successful refinancing and raising new facilities, as seen through the additional facilities raised post year end as discussed in the Operating Review on page 26.

The depth of maturity in the Group's existing debt facilities provides significant mitigation in respect of refinancing risk at the reporting date. The earliest maturity of wholesale funding is the Highfield Asset Backed Securitisation (the drawn amount at 30 June 2023 of £388.0m representing 8.6% of the Group's available borrowing facilities), which is not due until September 2025. Following the redemption of the notes issued by Together ABS 3 in September 2023, the earliest call date on any of the Group's public securitisations is Together ABS 4 in June 2024. Further detail is set out in Note 19 to the Financial Statements.

5

Interest rate risk

Definition

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

Management and mitigation

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

Direction of travel in FY23

Increased

The Group has continued to carefully manage its assets and liabilities following the rate rises over the year.

However, the Bank of England has increased the Bank Rate to its highest level in almost 15 years and persistently high inflation has led to market expectations of further increases, reflected in higher swap rates. Base rate rises have led to an increase in the cost of the Group's variable rate of borrowings.

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

The Group will continue to monitor its options including its hedging strategy in order to further mitigate its exposure to interest rate risk.

The table below sets out the impact on profit before tax of an immediate decrease and increase of 0.5% and 1.0% in interest rates, based on the interest rates prevalent at the year-end dates and before any mitigation or management actions. The sensitivity presumes that there is no lag in the pass-on of rate changes to customers and it is calculated on a contractual basis.

	2023 £m	2022 £m
1.0% decrease	**(20.2)**	(18.1)
0.5% decrease	**(10.1)**	(9.1)
0.5% increase	**10.1**	9.1
1.0% increase	**20.2**	18.1

The above interest rate risk sensitivity represents the movement taking into account the Group's contractual assets, liabilities and derivatives and their maturity and repricing arrangements. The sensitivity remains linear beyond those percentages shown above.

Note 12 to the Financial Statements details the Group's use of derivatives to mitigate interest rate risk.

Principal Risks and Uncertainties *continued*

6

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.

Regulatory capital requirements must also be met at all times within certain of the Group's subsidiaries.

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 consistently managing these to ensure the Group has sufficient capital to support the facilities and to mitigate refinancing risk.

Direction of travel in FY23

Unchanged

The Group continued to closely monitor its gearing levels to ensure that there is sufficient capital resources to achieve its lending plans and to maintain compliance with Senior Secured Note covenants. The Group has no regulatory capital requirements beyond those of its regulated subsidiaries.

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 £88.0m over the year (2022: £93.0m increase), which is net of dividends paid in the year of £82.5m. The net debt gearing ratio[1] has increased to 82.9% at 30 June 2023 (30 June 2022: 79.7%) as a result of a rise in debt to fund loan portfolio growth.

1. Refer to the Alternative Performance Measures Appendix to the Financial Statements for definitions and calculations.

7

Operational risk

Definition

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

Operational risk includes business process, people, information security, technology infrastructure and third party risks.

Management and mitigation

- Regularly reporting the top identified risks and the development of focused action plans to mitigate them.
- Conducting root cause analysis to understand any incidents which do occur and implement appropriate responses.
- Frameworks to recruit, train and retain sufficient skilled personnel. This includes succession planning and identification and mitigation of reliance on key individuals.
- Utilising a Risk and Control Self-Assessment (RCSA) approach to identify, manage and monitor key operational risks, and the development of action plans to address these risks.
- Specialist risk advice, and independent assurance, over the delivery of change projects by the Group Risk department.

Direction of travel in FY23

Increased

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

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

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

8

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 impacts 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.
- Performance of gap analysis against industry body and regulator guidance and good practice to identify continual improvements to business processes. During FY23, this has particularly focused on providing support to customers impacted by the rising cost of living.
- 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 in FY23

Unchanged

The Group put good customer outcomes at the centre of its decision-making process and continued to make good progress against our remediation projects.

We remained cognisant of our customers' circumstances and the potential for a rise in vulnerabilities.

Where the Group identifies 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.

For more information, see Note 20 of the Financial Statements.

Risk Management *continued*

Principal Risks and Uncertainties *continued*

9

Compliance risk

Definition

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

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

Management and mitigation

- Quality assurance reviews in operational areas with oversight provided by experienced risk and compliance departments.
- 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.
- Horizon scanning and impact assessments of potential regulatory and legal change. The compliance function monitors all regulatory developments, including the matters identified in the Group's operating plan, to allow for new guidance to be considered, and changes implemented where appropriate.

Direction of travel in FY23

Increased ↑

The level of regulatory scrutiny remains high as a result of the challenging macroeconomic environment and the implementation of the Financial Conduct Authority's new Consumer Duty.

The Group's Consumer Duty plan was approved by the PF Board and external expertise was utilised in implementing the plan. The Group has developed its Consumer Duty plan throughout the year and following year end, it has been implemented in line with the deadline for compliance.

The Group continues to work to manage its compliance risk. During the year, a new financial crime system was implemented and progress was made on enhancing our in-process controls.

The Group is committed to delivering good customer outcomes, and has continued to progress with remediation programmes where customers have been adversely affected primarily as a result of legacy issues.

> For more information, see Note 20 of the Financial Statements.

Independent auditor's report to the members of Together Financial Services Limited

Opinion

We have audited the financial statements of Together Financial Services Limited (the 'Company' or the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cashflows, and the related notes 1 to 31, including a summary of significant accounting policies and information in the Risk Management section of the annual report, marked as "audited". The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and as regards the Parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the Group's and of the Parent Company's affairs as at 30 June 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements 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 Group 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 Group and Parent Company's ability to continue as a going concern for the period ending 15 September 2024, which is 12 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 Group'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.

Independent auditor's report *continued*

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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 80, 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are UK adopted International Accounting Standards, 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, 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. 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 the Company's 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.

Ernst & Young LLP

Stephen Littler
(Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

15 September 2023

Financial statements

Consolidated statement of comprehensive income

Year ended 30 June 2023

All amounts are stated in £m

Income statement	Note	2023	2022
Interest receivable and similar income	4	572.9	393.4
Interest payable and similar charges	5	(271.8)	(138.6)
Net interest income		301.1	254.8
Fee and commission income		5.7	5.2
Fee and commission expense		(3.3)	(3.0)
Net fair-value losses on derivatives	12	(2.1)	(0.3)
Other income		0.6	0.6
Operating income		302.0	257.3
Administrative expenses	6	(101.0)	(101.5)
Operating profit		201.0	155.8
Impairment losses	13	(42.4)	(4.3)
Profit before taxation		158.6	151.5
Taxation	10	(28.7)	(26.5)
Profit after taxation		129.9	125.0

Other comprehensive income and expense	Note	2023	2022
Items that may be reclassified to the income statement			
Movement in the cash flow-hedging reserve:			
Effective portion of changes in fair value of derivatives	12	45.9	11.3
Amounts reclassified to income statement		(7.5)	0.8
		38.4	12.1
Movement in the cost-of-hedging reserve:			
Effective portion of changes in fair value of derivatives	12	(0.1)	–
Amounts reclassified to income statement		–	0.5
		(0.1)	0.5
Other comprehensive income for the year, net of tax		38.3	12.6
Total comprehensive income for the year		168.2	137.6

The results for the current and preceding years relate entirely to continuing operations.

Consolidated statement of financial position

As at 30 June 2023

All amounts are stated in £m

	Note	2023	2022
Assets			
Cash and cash equivalents	11	**322.8**	264.5
Derivative assets held for risk management	12	**62.3**	11.2
Loans and advances to customers	13	**6,410.2**	5,247.9
Other assets	14	**10.7**	7.5
Property, plant and equipment	16	**32.2**	33.3
Intangible assets	17	**11.2**	7.1
Deferred tax asset	18	**7.7**	8.8
Total assets		**6,857.1**	5,580.3
Liabilities			
Derivative liabilities held for risk management	12	**0.1**	–
Current tax liabilities		**3.4**	1.7
Borrowings	19	**5,680.3**	4,482.8
Provisions for liabilities and charges	20	**7.2**	20.3
Other liabilities	21	**81.8**	76.9
Total liabilities		**5,772.8**	4,581.7
Equity			
Share capital	22	**9.8**	9.8
Subordinated-shareholder-funding reserve	19	**34.4**	36.6
Cash flow-hedging reserve		**49.4**	11.0
Cost-of-hedging reserve		**–**	0.1
Other reserves		**12.7**	12.7
Retained earnings		**978.0**	928.4
Total equity		**1,084.3**	998.6
Total equity and liabilities		**6,857.1**	5,580.3

These financial statements were approved and authorised for issue by the Board of Directors on 15 September 2023.

Company Registration No. 02939389.

Signed on behalf of the Board of Directors

HN Moser
Director

G Grimes
Director

Financial statements *continued*

Company statement of financial position

As at 30 June 2023

All amounts are stated in £m

	Note	2023	2022
Assets			
Cash and cash equivalents		**46.4**	30.7
Amounts owed by related parties	14	**1,419.4**	1,467.6
Other assets	14	**6.4**	5.3
Investments in subsidiaries	15	**35.2**	35.5
Property, plant and equipment	16	**31.7**	32.8
Intangibles	17	**11.2**	7.1
Current tax asset		**1.5**	–
Deferred tax asset	18	**2.0**	1.4
Total assets		**1,553.8**	1,580.4
Liabilities			
Current tax liability		**–**	0.6
Borrowings	19	**131.9**	61.0
Amounts owed to related parties	21	**1,093.7**	1,086.2
Other liabilities	21	**28.1**	42.1
Total liabilities		**1,253.7**	1,189.9
Equity			
Share capital	22	**9.8**	9.8
Subordinated-shareholder-funding reserve	19	**34.4**	36.6
Other reserves		**18.6**	22.3
Retained earnings		**237.3**	321.8
Total equity		**300.1**	390.5
Total equity and liabilities		**1,553.8**	1,580.4

Together Financial Services Limited (the Company) reported a loss after tax for the year ended 30 June 2023 of £4.2m (2022: £21.0m loss). As permitted by section 408 of the Companies Act 2006, no separate statement of comprehensive income is presented in respect of the Company.

These financial statements were approved and authorised for issue by the Board of Directors on 15 September 2023.

Company Registration No. 02939389.

Signed on behalf of the Board of Directors

HN Moser
Director

G Grimes
Director

Consolidated statement of changes in equity

Year ended 30 June 2023

All amounts are stated in £m

2023	Called-up share capital	Subordinated-shareholder-funding reserve	Cash flow-hedging reserve	Cost-of-hedging reserve	Other reserves	Retained earnings	Total
At beginning of year	9.8	36.6	11.0	0.1	12.7	928.4	998.6
Total comprehensive income	–	–	38.4	(0.1)	–	129.9	168.2
Transfer between reserves	–	(2.2)	–	–	–	2.2	–
Dividends paid	–	–	–	–	–	(82.5)	(82.5)
At end of year	**9.8**	**34.4**	**49.4**	**–**	**12.7**	**978.0**	**1,084.3**

2022	Called-up share capital	Subordinated-shareholder-funding reserve	Cash flow-hedging reserve	Cost-of-hedging reserve	Other reserves	Retained earnings	Total
At beginning of year	9.8	38.7	(1.1)	(0.4)	10.6	850.1	907.7
Total comprehensive income	–	–	12.1	0.5	–	125.0	137.6
Transfer between reserves	–	(2.1)	–	–	–	2.1	–
Share-based payment	–	–	–	–	4.5	–	4.5
Purchase of treasury shares	–	–	–	–	(2.4)	–	(2.4)
Dividends paid	–	–	–	–	–	(48.8)	(48.8)
At end of year	9.8	36.6	11.0	0.1	12.7	928.4	998.6

Other reserves consist of the following:

	Share premium	Merger reserve	Capital redemption reserve	Treasury share reserve	Share-based payment reserve	Total
As at 30 June 2023	17.5	(9.6)	1.3	(2.6)	6.1	12.7
As at 30 June 2022	17.5	(9.6)	1.3	(2.6)	6.1	12.7

The called-up share capital, share premium, capital redemption, subordinated-shareholder-funding and share-based payment reserves are all non-distributable.

Financial statements *continued*

Company statement of changes in equity

Year ended 30 June 2023

All amounts are stated in £m

2023	Called-up share capital	Subordinated-shareholder-funding reserve	Other Reserves	Retained earnings	Total
At beginning of year	9.8	36.6	22.3	321.8	390.5
Loss for the financial year	–	–	–	(4.2)	(4.2)
Transfer between reserves	–	(2.2)	–	2.2	–
Share-based payment	–	–	(3.7)	–	(3.7)
Dividends	–	–	–	(82.5)	(82.5)
At end of year	**9.8**	**34.4**	**18.6**	**237.3**	**300.1**

2022	Called-up share capital	Subordinated-shareholder-funding reserve	Other reserves	Retained earnings	Total
At beginning of year	9.8	38.7	20.2	389.5	458.2
Loss for the financial year	–	–	–	(21.0)	(21.0)
Transfer between reserves	–	(2.1)		2.1	–
Share-based payment	–	–	4.5	–	4.5
Purchase of treasury shares	–	–	(2.4)	–	(2.4)
Dividends	–	–	–	(48.8)	(48.8)
At end of year	9.8	36.6	22.3	321.8	390.5

Other reserves consist of the following:

	Share premium	Capital redemption reserve	Treasury share reserve	Share-based payment reserve	Total
As at 30 June 2023	**17.5**	**1.3**	**(2.6)**	**2.4**	**18.6**
As at 30 June 2022	17.5	1.3	(2.6)	6.1	22.3

The called-up share capital, share premium, capital redemption, subordinated-shareholder-funding and share-based payment reserves are all non-distributable.

Consolidated statement of cash flows

Year ended 30 June 2023

All amounts are stated in £m

	Note	2023	2022
Cash flows from operating activities			
Profit after tax		129.9	125.0
Adjustment for non-cash items included in profit after tax	24	(222.4)	(210.1)
Changes in operating assets and liabilities	24	(1,234.6)	(1,232.7)
Interest income		572.9	393.4
Income tax paid		(26.0)	(24.5)
Net cash outflow from operating activities		(780.2)	(948.9)
Cash flows from investing activities			
Cash paid on purchase of property, plant and equipment		(1.7)	(3.3)
Investment in intangible assets		(7.3)	(3.2)
Net cash outflow from investing activities		(9.0)	(6.5)
Cash flows from financing activities			
Drawdown of loan notes		1,535.7	1,292.4
Repayment of loan notes		(1,335.2)	(1,787.7)
Proceeds from issuance of loan notes		918.9	1,559.5
Proceeds from issuance of senior secured notes		–	120.4
Net cash inflows from revolving credit facility		70.0	–
Interest paid		(249.1)	(138.8)
Dividends paid		(82.5)	(48.8)
Purchase of shares		–	(2.4)
Purchase and cancellation of derivatives		(7.3)	(0.6)
Principal elements of lease liability payments		(1.5)	(1.2)
Interest paid on lease liabilities		(1.5)	(1.5)
Net cash inflow from financing activities		847.5	991.3
Net increase in cash and cash equivalents		58.3	35.9
Cash and cash equivalents at beginning of year		264.5	228.6
Cash and cash equivalents at end of year	11	322.8	264.5

At 30 June 2023 cash and cash equivalents include £238.5m (2022: £200.2m) of restricted cash (see note 11).

