Together Financial Services Limited
Full Year 2021 Results

Company Registration No. 02939389

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Highlights

Together Financial Services Limited ('Together' or 'the Group'), one of the UK's leading specialist mortgage and secured loan providers, is pleased to announce its results for the year ended June 30, 2021.

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

"Together continued to build on our strong momentum during the year, with lending levels in the second half up 130.8% on H1 and returning to pre-pandemic levels in June and July. We also delivered increased profitability and cash flows, while accelerating our modernisation and transformation projects and adding significant funding headroom as we shape our business for an exciting future.

"At the start of our financial year the UK was still in its first lockdown, the property market was only just reopening, millions were furloughed, millions more deferring their mortgage payments and development activity had all but ceased. Against this backdrop, we have continued to increase our lending levels during the year, with average monthly originations rising from £59.0m in the first half to £136.2m in the second half and reaching £190.3m in June. This contributed to the Group delivering increased underlying profit before tax of £149.7m and annual cash receipts of £1.7bn in the year. It has taken common sense, logic, a calm approach and decisive actions to navigate through this unprecedented time and these results are a testament to the extraordinary efforts of our colleagues over the last 12 months.

"We have also added significant additional scale and depth to our funding structure, raising or refinancing over £1.3bn of facilities in five transactions during the financial year, including issuing the first small balance commercial real estate mortgage backed securitisation in the UK since the Global Financial Crisis. Since the year end, the Group has issued its first dedicated facility for non-performing loans, Brooks ABS, and in September we refinanced our HABS warehouse facility and priced our inaugural first-charge only RMBS to leave the Group with funding headroom of over £1.4bn[1].

"While the economy is performing much better than expected and is forecast to grow strongly, we expect that following government Covid-19 support schemes being withdrawn and increased changes in employment status many people may find themselves in a different position to how they entered the pandemic. With robust levels of capital and liquidity, Together is well placed to help increasing numbers of customers to realise their ambitions and to play our part in supporting the UK's economic recovery."

Financial performance: year ended June 30, 2021

- Group loan book of £4.0bn, down 3.6% compared with 2020 (£4.2bn), with weighted average indexed LTV[2] remaining very conservative at 52.1% (2020: 54.9%)
- Continued to build momentum in lending levels throughout the year following temporary pause in new lending at onset of the pandemic
  - Average monthly loan originations of £136.2m in the second half of the year, up 130.8% on £59.0m in the first half, with quarter-on-quarter growth throughout the year
    - Lending returned to pre-pandemic levels in June and July 2021, at £190.3m and £172.9m respectively
  - Average monthly loan originations for the year down 30.6% to £97.6m (2020: £140.7m)
- Weighted average origination LTVs remain conservative at 59.8% (2020: 57.7%)
- Interest receivable and similar income down 4.5% at £370.9m (2020: £388.4m) as a reduction in the size of the loan book and a reduction in yield across the loan portfolio
- Underlying net interest margin remained attractive at 6.2% (2020: 6.6%) despite continued competitive market conditions and reflecting the shape of the loan book throughout the period
- Annualised cost of risk has decreased to 0.4% (2020: 1.7%) due to a reduced impairment charge during the year as a result of the improved macroeconomic outlook
- Underlying profit before tax was up 26.3% to £149.7m (2020: £118.5m)
- Cash generation remained robust, with cash receipts of £1.7bn (2020: £1.6bn) as redemption levels remained strong

1 Pro-forma including (i) Brooks ABS facility executed in Jul'21, and (ii) refinancing of HABS facility and re-instatement of headroom executed in Sept '21 (at June 30, 2021 HABS had entered into an amortising period prior to refinancing)

2 During the year (Q2'21) the Group transitioned to an updated house-price index applied to collateral valuations resulting from an update to the methodology applied by IHT Markit, the owner and administrator of the Halifax House Price Index. Comparatives for the prior year have not been updated.

Highlights (continued)

Key metrics	2021	2020
Interest receivable and similar income (£m)	370.9	388.4
Underlying interest cover ratio[3]	2.3:1	2.0:1
Interest cover ratio	2.3:1	1.7:1
Underlying net interest margin[3] (%)	6.2	6.6
Net interest margin (%)	6.1	6.4
Underlying cost-to-income ratio[3] (%)	35.9	29.0
Cost-to-income ratio (%)	34.1	36.5
Cost of risk (%)	0.4	1.7
Underlying profit before taxation[3] (£m)	149.7	118.5
Profit before taxation (£m)	150.3	94.6
Underlying EBITDA[3] (£m)	272.6	255.6
Loans and advances to customers (£m)	4,011.9	4,162.2
Net debt gearing (%)	75.6	78.6
Shareholder funds[4] (m)	937.0	856.4
Underlying return on equity[3] (%)	14.5	12.6
Return on equity (%)	14.7	10.4

Shaping the business for the future

- Continued to progress a number of key modernisation and transformation projects to streamline application journeys, improve user experiences for our customers and intermediaries and increase operational efficiency including:
  - An ‘affordability unlock’ tool to allow underwriters to easily identify and track changes to affordability information provided by brokers or customers, providing process efficiencies for the business.
  - The implementation of an electronic underwriting file (e-file), superseding the need for paper files to be created, distributed and sequentially updated. This has led to operational efficiencies and more robust data and operational controls, and enhanced dashboards to monitor service levels.
- In parallel, strategic projects are also underway to update specific core systems
- Appointed an ESG consultancy to formalise our ESG strategy in line with our purpose and vision for the future.

