Together Financial Services Limited
Full Year 2023 Results

Company Registration No. 02939389

Contents

Highlights

Together Financial Services Limited (‘Together’ or ‘the Group’), one of the UK’s leading non-bank relationship lenders, is pleased to announce its results for the year ended June 30, 2023.

Commenting on today′ s results, Gerald Grimes, Group CEO Designate of Together, said:

“Together delivered another strong performance during the year, as we successfully grew the loan book to £6.4 billion with very low LTVs and headline arrears, and the group remained highly profitable and cash generative.

“Against the backdrop of continued economic volatility we maintained our focus on delivering value for our stakeholders, making strategic decisions to control our origination volumes, increase our nominal rates, maintain prudent LTVs and manage our costs. These actions resulted in the group delivering an attractive net interest margin of 5.2%, underlying profit before tax of £163.6m and cash receipts of £2.2bn during the year.

“At the same time we increased our support for our customers in what has been a challenging year for many people and businesses and made good progress in delivering our strategic priorities and shaping our business for a sustainable future. We also further strengthened and diversified our funding, raising or refinancing over £2bn of facilities during the year.

“While 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, macroeconomic challenges remain. As high street lenders retrench from more complex cases, we expect many more individuals and businesses to look to specialists to support opportunities. With a clear purpose, a proven and well-funded business model and a successful multi-cycle track record, Together will continue to be there to help underserved customers solve problems and realise opportunities, as we have been for the last 50 years.”

Financial highlights: year ended June 30, 2023

- Robust loan book growth at prudent LTVs with low arrears
  - Average monthly lending up 2.8% to £233.1m (2022: £226.8m)
  - Weighted average origination LTVs remain conservative at 61.0% (2022: 61.0%)
  - Group net loan book increased 22.1% to £6.4bn (2022: £5.2bn)
    - Weighted average indexed LTV remains very conservative at 55.3% (2022: 51.5%)
    - Impairment coverages remains prudent at 1.7% (2022: 1.6%) reflecting macroeconomic uncertainty
- Strong and sustainable financial performance
  - Interest receivable and similar income up 45.6% at £572.9m (2022: £393.4m)
  - Underlying net interest margin reduced to 5.2% (2022: 5.5%), with H1 compression reflecting timing lag in passing on rising interest rates largely reversed in H2
  - Annualised cost of risk remains nominal at 0.7% (2022: 0.1%)
  - Group remains highly profitable and cash generative
    - Underlying profit before tax of £163.6m (2022: £162.7m)
    - Cash receipts of £2.2bn (2022: £1.9bn) as redemption levels remained strong

Highlights (continued)

Key metrics	2023	2022
Interest receivable and similar income (£m)	572.9	393.4
Underlying interest cover ratio[1]	1.6:1	2.2:1
Interest cover ratio	1.6:1	2.1:1
Underlying net interest margin[2] (%)	5.2	5.5
Net interest margin (%)	5.2	5.5
Underlying cost-to-income ratio[1] (%)	31.8	35.1
Cost-to-income ratio (%)	33.5	39.4
Cost of risk (%)	0.7	0.1
Underlying profit before taxation[1] (£m)	163.6	162.7
Profit before taxation (£m)	158.6	151.5
Underlying EBITDA[1]	441.4	306.5
Loans and advances to customers (£m) [4]	6,410.2	5,247.9
Net debt gearing (%)	82.9	79.7
Shareholder funds[3] (£m)	1,118.0	1,030.0
Underlying return on equity[1] (%)	12.6	13.8
Return on equity (%)	12.3	12.9

Operational highlights

- Building a long-term sustainable future
  - Making strategic decisions to protect NIM, profitability and returns, including controlling origination volumes, increasing nominal rates, maintaining prudent LTVs and focusing on costs
  - Supporting our customers through economic uncertainty
    - Using new data sources to identify those approaching financial difficulty
    - Proactively engaging with customers to anticipate problems, combining active management and appropriate engagement and support and providing additional colleague training
    - Embedding Consumer Duty into our business activities
  - Shaping our business for the future
    - Evolved distribution into 16 specialist managed channels to further optimise sales platform
    - Established new Transformation oversight Board committee building a ring fence team to accelerate Transformation agenda
    - Implementing new securitisation operational platform
    - Enhanced and diversified Executive team, promoting Julie Twynholm to Group Chief Risk Officer, Ryan Etchells to Chief Commercial Officer and Sarah Nield to Group Chief Compliance Officer
    - Appointed John Barker as Group Chief Operations Officer and Andrea Dalton as Chief Transformation Officer following year end

1 June 30, 2023 excluded £8.4m discretionary bonus along with a £3.4m release of strategic review costs whilst June 30, 2022 excluded £1.2m customer redress provision release, £7.9m costs associated with a strategic review of the business and a £4.5m share-based payment charge.
2 There are no exceptional items impacting upon net interest income recorded in either the current or prior year.
3 Includes subordinated shareholder loans of £33.7m (2022: £31.4m)
4 Net loan book is the net of gross loans and advances to customers and impairment allowances

Highlights (continued)

Operational highlights (continued)

- Building a long-term sustainable future (continued)
  - Continuing to deliver our Sustainability strategy
    - 30% of senior management positions now held by women
    - Signed Race at Work Charter, joined Business Disability Forum and became Age Accredited by 55/Redefined
    - Achieved silver accreditation from Investors in People and now working towards Gold
    - Achieved CCA Global Accreditation for Customer Experience
    - Launched EPC education hub and on track to launch green mortgage product by end of 2023
    - Customer trial underway to provide customer solution to reduce emissions from properties
    - Successfully deployed over £1m to chosen charitable causes during year
    - Now financed affordable homes for an estimated 2,477 vulnerable adults, low income families, homeless, refugees and children
    - Established Climate Risk Management Framework
    - Engaged leading energy consultancy to support net zero ambitions, published market-based scope 1 and 2 emissions and measured scope 3 emissions for first time

Funding highlights

- Successfully raised or refinanced over £2bn of facilities to support the Group’s growth ambitions
    - Issued our largest ever RMBS TABS 7 (£499.4m), in July 2022
    - Increased BABS non-performing loans facility, adding £22m in September, extending maturity to Mar‘ 27
    - Upsized revolving credit facility by £66.35m to £138.25m in September 2022, extending maturity to Sep‘26
    - Launched £467.4 FABS warehouse facility in December 2022
    - Increased LABS revolving facility by £125m to £825m in June 2023
  - Maintained funding momentum post year end, successfully issuing £425.5m TABS 8 RMBS (July 2023), £442.8m TABS 9 RMBS (expected to close September 2023) and £42.0m BABS upsize and extension (closed September 2023), whilst also successfully calling TABS3 on its call date (September 2023)
  - Significant facility headroom and accessible liquidity at year end
    - Facility Headroom of £0.7bn at June 30, 2022 (June 30, 2022: £1.4bn) and accessible liquidity of £248.0m at June 30, 2023 (June 30, 2022: £406.9m)
    - Facility headroom increased to £1.2bn in September 2023 incorporating post-year end transactions
    - Weighted average maturity of the Group’s funding profile was 2.9 years as at June 30, 2023 based on amounts drawn
- S&P upgrade to ‘BB’ in October, reflecting resilient earnings, capital buffers and asset quality

An introduction to Together Financial Services Limited

One of the UK's leading specialist mortgage and secured loans providers, Together has successfully operated through several economic cycles since it was established in 1974. We pride ourselves on bringing common sense to lending by helping individuals, families, property investors and small- and medium-sized enterprises ("SMEs") to achieve their ambitions.