Interest receivable was £572.9m (2022: £393.4m), interest payable was £274.3m (2022: £138.8m) and dividends received were £nil (2022: £nil).

Financial statements *continued*

Company statement of cash flows

Year ended 30 June 2023

All amounts are stated in £m

	Note	2023	2022
Cash flows from operating activities			
Loss after tax		(4.2)	(21.0)
Adjustment for non-cash items included in profit after tax	24	59.1	58.4
Changes in operating assets and liabilities	24	40.5	77.1
Tax (paid)/received		(3.3)	1.2
Net cash inflow from operating activities		92.1	115.7
Cash flows from investing activities			
Investment in intangible assets		(7.3)	(3.2)
Contribution to investments		–	(10.2)
Cash paid on purchase of property, plant and equipment		(1.7)	(3.5)
Net cash outflow from investing activities		(9.0)	(16.9)
Cash flows from financing activities			
Net cash inflows from revolving credit facility		70.0	–
Interest received		4.3	–
Interest paid		(59.2)	(56.6)
Dividends paid		(82.5)	(48.8)
Net cash outflow from financing activities		(67.4)	(105.4)
Net increase/(decrease) in cash and cash equivalents		15.7	(6.6)
Cash and cash equivalents at beginning of year		30.7	37.3
Cash and cash equivalents at end of year		46.4	30.7
Additional information on operational cash flows from interest and dividends			
Dividend received		–	10.0

Notes to the financial statements

Unless otherwise indicated, all amounts are stated in £m

1. Reporting entity and general information

Together Financial Services Limited is incorporated and domiciled in the UK. The Company is a private company, limited by shares, and is registered in England (company number: 02939389). These financial statements are prepared for Together Financial Services Limited and its subsidiaries under the Companies Act 2006. The registered address of the Company is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW. The consolidated financial statements comprise Together Financial Services Limited and its subsidiaries ('the Group'). Details of subsidiary companies included in the Group are provided in Note 15. The Group is primarily involved in financial services.

2. Significant accounting policies

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

Basis of preparation

The consolidated and Company financial statements have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

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

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

These financial statements have been prepared on the historical cost basis, except for derivative financial instruments and other long-term employee benefits which are stated at fair value, 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.

Presentation of risk disclosures

Disclosures under IFRS 7 *Financial Instruments: Disclosures* concerning the nature and extent of risks relating to financial instruments have been presented within the sections denoted as forming part of these financial statements in the 'Principal risks and uncertainties' section of the Risk Management report.

Going concern

In preparing these financial statements, the directors have assessed the Group's ability to continue as a going concern. As part of the Group's ongoing monitoring and reforecasting, consideration has been given to the changing macroeconomic environment and outlook and specific consideration has been given to the following:

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

The Group's business model, being one which is ordinarily highly cash generative, operating in profitable market segments and lending at low average loan-to-value (LTV) ratios, provides mitigation against many downside risks. The factors listed above have an impact upon the results of the Group, to a greater or lesser degree, however are not projected to cast significant doubt on the entity's ability to continue as a going concern.

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

Notes to the financial statements *continued*

Unless otherwise indicated, all amounts are stated in £m

2. Significant accounting policies *continued*

Funding

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

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

The Group has retained access to wholesale-funding markets throughout the market disruption during the past several years, which has allowed the continuation of the existing strategy of refinancing facilities in advance of their contractual maturities. The Group was able to successfully refinance and upsize its Lakeside ABS facility by a further £125m in June, obtained £404.4m of further financing through Together ABS 8 in July 2023 and also an additional £55.0m of funding through refinancing the BABS facility in September 2023.. This shows the Group's ability to continue to obtain further funding from the financial markets, even through periods of market disruption. Further information on the Group's borrowings and the maturities of these borrowings are included within note 19 of the Financial Statements.

Liquidity

The Group retains liquidity through managing its total accessible liquidity (TAL) within set risk appetite limits. For further information regarding our management of TAL, please see the Risk Management report on page 82.

The Group holds liquidity in the form of cash and can also access liquidity by drawing on the revolving credit facility (RCF) and through sales of eligible assets into our private securitisation warehouse facilities. In respect of the eligibility criteria and covenants, the Group may, in certain circumstances, seek waivers and/or amendments within the going-concern assessment period. This could include, but is not limited to, impacts on covenants as a result of a deterioration in loan-book performance due to adverse economic conditions or reductions in property values. The Group successfully negotiated waivers to certain covenants during the coronavirus pandemic, which mitigated the risk that the Group would be unable to access liquidity due to an excess of ineligible assets, and this remains a management action available if required in future periods.

In the event that waivers or amendments are required but not agreed, and existing covenants are breached (and the breach is not rectified by using headroom in other facilities or through other remedies 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 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 and potentially reduce cash inflows ordinarily flowing to the Senior Borrower Group as excess spread from each of the securitisations.

The risk of lower levels of cash inflows from redemptions can be mitigated by increasing the amount of liquid resources held as cash. The Group continues to hold significant cash balances to allow sufficient liquidity, with cash balances of £322.8m at 30 June 2023 (30 June 2022: £264.5m), of which £84.3m is unrestricted cash (30 June 2022: £64.3m) as shown in note 11.

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

Stress testing

Aside from the private securitisations, the facilities within the Senior Borrower Group, being the senior secured notes and the RCF, also include certain financial covenants including tests on gearing and minimum levels of interest cover in respect of the former and maintenance tests on gearing in respect of the latter.

To evaluate the Group's resilience in meeting these tests, a reverse-stress scenario has been developed and was considered as part of the going-concern assessment.

The scenario is one which assumes no cash flows are received from the securitisations, there is no access to drawdown funding from the private securitisations, and no access to the wholesale funding markets is possible, and therefore loan-origination volumes are limited to meeting pipeline commitments. This is considered by the directors to be an extreme outcome. However, due to the bankruptcy-remote nature of securitisations, the default of one or more private securitisation facilities would not mean that the Group could not continue to operate as a going concern. The Group could continue in such a scenario by servicing the loans funded by the Senior Borrower Group. Stresses were applied to cash inflows to assess the ability to continue to service and repay borrowings as they fall due, and stresses on profitability were separately considered to assess the ability to comply with gearing covenants.

The results of the reverse-stress test showed that unrealistic reductions in expected cash inflows within the Senior Borrower Group would be required for the Senior Borrower Group not to be able to meet its liabilities as they fall due, within the going-concern period. Even in the event that actual experience approached the level of reductions judged unrealistic, further management actions could be taken to mitigate the impact. The Group has periodically repeated the reverse-stress testing, which has continued to show significant headroom.

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

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

The directors are satisfied that the Company and the Group have adequate resources to continue in operation for the going-concern assessment period ending 15 September 2024, which is 12 months from the date of signing this report.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Negative goodwill is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill arising on acquisitions in the year ended 30 June 1998 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by IFRS the goodwill previously written off has not been reinstated in the statement of financial position.

Merger accounting has continued to be used on transition to IFRS for the consolidation of the following subsidiaries:

- Together Commercial Finance Limited
- Together Personal Finance Limited
- Blemain Finance Limited
- FactFocus Limited
- Harpmanor Limited
- Jerrold Mortgage Corporation Limited
- Supashow Limited

Under this method any goodwill arising on consolidation is treated as a reduction in reserves.

On disposal or closure of a previously acquired business, the attributable amount of goodwill, including that previously written off to reserves, is included in determining the profit or loss on disposal.

Operating segments

The Group's only listed financial instruments are issued by a subsidiary, Jerrold Finco PLC, and the securitisations which are consolidated in the Group results, rather than the parent company, Together Financial Services Limited. The Group is therefore outside the scope of IFRS 8 *Operating Segments* and accordingly does not disclose segmental information in these financial statements.

Notes to the financial statements *continued*

Unless otherwise indicated, all amounts are stated in £m

2. Significant accounting policies *continued*

Interest income and expense

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

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

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.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone costs.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses the interest rate implicit in the lease.

The lease liability is measured at amortised cost using the interest rate implicit in the lease or the incremental borrowing rate. It is remeasured when there is:

- a change in future lease payments arising from a change in an index or rate
- a change in the Group's estimate of the amount expected to be payable under a residual value guarantee
- if the Group changes its assessment of whether it will exercise a purchase, extension or termination option
- a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Rentals received under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Pension benefits

During the period, the Group operated a defined contribution scheme and made contributions to employees' personal pension plans.

The amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year to Group pension plans and personal pension schemes. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Share-based payments

The Group has granted options to senior management under an equity-settled scheme.

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.

In the Company's financial statements, the grant by the parent of options over its equity instruments to the employees of subsidiary undertakings is treated as an investment in subsidiaries. The fair value of services received, measured by reference to the fair value at the date of grant, is recognised over the vesting period as an increase in investments in subsidiary undertakings, with a corresponding credit to the share-based payment reserve within equity.

The cost of options is based on their fair value, determined using a Black-Scholes pricing model at the grant date. 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.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Current and deferred tax items are recognised in the income statement except tax on items that are recognised in other comprehensive income shall be recognised in other comprehensive income, and tax on items that are recognised directly in equity shall be recognised in equity.

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 consolidated 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

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

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

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

Cash and cash equivalents

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

Where cash is not freely available for the Group to use for its general purposes, it is disclosed as restricted cash; this includes cash collected in the securitisation vehicles prior to paying down loan notes.

Notes to the financial statements *continued*

Unless otherwise indicated, all amounts are stated in £m

2. Significant accounting policies *continued*

Financial assets and liabilities

Financial assets

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

All of the Group's financial assets, except derivatives held for risk management which are outlined on the following page, 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 Group'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 entities for the purpose of collateralising the issuance of loans. The loans' cash flows are consistent with a basic lending arrangement, the related interest only including consideration for the time value of money, credit and other basic lending risks, and a profit margin consistent with such an arrangement. Cash and cash equivalents also meet these conditions and accordingly management has classified all of the Group'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 Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. The Group 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 Group recalculates the gross carrying amount using the original effective interest rate and recognises a modification gain or loss in the income statement. Such modifications typically arise from forbearance because of financial difficulties of the borrower, and any gain or loss is included in impairment losses. A modified loan's credit risk is assessed to see if it remains higher than on initial recognition for the purposes of calculating expected credit losses.

Financial liabilities

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

Financial liabilities are derecognised when their contractual obligations are discharged, cancelled or have expired. An exchange of financial liabilities with substantially different terms or a substantial modification to the terms of an existing financial liability is treated as an extinguishment of the original liability and the recognition of a new one. It is assumed that terms are substantially different if the discounted present value of the cash flows under the new terms is at least 10% different from the discounted present value of the remaining cash flows of the original liability. All gains or losses on non-substantial modifications, calculated as a change in the net present value of future cash flows using the original effective interest rate, are recognised immediately in the income statement. The Group may also consider qualitative factors in determining whether a modification is substantial.

Impairment of financial instruments

The Group 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, including the amount of committed pipeline lending which is expected to be drawn down, and the discounted cash flows expected to be received.

The Group 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 Group would not otherwise consider
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

For certain of the Group's subsidiaries which engage in regulated lending, these criteria are aligned to the regulatory definition of credit impaired.

For financial instruments on which credit risk has not increased significantly since initial recognition, the Group measures loss allowances at an amount equal to the 12-month ECL, ie 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, ie the lifetime ECL arising from all default events that may occur over the life of the instrument, probability weighted. The latter category of instruments includes those that have objective evidence of impairment at the reporting date.

Besides instruments that become credit impaired on entering default, lifetime ECLs are also used for any that are credit impaired on origination.

If, due to the financial difficulties of the borrower, the terms of a financial asset are renegotiated or modified, or the asset is replaced with a new one, then an assessment is made of whether the asset should be derecognised. A loan to a borrower granted such concessions due to forbearance is evaluated to determine whether it is considered to be credit impaired or to have experienced a significant increase in credit risk. If this is the case a loss allowance will be recognised equivalent to the full lifetime ECL. If there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment, the loss allowance on the new asset will generally be based on a 12-month ECL.

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

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

Derivatives held for risk-management purposes and hedge accounting

The Group has accounted for derivative instruments in accordance with IFRS 9.

The Group does not hold derivative financial instruments for trading, but may enter into contracts for derivatives to manage exposure to interest-rate risk.

Derivatives are initially recognised at fair value at the date the contract is entered into and subsequently measured at fair value. The timing of recognition of any resulting gain or loss on the derivative depends on the nature of the hedging relationship. The Group will designate such derivatives as hedging instruments of the fair value of recognised assets or liabilities or of future cash flows.

At inception, the Group documents the relationship between the hedging instrument and the hedged item along with its risk-management objectives and strategy. At inception and afterwards on a continuing basis, the Group assesses whether the hedging instrument is effective in offsetting changes in the fair value or cash flows of the hedged item attributable to the hedged risk. Any ineffective portion of changes in fair value of the derivative is recognised immediately in the income statement.

If a hedging relationship ceases to meet the hedge-effectiveness requirements but the risk-management objective remains the same, the Group adjusts the hedge, i.e. it rebalances the relationship, so that it again meets the qualifying criteria. Hedge accounting is discontinued only for that part of the hedged item or hedging instrument that is no longer part of the relationship.

In hedge relationships involving options, the Group designates only the option's intrinsic value. In such cases the time-value component of the option's fair value is deferred in other comprehensive income, as a cost of hedging, over the term of the hedge to the extent that it relates to the hedged item. The hedged items so designated by the Group are related to time periods, and the amount of the original time value of the option that relates to the hedged item is amortised from equity to the income statement, within other net income, on a straight-line basis over the term of the hedging relationship.

The Group has no fair-value hedges. The effective portion of changes in the fair value of derivatives designated as cash flow hedges is recognised through other comprehensive income in the cash flow-hedging reserve. Amounts so recognised are reclassified to the income statement in the periods when the cash flows of the hedged item affect the income statement and in the same line of the income statement as those cash flows.

The Group discontinues hedge accounting when the derivative is terminated or when the hedging relationship ceases to meet the qualifying criteria. Any cumulative amount existing in equity at that time remains until the hedged cash flows affect the income statement when it is reclassified to the income statement.

Securitisation

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

SPEs used to raise funds through securitisation transactions are consolidated into the Group's operations in accordance with IFRS 10 *Consolidated Financial Statements* as if they were wholly-owned subsidiaries. Financial assets transferred to SPEs under securitisation agreements are not derecognised by the Group 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 Group's consolidated statement of financial position.

Investments

Investment in subsidiaries are stated at cost less provision for impairment. Investments are assessed for impairment on at least an annual basis, or as and when impairment triggers are identified.

Notes to the financial statements *continued*

Unless otherwise indicated, all amounts are stated in £m

2. Significant accounting policies *continued*

Property, plant and equipment

Property, plant and equipment are shown at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Land and buildings	Buildings over 50 years, straight-line; land not depreciated
Fixtures and fittings	10-15 years straight-line on cost
Motor vehicles	25% reducing balance
Computer equipment	3-5 years straight-line on cost

All items of property, plant and equipment are reviewed for indications of impairment on a regular basis and at each reporting date. If impairment is indicated, the asset's recoverable amount (being the greater of fair value less cost to sell and value in use) is estimated. Value in use is calculated by discounting the future cash flows generated from the continuing use of the asset. If the carrying value of the asset is more than the recoverable amount, an impairment charge is recognised in the income statement.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item, and are recognised net within administrative expenses in the income statement.