3 Underlying metrics include adjustments to exclude £8.2m customer redress provision release, £1.7m redundancy costs and £5.9m interest payable relating to the refinance of the 2024 Senior Secured Notes (2020: £17.2m customer provisions and £6.7m interest payable relating to the refinance of the 2021 Senior Secured Notes)

4 Includes subordinated shareholder loans of £29.3m (2020: £28.4)

Highlights (continued)

Significantly increased scale, diversity and maturity of funding

- Successfully raised or refinanced over £1.3bn of facilities to support the Group's lending activities:
  - Jul'20: issued Together ABS 4, our fourth and largest RMBS, raising external funding of £360.5m with 81% of the notes rated AAA on issuance
  - Sep'20: maturity date on the undrawn £71.9m revolving credit facility was successfully extended from June 2021 to June 2023
  - Jan'21: successfully issued £500m 5.25% Senior Secured Notes due 2027, to redeem £350m 6.125% Senior Secured Notes due 2024 and support further growth in lending
  - Mar'21: issued £200m small balance commercial real estate mortgage backed securitisation, the first such issuance in the UK since the Global Financial Crisis 79.75% of the issued notes were AAA rated.
  - Jun'21: completed Together CRE 2 transaction, raising external funding of £241.6m with 80% of the notes AAA rated following the demand arising from the first small balance commercial real estate mortgage backed securitisation
- Maintained fund raising and refinancing momentum post year end:
  - Jul'21: launched Brooks ABS, the Group's first dedicated facility for non-performing loans, for £96.2m.
  - Sep'21: refinanced £525m HABS small balance commercial real estate warehouse facility extending maturity to September 2025
  - Sep'21: priced inaugural 1st charge only RMBS, TABS 2021 1st1, for £318m
- Pro forma Facility Headroom[1] increased to £1,435m at 30 June 2021 (30 June 2020: £406m) and immediately accessible liquidity of £453m at 30 June 2021 (30 June 2020: £145m).
- S&P revised outlook from Negative to Stable on Together Financial Services Limited and Bracken Midco1 PLC

An introduction to Together Financial Services Limited

Established in 1974, we are one of the UK's leading specialist mortgage and secured loans providers and have successfully operated through several economic cycles during our 47 year history. We pride ourselves on bringing common sense to lending by helping individuals, families, small- and medium-sized enterprises ("SME") and other businesses to achieve their ambitions.

We focus on low 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, 2021, 63.6% 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 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, 2021, 26.2% of our loan portfolio was classified as retail purpose and 73.8% as commercial purpose (which included 26.9% of buy to let + and 4.0% 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' 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 ("affordability"), 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 ("security"). 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.

Following our response to the coronavirus outbreak, which saw restrictions in our lending, we have subsequently increased originations during the year as a better economic environment than many had predicted has emerged, such that the final month of the year saw volumes return to pre pandemic levels.

The LTVs of our loan portfolio on a weighted average indexed basis as of June 30, 2021, was 52.1% and the LTV on a weighted-average basis of new loans underwritten in the year ended June 30, 2021 was 59.8%. As of June 30, 2021, 98.1% of the total loan portfolio and 95.0% of the Borrower Group[5] 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.

5 See Structure diagram on p.22 for definition of Borrower Group

Presentation of financial and other information

Financial statements

This annual report presents the audited consolidated financial statements of Together Financial Services Limited as of and for the year ended June 30, 2021 with comparatives to June 30, 2020. The consolidated 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 1 Limited ("Charles Street ABS"), Lakeside Asset Backed Securitisation 1 Limited ("Lakeside ABS"), Highfield Asset Backed Securitisation 1 Limited (“Highfield ABS”), Delta Asset Backed Securitisation 2 Limited (“Delta ABS 2”), Together Asset Backed Securitisation 1 PLC (“Together ABS 1”), , Together Asset Backed Securitisation 2018-1 PLC (“Together ABS 2”), , Together Asset Backed Securitisation 2019 – 1 PLC (“Together ABS 3”), Together Asset Backed Securitisation 2020 – 1 PLC (“Together ABS 4”), Together Asset Backed Securitisation 2021–CRE1 PLC (“Together ABS CRE 1”) and Together Asset Backed Securitisation 2021-CRE2 PLC (“Together ABS CRE 2”), the bankruptcy-remote special purpose vehicles established for purposes of secured borrowings, are consolidated into our audited consolidated financial statements in accordance with IFRS 10 Consolidated Financial Statements. Mortgage loans sold to Charles Street ABS, Lakeside ABS, Highfield ABS, Delta ABS 2, Together ABS 1, Together ABS 2, Together ABS 3, Together ABS 4, Together ABS CRE 1 and Together ABS CRE 2 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, Lakeside ABS, Highfield ABS, Delta ABS 2, Together ABS 1, Together ABS 2, Together ABS 3, Together ABS 4, Together ABS CRE 1 and Together ABS CRE 2 to certain lenders, to finance the purchase of the 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 expensed through the income statement.

Other financial information (Non-IFRS)

All key performance measures shown in this document are calculated using underlying figures, not the rounded numbers.

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 year ended June 30, 2020 and 2021 for Together Financial Services Limited, can be extracted from the audited consolidated 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. EBITDA margin is calculated as EBITDA divided by the sum of interest receivable and similar income plus fee and commission income.