We focus on conservative loan-to-value ("LTV") lending and offer retail and commercial purpose mortgage loans to market segments in which customers are generally underserved by mainstream lenders. Our loans include secured first and second-lien loans, of which, as of June 30, 2023, 61.5% were secured by residential properties, with the balance secured by commercial and semi-commercial properties, all within the United Kingdom. We differentiate ourselves by offering flexible lending criteria, responding quickly to our customers' needs and underwriting each application on its individual merits, supported by an effective service proposition, thereby minimising the effect of competition. We offer our loans through one, consistent brand - 'Together' - and distribute them primarily through mortgage intermediaries, our professional network, auction houses, and through our direct sales channels, each across mainland United Kingdom. We underwrite and service all our mortgage loans directly.

As of June 30, 2023, 22.5% of our loan portfolio was classified as retail purpose and 77.5% as commercial purpose (which included 29.9% of buy to let + and 4.6% of development loans), calculated by value. We classify mortgages as retail purpose lending when the mortgage is regulated by the Financial Conduct Authority ("FCA"). Retail purpose loans include loans for purchasing a new home, making home improvements, debt consolidation, large personal purchases and since March 2016 also includes "consumer buy-to-let" loans ("CBTL"). Our retail purpose loans also include regulated bridging loans, which can be used for 'chain breaks' and which are loans used by customers to purchase a new home ahead of completing the sale of their existing home, amongst other things. We classify mortgages as "commercial purpose" where a loan is not defined as retail purpose. Commercial-purpose loans include loans on which the proceeds of the loan or the property securing the loan are used for business purposes. Our classification of a mortgage as either retail or commercial purpose is unrelated to the collateral securing it.

Our underwriting process consists of a detailed and individualised credit, affordability and/or repayment assessment, as well as a security assessment which typically includes an independent valuation, which we believe provides us with a thorough understanding of each loan application. In the underwriting process we primarily focus on affordability, being the ability of the loan applicant to make loan payments in line with agreed terms, and the repayment strategy, where the loan will not be repaid from instalments, and security, being the adequacy of the property which will serve as security for the loan. To support compliance with our underwriting guidelines, we have in place mandate and authorisation controls, a staff training and competency program and quality assurance sampling procedures. This is supported by a formal enterprise risk management framework, which includes a formal committee structure to agree on policy decisions, setting risk appetites and monitoring credit quality and by second and third line oversight, including by risk, compliance and internal audit teams. Additionally, external loan asset audits have been conducted at least annually, pursuant to the terms of certain of our financing arrangements.

Gross loan origination volumes remained strong in the year as we continued to control originations. Average monthly originations of £233.1m during the year reflect our ongoing controlled approach to underwriting that is continually monitored and amended to reflect the prevailing macroeconomic environment. These originations resulted in the loan book reaching a new high of £6.4bn at June 30, 2023

The LTV of our loan portfolio on a weighted average indexed basis as of June 30, 2023, was 55.3% and the LTV on a weighted-average basis of new loans underwritten in the year ended June 30, 2023 was 61.0%. As of June 30, 2023, 98.0% of the total loan portfolio, calculated by value, consisted of loans with indexed LTVs equal to or less than 80%. This fundamental, long-standing principle of lending at conservative LTV levels, has provided us with significant protection in times of falling property prices and economic downturns, thereby mitigating our levels of credit risk.

Presentation of financial and other information

Financial statements

This report presents the annual statutory financial statements of Together Financial Services Limited as of and for the twelve months ended June 30, 2023 with comparatives to June 30, 2022. The annual statutory financial statements of Together Financial Services Limited have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

We have not included financial information prepared in accordance with FRS 102 or US GAAP. International accounting standards (IFRS) differs in certain significant respects from FRS 102 and US GAAP. You should consult your own professional advisors for an understanding of the differences between IFRS, FRS 102 and US GAAP and how those differences could affect the financial information contained in this annual report.

Charles Street Conduit Asset Backed Securitisation 2 Limited ("Charles Street ABS 2" or "CABS 2"), Lakeside Asset Backed Securitisation 1 Limited ("Lakeside ABS" or "LABS"), Highfield Asset Backed Securitisation 1 Limited ("Highfield ABS" or "HABS"), Delta Asset Backed Securitisation 2 Limited ("Delta ABS 2" or "DABS"), Together Asset Backed Securitisation 2018-1 PLC ("Together ABS 2" or "TABS 2)"), Together Asset Backed Securitisation 2019 – 1 PLC ("Together ABS 3" or "TABS 3"), Together Asset Backed Securitisation 2020 – 1 PLC ("Together ABS 4" or "TABS 4)"), Together Asset Backed Securitisation Together Asset Backed Securitisation 2021–CRE1 PLC ("Together ABS CRE 1" or "CRE 1"), Together Asset Backed Securitisation 2021-CRE2 PLC ("Together ABS CRE 2" or "CRE 2"), Together Asset Backed Securitisation 2022-CRE1 plc ("Together ABS CRE 3" or "CRE 3"), Brooks Asset Backed Securitisation 1 Limited ("Brooks ABS" or "BABS"), Together Asset Backed Securitisation 2021-1ST1 PLC RMBS ("Together ABS 1ST1" or "TABS 5"), Together Asset Backed Securitisation 2022-2ND1 PLC RMBS ("Together ABS 2ND1" or "TABS 6"), Together Asset Backed Securitisation 2022 – 1ST1 PLC RMBS ("Together ABS 7") and Fairway Asset Backed Securitisation 1 Limited ("Fairway ABS 1" or "FABS 1"),the bankruptcy-remote special purpose vehicles established for purposes of secured borrowings, are consolidated into our annual statutory financial statements in accordance with IFRS 10 Consolidated Financial Statements. Mortgage loans sold to Charles Street ABS 2, Lakeside ABS, Highfield ABS, Delta ABS 2, Together ABS 2, Together ABS 3, Together ABS 4, Together ABS CRE 1, Together ABS CRE 2, Together ABS CRE 3, Brooks ABS, Together ABS 1ST1, Together ABS 2ND1, Together ABS 7 and Fairway ABS 1 are maintained on the consolidated statement of financial position as assets, within loans and advances to customers and the associated interest receivable credited to the consolidated income statement. The loan notes issued by Charles Street ABS 2, Lakeside ABS, Highfield ABS, Delta ABS 2, Together ABS 2, Together ABS 3, Together ABS 4, Together ABS CRE 1, Together ABS CRE 2, Together ABS CRE 3, Brooks ABS, Together ABS 1ST1, Together ABS 2ND1, Together ABS 7 and Fairway ABS 1 to certain lenders, to finance the purchase of the mortgage loans and any interest and fees accrued on the loan notes but not yet paid in respect thereof, are maintained on the consolidated statement of financial position as liabilities due to creditors with interest and debt issuance costs amortised through the income statement.

Other information (Non-IFRS)

All key performance measures shown in this document are calculated using underlying figures, not the rounded figures used for presentation in this report.

We have included in this report and related presentation, certain financial measures and ratios, including EBITDA, Underlying EBITDA, EBITDA margin, Underlying EBITDA margin, Underlying profit before taxation, Net interest margin, Underlying net interest margin, Return on equity, Underlying return on equity, Cost-to-income ratio, Underlying cost-to-income ratio and certain leverage and coverage ratios that are not presented in accordance with IFRS.

In this annual report and related presentation, references to EBITDA for the years ended June 30, 2022 and 2023 for Together Financial Services Limited, can be extracted from the annual statutory financial statements of Together Financial Services Limited, by taking profit after taxation and adding back income tax, depreciation and amortisation and interest payable and similar charges.