Intangible assets

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment allowances. The estimated useful life of three to five years is reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets consist wholly of expenditure relating to computer software incurred in respect of individual projects and are capitalised only if all of the following conditions are met:

- an intangible asset is created that can be separately identified;
- it is probable that the intangible asset created will generate future economic benefits; and
- the development cost of the intangible asset can be measured reliably.

This type of expenditure is amortised on a straight-line basis over the expected useful life of the asset.

Where the above conditions for capitalisation are not met, development expenditure is recognised as an expense in the period in which it is incurred.

All intangible assets are reviewed for indications of impairment at least annually. If impairment is indicated, the asset's recoverable amount (being the greater of fair value less cost to sell and value in use) is estimated. Value in use is calculated by discounting the future cash flows generated from the continuing use of the asset. If the carrying value of the asset is more than the recoverable amount, an impairment charge is recognised in the income statement.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation as a result of a past event, which is reliably measurable and where it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the amount required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Where provisions are recognised in relation to live loans, they may be settled by the application of credits to customer accounts. Where this is the case, it is the Group's accounting policy to recognise a provision for the expected settlement amounts. At the point of application, the provision is utilised and the corresponding adjustment applied within loans and advances to customers.

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.

New and revised standards, amendments and interpretations not yet effective

Adoption of new and revised standards and interpretations during the current reporting period.

During the year ended 30 June 2023, no new accounting standards came into effect. A number of amendments were made by the IASB which became effective during the year and have been adopted by the Group and Company. None of these amendments have a significant impact upon the Group or Company.

Future developments

A number of new or revised standards issued by the International Accounting Standards Board during the year have not yet come into effect. None of these are expected to have a material impact on the Group's or Company's financial statements.

3. Significant accounting judgements and key sources of estimation uncertainty

In preparing these financial statements, the Group's management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the amounts reported for the Group'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.

Significant judgements in applying the Group's accounting policies

These significant 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 Group's allowance for losses on its loans and advances to customers under IFRS 9 relies on the following key judgements:

- The incorporation of forward-looking information in the measurement of expected credit losses (ECL), in particular the economic variables driving credit risk and the number and relative weightings of the scenarios used;
- Determining the criteria for a significant increase in credit risk and indicators of credit impairment; and
- Determining where there is requirement for post model adjustment and determining inputs for the calculation of ECL where there is such a requirement.

Further detail on the judgements in respect of the measurement of ECL and sensitivities thereon is set out in note 13 to the Financial Statements.

b) Provisions and contingent liabilities

There is 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 20 to the Financial Statements.

The following key judgement does not give rise to a significant risk of material adjustment in carrying amounts of the Group's assets and liabilities in the next financial year, but does represent a significant judgement taken during the period.

c) Modifications of financial liabilities

The Group, from time to time, conducts refinancing of its wholesale funding facilities, which results in amendments to the contractual terms, in particular when refinancing private warehouse facilities. Depending on the facts and circumstances the assessment can be straightforward and in other cases significant judgement may be required to determine whether the amendments constitute a substantial or non-substantial contractual modification under IFRS 9. This can require the calculation of the change in the carrying value of the facility implied by the new contractual terms, which requires judgement to be applied in forecasting the amounts and timings of future cash flows in order to determine if the modification meets the 10% threshold, which would result in a substantial modification and therefore de-recognition of the existing instrument.

In addition, qualitative factors applied in accordance with our accounting policies require consideration, and significant judgement is required to determine which factors are indicative that a substantial modification has occurred. Further disclosure in respect of these judgements can be found in note 19 to the Financial Statements.

Notes to the financial statements *continued*

Unless otherwise indicated, all amounts are stated in £m

3. Significant accounting judgements and key sources of estimation uncertainty *continued*

Key sources of estimation uncertainty

a) Loan impairment allowance

The Group 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 13 to the Financial Statements.

b) Provisions and contingent liabilities

The calculation of the Group's provisions contains significant estimation uncertainty. Further disclosures in respect of this can be found in note 20 to the Financial Statements.

c) Interest income recognition

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

The estimation of future cash flows requires the Group to estimate the expected behavioural lives of groups of assets. The Group utilises models which draw upon the Group's actual historical experience, however there is estimation uncertainty to the extent that future performance may not mirror that of the past. For loans with a fixed rate period which revert onto a variable rate, income recognition is assessed for the fixed and variable period separately, therefore no future income beyond that of the fixed rate period is recognised as part of the EIR approach for fixed rate lending.

The fees recognised on an EIR basis through interest income on loans and advances to customers are recognised based on expected weighted average behavioural lives. At 30 June 2023, the Group had £38.6m (2022: £36.8m) of deferred fees that are recognised over the expected behavioural life of the loan. A change in the weighted average behavioural life by +/-10% leads to an impact on interest income on loans and advances to customers of £(4.4m) and £6.5m respectively.

d) Fair value of derivatives held for risk management

The fair value of derivatives is the price that would be received to sell a derivative asset or paid to transfer a derivative liability in an orderly transaction between market participants at the measurement date. The valuation of these instruments are derived from valuation models that use forecast future interest-rate curves, which is subject to estimation uncertainty. Further detail on the judgements in respect of derivatives held for risk management purposes is set out in note 12 to the Financial Statements.

Climate-related matters

In making the judgements and estimates required for preparation of these financial statements, the directors have had regard to the potential impacts of climate-related factors. For the current reporting period, it has been judged that no material adjustment to the judgements or methods of estimation is required to reflect the potential impacts of climate related matters, based upon the information available at the balance sheet date. For further information, please refer to the TCFD Report on page 50.

4. Interest receivable and similar income

	2023	2022
Interest income on loans and advances to customers	**568.3**	393.3
Interest income on cash and cash equivalents	**4.6**	0.1
Total interest receivable and similar income	**572.9**	393.4

Included within interest on loans and advances to customers is £11.1m (2022: £11.4m) relating to credit impaired loans.

5. Interest payable and similar charges

	Note	2023	2022
On borrowings		**282.9**	136.3
On lease liabilities	26	**1.5**	1.5
On derivatives in qualifying and discontinued hedging relationships		**(12.6)**	0.8
Total interest payable and similar charges		**271.8**	138.6

6. Administrative expenses

	Note	2023	2022
Staff costs	7	**67.6**	69.2
Other staff related costs		**6.9**	5.2
Auditor's remuneration	9	**0.9**	1.0
Depreciation of property, plant and equipment	16	**2.8**	2.3
Amortisation of intangible assets	17	**3.1**	3.0
(Release)/charge in provisions for liabilities and charges	20	**(1.0)**	0.6
Legal and professional costs		**3.5**	6.1
IT costs		**7.7**	6.2
Other administrative costs		**9.5**	7.9
Total administrative expenses		**101.0**	101.5

Included within staff costs is £8.4m of costs relating to a discretionary bonus along with a £3.4m release of expenditure relating to the Group's strategic options review (2022: £9.1m, including a £4.5m charge for share-based payments). In the prior year, legal and professional costs included expenditure of £3.3m also relating to the strategic options review, as well as a one-off customer redress release of £1.2m included within provisions for liabilities and charges. The costs have been adjusted for in the calculation of underlying metrics within the Alternative Performance Measures section of the Notes to the Financial Statements.

There were no material gains or losses on the disposal of property, plant and equipment (2022: £nil).

7. Staff costs

The average monthly number of employees, including executive directors, was:

	2023 No.	2022 No.
Full time	**705**	618
Part time	**61**	54
Average monthly employees	**766**	672

The aggregate payroll costs included in administrative expenses, including directors' remuneration as detailed in note 8, was as follows:

	Note	2023	2022
Wages and salaries		**58.1**	60.8
Social security costs		**7.7**	6.8
Pension	27	**1.8**	1.6
Total staff costs	6	**67.6**	69.2

Wages and salaries in 2022 included a charge related to share-based payments of £4.5m. Details of directors' remuneration are provided in note 8.

8. Directors' remuneration

	Note	2023	2022
Emoluments		**17.6**	12.5
Company contribution to personal pension schemes	27	**–**	–
Total directors' remuneration		**17.6**	12.5

The emoluments of the highest paid director were £5.8m (2022: £4.1m) including £nil (2022: £nil) Company contributions to a defined contribution pension scheme for any directors. Details of the pension arrangements operated by the Group are given in note 27.

Notes to the financial statements *continued*

Unless otherwise indicated, all amounts are stated in £m

9. Auditor's remuneration

	2023	2022
Fees payable for the audit of the Company's accounts	**0.1**	0.1
Fees payable for the audit of the Company's subsidiaries	**0.7**	0.6
Audit-related assurance services	**0.1**	0.1
Other assurance services	**–**	0.2
Total auditor's remuneration	**0.9**	1.0

10. Taxation

	2023	2022
Current tax		
Corporation tax	**27.1**	24.2
Adjustment in respect of prior years	**0.5**	0.1
Total current tax charge	**27.6**	24.3
Deferred tax		
Origination and reversal of temporary differences	**2.3**	1.8
Adjustment in respect of prior years	**(0.9)**	0.4
Effect of tax rates	**(0.3)**	–
Total deferred tax charge	**1.1**	2.2
Total taxation	**28.7**	26.5

Corporation tax is calculated at 20.50% (2022: 19.0%) of the estimated taxable profit for the year which reflects the change in UK corporation tax rate in the period as discussed below.

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

	2023	2022
Profit before tax	**158.6**	151.5
Tax on profit at standard UK corporation tax rate of 20.50% (2022: 19.0%)	**32.5**	28.8
Effects of:		
Expenses not deductible for tax purposes	**0.6**	1.7
Income not taxable	**(0.5)**	–
Group relief*	**(3.2)**	(5.3)
Adjustment in respect of prior years	**(0.4)**	0.5
Changes in tax rate	**(0.3)**	–
Section 455 charge	**–**	0.8
Group tax charge for year	**28.7**	26.5

* The group referred to is a tax group headed by Redhill Famco Limited, the ultimate parent company of Together Financial Services 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 Group's future current tax charge accordingly. The net deferred tax asset at 30 June 2023 has been calculated using these rates, to reflect the expected timing of reversal of the related temporary differences, resulting in a £0.3m (2022: £0.1m) increase in the value of the net deferred tax asset.

11. Cash and cash equivalents

	2023	2022
Unrestricted cash	**84.3**	64.3
Restricted cash	**238.5**	200.2
Total cash and cash equivalents	**322.8**	264.5

Restricted cash is held in securitisation vehicles for use in managing the Group's securitisation facilities. It is ring-fenced under the terms of the securitisation agreements and is not readily available. Within restricted cash, £41.7m (2022: £31.8m) represents amounts that could be accessed by the Group, for example by allocating additional eligible assets into the private securitisations. The balance of restricted cash represents amounts which are held within the securitisations for other purposes and may be accessible in future, such as cash reserves or amounts paid over as deferred consideration.

All cash and cash equivalents held by the Group are denominated in pounds sterling.

12. Derivatives held for risk management

The Group applies hedge accounting for its strategy of cash flow hedging the interest-rate risk on floating-rate liabilities in certain of its securitisation vehicles. These liabilities fund portfolios of mortgage assets, some of which pay fixed rates of interest, and to address the resultant risk of mismatches in the cash flows, the securitisation vehicles may enter into interest-rate swaps (which may include floors) or purchase interest-rate caps. The notional amounts of these derivatives are designated against a proportion of floating-rate notes funding fixed-rate mortgages, and decline over time in line with the expected repayment of the mortgages.

The effectiveness of this strategy is assessed by comparing the changes in fair value of the interest-rate derivatives with changes in the fair value of the hedged floating-rate notes and uses the hypothetical-derivative method.

The Group establishes the hedging ratio by matching the notional amount of the derivative with the corresponding floating-rate notes. In these hedging relationships, the main potential sources of ineffectiveness are:

- Repayment of the notes faster than the decline in the notional amount of the derivative
- For interest-rate swaps, the inclusion of transaction costs or off-market interest rates in the fixed-rate leg
- Changes in the credit risk of either party
- Differences in the expected maturity of the hedged item and the hedging instrument

The following table analyses derivatives held for risk-management purposes by type of instrument:

	2023		2022	
	Assets	Liabilities	Assets	Liabilities
Interest-rate swaps and floors	**61.8**	**(0.1)**	10.9	–
Interest-rate caps	**0.5**	**–**	0.3	–
Derivatives designated in cash flow hedges	**62.3**	**(0.1)**	11.2	–

All derivatives mature in one to five years. The average fixed interest rate on swaps is 2.495%. The average strike rate on caps is 2.500%.

Notes to the financial statements *continued*

Unless otherwise indicated, all amounts are stated in £m

12. Derivatives held for risk management *continued*

The following tables set out details of the exposures hedged by the Group:

			Debit/(credit) balance	
Year ended 30 June 2023	**Carrying amount of liabilities**	**Changes in fair value for calculating hedge ineffectiveness**	**Cash flow-hedging reserve**	**Cost-of-hedging reserve**
Borrowings hedged by interest-rate swaps and floors				
Continuing hedging relationships	**1,155.2**	**41.1**	**(43.8)**	**–**
Discontinued hedging relationships	**–**	**4.8**	**(5.5)**	**–**
	1,155.2	**45.9**	**(49.3)**	**–**
Borrowings hedged by interest-rate caps				
Continuing hedging relationships	**15.9**	**(0.1)**	**(0.1)**	**–**
Total of all borrowings hedged by derivatives	**1,171.1**	**45.8**	**(49.4)**	**–**

			Debit/(credit) balance	
Year ended 30 June 2022	Carrying amount of liabilities	Changes in fair value for calculating hedge ineffectiveness	Cash flow-hedging reserve	Cost-of-hedging reserve
Borrowings hedged by interest-rate swaps and floors				
Continuing hedging relationships	454.6	10.1	(11.0)	–
Discontinued hedging relationships	–	1.1	–	–
	454.6	11.2	(11.0)	–
Borrowings hedged by interest-rate caps				
Continuing hedging relationships	75.7	0.1	–	(0.1)
Total of all borrowings hedged by derivatives	530.3	11.3	(11.0)	(0.1)

Details of instruments used to hedge borrowings are set out below:

Year ended 30 June 2023	Notional amount	Carrying amounts: Derivative assets	Carrying amounts: Derivative liabilities	Carrying amounts: Net total	Debit/(credit) balance: Cash flow-hedging reserve	Debit/(credit) balance: Cost-of-hedging reserve	Fair-value (gains)/losses through income statement
Interest-rate swaps and floors							
Borrowings	**1,155.2**	**61.8**	**(0.1)**	**61.7**	**(43.8)**	**–**	**2.6**
Discontinued hedges	**–**	**–**	**–**	**–**	**(5.5)**	**–**	**–**
	1,155.2	**61.8**	**(0.1)**	**61.7**	**(49.3)**	**–**	**2.6**
Interest-rate caps							
Borrowings	**15.9**	**0.5**	**–**	**0.5**	**(0.1)**	**–**	**(0.5)**
Total of all derivatives	**1,171.1**	**62.3**	**(0.1)**	**62.2**	**(49.4)**	**–**	**2.1**

Year ended 30 June 2022	Notional amount	Carrying amounts: Derivative assets	Carrying amounts: Derivative liabilities	Carrying amounts: Net total	Debit/(credit) balance: Cash flow-hedging reserve	Debit/(credit) balance: Cost-of-hedging reserve	Fair-value (gains)/losses through income statement
Interest-rate swaps and floors							
Borrowings	454.6	10.9	–	10.9	(11.0)	–	0.5
Discontinued hedges	–	–	–	–	–	–	–
	454.6	10.9	–	10.9	(11.0)	–	0.5
Interest-rate caps							
Borrowings	75.7	0.3	–	0.3	–	(0.1)	(0.2)
Total of all derivatives	530.3	11.2	–	11.2	(11.0)	(0.1)	0.3

All interest-rate-cap balances relate to continuing hedging relationships. The following tables summarise the movements relating to hedging instruments.