In this annual report references to “Underlying EBITDA”, “Underlying Profit Before Tax”, “Underlying net interest margin”, Underlying return on equity and “Underlying cost-to-income ratio” exclude the effects of certain exceptional customer redress provision, redundancy costs and early refinancing penalties. For the year ended June 30, 2021 this excluded £8.2m customer redress provision release, £1.7m redundancy costs and £5.9m interest payable relating to the refinance of the 2024 Senior Secured Notes. For the year ended 30 June, 2020 this excluded the effects of certain exceptional customer redress provisions of £17.2m and £6.7m interest payable relating to the refinance of the 2021 Senior Secured Notes.

Other financial information (Non-IFRS) (continued)

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[6].

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[7]) 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[8]), 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[6]) for the year over underlying net operating income (derived from the Company's consolidated financial statements excluding the effects of exceptional items[7]) 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.

6 June 30, 2021 excluded £8.2m customer redress provision release and £1.7m redundancy costs whilst June 30, 2020 excluded £17.2m additional customer redress provisions

7 June 30, 2021 excluded £5.9m interest payable relating to the refinance of the 2024 Senior Secured Notes whilst June 30, 2020 excluded £6.7m interest payable relating to the refinance of the 2021 Senior Secured Notes.

8 June 30, 2021 excluded £8.2m customer redress provision release, £1.7m redundancy costs and £5.9m interest payable relating to the refinance of the 2024 Senior Secured Notes. June 30, 2020 excluded £17.2m additional customer redress provisions and £6.7m interest payable relating to the refinance of the 2021 Senior Secured Notes.

Terms relating to our loan analysis

With the exception of the application of certain forbearance measures (including the treatment of recent mortgage-payment deferrals (defined below) introduced pursuant to FCA guidance related to Covid-19), we do not reschedule our loans by capitalizing arrears. In this offering memorandum, arrears data are based on the latest contractual position and do 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.

In March 2020, the FCA announced that all mortgage lenders should grant payment deferrals, meaning arrangements under which a firm permits the customer to make reduced or no payments, to certain regulated borrowers facing short-term liquidity issues and requesting assistance as a result of Covid-19 (" mortgage-payment deferrals"). This guidance was further updated on multiple occasions providing for a maximum payment deferral period of up to 6 months to end at the latest of July 31, 2021 and to include Buy to Let loans. The scheme has now ended to new entrants, however the Group continues in its actions to serve its customers by continuing to support those customers through using our wider forbearance toolkit.

Following the government announcement to allow customers to apply for mortgage-payment deferrals we provided our customers with options of how to pay the missed instalments and any additional interest that has accrued in the payment deferral period upon exit of the aforementioned period including; (i) increase the contractual monthly instalment for the remainder of the loan, (ii) increase the contractual monthly instalment for an agreed period of time before returning to the previous contractual monthly instalment, (iii) the customer makes a specific one-off payment at the end of the mortgage-payment deferral period that ensures the remaining contractual monthly instalments are not adjusted, and (iv) extend the term of the loan while keeping the contractual monthly instalment the same throughout the remaining period. We continue to support customers throughout Covid-19 as customers have transitioned out of mortgage-payment deferral periods and we aim to work with them to understand their circumstances and identify the most appropriate options to support them as needed. Where customers continues to experience financial difficulty following the end of a mortgage-payment deferral arrangement, we continue to work with the customer using our existing forbearance options. Where the contractual monthly instalment has been amended by any of the options referred to above, this has been reflected in the respective monthly arrears position, which is calculated off the most recent agreed monthly instalment for that period.

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, which may return to being performing assets, is 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 annual report and related presentation, data referring to loan portfolio analysis is in reference to core operating subsidiaries (which includes certain subsidiaries that no longer originate new advances to customers): Auction Finance Limited, Blemain Finance Limited, Bridging Finance Limited, Harpmanor Limited, Together Personal Finance Limited and Together Commercial Finance Limited, which in aggregate represent 99.9% of total loan book balances by value as of June 30, 2021. Data referring to our loan portfolio analysis are presented after allowances for impairment and include certain other accounting adjustments (including adjustments to recognise income at the effective interest rate).

Terms relating to our loan analysis (continued)

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 (i) development loans, (ii) 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 (iii) 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. As a result of the introduction of mortgage-payment deferrals, some accounts have had contractual instalments set as zero. Due to the fact that such instalments were set as zero, a small number of loans that were previously classified as non-performing loans have been classified as performing loans in line with (i) above. 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.

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.

Terms relating to our loan analysis (continued)

In this annual 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 quarterly and adjusted for movements in property prices since the latest appraised valuation in accordance with the relevant regional property indices[9].

With respect to data related to LTV in this annual report and related presentation, the LTV statistics is 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.

9 During the year (Q2'21) the Group transitioned to an updated house price index. See footnote 1 on page 1 for further detail.