In this annual report references to "Underlying EBITDA", "Underlying Profit Before Tax", "Underlying net interest margin", Underlying return on equity, "Underlying cost-to-asset" and "Underlying cost-to-income ratio" exclude the effects of certain non-recurring items. The year ended June 30, 2023 excluded £8.4m discretionary bonus along with a £3.4m release of strategic review costs.

Other financial information (Non-IFRS) (continued)

For the year ended June 30, 2022 this excluded a £4.5m share based payment charge, £7.9m costs incurred as part of the ongoing review of strategic options for the business and releases of £1.2m customer redress provisions.

In this annual report references to "EBITDA margin" reflects EBITDA margin for Together Financial Services. EBITDA margin is calculated as EBITDA divided by the sum of interest receivable and similar income plus fee and commission income (derived from the Company's consolidated financial statements).

In this annual report references to "Underlying EBITDA margin" reflects Underlying EBITDA margin for Together Financial Services. Underlying EBITDA margin is Underlying EBITDA divided by the sum of interest receivable and similar income and fee and commission income (derived from the Company's consolidated financial statements excluding the effects of exceptional items[4].

In this annual report references to "Net interest margin" reflects the net interest margin for Together Financial Services. Net interest margin is calculated by dividing net interest income (derived from the Company's consolidated financial statements) for the year, divided by the average total loan assets.

In this annual report references to "Underlying net interest margin" reflects the Underlying net interest margin for Together Financial Services. Underlying net interest margin is calculated by dividing underlying net interest income (derived from the Company's consolidated financial statements excluding exceptional items[5]) for the year, divided by the average total loan assets.

In this annual report references to "Return on equity" reflects the return on equity for Together Financial Services. Return on equity is calculated as profit after taxation (derived from the Company's consolidated financial statements), adding back shareholder loan interest net of associated tax calculated using the effective tax rate, expressed as a percentage of the average of the opening and closing shareholder funds.

In this annual report references to "Underlying return on equity" reflects the Underlying return on equity for Together Financial Services. Return on equity is calculated as underlying profit after taxation (derived from the Company's consolidated financial statements excluding exceptional items[4]), adding back shareholder loan interest net of associated tax calculated using the effective tax rate, expressed as a percentage of the average of the opening and closing shareholder funds.

In this annual report references to "Cost-to-income ratio" reflects the Cost-to-income ratio for Together Financial Services. Cost-to-income ratio is calculated by dividing administration expenses for the year over net operating income (both derived from the Company's consolidated financial statements for the year.

In this annual report references to "Underlying cost-to-income ratio" reflects the Underlying cost-to-income ratio for Together Financial Services. Underlying cost-to-income ratio is calculated by dividing underlying administration expenses (derived from the Company's consolidated financial statements excluding the effects of exceptional items[4]) for the year over underlying net operating income (derived from the Company's consolidated financial statements excluding the effects of exceptional items[5]) for the year.

We are not presenting EBITDA-based measures as measures of our results of operations. EBITDA-based measures have important limitations as an analytical tool, and should not be considered in isolation or as substitutes for analysis of the results of operations. Management believes that the presentation of EBITDA-based measures is helpful to investors, securities analysts and other parties to measure operating performance and ability to service debt. EBITDA-based measures may not be comparable to similarly titled measures used by other companies.

EBITDA, Underlying EBITDA, EBITDA margin, Underlying EBITDA margin, Underlying Profit Before Tax, Net interest margin, Underlying net interest margin, Return on equity, Underlying return on equity, Cost-to-income ratio, Underlying cost-to-income ratio and certain leverage and coverage ratios are not measurements of financial performance under IFRS and should not be considered as alternatives to other indicators of operating performance, cash flows or any other measure of performance derived in accordance with IFRS.

4 June 30, 2023 excluded £8.4m discretionary bonus along with a £3.4m release of strategic review costs whilst June 30, 2022 excluded £1.2m customer redress provision release, £7.9m costs associated with a strategic review of the business and a £4.5m share-based payment charge.

5 No adjustments have been made in the current or comparable periods.

Terms relating to our loan analysis

With the exception of the application of certain forbearance measures we do not reschedule our loans by capitalising arrears. In this annual report, arrears data is based on the latest contractual position and does not take into account either payment plans or agreed changes to payment dates, other than with respect to mortgage-payment deferrals for which the arrears calculation is described in further detail below. Arrears data is further subdivided into performing and non-performing arrears loans as described below.

The Group continues to serve its customers including to support those customers who experience financial difficultly through using our wider forbearance toolkit, and has proactively taken steps to consider the impact of macroeconomic factors such as the rising cost of living, these include review and monitoring of customer affordability assessments; loan book stress testing and scenario analysis; and operational management of such potential shifts in the operating environment including maintenance of existing customer support levels.

Repossessed properties, Law of Property Act ("LPA") receivership in sale status (“LPA Sales”) and development loans are excluded from arrears numbers. LPA receivership in rental status, loans which may return to being performing assets, are included in arrears numbers.

Repossessed properties are properties in respect of which a court order has been actioned by a charge holder to the security, or in respect of which the borrower has surrendered ownership of the property. An LPA receivership is typically used to exercise security over property that is used for commercial purposes, which enables us to sell the property ("sale status"), or divert income streams from properties directly to ourselves ("rental status") which may not lead to an eventual sale process if the borrower is able to recover their position.

Development loans are commercial-purpose 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 or refinance of property units. We underwrite relatively few new development loans each quarter. Development loans are reported as a separate category of loans within our analysis.

In this report and related presentation, data referring to loan portfolio analysis is in reference to core operating subsidiaries including Together Personal Finance Limited and Together Commercial Finance Limited, as well as the following subsidiaries which no longer originate new advances to customers: Auction Finance Limited, Blemain Finance Limited, Bridging Finance Limited and Harpmanor Limited. Data referring to our loan portfolio analysis is presented after allowances for impairment and include certain other accounting adjustments (including adjustments to recognise income at the effective interest rate).

In this report and related presentation, a loan is considered performing (a “performing loan”) if it (i) has nil arrears or arrears less than or equal to one month of the latest contractual instalment or where no contractual monthly instalment is due, or (ii) “performing arrears loans,” being loans with arrears greater than one month’s but less than or equal to three months’ of the latest contractual instalments, or where cash receipts collected in the prior three months are equal to or greater than 90% of the latest contractual instalments due in the prior three months. The balance of loans are classified as (a) development loans, (b) non-performing arrears loans, where such loans have arrears of greater than three months’ of the latest contractual instalments due and where receipts collected in the prior three months are less than 90% of the three latest contractual instalments due, past contractual term or subject to LPA receivership in rental status and (c) loans for which the security is subject to a repossession order or for which an LPA receiver has been appointed and is under sale status. Such loan categorisation definitions used differ to the categorisations applied in determining if a loan is classified as Stage 1, Stage 2 and Stage 3 under IFRS 9.

In this report and related presentation, the term "performing loans" refers to the aggregate of (i) the principal amount of performing loans outstanding, (ii) accrued interest and fees, (iii) net of any allowances for impairment in respect of such loans, and iv) certain other accounting adjustments (including adjustments to recognise income at the effective interest rate), as of the date presented. The term " non-performing arrears loans" refers to the aggregate of (i) the principal amount of non-performing arrears loans outstanding, (ii) accrued interest and fees, (iii) net of any allowances for impairment in respect of such loans and (iv) certain other accounting adjustments (including adjustments to recognise income at the effective interest rate), as of the date presented.