Notes to the financial statements *continued*

Unless otherwise indicated, all amounts are stated in £m

12. Derivatives held for risk management *continued*

For the year ended 30 June 2023	Debit/credit balance Net derivative assets/ (liabilities)	Cash flow-hedging reserve	Cost-of- hedging reserve	Fair-value (gains)/losses through income statement
All derivatives				
Balances at the beginning of the period	11.2	(11.0)	(0.1)	–
Payments on purchase of derivatives	13.7	–	–	–
Changes in fair value recognised in other comprehensive income	45.8	(45.9)	0.1	–
Hedge ineffectiveness recognised as (gains)/losses in the income statement	2.8	–	–	(2.8)
Total changes in fair value for calculating hedge ineffectiveness	48.6	(45.9)	–	(2.8)
Changes on settlement of interest or its reclassification to income statement	(11.0)	7.5	–	4.9
Amounts released on cancellations of derivatives	(0.1)	–	–	–
Payments on discontinuance of hedging relationships	(0.2)	–	–	–
Balances at end of the period	62.2	(49.4)	–	2.1

For the year ended 30 June 2022	Debit/credit balance Net derivative assets/ (liabilities)	Cash flow-hedging reserve	Cost-of-hedging reserve	Fair-value (gains)/losses through income statement
All derivatives				
Balances at the beginning of the period	(0.6)	1.1	0.4	–
Changes in fair value recognised in other comprehensive income	11.3	(11.3)	–	–
Hedge ineffectiveness recognised as (gains)/losses in the income statement	0.5	–	–	(0.5)
Total changes in fair value for calculating hedge ineffectiveness	11.8	(11.3)	–	(0.5)
Changes on settlement of interest or its reclassification to income statement	0.3	(0.3)	–	–
Reclassification of cost-of-hedging to income statement	–	–	(0.2)	–
Amounts released on cancellations of derivatives	(0.3)	(0.5)	(0.3)	1.6
Payments on discontinuance of hedging relationships	–	–	–	(0.8)
Balances at end of the period	11.2	(11.0)	(0.1)	0.3

During the year, the Group has transacted a number of swaps at off-market rates which has resulted in net fair-value losses for the year of £2.1m (30 June 2022: £0.3m). The Group's hedging relationships are otherwise generally highly effective, with other changes in the fair value of derivatives largely mirrored in hedging reserves.

Notes to the financial statements *continued*

Unless otherwise indicated, all amounts are stated in £m

13. Loans and advances to customers

	30 June 2023			
	Stage 1	**Stage 2**	**Stage 3 and POCI**	**Total**
Gross loans and advances to customers	**4,575.3**	**1,459.5**	**485.2**	**6,520.0**
Loss allowance on loans and advances to customers	**(17.6)**	**(30.6)**	**(61.6)**	**(109.8)**
Loans and advances to customers	**4,557.7**	**1,428.9**	**423.6**	**6,410.2**
ECL coverage (%)	**0.4**	**2.1**	**12.7**	**1.7**

	30 June 2022			
	Stage 1	Stage 2	Stage 3 and POCI	Total
Gross loans and advances to customers	3,879.0	1,042.5	412.1	5,333.6
Loss allowance on loans and advances to customers	(7.1)	(27.1)	(51.5)	(85.7)
Loans and advances to customers	3,871.9	1,015.4	360.6	5,247.9
ECL coverage (%)	0.2	2.6	12.5	1.6

Loans and advances to customers include total gross amounts of £0.8m (2022: £4.3m), equivalent to £0.3m net of allowances (2022: £0.3m), loaned to Sunnywood Estates Limited, a company in which HN Moser is a director and shareholder and, in 2022, Edgeworth Developments Limited; further details are given in note 25.

Group gross balances of credit impaired loans include £17.1m (2022: £15.8m) of purchased or originated credit impaired (POCI) loans, which are presented net of lifetime ECL impairment provisions of £1.9m (2022: £1.9m).

Measurement of expected credit losses (ECL)

ECL model

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

- It becomes 90 days or more past due
- Its security has been taken into possession
- The appointment of receivers
- There is evidence of fraud
- Loans which exhibit certain indicators of increased credit risk such as forborne accounts as described below, or specific accounts where stage overrides are made on a specific case basis.

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

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

ECL is calculated at an individual loan level as the product of PD, LGD and EAD, discounted to the reporting date.

In accordance with IFRS 9, the Group 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 generally occur only after the completion of a probationary period.

The Group undertakes back-testing and validation procedures in order to assess the reasonableness of assumptions and judgements applied in calculating ECLs. The results of these procedures are considered in determining the ongoing appropriateness of key judgements and inputs, which are subject to oversight from the Audit Committee.

During the current year, the Group has made adjustments to the model which have resulted in individually material movements to the ECL estimate. The Group has:

- Refined the significant increase in credit risk criteria for bridging products to reflect external credit data and internal scoring data;
- Updated the approach to the assumption in the LGD model of the time taken to sell a property in downside macroeconomic scenarios;
- Updated the forced sale discounts in the LGD model to better reflect historical data; and
- Macroeconomic forecasts have been routinely updated within the model to reflect the latest macroeconomic forecasts.

Post-model adjustments

The Group makes post-model adjustments to its ECL provision where appropriate to reflect factors or risks that are not judged to be fully reflected in the model, which is done on both a portfolio level, as well as adjustments relating to specific loans.

Portfolio level post-model adjustments are made for potential risks that may emerge where additional coverage is judged to be appropriate at the time. Specific loan post-model adjustments are made in relation to specific loans where further information on the loan becomes known that would require adjustments to be made to the ECL calculation for that loan to reflect the identified risk.

Incorporation of forward-looking information

Variables

The Group uses forward-looking information in its measurement of ECL and in identifying significant increases in credit risk (discussed in the next section). The Group's statistical analysis of historical data has confirmed that the key economic variables that drive credit risk, and the ECL for the Group's financial instruments, are unemployment, Bank Rate, and changes in house prices. The Group has developed a range of future economic scenarios of these variables, drawing on external forecasts where appropriate.

Scenarios

The Group calculates ECL using six scenarios, calibrated around a base case. This approach provides an ability to assess a wide range of economic uncertainty.

The base case is weighted at 50% and each of the other five scenarios is weighted at 10%, with two upside scenarios, and three downside scenarios.

Since the year ended 30 June 2022, the level of macroeconomic uncertainty has increased. Owing to this, the scenarios utilised for estimating ECLs have been adjusted accordingly, with reasonably high levels of inflation assumed in five scenarios, resulting in persistently high Bank of England base rate compared to recent years. The base scenario, stagnation and downside scenarios are 'stagnationary' in nature and are collectively allocated a 70% weighting. The severe downside economic scenario represents a severely stressed environment, with high levels of inflation resulting in persistently high interest rates, increases in unemployment to levels broadly aligned to those seen during the global financial crisis, and a severe fall in property values.

The assumed trajectories for unemployment forecasts have generally worsened, and a decline in house prices is assumed – to varying degrees – in all of the six economic scenarios. The nature of the downside scenario is most closely aligned to the experience during the 2008 global financial crisis.

Judgement is required to set the scenario weightings, informed by an external provider of economic forecasts, to consider the interaction between the severity of the scenarios and the weightings applied. Management has sought to assess the reasonableness of the probabilities by comparing the weighted average of each economic indicator with other available macroeconomic forecasts, in addition to benchmarking the base case scenario.

To project the economic variables for the remaining term of each instrument, it is assumed that the forecasts used in all scenarios revert to our long-term base case forecast beyond a 10-year horizon.

Notes to the financial statements *continued*

Unless otherwise indicated, all amounts are stated in £m

13. Loans and advances to customers *continued*

The most significant assumptions used for the ECL estimate as at 30 June 2023, by economic indicator, until June 2027 are as follows.

Bank Rate	Peak %	Peak	Weighting	Sep 2023	Dec 2023	Mar 2024	Jun 2024	Jun 2025	Jun 2026	Jun 2027
Upside	7.1	Mar 2024	10%	5.8	6.8	7.0	7.0	6.8	5.6	4.6
Mild upside	6.8	Mar 2024	10%	5.6	6.5	6.8	6.8	6.1	4.9	3.9
Base	6.3	Mar 2024	50%	5.2	5.9	6.2	6.3	5.7	4.8	4.2
Stagnation	6.5	Jun 2024	10%	5.4	6.1	6.4	6.5	5.9	5.0	4.4
Downside	5.3	Mar 2024	10%	5.0	5.1	5.2	5.3	3.9	2.4	1.3
Severe downside	7.0	Mar 2024	10%	5.9	6.3	7.0	6.7	4.7	2.7	2.0
Weighted average				**5.4**	**6.1**	**6.3**	**6.3**	**5.6**	**4.4**	**3.7**

Unemployment rate	% peak	Weighting	Sep 2023	Dec 2023	Mar 2024	Jun 2024	Jun 2025	Jun 2026	Jun 2027
Upside	3.5%	10%	3.5	3.4	3.3	3.3	3.3	3.3	3.3
Mild upside	3.8%	10%	3.8	3.8	3.8	3.8	3.7	3.6	3.6
Base	4.2%	50%	3.9	4.0	4.0	4.1	4.2	3.8	3.8
Stagnation	6.7%	10%	4.4	4.7	5.0	5.3	6.5	6.7	6.5
Downside	7.0%	10%	4.4	4.8	5.1	5.4	6.7	7.0	6.7
Severe downside	7.3%	10%	4.5	4.9	5.3	5.7	7.1	7.3	7.1
Weighted average			**4.0**	**4.2**	**4.3**	**4.4**	**4.8**	**4.7**	**4.6**

Annual change in house-price index (%)	Start to trough % change	Weighting	Sep 2023	Dec 2023	Mar 2024	Jun 2024	Jun 2025	Jun 2026	Jun 2027
Upside	(2.8%)	10%	(0.1)	(1.5)	(1.3)	(0.2)	0.3	6.0	5.7
Mild upside	(6.1%)	10%	(1.1)	(2.9)	(3.3)	(2.7)	(1.2)	4.8	5.4
Base	(11.0%)	50%	(2.5)	(5.0)	(6.0)	(6.0)	(3.3)	2.6	5.3
Stagnation	(18.8%)	10%	(3.8)	(7.2)	(9.3)	(10.4)	(6.4)	(0.6)	5.5
Downside	(21.8%)	10%	(4.5)	(8.3)	(10.7)	(12.3)	(7.9)	1.9	8.5
Severe downside	(27.4%)	10%	(5.5)	(10.0)	(13.2)	(15.4)	(10.4)	(0.6)	8.7
Weighted average			**(2.8)**	**(5.5)**	**(6.8)**	**(7.1)**	**(4.2)**	**2.5**	**6.0**

The most significant assumptions used for the ECL estimate as at 30 June 2022 by scenario, until June 2026 were as follows.

Bank Rate	Peak %	Peak	Weighting	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Jun 2024	Jun 2025	Jun 2026
Upside	3.8	Sept 2023	10%	1.8	2.6	3.2	3.5	3.8	3.8	3.8
Mild upside	3.5	Sept 2023	10%	1.8	2.5	3.0	3.4	3.5	3.5	3.5
Base	3.0	Jun 2023	50%	1.6	2.4	2.9	3.0	3.0	3.0	3.0
Stagnation	2.5	Jun 2023	10%	1.5	1.8	2.0	2.5	2.5	2.5	3.5
Downside	1.3	Sept 2022	10%	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Severe downside	1.1	Sept 2022	10%	1.1	1.0	0.9	0.8	0.8	0.8	0.5
Weighted average				**1.5**	**2.1**	**2.5**	**2.6**	**2.7**	**2.7**	**2.7**

Unemployment rate	% peak	Weighting	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Jun 2024	Jun 2025	Jun 2026
Upside	3.3%	10%	3.5	3.3	3.3	3.3	3.3	3.3	3.3
Mild upside	3.8%	10%	3.8	3.7	3.7	3.7	3.6	3.6	3.6
Base	3.9%	50%	3.8	3.8	3.9	3.9	3.8	3.8	3.7
Stagnation	6.7%	10%	4.4	4.6	5.0	5.3	6.3	6.7	6.5
Downside	6.9%	10%	4.4	4.7	5.1	5.4	6.5	6.9	6.7
Severe downside	7.3%	10%	4.5	4.8	5.2	5.7	6.9	7.3	7.1
Weighted average			**4.0**	**4.0**	**4.2**	**4.3**	**4.6**	**4.7**	**4.6**

Annual change in house-price index (%)	Start to trough % change	Weighting	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Jun 2024	Jun 2025	Jun 2026
Upside	n/a*	10%	13.5	11.0	8.4	7.3	0.4	3.1	3.7
Mild upside	n/a*	10%	12.5	9.4	6.2	4.6	0.0	1.0	3.5
Base	n/a*	50%	9.7	5.7	2.0	0.2	0.2	0.2	2.1
Stagnation	(11.4%)	10%	9.3	4.5	(0.4)	(3.7)	(6.3)	(3.6)	3.9
Downside	(16.4%)	10%	8.6	3.4	(1.9)	(5.7)	(7.9)	(5.4)	4.0
Severe downside	(24.6%)	10%	7.4	1.5	(4.6)	(9.1)	(10.7)	(8.8)	4.3
Weighted average			**10.0**	**5.9**	**1.8**	**(0.5)**	**(2.3)**	**(1.3)**	**3.0**

* House price index (HPI) is forecast to increase in all future periods in this scenario.

Significant increases in credit risk, forbearance and contract modifications

The Group 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 Group measures the loss allowance based on a lifetime rather than a 12-month ECL.

The Group uses qualitative and quantitative criteria including:

- A loan becoming 30 days or more past due,
- Certain qualitative indicators, such as those used in the servicing of the loan which indicate increased credit risk,
- Increases in internal risk scores on certain portfolio accounts,
- External credit bureau data signifying increases in credit risk for a customer,
- There is an increase in the lifetime PD of the loan since origination which is judged to be significant, and
- Loans which exhibit certain indicators of increased credit risk, such as forborne accounts as described below, or specific accounts where stage overrides are made on a specific case basis.

The Group 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 Group may determine after a probationary period that a restructuring has significantly improved credit risk such that the asset is moved back to stage 1.

Notes to the financial statements *continued*

Unless otherwise indicated, all amounts are stated in £m

13. Loans and advances to customers *continued*

Loss allowance

The following tables analyse the movement of the loss allowance during the years ended 30 June 2023 and 30 June 2022.