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)	**2021**	**2020**
Group		
Interest receivable and similar income	370.9	388.4
Fee and commission income	4.2	4.5
Income	375.1	392.9
NIM	6.1%	6.4%
Underlying NIM*	6.2%	6.6%
Cost-to-income	34.1%	36.5%
Underlying cost-to-income*	35.9%	29.0%
Impairment charge	(16.1)	(66.9)
EBITDA	279.1	238.4
Underlying EBITDA*	272.6	255.6
EBITDA margin	74.4%	60.7%
Underlying EBITDA margin*	72.7%	65.1%
Profit on ordinary activities before tax	150.3	94.6
Underlying profit on ordinary activities before tax*	149.7	118.5
Return on equity	14.7%	10.4%
Underlying return on equity*	14.5%	12.6%
Supplemental cash flow information:		
Cash receipts	1,687.4	1,562.7
New advances	1,170.8	1,688.3
LTV of loan originations (on a weighted average basis, based on LTV of loans at origination) [10]	59.8%	57.7%
LTV of loan portfolio (on a weighted average indexed basis) **	52.1%	54.9%

* Underlying metrics include adjustments to exclude £8.2m customer redress provision release, £1.7m redundancy costs and £5.9m interest payable relating to the refinance of the 2024 Senior Secured Notes (2020: £17.2m customer provisions charge and £6.7m interest payable relating to the refinance of the 2021 Senior Secured Notes).

** During the year (Q2‘21) the Group transitioned to an updated house price index. See footnote 2 on page 1 for further detail.

The key performance indicators above for the year ended June 30, 2021 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, 2021.

10 For definitions please see sections: “Other Financial Information” and “Terms relating to our loan analysis”

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, 2021 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.

An analysis of the loan portfolio as at June 30, 2021, and June 30, 2020 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, 2021	**June 30, 2020**	**June 30, 2021**	**June 30, 2020**
Nil Arrears & Arrears ≤ 1 month	**87.7%**	**83.6%**	**73.6%**	**53.0%**
Performing Arrears				
1-3 months	2.6%	5.5%	2.8%	9.3%
3-6 months	0.4%	0.4%	0.8%	1.0%
>6 months	0.3%	0.2%	0.8%	0.9%
Total Performing Arrears	**3.3%**	**6.1%**	**4.4%**	**11.2%**
Development loans	**4.0%**	**5.0%**	**10.9%**	**19.3%**
Total performing Loans & Development Loans	**95.0%**	**94.7%**	**88.9%**	**83.5%**
Non-Performing Arrears				
3-6 months	0.6%	1.3%	0.8%	3.1%
>6 months	1.7%	1.3%	3.9%	4.5%
Past due[1]	1.1%	1.4%	2.4%	3.8%
Total Non-Performing Arrears	**3.4%**	**4.0%**	**7.1%**	**11.4%**
Repossessions & LPA Sales	**1.6%**	**1.3%**	**4.0%**	**5.1%**
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, 2021, by indexed and origination LTV banding, for the Group and Borrower Group is as follows:

Group Loan Portfolio Indexed LTV Analysis (£m)	Performing Loans	Development Loans	Non - Performing Loans	Repossessions & LPA Sales	Total Loan Portfolio
<=60%	2,520.3	87.0	93.0	54.4	2,754.7
>60% <=80%	1,077.8	59.9	38.6	8.0	1,184.3
>80% <=100%	39.8	13.1	3.3	0.3	56.5
>100%	16.0	1.8	0.2	1.3	19.3
Total	**3,653.9**	**161.8**	**135.1**	**64.0**	**4,014.8**

Borrower Group Loan Portfolio Indexed LTV Analysis (£m)	Performing Loans	Development Loans	Non - Performing Loans	Repossessions & LPA Sales	Total Loan Portfolio
<=60%	641.4	87.0	71.4	51.2	851.0
>60% <=80%	463.7	59.9	31.3	5.5	560.4
>80% <=100%	38.8	13.1	3.3	0.3	55.5
>100%	15.6	1.8	0.2	1.3	18.9
Total	**1,159.5**	**161.8**	**106.2**	**58.3**	**1,485.8**

Group Loan Portfolio Origination LTV Analysis (£m)	Performing Loans	Development Loans	Non - Performing Loans	Repossessions & LPA Sales	Total Loan Portfolio
<=60%	1,734.1	91.2	60.5	18.6	1,904.4
>60%<=80%	1,822.7	48.1	71.2	39.1	1,981.1
>80%<=100%	65.6	5.5	1.0	6.2	78.3
>100%	31.5	17.0	2.4	0.1	50.0
Total	**3,653.9**	**161.8**	**135.1**	**64.0**	**4,014.8**

Borrower Group Loan Portfolio Origination LTV Analysis (£m)	Performing Loans	Development Loans	Non - Performing Loans	Repossessions & LPA Sales	Total Loan Portfolio
<=60%	486.3	91.2	47.3	17.2	642.0
>60%<=80%	584.0	48.1	55.5	34.9	722.5
>80%<=100%	57.7	5.5	1.0	6.1	70.3
>100%	31.5	17.0	2.4	0.1	51.0
Total	**1,159.5**	**161.8**	**106.2**	**58.3**	**1,485.8**

The indexed weighted-average LTV of the loan portfolio for the total Group at June 30, 2021 is 52.1% compared with the prior year of 54.9% at June 30, 2020.

The indexed weighted-average LTV of the loan portfolio for the Borrower Group at June 30, 2021 is 55.9% compared with the prior year of 57.4% at June 30, 2020.

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, 2021, 26.2% of our loan portfolio was classified as retail purpose and 73.8% as commercial purpose (which included 26.9% of buy to let + and 4.0% of development loans), calculated by value. At June 30, 2020, 31.5% of our loan portfolio was classified as retail purpose, 68.5% of our loan portfolio was classified as commercial purpose (which included 22.9% of but to let + and 5.0% of development loans).