Terms relating to our loan analysis (continued)

Non-performing arrears loans do not take into account loans for which the security is subject to a repossession order or for which an LPA receiver has been appointed and is under sale status, all of which are reported as separate categories and are also calculated based on the aggregate of (i) the principal amount, (ii) accrued interest and fees, (iii) net of any allowances for impairment in respect of such loans and (iv) include certain other accounting adjustments (including adjustments to recognise income at the effective interest rate) as of the date presented. Our loan and impairment allowance analysis excludes loans with carrying values of nil for which full provisions are in place.

In this report and related presentation, the term "total loan assets" refers to the total balance of loans provided to our customers as included within our statement of financial position, stated after allowances for impairment. In this report and related presentation, the term "second-lien loans" includes second-lien loans and also subsequent-lien loans.

With respect to originations, Loan-to-Value ratio ("LTV") is a ratio (reflected as a percentage) of (i) the principal amount of a mortgage loan on origination and (ii) any higher ranking charge mortgage loans secured on the same property compared to the appraised value (typically the assessed value of real property in the opinion of a qualified appraiser or valuer or from an automated valuation model during the mortgage origination process) of the property securing the loan.

In this report and related presentation, 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 amount of principal loans.

In respect to our loan portfolio the LTV ratio is a ratio (reflected as a percentage) of 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) net of allowances for impairments and v) certain other accounting adjustments (including adjustments to recognise income at the effective interest rate), compared to the appraised value (typically the assessed value of real property in the opinion of a qualified appraiser or valuer or from an automated valuation model during the mortgage origination process or the revised valuation of the property if a later valuation has been undertaken) of the property securing the loan.

In this report and related presentation, the average LTV of our loan portfolio is calculated on a "weighted average basis," by multiplying each LTV by the respective loan amount and then dividing the sum of the weighted LTVs by the total amount of loans. The weighted average LTV of our loan portfolio is also presented on an "indexed basis," pursuant to which the value of the properties securing our loans are reviewed annual and adjusted for movements in property prices since the latest appraised valuation in accordance with the relevant regional property indices.

With respect to data related to LTV in this annual report and related presentation, the LTV statistics are calculated per each loan on a standalone basis. In certain cases, there are multiple loans with a single borrower (or related borrowers) which are either secured on the same property or with cross security charges in place. If we were to present data related to LTV on a consolidated basis per each borrower or each property, LTV and related data would differ from the data presented herein in certain cases.

Key performance indicators

The following table summarises key financial data and key performance indicators as of the dates and for the periods indicated.

	12 months ended or as at June 30,	
(£m, except for percentages and ratios or unless otherwise noted)	**2023**	**2022**
Group		
Interest receivable and similar income	572.9	393.4
Fee and commission income	5.7	5.2
Income	578.6	398.6
Net interest margin	5.2%	5.5%
Underlying net interest margin**	5.2%	5.5%
Cost-to-income	33.5%	39.4%
Underlying cost-to-income*	31.8%	35.1%
Impairment charge	42.4	4.3
EBITDA	436.4	295.3
Underlying EBITDA*	441.4	306.5
EBITDA margin	75.4%	74.1%
Underlying EBITDA margin*	76.3%	76.9%
Profit on ordinary activities before tax	158.6	151.5
Underlying profit on ordinary activities before tax*	163.6	162.7
Return on equity	12.3%	12.9%
Underlying return on equity*	12.6%	13.8%
Supplemental cash flow information:		
Cash receipts	2,198.1	1,906.4
New advances	2,797.3	2,721.9
LTV of loan originations (on a weighted average basis, based on LTV of loans at origination)	61.0%	61.0%
LTV of loan portfolio (on a weighted average indexed basis)	55.3%	51.5%

* Underlying metrics include adjustments to exclude £8.4m discretionary bonus along with a £3.4m release of strategic review costs whilst June 30, 2022 excluded £1.2m customer redress provision release, £7.9m costs associated with a strategic review of the business and a £4.5m share-based payment charge.

** Underlying metrics include no adjustments in either the current or prior period.

The key performance indicators above for the year ended June 30, 2023 have been derived from audited consolidated financial statements, which have has been prepared in accordance with IFRS, and management information. In the opinion of management, such financial data reflects all adjustments necessary for a fair presentation of the results for those periods. The financial information should be read in conjunction with the audited annual report and consolidated financial statements of Together Financial Services Limited and the accounting policies described therein as at June 30, 2023.

Operating review

The section below provides a more detailed overview of performance in relation to a number of key metrics that management uses when assessing the performance of the business.

Continued focus on LTVs

During the year to June 30, 2023 the Group has continued to focus on prudent underwriting policies and LTVs. The Group continues to target an average of origination LTVs of between 55% and 65% for new loans and continues to focus principally on residential security. The Group has continued to use affordability and repayment assessments to ensure customers are able to service and repay their loans, and has enhanced affordability assessments to reflect macroeconomic pressures and increases in the cost of living.

An analysis of the loan portfolio as at June 30, 2023, and June 30, 2022 by arrears banding, for the Group and Borrower Group is set out below:

	Group Loan Portfolio Arrears Analysis		Borrower Group Loan Portfolio Arrears Analysis	
	June 30, 2023	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
Nil Arrears & Arrears ≤ 1 month	**89.2%**	**91.0%**	**67.4%**	**77.4%**
Performing Arrears				
1-3 months	2.3%	1.4%	1.9%	1.3%
3-6 months	0.2%	0.2%	0.2%	0.4%
>6 months	0.2%	0.4%	0.4%	0.6%
Total Performing Arrears	**2.7%**	**2.0%**	**2.5%**	**2.3%**
Development loans	**4.6%**	**3.8%**	**19.9%**	**12.7%**
Total performing Loans & Development Loans	**96.5%**	**96.8%**	**89.9%**	**92.4%**
Non-Performing Arrears				
3-6 months	0.9%	0.4%	1.8%	0.8%
>6 months	0.8%	1.0%	1.9%	2.1%
Past due[1]	0.4%	0.5%	1.0%	1.3%
Total Non-Performing Arrears	**2.1%**	**1.9%**	**4.7%**	**4.2%**
Repossessions & LPA Sales	**1.4%**	**1.3%**	**5.4%**	**3.4%**
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

[1] Relates to term loans and regulated bridging loans which have gone past stated contractual maturity date.

Operating review (continued)

An analysis of our loan portfolio as at June 30, 2023, by indexed and origination LTV banding, for the Group and Borrower Group is as follows:

Group Loan Portfolio Indexed LTV Analysis (£m)	Performing Loans	Non - Performing Loans	Development Loans	Repossessions & LPA Sales	Total Loan Portfolio
<=60%	3,414.6	105.9	132.1	70.9[6]	3,723.5
>60% <=80%	2,385.7	24.9	121.6	23.5	2,555.7
>80% <=100%	55.7	1.5	34.7	0.9	92.8
>100%	28.3	0.1	7.4	2.6	38.4
Total	**5,884.3**	**132.4**	**295.8**	**97.9**	**6,410.4**

Borrower Group Loan Portfolio Indexed LTV Analysis (£m)	Performing Loans	Non - Performing Loans	Development Loans	Repossessions & LPA Sales	Total Loan Portfolio
<=60%	498.6	55.2	132.1	64.0	749.9
>60% <=80%	475.8	13.0	121.6	13.3	623.7
>80% <=100%	46.9	1.0	34.7	0.9	83.5
>100%	16.3	0.0	7.4	2.6	26.3
Total	**1,037.6**	**69.2**	**295.8**	**80.8**	**1,483.4**