Loss allowance	2023			
	Stage 1	Stage 2	Stage 3 and POCI	Total
Balance at beginning of year	(7.1)	(27.1)	(51.5)	(85.7)
Transfer to a 12-month ECL	(2.6)	17.9	–	15.3
Transfer to a lifetime ECL not credit impaired	11.0	(20.4)	2.6	(6.8)
Transfer to a lifetime ECL credit impaired	0.7	16.1	(26.2)	(9.4)
Other changes in credit risk during the year	(26.9)	(27.6)	(10.4)	(64.9)
Impairment of interest income on stage 3 loans	–	–	(11.0)	(11.0)
New financial assets originated	(5.6)	(2.3)	(1.8)	(9.7)
Financial assets derecognised	6.1	9.8	12.5	28.4
Changes in models and risk parameters	6.8	3.0	5.4	15.2
Impairment losses for the year charged to income	(10.5)	(3.5)	(28.9)	(42.9)
Unwind of discount	–	–	11.0	11.0
Write-offs net of recoveries	–	–	7.8	7.8
Changes on refinancing of impaired loans	–	–	–	–
Balance at end of year	(17.6)	(30.6)	(61.6)	(109.8)

Loss allowance	2022			
	Stage 1	Stage 2	Stage 3 and POCI	Total
Balance at beginning of year	(4.0)	(28.7)	(71.7)	(104.4)
Transfer to a 12-month ECL	(1.1)	6.3	–	5.2
Transfer to a lifetime ECL not credit impaired	3.9	(12.8)	4.2	(4.7)
Transfer to a lifetime ECL credit impaired	0.3	19.8	(25.6)	(5.5)
Other changes in credit risk during the year	(7.0)	(7.1)	6.8	(7.3)
Impairment of interest income on stage 3 loans	–	–	(11.4)	(11.4)
New financial assets originated	(2.7)	(2.9)	(1.3)	(6.9)
Financial assets derecognised	4.0	9.5	18.4	31.9
Changes in models and risk parameters	(0.5)	(11.1)	2.7	(8.9)
Impairment losses for the year charged to income	(3.1)	1.7	(6.2)	(7.6)
Unwind of discount	–	–	11.4	11.4
Write-offs net of recoveries	–	(0.1)	14.5	14.4
Changes on refinancing of impaired loans	–	–	0.5	0.5
Balance at end of year	(7.1)	(27.1)	(51.5)	(85.7)

The loss allowance has increased by £24.1m to £109.8m (2022: £85.7m).

At a summary level, this is as a result of increasing the level of ECL balance sheet coverage on a growing loan book. If coverage at 30 June 2023 had been maintained at 30 June 2022 levels, then growth in the loan book would have resulted in £19.1m increase in the loss allowance and increasing the levels of coverage has contributed a further £5.0m.

This net movement in loss allowance comprises a range of drivers which are reconciled further in the table below. The principle changes can be summarised as follows

- Changes in models and risk parameters resulted in a release of £15.2m (2022: charge £8.9m). The main drivers of this change were updates to macroeconomic data, including the update to the economic response model and changes to model parameters.
- Offsetting this release, presented within the 'other changes in credit risk during the year' row, is a £15.9m charge for increases in post-model adjustments. £13.7m of this is from increasing the portfolio-level post-model adjustments to £18.3m (2022: £4.6m) to increase coverage in respect of potential risks which may emerge for commercial loans and the potential risk associated with the changed interest rate environment. The remaining £2.2m of the charge relates to increasing coverage on specific accounts, with this increasing to £9.0m (2022: £6.8m).
- Allowances recognised on newly originated loans resulted in a charge of £9.7m (2022: charge £6.9m) due to the forward-looking nature of the ECL approach, where all loans have some level of allowance from origination.
- The impairment of interest income recognised on stage 3 loans of £11.0m (2022: £11.4m) was offset by the unwinding of discounting on expected cash flows of the same amount.
- The remaining net £20.6m charge (2022: £19.6m release) comprises increases in ECL during the life of loans offset by releases on loans which redeem and where allowances are released. This has been driven by increases in arrears levels, changes to the criteria for when loans are assigned to different stages, changes to probabilities of default assigned to the loans, changes to valuations as a result of indexation and individual revaluations, and lower releases from redemptions compared to the prior year.

Impairment losses for the period also increased to a charge of £42.4m (2022: charge £4.3m). In the prior periods charges were lower because coverage built up during the pandemic was unwound as the economic outlook improved and the loan book grew significantly. In the current year, the principal components of the charge can be summarised as:

- Maintaining the coverage on the balance sheet, for a growing loans book, as described above contributed £26.9m to the charge due to the changes in the balance sheet of £19.1m described above in addition to replacing balance sheet coverage utilised by write-offs of £7.8m.
- Impairment of interest charged on certain stage 3 loans of £11.0m as described above, which also acts to maintain the level of coverage on the loan book.
- Increasing coverage on the balance sheet as described above contributed a further £5.0m to the charge.

Impairment losses for the period

	30 June 2023	30 June 2022
Movements in impairment allowance, charged to income	**(42.9)**	(7.6)
Amounts released from deferred income	**0.4**	0.2
Write-offs net of recoveries	**0.1**	3.0
Gains on de-recognition of assets held at amortised cost as a result of refinancing impaired loans	**–**	0.1
Charge to the income statement	**(42.4)**	(4.3)

The following tables set out changes in the gross carrying amount of loans and advances to customers that contributed to the changes in the loss allowance:

	2023			
Movements in gross carrying amounts	**Stage 1**	**Stage 2**	**Stage 3 and POCI**	**Total**
Balance at beginning of year	**3,879.0**	**1,042.5**	**412.1**	**5,333.6**
Transfer to a 12-month ECL	**1,157.5**	**(1,157.5)**	**–**	**–**
Transfer to a lifetime ECL not credit impaired	**(2,088.4)**	**2,155.6**	**(67.2)**	**–**
Transfer to a lifetime ECL credit impaired	**(15.4)**	**(286.6)**	**302.0**	**–**
New financial assets originated	**2,613.0**	**31.1**	**4.2**	**2,648.3**
Financial assets derecognised including write-offs	**(970.5)**	**(325.5)**	**(165.9)**	**(1,461.9)**
Balance at end of year	**4,575.2**	**1,459.6**	**485.2**	**6,520.0**

	2022			
Movements in gross carrying amounts	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	2,541.3	1,089.9	485.1	4,116.3
Transfer to a 12-month ECL	739.2	(739.2)	–	–
Transfer to a lifetime ECL not credit impaired	(926.9)	1,009.3	(82.4)	–
Transfer to a lifetime ECL credit impaired	(10.6)	(206.9)	217.5	–
New financial assets originated	2,508.5	44.0	3.8	2,556.3
Financial assets derecognised including write-offs	(972.5)	(154.6)	(211.9)	(1,339.0)
Balance at end of year	3,879.0	1,042.5	412.1	5,333.6

Notes to the financial statements *continued*

Unless otherwise indicated, all amounts are stated in £m

13. Loans and advances to customers *continued*

Analysis of stage 2 loans

	30 June 2023		30 June 2022	
Days past due	**Gross exposure**	**Impairment allowance**	Gross exposure	Impairment allowance
> 30 days past due	**94.1**	**9.2**	69.4	4.4
< 30 days past due	**1,365.4**	**21.4**	972.9	22.7
Total	**1,459.5**	**30.6**	1,042.5	27.1

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

Macroeconomic scenarios

The following table shows unweighted ECL when 100% probability was applied to each scenario as at 30 June 2022 and 30 June 2023.

	2023		2022	
Scenarios	**Probability of the scenario**	**Unweighted ECL**	Probability of the scenario	Unweighted ECL
Upside	**10%**	**62.0**	10%	35.5
Mild upside	**10%**	**71.7**	10%	42.0
Base case	**50%**	**94.3**	50%	60.7
Stagnation	**10%**	**135.1**	10%	112.2
Downside	**10%**	**154.9**	10%	148.0
Severe downside	**10%**	**202.8**	10%	215.6
Weighted average		**109.8**		85.7

Utilising multiple economic scenarios reflects the non-linearity of the forward-looking ECL approach.

Sensitivities can be derived from this table by applying different combinations of probabilities to the unweighted ECLs and comparing these with the weighted average which is the amount 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 applied in each scenario (ie a 10% cut applied to the index in each forecast future period) would result in an increase in the impairment allowance of £19.1m at 30 June 2023 (30 June 2022: £14.7m); conversely, a 10% increase would result in a decrease in the impairment allowance of £14.5m at 30 June 2023(30 June 2022: £11.3m).

Probability of default and probability of repossession given default

A 10% relative worsening of both PDs and PPGDs simultaneously (e.g. a 1.0% PD increasing to 1.1%) would increase the total impairment allowance by £8.3m at 30 June 2023 (30 June 2022: £6.8m). 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 £7.9m at 30 June 2023 (30 June 2022: £6.1m).

Significant 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 sensitivity below was performed by recalculating the impairment allowance by changing only the item stated, and with all other variables unchanged.

	Increase in allowance	
Sensitivities	**2023**	2022
Measure all loans in stage 1 using a lifetime ECL	**38.1**	35.1

14. Other assets

Group	2023	2022
Amounts owed by related parties	1.3	1.3
Prepayments and accrued income	6.1	5.0
Other assets	3.3	1.2
Total other assets	**10.7**	7.5

Company	2023	2022
Amounts owed by related parties	1,419.4	1,467.6
Prepayments and accrued income	6.2	5.1
Other assets	0.2	0.2
Total other assets	**1,425.8**	1,472.9

Amounts owed by related parties of the Group include £0.9m (2022: £1.0m) due from companies of which HN Moser is a director and shareholder. Also included within amounts owed by the related parties is £0.4m (2022: £0.3m) in relation to a director's loan. The loan is interest free and repayable on demand.

For the Company, amounts owed by related parties are primarily balances with subsidiary companies and also includes £0.1m (2022: £0.1m) in respect of non-subsidiary companies of which HN Moser is a director and shareholder.

The Company regularly assesses whether there is evidence that financial assets are impaired. The Group has continued to report substantial profits and the directors do not consider that there has been a significant increase in credit risk; accordingly any ECL for the amounts owed by subsidiaries is considered to be immaterial.

15. Investments in subsidiaries

The Company held the following investments in subsidiary undertakings:

	2023	2022
At beginning of year	35.5	25.3
Capital injections	–	10.2
Impairment	(0.3)	–
At end of year	**35.2**	35.5

Capital injections represent injections of capital into subsidiary companies during the prior year, effected by the forgiveness of intra-group loans. During the current year, impairment relates to Companies under members voluntary liquidation which is part of a process to simplify the Group structure.

The Company has the following subsidiaries, all of which are incorporated in Great Britain and are registered in England and Wales and operate throughout the United Kingdom:

	Shares and voting rights	Principal activities
Auction Finance Limited	100%	Commercial lending
Blemain Finance Limited	100%	Retail lending
Bridging Finance Limited	100%	Commercial lending
FactFocus Limited	100%	Property investment
Harpmanor Limited	100%	Commercial lending
Jerrold Finco PLC	100%	Raising finance
Spot Finance Limited	100%	Retail lending
Together Commercial Finance Limited	100%	Commercial lending
Together Personal Finance Limited	100%	Retail lending
General Allied Properties Limited	100%	Non–trading
Heywood Finance Limited	100%	Members voluntary liquidation
Heywood Leasing Limited	100%	Members voluntary liquidation
Jerrold Mortgage Corporation Limited	100%	Members voluntary liquidation
Pronto Finance Ltd (Formally Phone-a-Loan Limited)	100%	Members voluntary liquidation
Supashow Limited	100%	Non–trading
Loplarge Ltd (Formally BridgingFinance.co.uk Limited)	100%	Members voluntary liquidation
Classic Car Finance Limited	100%	Members voluntary liquidation
Achillean Group Ltd (Formally Jerrold Holdings Limited)	100%	Members voluntary liquidation
Together123 Limited	100%	Members voluntary liquidation

The above are all owned via direct holdings of ordinary share capital, with the exception of Spot Finance Limited which is held by Blemain Finance Limited. The registered address of all subsidiaries is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW.

During the year the Group reviewed the Group structure with the aim of simplifying it and reducing the number of non-trading or dormant subsidiaries. As a result, a number of subsidiaries are now under member's voluntary liquidation as listed in the table above.

Notes to the financial statements *continued*

Unless otherwise indicated, all amounts are stated in £m

15. Investments in subsidiaries *continued*

The employee benefit trust, Jerrold Holdings Employee Benefit Trust, is treated as a branch of the Company and therefore its results are included within these financial statements.

The results of the following securitisation vehicles are consolidated in the Group accounts:

- Brooks Asset Backed Securitisation 1 Limited
- Charles Street Conduit Asset Backed Securitisation 1 Limited
- Charles Street Conduit Asset Backed Securitisation 2 Limited
- Delta Asset Backed Securitisation 2 Limited
- Highfield Asset Backed Securitisation 1 Limited
- Lakeside Asset Backed Securitisation 1 Limited
- Together Asset Backed Securitisation 1 PLC
- Together Asset Backed Securitisation 2018 – 1 PLC
- Together Asset Backed Securitisation 2019 – 1 PLC
- Together Asset Backed Securitisation 2020 – 1 PLC
- Together Asset Backed Securitisation 2021 – CRE1 PLC
- Together Asset Backed Securitisation 2021 – CRE2 PLC
- Together Asset Backed Securitisation 2021 – 1ST1 PLC
- Together Asset Backed Securitisation 2022 – 2ND1 PLC
- Together Asset Backed Securitisation 2022 – 1ST1 PLC
- Together Asset Backed Securitisation 2022 – CRE-1 PLC
- Together Asset Backed Securitisation 2023 – 1ST1 PLC
- Fairway Asset Backed Securitisation 1 Limited

16. Property, plant and equipment

2023 Group	Land and buildings	Fixtures, fittings and equipment	Motor vehicles	Right-of-use assets	Total
Cost					
At beginning of year	0.5	10.5	2.6	35.5	49.1
Additions	–	1.1	1.0	–	2.1
Disposals	–	(0.1)	(0.6)	–	(0.7)
At end of year	0.5	11.5	3.0	35.5	50.5
Depreciation					
At beginning of year	–	5.9	1.0	8.9	15.8
Charge for the year	–	1.2	0.7	0.9	2.8
Disposals	–	–	(0.3)	–	(0.3)
At end of year	–	7.1	1.4	9.8	18.3
Net book value					
At 30 June 2023	0.5	4.4	1.6	25.7	32.2
At 30 June 2022	0.5	4.6	1.6	26.6	33.3

2022 Group	Land and buildings	Fixtures, fittings and equipment	Motor vehicles	Right-of-use assets	Total
Cost					
At beginning of year	–	8.1	1.6	35.5	45.2
Additions	–	2.4	1.1	–	3.5
Reclassification from inventories	0.5	–	–	–	0.5
Disposals	–	–	(0.1)	–	(0.1)
At end of year	0.5	10.5	2.6	35.5	49.1
Depreciation					
At beginning of year	–	5.0	0.8	7.8	13.6
Charge for the year	–	0.9	0.3	1.1	2.3
Disposals	–	–	(0.1)	–	(0.1)
At end of year	–	5.9	1.0	8.9	15.8
Net book value					
At 30 June 2022	0.5	4.6	1.6	26.6	33.3
At 30 June 2021	–	3.1	0.8	27.7	31.6