The proportion of our loan portfolio secured by residential security by value has reduced to 63.6% as at June 30, 2021 when compared with 64.9% at June 30, 2020.

The proportion of our loan portfolio secured on first charges has increased to 75.5% as at June 30, 2021, when compared with 72.9% as at June 30, 2020.

Controlled origination growth

In the year to June 30, 2021, including further advances, we have originated an average of £97.6m per month, a decrease compared with £140.7m per month in the year to June 30, 2020, primarily due to our initial cautious approach to credit risk as a result of Covid-19. Originations have increased steadily throughout the year as we have returned to growth in lending, whilst continuing to employ tighter underwriting criteria.

Our loans and advances to customers stands at £4,011.9m as at June 30, 2021, compared with £4,162.2m as at June 30, 2020.

We continue to offer a broad range of products to underserved segments of the secured mortgage market and we benefit from a rich pool of experienced skilled underwriters supported by our continued investment in technology and product innovation.

Financial review

Interest receivable and similar income fell by 4.5% to £370.9m for the year to June 30, 2021 compared with £388.4m in the year to June 30, 2020. This primarily reflects the 3.8% decrease in the loan book resulting from the management action to curtail new lending during the early stages of the pandemic.

Interest payable and similar charges have decreased by 9.9% to £123.5m for the year to June 30, 2021 compared with £137.1m in the year to June 30, 2020, which represents a greater percentage fall than that for the loan book. This is partly due to decreased charges as the level of borrowings has fallen, consistent with a smaller loan portfolio. In addition, it reflects improvements in the cost of funding achieved through recent financing activities, and also lower market interest rates. Interest payable includes £5.9m (2020: £6.7m) of one-off interest charges due to the early refinancing of some of the Group's facilities, offset by a one-off accounting gain of £1.0m on extension to the maturity of £25.1m of the Group's subordinated debt.

There has been a decrease in underlying net interest margin[11] from 6.6% in the prior year to June 30, 2020 to 6.2% in the year to June 30, 2021, when calculated using our established methodology. This partly reflects the level of higher rate loans redeeming during the year, although offset by an increase on new business rates on loans originated during the year as well as the impact of the loan book initially reducing through the financial year prior to it returning to growth.

The cost-to-income ratio for the year to June 30, 2021 was 34.1%, lower than the prior year of 36.5% (June 30, 2020) as a result of administrative expenses falling 7.1% to £86.2m (2020: £92.8m). The primary reason for this drop was due to a reduction in customer-remediation costs during the year.

Impairment losses for the year to June 30, 2021 were £16.1m, a decrease of 75.9% reported in the year ended June 30, 2020 (£66.9m). The majority of the impairment charge for the period was recognised in the first half of the year, when uncertainty was greatest which has given way to a net release in the second half of the year. This reflects the application of the expected loss concept as required under IFRS 9, which has resulted in a balance sheet impairment provision of £104.4m (30 June 2020: £118.8m) meaning that a certain level of protection has already been incorporated into the carrying value of our loan book for any future realised losses.

During the course of the pandemic, realisation of losses has been modest to date, as the Group has continued to support its customers, and government interventions have continued to provide support to those affected by the coronavirus pandemic. Whilst we look forward to FY22 with renewed optimism, some uncertainty remains, as interventions such as the furlough scheme are unwound and economic forecasts remain subject to higher degrees of variability than in the pre pandemic environment. Whilst there has been a modest release of loss provisions in Q4 on the back of better economic data than initially expected, cumulative provision levels still remain significantly ahead of pre pandemic levels.

As a result of the impairment charge, cost of risk for the year has fallen to 0.4% from 1.7% in the prior year to June 30, 2020.

The impairment coverage ratio was 2.5% as at June 30, 2021, slightly lower than the prior year (June 30, 2020) of 2.8%. This owes primarily to the impact of a one-off write off of stage 3 loans, which were in a fully provided shortfall position. Substantially all of these accounts had entered a shortfall position prior to the current period, and largely relate to legacy accounts which had been repossessed a number of years previously. If this one-off write off had not been made, impairment coverage would be equal to the level observed at June 2020.

Underlying profit before tax[11] increased by 26.3% to £149.7m when compared with £118.5m in the prior year (June 30, 2020).

The Group's highly cash generative business model proved robust, with cash receipts of £1,687.4m for the year ended June 30, 2021 (June 30, 2020: £1,562.7m).

Loans and advances to customers have decreased by 3.8% to £4,116.7m compared with £4,281.0m as at June 30, 2020. This reflected the Group's reduced lending activity during the early stages of the pandemic as we remained cautious both regarding credit risk and to preserve liquidity and capital buffers against potential severe stress scenarios.

Shareholder funds have increased by 9.4% to £937.0m compared with £856.4m at June 30, 2020 which reflects the increase in profits as stated above along with the £52.7m of dividends during the year which includes £32.8m to cash-service the interest on the Midco1 PIK Toggle Notes.

[11] Underlying metrics include adjustments to exclude £8.2m customer redress provision release, £1.7m redundancy costs and £5.9m interest payable relating to the refinance of the 2024 Senior Secured Notes (2020: £17.2m customer provision charged and £6.7m interest payable relating to the refinance of the 2021 Senior Secured Notes).