Group Loan Portfolio Origination LTV Analysis (£m)	Performing Loans	Non - Performing Loans	Development Loans	Repossessions & LPA Sales	Total Loan Portfolio
<=60%	2,546.3	77.2	191.1	23.6[6]	2,838.2
>60%<=80%	3,222.3	50.5	97.5	46.4	3,416.7
>80%<=100%	78.8	2.0	3.6	27.9	112.3
>100%	36.9	2.7	3.6	0.0	43.2
Total	**5,884.3**	**132.4**	**295.8**	**97.9**	**6,410.4**

Borrower Group Loan Portfolio Origination LTV Analysis (£m)	Performing Loans	Non - Performing Loans	Development Loans	Repossessions & LPA Sales	Total Loan Portfolio
<=60%	442.9	41.6	191.1	25.2	700.9
>60%<=80%	508.7	23.0	97.5	30.4	659.6
>80%<=100%	60.5	1.9	3.6	25.2	91.2
>100%	25.5	2.7	3.1	0.0	31.7
Total	**1,037.6**	**69.2**	**295.8**	**80.8**	**1,483.4**

The indexed weighted-average LTV of the loan portfolio for the total Group at June 30, 2023 is 55.3% compared with the prior year of 51.5% at June 30, 2022.

The indexed weighted-average LTV of the loan portfolio for the Borrower Group at June 30, 2023 is 58.1% compared with the prior year of 55.7% at June 30, 2022

6 Includes impact of IFRS 9 post-model adjustments

Operating review (continued)

Maintenance of loan portfolio mix and continued differentiation of our offerings

We aim to maintain a diversified loan portfolio mix between retail purpose and commercial purpose lending and security types.

As of June 30, 2023, 22.5% of our loan portfolio was classified as retail purpose and 77.5% as commercial purpose (which included 29.9% of buy to let + and 4.6% of development loans), calculated by value. At June 30, 2022, 24.1% of our loan portfolio was classified as retail purpose, 75.9% of our loan portfolio was classified as commercial purpose (which included 28.0% of but to let + and 3.8% of development loans).

The proportion of our loan portfolio secured by residential security by value has reduced to 61.5% as at June 30, 2023 when compared with 63.6% at June 30, 2022.

The proportion of our loan portfolio secured on first charges has increased to 83.4% as at June 30, 2023, when compared with 81.3% as at June 30, 2022.

Controlled origination growth

In the year to June 30, 2023, including further advances, we have originated an average of £233.1m per month, a slight increase compared with £226.8m per month in the year to June 30, 2022. This reflects our ongoing controlled approach to underwriting that is continually monitored and amended to reflect the prevailing macroeconomic environment.

Our loans and advances to customers stands at £6,410.2m as at June 30, 2023, compared with £5,247.9m as at June 30, 2022.

Financial review

During the period, the Group has consistently taken action to mitigate the rising Bank Rates, through passing rate rises on to its existing variable rate customers and actively reviewing pricing of new lending. However, there is a natural time lag between such interest rate increases and the speed at which we can pass these on to both existing and new customers to cater for governance, operational processes, pipeline and notice periods.

Interest receivable and similar income increased by 45.6% to £572.9m for the year to June 30, 2023 when compared with £393.4m in the year to June 30, 2022. This reflects the growth in the loan book, along with the continued passing-on of funding cost increases to new and existing loans.

Interest payable and similar charges have increased by 96.1% to £271.8m for the year to June 30, 2023 when compared with £138.6m in the year to June 30, 2022. This is primarily driven by the substantially higher interest rate environment, which increases reference rates on our variable funding facilities, and by higher borrowing, in support of the growth in the Group's loan book.

Net interest income has increased to by 18.2% to £301.1m for the year ending June 30, 2023 when compared with £254.8m for the year ended 30 June 2022, broadly reflecting the factors noted above including the broader growth in the loan book.

There has been a decrease in net interest margin from 5.5% in the prior year ending June 30, 2022 to 5.2% in the year June 30 2023 primarily as a result of Bank of England base rate increases seen during the year and a natural time lag in passing such rate increases through to customers. This trend began to be less pronounced in the second half of the year as the size of rate increases decreased.

The cost-to-income ratio for the year to June 30, 2023 was 33.5%, lower than the prior year of 39.4% (June 30, 2022), owing to an ongoing focus on cash management. On an underlying basis the ratio for the year to June 30, 2023 was 31.8%, also lower than the prior year (June 30, 2022) of 35.1%.

The underlying cost-to-asset ratio for the year was 1.54% which is lower than the prior year of 1.83% (June 30, 2022) with the movement explained by a combination of the factors listed above along with economies of scale as asset base increased during the year.

Expected credit loss impairment charges for the year ending June 30, 2023 were £42.4m, compared to the £4.3m charge reported in the year ended June 30, 2022. The movement between the periods reflects the impact of continued growth in the loan book along with worsening macroeconomic forecasts, which are incorporated in the measurement of impairment provisions and losses under IFRS 9, as opposed to any significant deterioration in the credit quality of our loan book. Whilst arrears have increased slightly over the course of the year, they still remain below pre-pandemic levels.

As a result, cost of risk for the year has increased to 0.73% from 0.09% in the prior year to June 30, 2022.

The impairment coverage ratio was 1.7% as at June 30, 2023, higher than the prior year (June 30, 2022) ratio of 1.6%. Coverage has increased slightly which has largely been driven by the identified additional risk from the deterioration in the macroeconomic environment in the UK in the year.

Underlying EBITDA was £441.4m for the year to June 30, 2023 up 44.0% compared with £306.5m in the prior year to June 30, 2022.

Underlying EBITDA margin was 76.3% for the year ended June 30, 2023 compared with 76.9% in the prior year ended June 30, 2022.

Underlying profit before tax[7] of £163.6 for the year ended June 30, 2023 was in line with the prior year June 30, 2022, of £162.7m.

The Group's highly cash generative business model proved robust, with cash receipts of £2,198.1m for the year to June 30, 2023 compared with £1,906.4.4m in the prior year to June 30, 2022.

Gross loans and advances to customers has increased by 17.2% to £6,520.0m compared with £5,333.6m as at June 30, 2022.

Shareholder funds have increased by 8.5% to £1,118.0m compared with £1,030.0m at June 30, 2022.

7 Underlying metrics include adjustments to exclude £8.4m discretionary bonus along with a £3.4m release of strategic review costs whilst June 30, 2022 excluded £1.2m customer redress provision release, £7.9m costs associated with a strategic review of the business and a £4.5m share-based payment charge.

Recent developments

Trading update

Monthly cash receipts of principal and interest in July 2023 and August 2023 were £208.3m and £210.1m respectively, compared to a monthly average of £183.2m for the year to June 30, 2023.

Facility Headroom was £0.9bn at August, 31 2023 (June 30, 2023: £0.7bn; June 30, 2022: £1.4bn) and total accessible liquidity was £331.3m at August 31, 2023 (June 30, 2023: £248.0m; June 30, 2022: £406.9m).

New originations

Monthly mortgage originations in July 2023 and August 2023, were £221.3m and £242.1m respectively, compared to a monthly average of £233.1m for the year to June 30, 2023.

Funding update

In July 2023, the Group issued an RMBS, Together Asset Backed Securitisation 2023 – 1ST1 PLC (TABS 8), raising £425.5m.

Also, in September 2023, the Group refinanced its BABS facility, upsizing by £42.0m and extending the maturity date.

Again in September 2023, the Group announced the pricing of a further RMBS, Together Asset Backed Securitisation 2023 – 1ST 2 PLC (TABS 9), raising a further £442.8m when it is expected to close in September.