2023 Company	Fixtures, fittings and equipment	Motor vehicles	Right-of-use assets	Total
Cost				
At beginning of year	10.5	2.6	35.5	48.6
Additions	1.1	1.0	–	2.1
Disposals	(0.1)	(0.6)	–	(0.7)
At end of year	11.5	3.0	35.5	50.0
Depreciation				
At beginning of year	5.9	1.0	8.9	15.8
Charge for the year	1.2	0.7	0.9	2.8
Disposals	–	(0.3)	–	(0.3)
At end of year	7.1	1.4	9.8	18.3
Net book value				
At 30 June 2023	4.4	1.6	25.7	31.7
At 30 June 2022	4.6	1.6	26.6	32.8

2022 Company	Fixtures, fittings and equipment	Motor vehicles	Right-of-use assets	Total
Cost				
At beginning of year	8.1	1.6	35.5	45.2
Additions	2.4	1.1	–	3.5
Impairment	–	(0.1)	–	(0.1)
At end of year	10.5	2.6	35.5	48.6
Depreciation				
At beginning of year	5.0	0.8	7.8	13.6
Transfer of assets	0.9	0.3	1.1	2.3
Charge for the year	–	(0.1)	–	(0.1)
At end of year	5.9	1.0	8.9	15.8
Net book value				
At 30 June 2022	4.6	1.6	26.6	32.8
At 30 June 2021	3.1	0.8	27.7	31.6

17. Intangible assets

Group and Company	Computer software 2023	Computer software 2022
Cost		
At beginning of year	23.1	20.0
Additions	7.2	3.2
Disposals	(1.6)	(0.1)
At end of year	28.7	23.1
Amortisation		
At beginning of year	16.0	13.0
Charge for the year	3.1	3.0
Disposals	(1.6)	–
At end of year	17.5	16.0
Net book value		
At end of year	11.2	7.1
At beginning of year	7.1	7.0

Notes to the financial statements *continued*

Unless otherwise indicated, all amounts are stated in £m

18. Deferred tax asset

2023 Group	Accelerated capital allowances	Short-term timing differences	Total
At beginning of year	(0.6)	9.4	8.8
Charge to income statement	0.1	(2.4)	(2.3)
Adjustment in respect of prior years	(0.1)	1.0	0.9
Effect of changes in tax rates	–	0.3	0.3
At end of year	(0.6)	8.3	7.7

2022 Group	Accelerated capital allowances	Short-term timing differences	Total
At beginning of year	(0.4)	11.4	11.0
Charge to income statement	(0.2)	(1.6)	(1.8)
Adjustment in respect of prior years	0.1	(0.5)	(0.4)
Effect of changes in tax rates	(0.1)	0.1	–
At end of year	(0.6)	9.4	8.8

2023 Company	Accelerated capital allowances	Short-term timing differences	Total
At beginning of year	(0.7)	2.1	1.4
Charge to income statement	0.1	(0.6)	(0.5)
Adjustment in respect of prior years	–	0.8	0.8
Effect of changes in tax rates	–	0.3	0.3
At end of year	(0.6)	2.6	2.0

2022 Company	Accelerated capital allowances	Short-term timing differences	Total
At beginning of year	(0.5)	1.8	1.3
Charge to income statement	(0.2)	0.9	0.7
Effect of changes in tax rates	–	(0.6)	(0.6)
At end of year	(0.7)	2.1	1.4

19. Borrowings

Group	Note	2023	2022
Revolving credit facility		70.0	–
Loan notes		4,511.3	3,391.9
Senior secured notes		1,055.2	1,055.4
Subordinated shareholder loans		33.7	31.4
Lease liabilities	26	29.1	29.6
		5,699.3	4,508.3
Debt issue costs		(19.0)	(25.5)
Total borrowings		5,680.3	4,482.8

Of which:

	2023	2022
Due for settlement within 12 months	515.1	355.5
Due for settlement after 12 months	5,165.2	4,127.3
Total borrowings	5,680.3	4,482.8

Company	Note	2023	2022
Revolving credit facility		70.0	–
Subordinated shareholder loans		33.7	31.4
Lease liabilities	26	29.1	29.6
		132.8	61.0
Debt issue costs		(0.9)	–
Total borrowings		131.9	61.0

Of which:

	2023	2022
Due for settlement within 12 months	1.1	1.0
Due for settlement after 12 months	130.8	60.0
Total borrowings	131.9	61.0

Interest accrued on the funding facilities is presented within other liabilities. Please refer to note 21 for further information.

Loan notes have the following features:

Loan facility	Established	Facility type	Facility size (£m)	Maturity
Brooks ABS	2021	Amortising	50.7	Mar 2027
Charles Street ABS 2	2022	Revolving	1,251.5	Mar 2027
Delta ABS 2	2019	Revolving	400.0	Dec 2025
Fairway ABS	2022	Amortising	414.8	Dec 2026
Highfield ABS	2018	Revolving	525.0	Sept 2025
Lakeside ABS	2015	Revolving	825.0	Apr 2026
Together ABS 3	2019	Amortising	110.9	Sep 2023
Together ABS 4	2020	Amortising	166.8	Jun 2024
Together ABS 5	2021	Amortising	186.2	Oct 2025
Together ABS 6	2022	Amortising	255.2	May 2026
Together ABS 7	2022	Amortising	390.8	Jun 2026
Together CRE1	2021	Amortising	132.4	Feb 2025
Together CRE2	2021	Amortising	168.0	Feb 2026
Together CRE3	2022	Amortising	315.6	Oct 2026

In the case of the amortising facilities, the maturity date shown is the date of the option to call the facility and the facility size is shown as the amortised position at the balance sheet date. The maturity dates for revolving facilities include an amortisation period covering one year prior to the maturity date, except for Lakeside ABS which has no amortisation period.

Following its refinancing in September 2022, the maturity date on the RCF facility has been extended to September 2026, with the facility size increasing from £71.9m to £138.3m.

Notes to the financial statements *continued*

Unless otherwise indicated, all amounts are stated in £m

19. Borrowings *continued*

Subordinated shareholder loans were originally issued on 2 November 2016. They are interest-free loans totalling £68.1m, which comprised £25.1m due in 2026, after maturity extensions, and £43.0m due in 2036. In January 2021, the 2026 loans were extended to 2027. The difference between the nominal value and the initial fair value represents a capital contribution, and the extension of the 2026 notes resulted in a net decrease in the carrying value of the loans of £1.0m, and a corresponding modification gain through income which was then transferred to non-distributable reserves. The difference between the total nominal value of £68.1m and the initial fair values on origination or extension of £22.2m represents a cumulative non-distributable capital contribution of £47.9m, £13.5m of which has amortised by 30 June 2023 (30 June 2022: £11.3m). The remainder of the reserve will be amortised over the life of the instruments.

The Group has undertaken the following refinancing activity during and subsequent to the year ended 30 June 2023:

- In July 2022, the Group has completed a further RMBS, Together ABS 7, raising £470m of external funding with 89% of its notes AAA rated on issuance.
- In September 2022, the Group refinanced its revolving credit facility, increasing the facility size from £71.9m to £138.3m and extended the maturity to September 2026.
- Also in September 2022, the Group refinanced its BABS facility, extending its maturity to March 2027 with an additional £24m of funding secured.
- In December 2022, the Group launched a new facility, Fairway Asset Backed Securitisation 1 Limited (FABS), raising £467.4m.
- In June 2023, the Group refinanced its Lakeside ABS facility, raising a further £125.0m of funding.
- Since the year end, in July 2023, the Group issued an RMBS, Together Asset Backed Securitisation 2023 – 1st1 PLC (TABS 8), raising £404.4m in external funding.
- In September 2023, the Group announced the pricing of a further RMBS, Together Asset Backed Securitisation 2023 – 1st2 PLC (TABS 9).
- In the same month, the Group exercised its option to redeem the loan notes in Together ABS 3, taking back the beneficial title to the mortgage assets that had previously been securitised.
- Also in September 2023, the Group refinanced its BABS facility, extending the maturity date to September 2027 and raising an additional £55.0m of funding.

Refer to note 25 for more details in relation to the lease liabilities.

Debt-issue costs, which consist of the prepaid fees in relation to the bank loan, loan notes and the senior secured notes, are deducted from the loan carrying amounts and charged to interest expense over the expected duration or term of the facility or notes as appropriate.

Borrowings have the following maturities:

As at 30 June 2023:

Group	<1 year	1-2 years	2-5 years	>5 years	Total
Revolving credit facility	–	–	70.0	–	70.0
Loan notes	516.0	306.2	3,689.1	–	4,511.3
Senior secured notes	–	–	1,055.2	–	1,055.2
Subordinated shareholder loans	–	–	19.3	14.4	33.7
Lease liabilities	1.1	1.1	2.4	24.5	29.1
	517.1	307.3	4,836.0	38.9	5,699.3
Debt-issue costs	(2.0)	(1.8)	(15.2)	–	(19.0)
Total borrowings	515.1	305.5	4,820.8	38.9	5,680.3

Company	<1 year	1-2 years	2-5 years	>5 years	Total
Revolving credit facility	–	–	70.0	–	70.0
Subordinated shareholder loans	–	–	19.3	14.4	33.7
Lease liabilities	1.1	1.1	2.4	24.5	29.1
	1.1	1.1	91.7	38.9	132.8
Debt-issue costs	–	–	(0.9)	–	(0.9)
Total borrowings	1.1	1.1	90.8	38.9	131.9

As at 30 June 2022:

Group	<1 year	1-2 years	2-5 years	>5 years	Total
Loan notes	356.5	469.4	2,566.0	–	3,391.9
Senior secured notes	–	–	1,055.4	–	1,055.4
Subordinated shareholder loans	–	–	–	31.4	31.4
Lease liabilities	1.0	1.0	2.2	25.4	29.6
	357.5	470.4	3,623.6	56.8	4,508.3
Debt-issue costs	(2.0)	(2.6)	(20.9)	–	(25.5)
Total borrowings	355.5	467.8	3,602.7	56.8	4,482.8

Company	<1 year	1-2 years	2-5 years	>5 years	Total
Subordinated shareholder loans	–	–	–	31.4	31.4
Lease liabilities	1.0	1.0	2.2	25.4	29.6
	1.0	1.0	2.2	56.8	61.0
Debt-issue costs	–	–	–	–	–
Total borrowings	1.0	1.0	2.2	56.8	61.0

20. Provisions and contingent liabilities

Provisions

	Customer provisions	Other provisions	Total
Balance at beginning of year	**14.1**	**6.2**	**20.3**
Release for the year	**(0.2)**	**(0.8)**	**(1.0)**
Provisions utilised	**(10.8)**	**(1.3)**	**(12.1)**
Balance at end of year	**3.1**	**4.1**	**7.2**

As at 30 June 2023, the Group has recognised provisions of £7.2m (30 June 2022: £20.3m). 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.

The Group continually focuses on improving its customer processes and responding to changes in customer needs. During the year, the regulated division continued to identify ways to improve customer experience and outcomes, including the further development and delivery 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 customers who have experienced financial difficulty and has seen reductions applied to such customer account balances during the year.

In addition, during the prior 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 regulator following their review of fair pricing in financial services. During the year ended 30 June 2023 the relevant action plan has been completed. This has resulted in the application of caps to historic interest rates and charges as well as payments to relevant customers or reductions applied to account balances as appropriate.

As a financial services company, the Group is required to comply with relevant legislation, and has processes in place to meet these standards and to manage any legal claims against the Group. Where such claims are received, the Group 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 Group. An increase in the time period we are forecasting to receive claims over of 50% would result in an increase in the provision of £0.3m (50% decrease: reduction of £0.3m).

Contingent liabilities – fixed and floating charges

As at 30 June 2023, the Group's assets were subject to a fixed and floating charge in respect of £1,055m senior secured notes (30 June 2022: £1,055m) and £70.0m in respect of revolving credit facility (30 June 2022: £nil).

Notes to the financial statements *continued*

Unless otherwise indicated, all amounts are stated in £m

21. Other liabilities

Group	2023	2022
Amounts owed to related parties	–	0.1
Trade creditors	3.2	3.3
Other creditors	1.2	0.4
Other taxation and social security	1.5	2.2
Accruals and deferred income	26.0	40.1
Accrued interest on borrowings	49.9	30.8
Total other liabilities	**81.8**	76.9

Company	2023	2022
Amounts owed to related parties	1,093.7	1,086.2
Trade creditors	2.4	2.6
Other taxation and social security	1.5	1.4
Accruals and deferred income	23.7	34.0
Accrued interest on borrowings	0.5	4.1
Total other liabilities	**1,121.8**	1,128.3

Amounts owed to other related parties of the Group are in respect of companies of which HN Moser is a director and shareholder.

Amounts owed to other related parties of the Company are primarily balances with subsidiary companies.

22. Share capital

Authorised	2023	2022
10,405,653 A ordinary shares of 50 pence each	5.2	5.2
9,149,912 B ordinary shares of 49.9 pence each	4.6	4.6
921,501 C ordinary shares of 1 penny each	–	–
70,000 D ordinary shares of 1 penny each	–	–
10,000 E ordinary shares of 1 penny each	–	–
Total	**9.8**	9.8

Issued, allotted and fully paid	2023	2022
10,405,653 A ordinary shares of 50 pence each	5.2	5.2
9,149,912 B ordinary shares of 49.9 pence each	4.6	4.6
921,501 C ordinary shares of 1 penny each	–	–
70,000 D ordinary shares of 1 penny each	–	–
Total	**9.8**	9.8

A ordinary shares carry voting rights, rights to certain dividends and rights to participate in a distribution (including on winding up) as set out in the articles of association. The holders of B, C and D ordinary shares do not have voting rights, but do have rights to certain dividends and participation in a distribution (including on winding up) as set out in the articles of association. E ordinary shares have been issued, and the Company's directors are authorised to allot up to 10,000 E ordinary shares to holders of D ordinary shares.

11,620 of the D Ordinary shares are held in an employee benefit trust and accounted for as treasury shares.

23. Financial instruments and fair values

The Group measures fair values using the following hierarchy, which reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Measurements derived from observable data, such as market prices or rates;

Level 3: Measurements relying on significant inputs not based on observable market data.

Financial instruments measured at fair value

The following table analyses the fair values as at the year end of financial instruments measured at fair value, analysed into different levels according to the degree to which they are based on observable inputs:

2023	Level 1	Level 2	Level 3	Fair value	Carrying value
Derivative assets/(liabilities) held for risk management – Interest-rate risk					
Derivative assets	**–**	**62.3**	**–**	**62.3**	**62.3**
Derivative liabilities	**–**	**(0.1)**	**–**	**(0.1)**	**(0.1)**

2022	Level 1	Level 2	Level 3	Fair value	Carrying value
Derivative assets held for risk management – Interest-rate risk					
Derivative assets	–	11.2	–	11.2	11.2
Derivative liabilities	–	–	–	–	–

The Group's derivative assets at 30 June 2023 and 2022 were interest-rate swaps and caps; its derivative liabilities at 30 June 2023 were interest-rate swaps. The valuations of these instruments are level 2, being derived from generally accepted valuation models that use forecast future interest-rate curves derived from market data.