Recent developments

Trading update

Monthly cash receipts of principal and interest in July and August were £131.1m and £121.9m respectively, compared to a monthly average of c.£140.6m for the year to June 30, 2021.

Pro forma Facility Headroom[12] increased to £1,435m at 30 June 2021 (30 June 2020: £406m) and immediately accessible liquidity of £453m at 30 June 2021 (30 June 2020: £145m).

New originations

Monthly mortgage originations in July and August, were £172.9m and £162.1m respectively, compared to a monthly average of c.£97.6m for the year to June 30, 2021.

Funding activity

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

In September 2021 the Group refinanced its £525m Highfield ABS facility, extending its maturity date from June 2022 to August 2025 and improving commercial terms.

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

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

12 Pro-forma including (i) Brooks ABS facility executed in Jul'21, and (ii) refinancing of HABS facility and re-instatement of headroom executed in Sept '21 (at June 30, 2021 HABS had entered into an amortising period prior to refinancing)

Significant factors which may affect results of operations (continued)

Covid-19 and the macroeconomic environment

The Covid-19 pandemic continued to disrupt the world economy over the course of 2020/2021, although consensus macroeconomic forecasts have improved compared to those issued during the height of the pandemic as the UK's vaccination programme has progressed, and restrictions have been lifted. However, the risk of further impacts which are yet to emerge remains, as support measures are unwound.

The UK is now trading under the new terms of its agreement with the EU, although those terms are subject to continuing review and potential future development for the aspects not covered by the agreement.

Amongst other impacts, macroeconomic uncertainty may reduce customer confidence, reduce customers' ability to service and repay their loans which may in-turn affect our ability to comply with the covenants in our funding structures, increase operating costs and impact property values.

What we did in FY21

In response to the Covid-19 pandemic and other macroeconomic factors, the Group:

- Continued to support colleagues in working from home, and implemented measures to ensure a 'Covid secure' workspace within the office environment for those colleagues unable to work from home or where there was a necessity to work from the office, including the provision of on-site rapid testing facilities.
- Engaged with colleagues in order to begin the transition from full time working from home back to more consistent office working.
- Increased the frequency of colleague surveys to ensure regular checks on wellbeing and engagement. The Group has offered a broad range of collaborative activities whilst colleagues have been working from home, such as online yoga, and has established a team of 'wellbeing champions' who have been provided specialist training to support colleagues.
- Increased the frequency of Board and Board Risk Committee meetings to address the rapidly evolving risk environment, when required.
- Implemented revised payment deferral guidance to continue to support customers through the pandemic.
- Continued to closely monitor financial resources and conducted frequent refreshes of financial projections, stress-testing and monitoring of key risk indicators under a range of scenarios. This included taking actions which have substantially increased the levels of accessible liquidity within the Group.
- Resumed new lending to customers in a controlled manner, utilising refined underwriting criteria to reflect the changing macroeconomic environment and risks within the market.
- Successfully concluded several refinancing activities and issuances of new funding lines, to further diversify the Group's funding resources and to continue to mitigate the inherent refinancing risk .
- Between June and September 2020, extended temporary covenant waivers agreed with banks in all four private securitisations, in respect of the provision of mortgage-payment deferrals.

The Group continues to focus on specialist lending, secured at prudent LTVs and has no operations outside of the UK.

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. Due to Covid-19, we have sought to further tighten certain areas of our underwriting criteria, including around areas of affordability, valuation and exit strategy plausibility which we considered was appropriate and prudent to reflect the increased risks that Covid-19 has created for borrowers and in turn lenders. In addition, the performance of our total loan assets is impacted by our continued investment in our collections infrastructure, which impacts our ability to collect expected loan instalments.

Significant factors which may affect results of operations

Loan assets performance (continued)

Since the coronavirus outbreak, the Group's results have been adversely impacted by increased expected credit losses in line with IFRS9. The extent of any further impact will be influenced by the expected duration and severity of the disruption on the UK economy.

The majority of Covid-19 restrictions in England ended on July 19, 2021 due to Government set benchmarks being met including; the progress of the vaccination programme, evidence that vaccines are reducing deaths and hospitalisations along with infection rates not leading to any surge in hospitalisations being met.

In line with Government guidance, up to March 31, 2021, the Group offered new mortgage-payment deferrals. The Group now continues in its actions to support customers in line with our wider forbearance toolkit aligned to customers' circumstances.

In addition to prudently tightening certain aspects of its lending criteria in response to Covid-19 the Group has further enhanced its loan servicing and credit risk management processes, including: capturing additional data through open banking and credit reference agencies, establishing enhanced monitoring and reporting ; updating arrears management standards and processes; enhanced management information to provide further analysis and focus on particular risk factors; and overlaying macroeconomic sensitivity analysis of the loan book, including an increase in the number of scenarios modelled for the purpose of calculating the impairment loss allowance.

Property market

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.

The Group lends at prudent LTVs at origination to provide protection from falls in property prices. Average origination LTV was 59.8% for the year to June 30, 2021 compared to 57.7% for the year to June 30, 2020.

The risks to the property market may increase in the forthcoming year in light of potential adverse economic conditions; however any further government interventions and a continued inbalance in supply and demand may provide some mitigation. The Group expects to continue to lend using revised lending criteria and to continue its longstanding approach of lending at prudent LTVs.