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.

Significant factors which may affect results of operations

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 Base Rate, which has an impact on the price of borrowing for both businesses and consumers, with the Base Rate rising from 1.25% at the beginning of the year, to 5.00% at June 2023, with a further increase after the year end, increasing to 5.25% in August 2023. Markets are predicting that we are approaching the peak of interest rate rises as the rate of increases in inflation has reduced in recent months.

Throughout the ongoing cost of living crisis, unemployment has remained at relatively low levels, although has increased to 3.8% at June 2023 (June 2022: 3.5%). 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.

Despite some improvements in the UK's macroeconomic environment in the latter months of 2022-23, there remains 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 new fixed rate mortgage products and updating the rate for variable products, to reflect the changes in cost of borrowing. When making lending decisions, the Group assesses the affordability of 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.

Loan assets performance

The performance of our total loan assets depends on our ability to collect each expected loan instalment, including interest and principal payments, on a timely basis. This, in turn, depends in part on the strength of our underwriting process to assess the affordability and sustainability of the loan instalments based upon known factors at the time of origination and to assess the repayment strategy and the marketability and value of the underlying security.

Our underwriting criteria, processes, controls and systems have been developed and refined based upon many years of experience. For each loan application, a detailed assessment is made of the customer circumstances, among other checks, an assessment of the financial position of the customer to ensure that the loan is both affordable and sustainable (as appropriate) along with an assessment of the repayment strategy. In addition, an assessment of the underlying security and its value is undertaken.

The performance of our loan assets is closely linked to the economic environment, which influences the ability of customers to make repayments of their borrowings. The macroeconomic pressures on customer affordability, driven by high inflation and other issues have led us to continually evaluate our affordability and underwriting approach with a view to the risk profile of originations whilst actively managing and monitoring our back-book in light of the economic backdrop. It is possible that further deterioration in the macroeconomic environment could adversely affect borrowers' ability to make repayments, and lead to an increase in arrears.

Significant factors which may affect results of operations (continued)

Property market

Together operates in a number of specialist segments of the UK mortgage market, helping customers who are typically underserved by mainstream banks.

Together has a substantial lending exposure to the residential and commercial property sectors. Any property value falls or adverse changes in the economy may lead to a rising number of defaults or a reduction in the amount recovered in the event of default.

House and property price inflation has already started to decrease from the record levels observed in recent years, to more modest levels in 2023 and this trend is expected by forecasters to potentially continue further during the year.

The Group lends at prudent LTVs at origination to provide protection from falls in property prices. Average origination LTV was 61.0% for the year to June 30, 2023 in line with 61.0% for the year to June 30, 2022.

Together is a national lender and has a loan portfolio which is diversified across the UK, with less than 20% concentrated in the London region where property prices have tended to fluctuate to a greater extent. Our London portfolio is not focused on 'Prime' central London properties and, with weighted average loan-to-value ratios in line with the average of our portfolio for the rest of the country, we consider this provides a level of mitigation against moderate house price falls in such areas.

Competition

The competitive landscape contains risks from new entrants, increased competition from incumbent lenders and disruptive products/software solutions potentially affecting lending activities. The effect of this could result in lower lending volumes, higher customer attrition and/or, lower net interest margins.

Competition in the mortgage lending industry can take a number of forms, including interest rates and fee competition, underwriting criteria, convenience and customer service, and marketing and distribution channels.

The risk of competition has been incorporated into the Group's forward planning process and the external market is regularly monitored.

The Group continues to offer a broad product range to underserved segments of the market and benefits from a rich pool of experienced and skilled underwriters.

The Group has continued to progress a number of key modernisation and transformation initiatives to optimise application journeys, improve user experiences for our customers and intermediaries and increase operational efficiency.

The longevity of the Group's trading has resulted in the development of long-term relationships with both intermediaries and individuals providing access to both new and repeat customers. In addition our diverse range of products, flexible approach to underwriting and experience means that we have the ability to attract and retain customers who are not serviced by other lenders, protecting our competitive position. The Group will continue to monitor the external environment and is confident, given this experience, gained over many economic cycles, that it will remain competitive in the segments in which it operates.

Mainstream lenders (including high street banks) continue to focus on their core businesses of fully automated credit decisions which excludes certain customers, property or transaction types.

This had previously encouraged a number of new entrants, or re-entrants into the market in the form of non-bank lenders or newly formed challenger banks increasing competition and lower yields.

Uncertain economic times may result in mainstream lenders further tightening criteria as they seek to focus on their core markets. Other less established specialist lenders may also curtail lending as funding options may become more restrictive. This may provide increased lending opportunities for established specialist lenders like Together.

Significant factors which may affect results of operations (continued)

Liquidity and funding

We fund our total loan assets from cash generated by operations, shareholder reserves, the subordinated shareholder funding, senior secured notes, a revolving credit facility, residential mortgage-backed securitisations, commercial mortgage-backed securitisation and through other asset-backed facilities. The volume of loans we are able to originate is limited, in part, by the amount and terms of funding available to us along with the level of our capital reserves.

A key driver of liquidity risk within the Group arises from a number of private securitisation facilities being subject to portfolio covenants and eligibility restrictions including concentration limits and performance measures. Amongst other requirements, such covenants limit the proportion of loans in arrears and on an individual loan basis the level of arrears determine eligibility for such facilities. In certain circumstances assets can be exchanged, repurchased or additional capital can be injected into the facilities to support compliance with facility terms thereby maintaining access to liquidity provided by such facilities. Failure to comply with facility terms or breach of non-curable performance covenants will cause such facilities to go into early amortisation, with removal of undrawn facility headroom and deferral of cash flows to the Senior Borrower Group (as defined in the group structure on page 21). Increasing arrears, as a result of the wider economic downturn, increases the risk that insufficient eligible assets will be available to ensure facilities remain in compliance with covenants, and thus able to provide a source of liquidity and funding for the Group. The Group monitors such covenants and carries a level of cash and eligible assets to support the private securitisation facilities in a stress event in line with set risk appetites.

The Group also benefits from a business model which is ordinarily cash-generative with a high level of redemptions which is a key source of liquidity. Expectations are for continued economic uncertainty which may lead to a reduction in the level of cash inflows. Stress testing undertaken includes the impact of severe haircuts to expected redemption inflows.

The liquidity and funding risks arising from reducing levels of eligible assets and/or the risk of lower levels of cash inflows from redemptions can be mitigated by increasing the amount of liquidity resources held as cash. A key management action to generate net cash inflows is the ability to control levels of new lending. As at June 30, 2023 cash balances remained significantly above risk appetite, at £322.8m (June 30, 2022: £264.5m), of which £84.3m is unrestricted cash (June 30, 2022: £64.3m) as shown in Note 11.

The Group has a strong track record of successful refinancing and raising new facilities, and has continued to increase its bank and investor base during recent transactions ensuring that existing facilities are refinanced sufficiently ahead of their maturity dates to allow for any market disruption. The continued war in Ukraine and the resultant increases in energy and non-energy costs and interest rate rises is continuing to cause some market uncertainty and has constrained certain funding markets and / or had a negative impact on commercial terms. Continued future uncertainty or further negative economic data may restrict the ability of the Group to complete further funding transactions, at least in the short term, or may have a further negative impact on commercial terms available.

Some of the Group's funding is subject to financial covenants. Note 2 to the audited consolidated financial statements provides further detail on the assessment of the going concern basis of preparation. This includes an assessment of the risks presented to the Group by any potential breaches of lending covenants including potential mitigating actions.