Notes to the financial statements *continued*

Unless otherwise indicated, all amounts are stated in £m

23. Financial instruments and fair values *continued*

Financial instruments not measured at fair value

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

The following table analyses the fair values of loans and advances and of borrowings into different levels according to the degree to which the fair values are based on observable inputs:

2023	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets					
Loans and advances to customers	–	–	6,317.3	6,317.3	6,410.2
Financial liabilities					
Borrowings	903.9	2,261.5	2,367.7	5,333.1	5,680.3

2022	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets					
Loans and advances to customers	–	–	5,206.0	5,206.0	5,247.9
Financial liabilities					
Borrowings	930.3	1,852.5	1,590.0	4,372.8	4,482.8

The fair value of loans and advances to customers is based on future interest cash flows (at current customer rates) and principal cash flows discounted using the rate at which we most recently advanced similar loans (a market rate). This rate is assumed to encompass the time value of money, plus a risk premium to account for the inherent uncertainty in the timing and amount of future cash flows arising from mortgage assets. Forecast principal repayments are based on redemption at maturity with an overlay for historical behavioural experience to take account of expected prepayment. The eventual timing of future cash flows may be different from the forecast due to unpredictable customer behaviour. A further adjustment is made to reflect expected credit losses over the life of each loan.

For borrowings, the fair value of senior secured notes is considered to be level 1, reflecting quoted prices. The fair value is lower than the carrying value as the notes are trading at a discount to their par value as at 30 June 2023.

The fair value of loan notes issued by private securitisations is estimated to be the carrying value because the notes track a floating rate of interest but where the margins payable are observable inputs only when they are issued or refinanced. These notes are classified as level 3 with publicly issued residential mortgage-backed securities classified as level 2. The revolving credit facility is classified as level 2 given this is a private facility without quoted market prices, but with observable inputs.

Subordinated shareholder loans and lease liabilities are also classified as level 3. Market prices are not available for these loans and so fair value has been estimated by discounting the related expected future cash flows. As market rates are not observable for these loans, management has derived discount rates by reference to other arm's length transactions with investors, making allowance for the tenor and seniority of the loans.

24. Notes to the statement of cash flows

Group	2023	2022
Adjustments for non-cash items in profit after tax:		
Net interest income	(301.1)	(254.8)
Changes in expected credit losses charged to income statement	42.9	7.6
Taxation	28.7	26.5
(Release)/charge in provisions for liabilities and charges	(1.0)	0.6
Depreciation and amortisation	6.0	5.2
Share-based payment	–	4.5
Net gains on financial instruments	2.1	0.3
Total	(222.4)	(210.1)

	2023	2022
Changes in operating assets and liabilities		
Increase in loans and advances to customers	(1,205.2)	(1,243.6)
Increase in other assets	(3.2)	(1.8)
(Decrease)/increase in other liabilities	(26.2)	12.7
Total	(1,234.6)	(1,232.7)

Company	2023	2022
Adjustments for non-cash items in profit after tax:		
Net interest income	55.9	59.1
Non-cash administrative expenses	2.3	–
Impairment of investment in subsidiaries	0.3	–
Taxation	0.6	(0.7)
Total	59.1	58.4

	2023	2022
Changes in operating assets and liabilities		
Intergroup recharges and treasury transfers	55.7	51.0
(Decrease)/increase in accruals	(14.1)	26.9
Increase in other assets	(1.1)	(0.8)
Total	40.5	77.1

Notes to the financial statements *continued*

Unless otherwise indicated, all amounts are stated in £m

24. Notes to the statement of cash flows *continued*

Reconciliation of changes in liabilities arising from financing activities

As at 30 June 2023:

			Non-cash changes			
Group	At beginning of year	Net cash flows	Lease additions	Prepaid fees	Amortisation of premiums and discounts	At end of year
Revolving credit facility	–	70.0	–	–	–	70.0
Loan notes	3,391.9	1,119.4	–	–	–	4,511.3
Senior secured notes	1,055.4	–	–	–	(0.2)	1,055.2
Subordinated shareholder loans	31.4	–	–	–	2.3	33.7
Lease liabilities	29.6	(1.4)	0.9	–	–	29.1
	4,508.3	1,188.0	0.9	–	2.1	5,699.3
Net debt issue costs	(25.5)	–	–	6.5	–	(19.0)
Total borrowings	4,482.8	1,188.0	0.9	6.5	2.1	5,680.3

As at June 2022:

			Non-cash changes			
Group	At beginning of year	Net cash flows	Lease additions	Prepaid fees	Amortisation of premiums and discounts	At end of year
Revolving credit facility	–	–	–	–	–	–
Loan notes	2,327.7	1,064.2	–	–	–	3,391.9
Senior secured notes	935.0	120.6	–	–	(0.2)	1,055.4
Subordinated shareholder loans	29.3	–	–	–	2.1	31.4
Lease liabilities	29.9	(1.2)	0.9	–	–	29.6
	3,321.9	1,183.6	0.9	–	1.9	4,508.3
			–			
Net debt issue costs	(17.9)	–	–	(7.6)	–	(25.5)
Total borrowings	3,304.1	1,183.6	0.9	(7.6)	1.9	4,482.8

As at 30 June 2023:

			Non-cash changes			
Company	At beginning of year	Net cash flows	Lease additions	Prepaid fees	Amortisation of premiums and discounts	At end of year
Revolving credit facility	–	70.0	–	–	–	70.0
Subordinated shareholder loans	31.4	–	–	–	2.3	33.7
Lease liabilities	29.6	(1.4)	0.9	–	–	29.1
	61.0	68.6	0.9	–	2.3	132.8
Net debt issue costs	–	–	–	(0.9)	–	(0.9)
Total borrowings	61.0	68.6	0.9	(0.9)	2.3	131.9

As at 30 June 2022:

			Non-cash changes			
Company	At beginning of year	Net cash flows	IFRS 16 adjustment	Prepaid fees	Amortisation of premiums and discounts	At end of year
Revolving credit facility	–	–	–	–	–	–
Subordinated shareholder loans	29.3	–	–	–	2.1	31.4
Lease liabilities	29.9	(1.2)	0.9	–	–	29.6
	59.2	(1.2)	0.9	–	2.1	61.0
Net debt issue costs	(0.2)	–	–	0.2	–	–
Total borrowings	59.0	(1.2)	0.9	0.2	2.1	61.0

25. Related party transactions

Relationships

The Company has the following related parties:

a) Controlling party

All the voting shares of Together Financial Services Limited are controlled by Bracken Midco2 Limited, a company whose ultimate parent is Redhill Famco Limited, which is wholly owned and controlled by HN Moser, a director of Together Financial Services Limited.

Besides the companies owned by Redhill Famco Limited, other entities owned by HN Moser are deemed to be related parties and during the year transacted with the Company's subsidiaries as follows:

Entity	Nature of transactions
Bracken House Properties LLP	The Group pays operating lease and insurance costs to Bracken House Properties LLP for its provision of the Group's head office property.
Centrestand Limited	The Group collected rent and paid service charges and costs on behalf of Centrestand Limited. The Company was dissolved on 20 June 2023.
Charles Street Commercial Investments Limited	The Group refers borrowers outside its lending criteria to Charles Street Commercial Investments Limited. The Group performs underwriting, collection and arrears-management activities for these loans. The Group also manages accounts payable on behalf of the company and provides ancillary accounting and treasury services for which it receives a fee.
Sterling Property Co. Limited	Sterling Property Co. Limited provides property management services for properties repossessed or placed into LPA receivership by the Group. These services solely relate to properties repossessed prior to the current year. The Group also pays Sterling Property Co. Limited for the rental of temporary office space.
Sunnywood Estates Limited	The Group provides loans with interest charged at 5% per annum, secured on certain assets of this company. The Group also manages accounts payable on behalf of the entity.
Edgworth Developments Limited	The Group provided loans with interest charged at 5% per annum, secured on certain assets of this company which was redeemed during the year. The Group also managed accounts payable on behalf of the entity up to redemption.

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

b) Parent companies

The Group transacted with the following parent companies owned by HN Moser:

Entity	Nature of transactions
Bracken Midco2 Limited	In November 2016 the Company received subordinated funding from Bracken Midco2 Limited. The subordinated loans are interest-free and for fixed terms, as set out in note 19. The difference between the loans' maturity amounts and their fair values represents a capital contribution to the Group which is being amortised through income over the life of each loan. The Group pays dividends to its parent company Bracken Midco2 Limited.

c) Subsidiaries

Details of the Company's interest in its subsidiaries are listed in note 15. The Company utilises its bank and subordinated shareholder funding, and bonds raised by a subsidiary company, to provide treasury funding to its lending subsidiaries. Interest is recharged among Group companies based on the Group's external cost of borrowings and the risk of the assets funded. The cost of equity funding and group relief for tax is not charged. All amounts are repayable on demand.

d) Key management personnel

Key management personnel comprise directors of the Group. There are no transactions with directors other than the director's loan disclosed in Note 14 and remuneration in the ordinary course of business disclosed in note 8.

Notes to the financial statements *continued*

Unless otherwise indicated, all amounts are stated in £m

25. Related party transactions *continued*

Transactions

The amounts receivable from and payable to related parties by the Group and Company are disclosed in notes 14 and 21 to the financial statements. The Group and Company had the following transactions with related parties during the year:

	2023		2022	
Group	Charge/ (credit) to income or equity	Paid/ (received)	Charge/ (credit) to income or equity	Paid/ (received)
Lease and insurance costs	2.7	2.7	2.2	2.2
Accounts payable transactions	–	0.6	–	0.9
Impairment of related party loans	–	–	0.1	–
Net settlement of related party balances	–	(0.7)	–	1.1
Related parties of HN Moser	2.7	2.6	2.3	4.2
Interest expense	2.2	–	2.1	–
Dividends paid	82.5	82.5	48.8	48.8
Parent companies	84.7	82.5	50.9	48.8
Total related parties	87.5	85.1	53.2	53.0

	2023		2022	
Company	Charge/ (credit) to income or equity	Paid/ (received)	Charge/ (credit) to income or equity	Paid/ (received)
Interest expense	2.2	–	2.1	–
Dividends paid	82.5	82.5	48.8	48.8
Parent companies	84.7	82.5	50.9	48.8
Depreciation expense of right-of-use assets	1.0	–	1.0	–
Interest expense on lease liabilities	1.5	–	1.5	–
Interest recharges	(10.0)	–	(3.2)	–
Capital injection	–	–	10.2	10.2
Net settlement of related party balances	–	(56.1)	–	(78.5)
Subsidiary companies	(7.5)	(56.1)	9.5	(68.3)
Total related parties	77.2	26.4	60.4	(19.5)

26. Leases

The table below sets out the amounts recognised in the income statement in respect of the Group's and Company's right-of-use assets and lease liabilities during the year ended 30 June 2023 and year ended 30 June 2022:

2023	Administrative expenses £m	Interest expense £m	Total £m
Depreciation expense of right-of-use assets	1.0	–	1.0
Interest expense on lease liabilities	–	1.5	1.5
Total recognised in the income statement	1.0	1.5	2.5

2022	Administrative expenses £m	Interest expense £m	Total £m
Depreciation expense of right-of-use assets	1.0	–	1.0
Interest expense on lease liabilities	–	1.5	1.5
Total recognised in the income statement	1.0	1.5	2.5

The below table sets out the carrying amounts of the Group's and Company's right-of-use assets and lease liabilities and the movements during the years ended 30 June 2023 and 30 June 2022.

	2023		2022	
	Right-of-use assets – leasehold property £m	Lease liabilities £m	Right-of-use assets – leasehold property £m	Lease liabilities £m
As at beginning of year	26.7	(29.6)	27.7	(29.9)
Additions	–	(0.9)	–	(0.9)
Depreciation expense	(1.1)	–	(1.0)	–
Interest expense on lease liabilities	–	(1.5)	–	(1.5)
Payments	–	2.9	–	2.7
As at end of year	25.6	(29.1)	26.7	(29.6)

The analysis of lease liabilities includes hire-purchase obligations for motor vehicles. The Group had total cash outflows for leases of £2.9m during the year ended 30 June 2023 (2022: £2.7m).

27. Pension arrangements

During the year the Group contributed to employees' personal pension plans. The total cost for the year amounted to £1.8m (2022: £1.6m).

28. Share-based payments

Senior management has previously been granted D shares and options over E shares of the Company. The ability to dispose of such shares and execute such options is conditional on sale of shares held by other shareholders amounting to 25% or more of the Company's share capital on a cumulative basis. The value of these shares is dependent upon the value of the Company at the time of granting and is not reassessed. Awards are treated as equity settled and are satisfied by the same entity where the obligation rests at the point awards are realised. The options over the E shares have not yet been exercised.

Notes to the financial statements *continued*

Unless otherwise indicated, all amounts are stated in £m

29. Commitments

The Group has commitments to extend credit which are not recorded on the balance sheet. This includes both the undrawn element of existing facilities and new commitments to lend.

As 30 June 2023, the Group had undrawn commitments to lend of £156.0m (30 June 2022: £219.4m). These relate mostly to lines of credit granted to existing customers for property development. The amounts do not represent the amounts at risk at the reporting date but the amounts that would be at risk should the facilities be fully drawn upon and should the customer default.

The ECL on the undrawn elements of existing facilities is included within the total ECL held within net loans and advances to customers. The ECL on new lending commitments is £0.1m (30 June 2022: £0.3m), and is classified within provisions for liabilities and charges.

30. Ultimate parent company

The largest (and only additional) group of which Together Financial Services Limited 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 company. The immediate parent company of Together Financial Services Limited is Bracken Midco2 Limited.

The registered office of Redhill Famco Limited and Bracken Midco2 Limited is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW.

31. Events after the reporting date

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

In September 2023, the Group announced the pricing of a further RMBS, Together Asset Backed Securitisation 2023 – 1st 2 PLC (TABS 9).

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

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

Glossary

2026 Senior Secured Notes (SSNs 2026)	£555m senior secured notes issued by a subsidiary of the Group, Jerrold Finco PLC.
2027 Senior Secured Notes (SSNs 2027)	£500m senior secured notes issued by a subsidiary of the Group, Jerrold Finco PLC.
ALCO	Asset and Liabilities Committee. Responsible for managing the Group's exposure to capital, liquidity, interest-rate risk and market risk.
Bank Rate	Bank of England Bank Rate, also known as Base Rate.
Brooks ABS	Brooks Asset Backed Securitisation 1 Limited – this is an amortising facility, which initially raised £71.0m against a loan portfolio of £96.2m, before being refinanced in September 2022 with a further £24m. In September 2023 a further £55.0m of funding was obtained whilst extending the contractual maturity to March 2028 with an option to call the facility in September 2027.
BTL	Buy-to-let.
Capital risk	The risk that the Group fails to hold adequate capital buffers and to appropriately manage the Group's capital base.
Charles Street ABS 2	Charles Street Conduit Asset Backed Securitisation 2 Limited – £1,255m facility with a maturity date of March 2027.
Company	Together Financial Services Limited is a private company, limited by shares, and is registered in England (company number: 02939389).
Compliance risk	The risk arising from the failure to comply with existing or new legislation or regulations in the markets within which the Group operates.
Conduct risk	The risk arising from business activities that fail to deliver appropriate and consistent outcomes to customers and stakeholders.
CMBS	Commercial-mortgage-backed securitisation
Credit risk	The risk arising as result of default by customers or counterparties due to failure to honour obligations when they fall due.
Delta ABS 2	Delta Asset Backed Securitisation 2 Limited – £400m facility with a maturity date of December 2025.
Development loans	Development loans are loans that we extend to finance the development of land or property primarily into residential units with repayments typically being made out of the sale of the units.
EBITDA	Earnings before interest, tax, depreciation and amortisation. The calculation of this is shown in the following section on alternative performance measures.
Expected credit loss (ECL)	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. Calculated using a statistical model based on probability of default, loss given default and exposure at default.
EIR	Effective interest rate, ie the rate that, at inception of the instrument, discounts its estimated future cash payments or receipts to the gross carrying amount, in the case of financial assets, or to the amortised cost in the case of financial liabilities.
Enterprise risk management framework (ERMF)	This provides the requisite organisational arrangements and foundation for managing risks in a consistent and structured manner.
ESG	Environment, Society and Governance.
Fair value	The amount at which an asset could be exchanged, or a liability settled, between willing parties in an arm's length transaction.
Fairway ABS	Fairway Asset Backed Securitisation 1 Limited – £467m facility size for first charge owner occupied and buy-to-let loans, with a maturity date of December 2026.
Financial Conduct Authority (FCA)	The FCA is the conduct regulator for financial services firms and financial markets in the UK.
Forbearance	A concession that is made on the contractual terms of a loan or mortgage in response to a borrower's financial difficulties.
Gross domestic product (GDP)	GDP measures the total value of all of the goods made and services provided in a country in a year.
Highfield ABS	Highfield Asset Backed Securitisation 1 Limited – £525m facility size with a maturity date of September 2025.
IFRS	International Financial Reporting Standards.
Lakeside ABS	Lakeside Asset Backed Securitisation 1 Limited – £825m facility with a maturity date of April 2026.