The impact of the coronavirus pandemic to future property values is highly uncertain. The macroeconomic scenarios used in modelling expected credit losses are set out in Note 11 to the financial statements.

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

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'[13] 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 also stepped up its investment in new technology including plans to update certain core systems within its operating platform, along with using enhanced data capture and digitalisation to transform the customer journey and product innovation.

13 As defined by the Coutts London Prime Index – residential property only

Competition (continued)

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 customers who are not serviced by other lenders, together 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 has encouraged a number of new entrants, or re-entrants in recent years into the market in the form of non-bank lenders or newly formed challenger banks which are likely to increase competition in the segments where we operate.

Uncertain economic times may reduce the number of new entrants into our chosen markets and may also reduce competition from existing lenders. Lenders who operate in mainstream segments may seek to focus on their core markets and restrict their lending criteria in a recessionary environment, reducing the number of customers who can access such mainstream products and which may provide increased lending opportunities for specialist lenders like Together.

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 cashflows to the Senior Borrower Group. 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, 2021 cash balances remained strong at £228.6m (June 30, 2020: £252.5m), of which £79.9m is unrestricted cash (June 30, 2020: £112.9m) as shown in Note 10.

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 outbreak of the coronavirus is causing some market uncertainty, and whilst to-date debt and securitistion markets have remained open, future uncertainty or negative economic data may restrict the ability of the Group to complete further funding transactions, at least in the short term, or may change the commercial terms available.

Liquidity and funding (continued)

Some of the Group's funding is subject to financial covenants. Note 2 to the audited 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

Interest rates have fallen, with Bank Rate cut to a record low of 0.1%. Reductions in interest rates make borrowing more affordable and therefore can increase asset prices. However, if interest rates are subsequently increased faster than expected, loan servicing costs are likely to increase, which could cause an increase in arrears and credit losses.

We are affected by changes in prevailing interest rates in the United Kingdom. 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.

We have also seen continuing demand for fixed rate products in recent years. 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. The Group has responded to new guidance issued by the FCA in response to the coronavirus pandemic, including offering mortgage-payment deferrals to customers and the treatment of vulnerable customers. 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.

As a result of undertaking internal reviews within the regulated division for the year ended June 30, 2019, instances were identified where, for certain customers in arrears, the outcome may have been improved if different forbearance tools had been applied. In addition, some past written communications with customers should have been clearer and more complete, including in instances where balances are not expected to be repaid by the customer by the contractual maturity date, using their current repayment schedule.

The regulated division has continued to focus on the resolution of these matters, and has now completed remediation for all live customer accounts and have processed remediation for redeemed customers where contact and payment details have been validated. A process is ongoing to continue to contact the remaining customers.

Disclosures in respect of this and other regulatory considerations can be found in Note 19 to the financial statements.

Significant factors which may affect results of operations

Risk factors

This quarterly 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;
- the impact of Covid-19, or any new variant of Covid-19, 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 success or failure of vaccines and the ability of the UK Government to distribute and administer them to combat Covid-19;
- 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;
- the impact of rising unemployment;
- 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 fluctuations in interest rates and our ability to obtain financing;
- 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 LIBOR or SONIA 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;
- the impact of litigation;
- our ability to retain our senior management and our underwriters, account executives, sales personnel, client facing employees and key individuals;

Risk factors (continued)

- loss of a material number of employees being available due to a health crisis including Covid-19;
- 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);
- the impact of changes in working practices following Covid-19;
- 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 securitization companies;
- the potential for conflicting interests between the shareholder and third-party funding providers;
- exclusion of US GAAP financial information; and
- changes in accounting standards.