Interest rate environment

In response to rising inflation, the Bank of England has progressively raised Base Rate, from 1.25% at the beginning of the July 2022 to 2.25% in September 2022, rising to 3.0% in November 2022, 3.50% in December 2022, 4.0% in February 2023, 4.25% in March 2023, 4.50 % in May 2023, 5.0% in June 2023 and most recently to 5.25% in August 2023.

An increase in prevailing interest rates increases the cost of servicing some of our borrowings. Although our total loan assets mainly consist of variable rate mortgage loans and we have the right in respect of such loans to increase pricing if our own funding costs increase, our level of arrears and ultimately cash flows may be adversely affected if we increase the pricing of our customers' mortgages in relation to any potential increases in our funding costs. In addition, there is a timing difference between the impact of rising interest rates, which have an immediate impact on the costs of our borrowing facilities, but which are not immediately passed onto customers, given governance and operational factors as well as contractual notice requirements.

Interest rate environment (continued)

The Group raises funding using a mix of fixed and variable funding which provides some natural offset in movements in interest rates on assets and liabilities.

In addition the Group has also undertaken hedging transactions to provide further mitigation against mismatches in fixed and floating rates and undertakes stress analysis on any remaining mismatches.

An increase in interest rates can also adversely affect the credit quality of the customers to whom we lend and our loan origination volumes as loans may become less attractive to customers.

The Group maintains strict underwriting criteria which include, where appropriate, stressing affordability under a higher interest rate environment.

Regulatory considerations

The Group has certain subsidiaries which are authorised and regulated by the FCA in addition to subsidiaries which undertake unregulated lending. We also have to comply with the relevant UK regulations including anti-money laundering regulations, the General Data Protection Regulations and the UK Securitisation Regulation.

Changes in regulation may impact the way in which the Group conducts its business. Failure to comply with regulation could result in fines, reputational damage and potential revocation of regulatory permissions.

The Group takes all regulatory considerations seriously and have compliance, legal and governance functions in place to monitor compliance with these requirements.

Given that we operate in the regulated markets we are at risk of failing to comply with existing regulation and the potential impact of changes in regulation on our activities. From time to time, we may identify, including through our compliance and internal audit functions, regulatory breaches or potential regulatory breaches or other issues related to compliance matters.

The Group continually focuses on improving its customer processes and responding to changes in customer needs. During the year, the Personal Finance 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 includes the application of various forbearance measures included 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 in line with 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.

Disclosures in respect of these considerations can be found in Note 20 to the audited consolidated financial statements.

Significant factors which may affect results of operations (continued)

Risk factors

This annual report contains statements that are, or may be deemed to be, forward-looking statements. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words "aims," "believes," "estimates," "anticipates," "expects," "intends," "may," "will," "plans," "predicts," "assumes," "shall," "continue" or "should" or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions.

Many factors may cause our results of operations, financial condition, liquidity and the development of the industries in which we operate to differ materially from those expressed or implied by the forward-looking statements contained in this report. These factors include among others:

- the impact of economic conditions on our results of operations and financial condition;
- the impact of the United Kingdom's exit from the European Union;
- any further impact of Covid-19, or any future mutation of Covid-19, (or similar infectious diseases), and the impact of the related vaccines and medications, on the global and UK economy and resultant impact on our liquidity position, capital position, funding capability, capital markets, operational risk profile, portfolio credit risk profile, reputation, results of operations and financial condition;
- the impact of the war in Ukraine on the UK economy;
- the impact of a downturn in the property market;
- our ability to accurately identify the credit profile and behaviours of our customers;
- our ability to accurately value properties;
- our ability to act proactively to minimise the risk of repossession and potential losses in the event of a repossession;
- our ability to detect and prevent fraud during and after the loan underwriting process;
- the impact of the changing financial circumstances of our customers including rising inflation and interest rates and the cost of living pressures;
- the impact of rising unemployment, higher cost of living, higher interest rates or a reduced ability of our customers to service their mortgage loans;
- the impact of shortages of labour or materials affecting individual or business income
- our relationships with mortgage intermediaries, professional networks and other distribution channels;
- the impact of competition;
- legislative, taxation and regulatory changes affecting our ability to operate or the profit generated from our activities;
- the effectiveness of our compliance, Enterprise Risk Management Framework and internal audit functions;
- failure to comply with current, past or future regulatory rules or guidance, or the retrospective interpretation thereof, or to treat customers fairly;
- failure to identify and offer the appropriate treatment to vulnerable customers;
- our exposure to the cost of redress, the cost of delivering redress, potential regulatory sanctions and fines;
- the impact of rising interest rates and deterioration in economic conditions and the impact on our ability to obtain financing or obtain financing at competitive rates;
- changes to the ways in which the United Kingdom regulates the loan industry and other regulatory changes;
- the impact and cost associated with greater prudential regulation;
- changes or uncertainty in respect of SONIA or other benchmarks that may affect our sources of funding;
- the impact of new initiatives by the UK Government that may affect our business;
- the impact, costs and settlements associated with dealing with claims made from claims management companies and/or claimant law firms;

Significant factors which may affect results of operations (continued)

Risk factors (continued)

- the impact of litigation;
- loss of a material number of employees being available due to a health crisis including Covid-19 (or other similar infectious diseases) and changes in working practices following Covid-19;
- our ability to retain our senior management and our underwriters, account executives, sales personnel, client facing employees and key individuals;
- failure to operate effectively and in line with regulations and legal requirements while working remotely;
- failure to operate a safe workplace in breach of health and safety regulations (including in response to any epidemic or pandemic);
- interruption or loss of our information processing systems or third party systems we use or failure to maintain secure information systems (including as a result of cyber-attacks);
- technological changes and failure to adequately anticipate +/or respond to these changes;
- the accuracy of our systems, data and models to correctly report our financial condition and forecasts;
- our substantial debt obligations and our ability to operate within financial covenants;
- access to debt markets and our ability to refinance our debt and raise new debt at acceptable cost;
- imbalances in maturity between our total loan assets and our sources of funds affecting the capacity to expand our business;
- our ability to benefit from special corporation tax regimes for securitisation companies;
- our ability to execute our modernisation and transformation priorities;
- the potential for conflicting interests between the shareholder and third-party funding providers;
- exclusion of US GAAP financial information; and
- changes in accounting standards.