Glossary *continued*

Liquidity and funding risk	Liquidity risk is the risk that the Group is unable to maintain sufficient accessible liquid financial resources to meet the Group's financial obligations as they fall due. Funding risk is the risk of being unable to access funding markets or to only be able to do so at excessive cost. This includes the risk of reduced funding options due to adverse conditions in the wholesale-funding market, potentially caused by political and economic uncertainty leading to the inability to secure additional funding for new business, or refinance existing facilities at an acceptable cost.
Loan book	This refers to the gross loans and advances to customers, ie before impairment allowances.
Loan origination	The process of creating a loan(s) or mortgage(s).
Loss given default (LGD)	An estimate of the likely loss, as a percentage of the loan amount, in the event of a default.
LPA	Law of Property Act. The act provides a means by which a secured lender can gain control of a freehold property against a defaulting borrower.
Loan to value (LTV)	The ratio of the carrying amount of a mortgage loan to the appraised value of the property securing the loan. The carrying amount is calculated as the aggregate of: i. the principal amount of a mortgage loan, ii. any higher-ranking-charge mortgage loans secured on the same property, iii. the accrued interest and fees thereon, iv. less allowances for impairments, and v. other accounting adjustments (including adjustments to recognise income at the effective interest rate). The appraised value is typically: i. the assessed value of real property in the opinion of a qualified appraiser or valuer, or ii. derived from an automated valuation model during the mortgage origination process, or iii. the revised valuation of the property if a later valuation has been undertaken.
Market risk	The risk arising from the Group's exposure to movements in market values, including movements in interest rates.
Net loan book	This refers to the net loans and advances to customers, i.e. loans and advances to customers after impairment allowances.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
PIK toggle notes	A PIK toggle note is a bond in which the issuer has the option, subject to certain conditions being met, to pay interest in the form of payment-in-kind (PIK) as opposed to cash interest.
Probability of default (PD)	An estimate of the likelihood of default over a given time horizon, estimated at a point in time.
Repossession and LPA receivership	Repossessed properties are properties in respect of which a court order has been actioned by a charge holder of the security or in respect of which the borrower has surrendered ownership of the property. LPA receivership is typically used to exercise security over property used for commercial-purpose loans to enable us subsequently to sell the property (LPA sales).
Revolving credit facility (RCF)	Syndicated revolving credit loan facility of £138.3m with a maturity date of September 2026.
RMBS	Residential mortgage-backed securitisation.
Senior Borrower Group (SBG)	The Company and its subsidiaries, not including its securitisation vehicles listed in note 15 to the Financial Statements.
Senior management	The Executive Committee members, not including NEDs, and Executive Direct Reports (EDRs).
Shareholder funds	Equity and subordinated shareholder loans and notes. The calculation of this is shown in the section on alternative performance measures.
Strategic risk	The risk of failure to achieve objectives that impact the long-term interest of stakeholders.
TCFD	Task Force on Climate-related Financial Disclosures.
The Group	Together Financial Services Limited and its subsidiaries.
The tax group	This is the Redhill corporation tax group, which is Redhill Famco Limited, the ultimate parent company of Together Financial Services Limited, together with its subsidiaries, excluding the securitisation vehicles.
Together ABS 2	Together Asset Backed Securitisation 2018 – 1 PLC – this is an amortising facility, which raised £272.6m against a loan portfolio of £286.9m. This was fully repaid on 14 November 2022.

Together ABS 3	Together Asset Backed Securitisation 2019 – 1 PLC – this is an amortising facility, which raised £315.4m against a loan portfolio of £332.0m with a contractual maturity of 2061 as there was an option to call the facility in September 2023, this was fully repaid on 15 September 2023.
Together ABS 4	Together Asset Backed Securitisation 2020 – 1 PLC – this is an amortising facility, which raised £360.5m against a loan portfolio of £366.0m with a contractual maturity of December 2061 and an option to call the facility in June 2024.
Together ABS 5	Together Asset Backed Securitisation 2021 – 1ST1 PLC – this is an amortising RMBS facility which raised £318.0m against a loan portfolio of £332.9m with a contractual maturity of July 2063 and an option to call the facility in October 2025.
Together ABS 6	Together Asset Backed Securitisation 2022 – 2ND1 PLC – this is an amortising RMBS facility which raised £349.8m against a loan portfolio of £366.3 with a contractual maturity of February 2054 and an option to call the facility in May 2026.
Together ABS 7	Together Asset Backed Securitisation 2022 – 1ST1 PLC – this is an amortising RMBS facility which raised £462.6m against a loan portfolio of £499.4m with a contractual maturity of June 2066 and an option to call the facility in June 2026.
Together ABS 8	Together Asset Backed Securitisation 2023 – 1ST1 PLC – this is an amortising RMBS facility which raised £404.4m against a loan portfolio of £425.5m with a contractual maturity of January 2067 and an option to call the facility in April 2027.
Together CRE1	Together Asset Backed Securitisation 2021 – CRE1 PLC – this is an amortising facility which raised £194.3m against a loan portfolio of £200.0m with a contractual maturity of January 2055 and an option to call the facility in February 2025.
Together CRE2	Together Asset Backed Securitisation 2021 – CRE2 PLC – this is an amortising facility which raised £241.6m against a loan portfolio of £249.0m with a contractual maturity of August 2052 and an option to call the facility in February 2026.
Together CRE3	Together Asset Backed Securitisation 2022 – CRE3 PLC – this is an amortising facility which raised £365.2m against a loan portfolio of £378.4m with a contractual maturity of April 2054 and an option to call the facility in October 2026.
Underlying profit before tax	Underlying profit before tax (PBT) is the Group's statutory profit before tax adjusted for one-off exceptional items. In 2023, underlying PBT excluded one-off discretionary bonus of £8.4m and a £3.4m release of costs accrued in a prior period relating to the Group's strategic options costs. In 2022, underlying PBT excluded one-off strategic options costs of £7.9m, share-based payment of £4.5m along with a release of £1.2m relating to certain customer provisions.
Underlying profit after tax	Underlying profit after tax (PAT) is the Group's statutory profit after tax adjusted for one-off exceptional items. In 2023, underlying PBT excluded one-off discretionary bonus of £8.4m and a £3.4m release of costs accrued in a prior period relating to the Group's strategic options costs. In 2022, underlying PBT excluded one-off strategic options review costs of £7.9m, share-based payment of £4.5m along with a release of £1.2m relating to certain customer provisions.
Weighted average LTV of originations	The average LTV on originations is calculated on a weighted-average basis, by multiplying each LTV by the respective principal loan amount and then dividing the sum of the weighted LTVs by the total of principal amounts.
Weighted average indexed LTV of portfolio	Indexation is applied to the values of properties securing loans within our portfolio on a quarterly basis. The value of the properties securing our loans are adjusted for movements in property prices since the latest appraised valuation in accordance with the relevant regional property indices. The weighted average indexed LTV of our loan portfolio is subsequently calculated by multiplying each indexed LTV by the respective loan amount and then dividing the sum of the weighted indexed LTVs by the total amount of loans.

Alternative performance measures

In the reporting of financial information, we use certain measures that are not required under the UK adopted International Accepted Accounting Principles under which we report. These measures are consistent with some of those used by management to assess underlying performance. In addition, a number of non-IAS metrics are calculated which we consider to be helpful in understanding the performance of the Group.

These alternative performance measures have been defined below:

Cost of risk

Impairment charge expressed as a percentage of the average of the opening and closing gross loans and advances to customers.

	2023 £m	2022 £m
Impairment charge	42.4	4.3
Average net loans and advances to customers	5,829.1	4,629.9
Cost of risk	0.7%	0.1%

Cost-to-income ratio

Administrative expenses including depreciation and amortisation divided by operating income.

	2023 £m	2022 £m
Administrative expenses	101.0	101.5
Operating income	302.0	257.3
Cost-to-income ratio	33.5%	39.4%

Underlying cost-to-income ratio

Administrative expenses including depreciation and amortisation divided by operating income but excluding the effects strategic option cost release and a discretionary bonus.

	2023 £m	2022 £m
Administrative expenses	101.0	101.5
Less strategic options release/(costs)	3.4	(7.9)
Less discretionary bonus	(8.4)	–
Less charge for share-based payment	–	(4.5)
Plus releases in forbearance and customer-communication provisions	–	1.2
Administrative expenses excluding exceptional items	96.0	90.3
Operating income	302.0	257.3
Operating income excluding exceptional items	302.0	257.3
Underlying cost-to-income ratio	31.8%	35.1%

Earnings before interest, tax, depreciation and amortisation (EBITDA)

Profit before taxation adding back interest payable and similar charges and depreciation and amortisation.

	2023 £m	2022 £m
Profit before tax	158.6	151.5
Add back:		
Interest payable and similar charges	271.8	138.6
Depreciation and amortisation	6.0	5.2
EBITDA	436.4	295.3

Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)

EBITDA adjusted for strategic option costs release and a discretionary bonus.

	2023 £m	2022 £m
EBITDA	436.4	295.3
Add back:		
Strategic options (release)/costs	(3.4)	7.9
Discretionary bonus	8.4	–
Charge for share-based payment	–	4.5
Less releases of forbearance and customer-communication provisions	–	(1.2)
Underlying EBITDA	441.4	306.5

Interest-cover ratio

The ratio of EBITDA to interest payable and similar charges.

	2023 £m	2022 £m
EBITDA	436.4	295.3
Interest payable and similar charges	271.8	138.6
Interest-cover ratio	1.61:1	2.13:1

Underlying interest-cover ratio

The ratio of underlying EBITDA to interest payable and similar charges.

	2023 £m	2022 £m
Underlying EBITDA	441.4	306.5
Interest payable and similar charges	271.8	138.6
Underlying interest-cover ratio	1.62:1	2.21:1

Net debt gearing

Net debt expressed as a percentage of loans and advances to customers. Net debt consists of certain borrowings facilities excluding any premiums, less cash and cash equivalents.

	2023 £m	2022 £m
Revolving credit facility	70.0	–
Loan notes	4,511.3	3,391.9
Senior secured notes	1,055.2	1,055.4
Less premium on senior secured notes	(0.2)	(0.4)
Less cash and cash equivalents	(322.8)	(264.5)
Net debt	5,313.5	4,182.4
Loans and advances to customers	6,410.2	5,247.9
Net debt gearing	82.9%	79.7%

Alternative performance measures *continued*

Net interest margin (NIM)

Net interest income as a percentage of the average of the opening and closing net loans and advances to customers.

	2023 £m	2022 £m
Net interest income	301.1	254.8
Average loans and advances to customers	5,829.1	4,629.9
Net interest margin (NIM)	5.2%	5.5%

Underlying profit before tax

Calculated as the Group's statutory profit before tax adjusted for one-off exceptional items.

	2023 £m	2022 £m
Profit before tax	158.6	151.5
Add back:		
Strategic-options (release)/costs	(3.0)	7.9
Discretionary bonus	8.0	–
Charge for share-based payment	–	4.5
Less releases of forbearance and customer-communication provisions	–	(1.2)
Underlying PBT	163.6	162.7

Return on equity (ROE)

Calculated as the return to shareholder funds expressed as a percentage of the average of the opening and closing shareholder funds (which are defined later in this section). The return to shareholder funds is profit after tax adding back shareholder-loan interest net of associated tax at the effective tax rate.

	2023 £m	2022 £m
Profit after tax	129.9	125.0
Add back shareholder-loan interest	2.2	2.1
Less tax on shareholder-loan interest	(0.2)	(0.3)
Total return to shareholder funds	131.9	126.8
Average shareholder funds	1,072.9	983.5
Return on equity	12.3%	12.9%

Underlying return on equity (Underlying ROE)

Calculated as total return to the shareholder, adjusted for exceptional items and their associated tax, expressed as a percentage of the average of the opening and closing shareholder funds.

	2023 £m	2022 £m
Total return to shareholder funds	131.8	126.8
Add back exceptional items:		
Strategic options (release)/costs	(3.4)	7.9
Discretionary bonus	8.4	–
Charge for share-based payment	–	4.5
Less releases of forbearance and customer-communication provisions	–	(1.2)
	5.0	11.2
Less tax on exceptional items using effective tax rate	(0.9)	(2.0)
	4.1	9.2
Underlying return to shareholder funds	135.9	136.0
Underlying average shareholder funds	1,072.9	983.5
Underlying return on equity	12.7%	13.8%

Cost-to-asset ratio

Administrative expenses expressed as a percentage of the average of the opening and closing total assets.

	2023 £m	2022 £m
Administrative expenses	101.0	101.5
Average total assets	6,218.7	4,938.7
Cost-to-asset ratio	1.62%	2.06%

Underlying cost-to-asset ratio

Administrative expenses, excluding exceptional items, divided by the average of the opening and closing total assets.

	2023 £m	2022 £m
Administrative expenses	101.0	101.5
Less strategic options release/(costs)	3.4	(7.9)
Less discretionary bonus	(8.4)	–
Less charge for share-based payment	–	(4.5)
Plus releases of forbearance and customer-communications provisions	–	1.2
Adjusted administrative expenses	96.0	90.3
Average total assets	6,218.7	4,938.7
Underlying cost-to-asset ratio	1.54%	1.83%

Shareholder funds

This is equity plus subordinated shareholder loans.

	2023 £m	2022 £m
Equity	1,084.3	998.6
Shareholder loans	33.7	31.4
Total shareholder funds	1,118.0	1,030.0

Further information

Registered office

Lake View
Lakeside
Cheadle
Cheshire
SK8 3GW

External auditor

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

For further information:

Mike Davies
Director of Corporate Affairs
+ 44 7753 138185
Mike.davies@togethermoney.com

FSC
www.fsc.org
MIX
Paper from
responsible sources
FSC® C107262

This report is printed on Genyous. Manufactured at a mill certified to both ISO 14001 and the Forest Stewardship Council®.

Printed by Principal Colour.

Principal Colour are ISO 14001 certified, Alcohol Free and FSC® Chain of Custody certified.

Designed and produced by Black Sun Global.

together®

Lake View
Lakeside
Cheadle
Cheshire
SK8 3GW

togethermoney.com

investor.relations@togethermoney.com