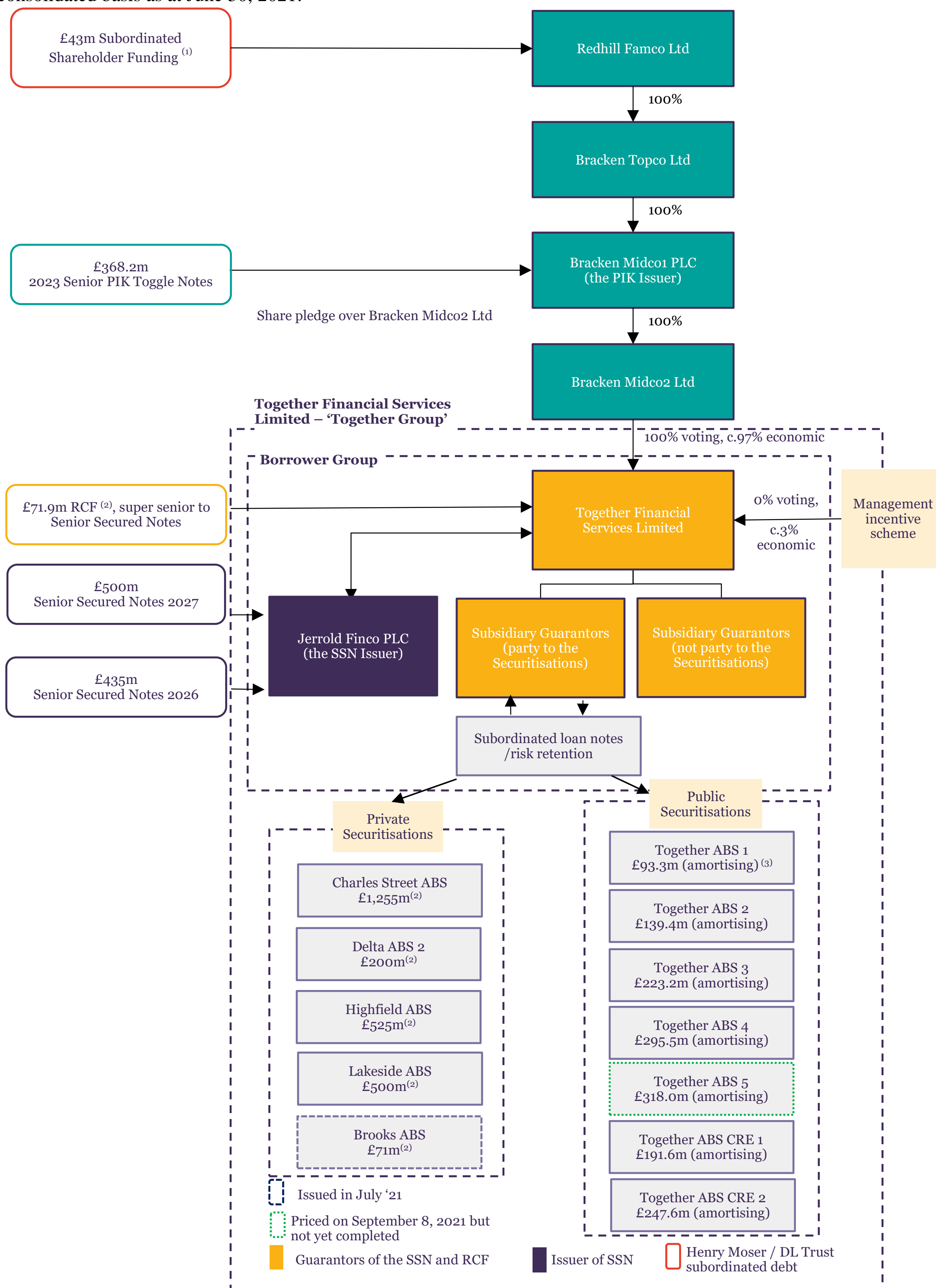
These risks are not exhaustive. Other sections of this report describe additional factors that could adversely affect our results of operations, financial condition, liquidity and the development of the industries in which we operate. New risks can emerge from time to time, and it is not possible for 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 quarterly 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 quarterly 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, 2021.

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
(3) Redeemed September 13, 2021

Summary results and financial position of Bracken Midco1 PLC

The tables below set out the unaudited interim condensed consolidated results 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, 2021.

	Year ended June 30, 2021		
	Together Financial Services Ltd £m	Adjustments £m	Bracken Midco1 PLC £m
Profit before tax [1]	**150.3**	**(36.5)**	**113.8**

	As at June 30, 2021		
	Together Financial Services Ltd £m	Adjustments £m	Bracken Midco1 PLC £m
Assets			
Cash and balances at bank	228.6	0.6 [2]	229.2
Loans and advances to customers	4,011.9	-	4,011.9
Inventories	0.6	-	0.6
Other assets	6.3	-	6.3
Investments	-	-	-
Property, plant and equipment	31.6	-	31.6
Intangible assets	7.0	-	7.0
Deferred tax asset	11.0	-	11.0
Total assets	**4,297.0**	**0.6**	**4,297.6**
Liabilities			
Loan notes	2,327.7	-	2,327.7
Senior secured notes	935.0	-	935.0
Senior PIK toggle notes	-	368.2 [3]	368.2
Obligations under finance leases	29.9	-	29.9
Debt issue costs	(17.9)	(0.5) [4]	(18.4)
Total borrowings (excluding subordinated shareholder funding)	**3,274.7**	**367.7**	**3,642.4**
Other liabilities	57.1	13.5 [5]	70.6
Derivative liabilities held for risk management	1.2	-	1.2
Provisions for liabilities and charges	25.1	-	25.1
Current tax liabilities	1.9	-	1.9
Total liabilities	**3,360.0**	**381.2**	**3,741.2**
Equity			
Subordinated shareholding funding	29.3	(21.8)	7.5[6]
Shareholder's equity	907.7	(358.8)	548.9
Total equity	**937.0**	**(380.6)**	**556.4**
Total equity and liabilities	**4,297.0**	**0.6**	**4,297.6**

(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 £368.2m 2023 Senior PIK Toggle Notes

(4) Represents unamortised debt issue costs associated with the issuance of the 2023 Senior PIK Toggle Notes

(5) Includes interest accrued on the 2023 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, 2021, interest payable and similar charges for Bracken Midco1 PLC was, on a consolidated basis £160.0m compared to £123.5m for Together Financial Services Limited. The £36.5m variance comprises £36.7m of interest payable and debt issue amortisation on the Senior PIK Toggle, £1.8m being the unwind of the fair value adjustment in respect of intercompany loan amounts owed to Bracken Topco Limited, £1.0m being the elimination on consolidation of a modification gain arising on an intercompany loan owed to Bracken Midco2 Limited and the elimination on consolidation of £1.0m 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 (investors.togethermoney.com), show the financial performance for the year to and as at June 30, 2021.

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, 2020;
- Consolidated Statement of Changes in Equity have comparatives for the year to June 30, 2020; and
- Consolidated Statement of Financial Position have comparatives as at June 30, 2020.