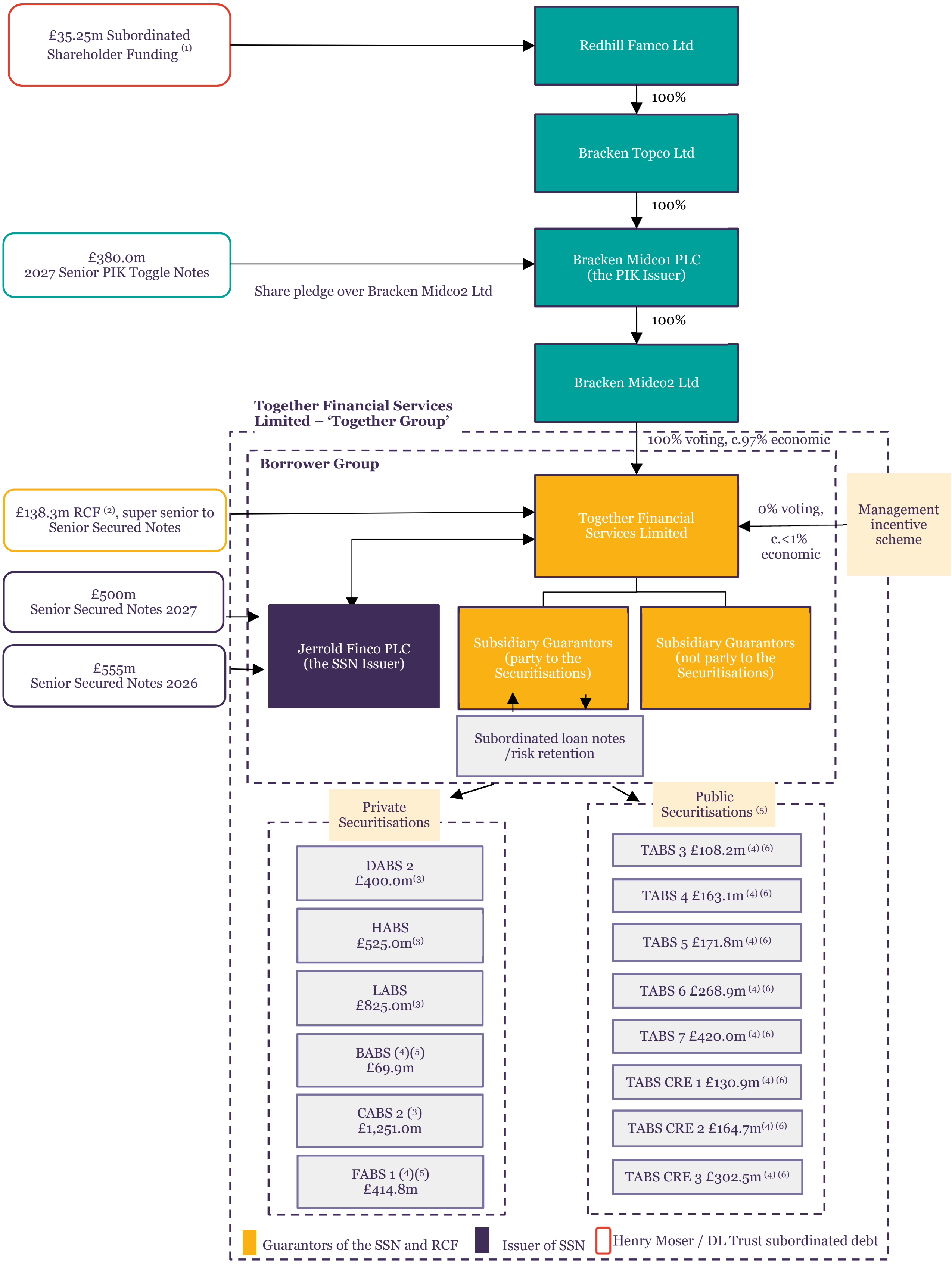
These risks are not exhaustive. Other sections of this report describe additional factors that could adversely affect our results of operations, financial condition, liquidity and the development of the industries in which we operate. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

Any forward-looking statements are only made as of the date of this annual report, and we do not intend, and do not assume any obligation, to update forward-looking statements set forth in this report. You should interpret all subsequent written or oral forward-looking statements attributable to us or to persons acting on our behalf as being qualified by the cautionary statements in this annual report. As a result, you should not place undue reliance on these forward-looking statements.

Summary corporate and financing structure

The diagram below provides a simplified overview of our corporate and financing structure on a consolidated basis as at June 30, 2023.

The diagram does not include all entities in our Group nor does it show all liabilities in our Group.



(1) Subordinated shareholder funding based upon nominal value
(2) Total facility size, £70m drawn at June 30, 2023.
(3) Total facility size
(4) Outstanding Principal balance – senior notes
(5) Amortising

Summary results and financial position of Bracken Midco1 PLC

The tables below set out the audited consolidated financial statements and financial position of Bracken Midco1 PLC, the issuer of 2023 Senior PIK Toggle Notes and its subsidiaries, compared to the audited consolidated results and financial position of Together Financial Services Limited and its subsidiaries, for and as of the year ended June 30, 2023.

	Year ended June 30, 2023		
	Together Financial Services Ltd £m	**Adjustments £m**	**Bracken Midco1 PLC £m**
Profit before tax [1]	**158.6**	**(25.4)**	**133.2**

	As at June 30, 2023		
	Together Financial Services Ltd £m	**Adjustments £m**	**Bracken Midco1 PLC £m**
Assets			
Cash and balances at bank	322.8	0.6 [2]	323.4
Loans and advances to customers	6,410.2	-	6,410.2
Derivative assets held for risk management	62.3	-	62.3
Other assets	10.7	(0.4)	10.3
Investments	32.2	-	32.2
Property, plant and equipment	11.2	-	11.2
Deferred tax asset	7.7	-	7.7
Total assets	**6,857.1**	**0.2**	**6,857.3**
Liabilities			
Bank Facilities	70.0	-	70.0
Loan notes	4,511.3	-	4,511.3
Senior secured notes	1,055.2	-	1,055.2
Senior PIK toggle notes	-	380.0 [3]	380.0
Obligations under leases	29.1	-	29.1
Debt issue costs	(19.0)	(2.1) [4]	(21.1)
Total borrowings (excluding subordinated shareholder funding)	**5,646.6**	**377.9**	**6,024.5**
Other liabilities	81.8	5.3 [5]	87.1
Derivative liabilities held for risk management	0.1	-	0.1
Provisions for liabilities and charges	7.2	-	7.2
Current tax liabilities	3.4	-	3.4
Total liabilities	**5,739.1**	**383.2**	**6,122.3**
Equity			
Subordinated shareholding funding	33.7	(24.2)	9.5 [6]
Shareholder's equity	1,084.3	(358.8)	725.3
Total equity	**1,118.0**	**(383.0)**	**734.8**
Total equity and liabilities	**6,857.1**	**0.2**	**6,857.3**

(1) Presented to reflect the full annual consolidated profit of Together Financial Services Limited and Bracken Midco1 PLC (also incorporating Bracken Midco2 Limited) respectively
(2) Represents cash and cash equivalents held within Bracken Midco1 PLC and Bracken Midco2 Limited
(3) Represents the additional borrowings in the form of £380.0m 2027 Senior PIK Toggle Notes
(4) Represents unamortised debt issue costs associated with the issuance of the 2027 Senior PIK Toggle Notes
(5) Includes interest accrued on the 2027 Senior PIK Toggle Notes
(6) Represents the carrying value of shareholder funding owed to Bracken Topco Limited by Bracken Midco1 PLC

Summary results and financial position of Bracken Midco1 PLC (continued)

For the year to June 30, 2023, interest payable and similar charges for Bracken Midco1 PLC was, on a consolidated basis £297.1m compared to £271.8m for Together Financial Services Limited. The £25.3m variance comprises £26.5m of interest payable and debt issue amortisation on the Senior PIK Toggle, £1.0m being the unwind of the fair value adjustment in respect of intercompany loan amounts owed to Bracken Topco Limited and the elimination on consolidation of £2.2m of fair value unwind at Together Financial Services Limited on intercompany loans owed to Bracken Midco2 Limited.

Annual report and audited consolidated financial statements

The annual report and audited consolidated financial statements within the ‘Results, reports and presentations’ section of Together’s investor website (togethermoney.com/investors), show the financial performance for the year to and as at June 30, 2023.

Comparatives for these consolidated financial statements are as follows:

- Consolidated Statement of Comprehensive Income and Consolidated Statement of Cash Flows have comparatives for the year to June 30, 2022;
- Consolidated Statement of Changes in Equity have comparatives for the year to June 30, 2022; and
- Consolidated Statement of Financial Position have comparatives as at June 30, 2022.