Realising *ambitions*

together.

Annual Report and Accounts
for the year ended 30 June 2022

Our purpose

Realising people's ambitions by making finance work.

Our vision

To be the most valued lending company in the UK.

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

We have a unique culture with real people making real decisions, using their wealth of expertise and industry knowledge to help our customers solve problems and realise opportunities. A strong, diverse and financially inclusive lender, we support a wide range of underserved customers including the self-employed, those with more complex incomes, in later life or with thin or impaired credit, landlords and SME and business customers who need a lender that understands and responds quickly to their needs. We go the extra mile to deliver great customer outcomes and results, considering individual circumstances and treating every application on its own merits.

With many more customers likely to fall outside the one-size-fits-all automated models of other lenders, demand for support from specialist lenders is expected to rise substantially. As one of the UK's largest and most experienced specialist lenders, Together is very well placed to help increasing numbers of customers realise their ambitions and to play our part in supporting society and the UK economy.

Together – common sense lending.

Performance highlights

£162.7m
Underlying PBT
(2021: £149.7m)

£151.5m
Statutory PBT
(2021: £150.3m)

5.5%
Net interest margin
(2021: 6.1%)

51.5%
Weighted average indexed LTV of portfolio[1]
(2021: 52.1%)

£226.8m
Average monthly originations
(2021: £97.6m)

£393.4m
Interest receivable and similar income
(2021: £370.9m)

35.1%
Underlying cost/income
(2021: 35.9%)

78%
Percentage of customer reviews rated 5[2]
(2021: 75%)

0.1%
Cost of risk
(2021: 0.4%)

WINNER Business Moneyfacts Awards 2022

Award for Innovation in the SME Finance Sector for our social housing initiative

> **For more information, see financial KPIs on page 42.**

1. Please refer to the glossary for definitions.
2. Based on 776 reviews collated by Feefo, Trustpilot and Google Reviews during FY22.

Realising ambitions together

Our purpose explains why we exist and what we stand for at Together.

It acts as the cornerstone of everything we do, and is strongly aligned to our Company vision, our strategy, our culture and our values. Last year we introduced our purpose, and this year we are proudly embedding it across the organisation.

Our vision

To be the most valued lending company in the UK

Our purpose

Realising people's ambitions by making finance work

Our strategy

Our strategy is to deliver for each of our stakeholder groups, by meeting their diverse needs and expectations.

We are investing in future proofing our business to build an agile model that will enable us to react quickly to societal changes and realise opportunities as they arise.

> For more information on our objectives for each stakeholder group, see our Strategy on page 28.

Our culture and values

A unique family-like culture and entrepreneurial spirit underpinned by strong embedded values:

- Respect for people
- Doing the right thing
- Being accountable

Our stakeholders

Customers | Colleagues | Communities | Regulators | Investors

> For more information, see our Strategy on page 28.

Purpose in action

We deliver on our purpose by understanding the evolving needs of our diverse range of customers:

Realising ambitions for a new home

Self-employed home-movers Tony and Donna were able to secure their new property with Together's help, having been turned down by traditional lenders.

> For more information, see page 4.

Realising ambitions for property entrepreneurs

Saif Derzi, the ambitious investor who has built a property portfolio in just five years with help from Together.

> For more information, see page 16.

Realising ambitions for innovative developers

Going underground: one of the North of England's most innovative properties, the Cheshire mansion funded by Together's development finance.

> For more information, see page 26.

Realising ambitions for families

After Kerry and her partner Jamie's mortgage application was rejected, Together considered the application on its merits and successfully helped the couple secure their first family home.

> For more information, see page 30.

Realising ambitions to build communities

Citu: a pioneering sustainable developer that has kick-started a low-carbon city centre residential scheme with Together's help.

> For more information, see page 50.

"Our stakeholders expect a clear strategy that ensures both our success as a company and our positive contribution to society."

Gary Beckett
Group Managing Director and Chief Treasury Officer

Realising ambitions for a new home

“Together were great. It’s good as a self-employed person to have a lender that looks at your background and takes into account your particular circumstances, rather than just rejecting your mortgage application out of hand.”

Tony

£1.7bn

of new residential lending[1]

Our personal, common sense approach means we look at customers' whole circumstances, and can help where traditional lenders won't.

Tony, 50, and his wife Donna, 41, are self-employed company directors of The Party Box and have successfully traded for more than a decade. Once the pandemic hit, they had to shut their shops to customers, but managed to carry on with good online sales and support from the government. Despite this, they were turned down by some lenders when it came to securing a mortgage.

"We offer a full range of products from short-term lending, or bridging, all the way through to long-term lending. We can offer a range of options to the consumer to allow them to access whatever lending solutions they may need."

Pete Ball
CEO Personal Finance

1. Lending secured on residential property.

A purpose-driven and sustainable model

With a near 50 year track record spanning several economic cycles, Together's successful business model is underpinned by our unique family-like culture and entrepreneurial spirit, with a diversified funding structure and strong, established relationships.

We deploy our unique strengths and resources…

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

Established partnerships
with customers, brokers, mortgage networks and clubs and intermediaries

Wealth of expertise
and industry know-how in financially inclusive property lending

Full service model
quick and efficient in-house originations, servicing and collections

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

Successful multi-cycle track record
spanning nearly 50 years

…to make finance work…

Residential mortgages
1st and 2nd charge mortgages for owner occupiers

Buy-to-let mortgages
for customers ranging from single property accidental landlords to professional portfolio landlords

Bridging loans
regulated and unregulated loans for residential and commercial property acquisitions

Commercial term loans
1st and 2nd charge loans secured on a variety of property types to support business growth

Development finance
tailored finance for residential new build and conversions to commercial constructions

…for all of our stakeholders

Our customers and partners

We help our customers realise their ambitions by offering common sense solutions with speed and certainty, and being easy to do business with by putting ourselves in their shoes. We are open and straightforward with our partners, who help to realise our customers' ambitions. Realising ambitions for…

Individuals and families

to buy their dream homes

Later life customers

or helping the next generation to get on the property ladder

Entrepreneurs

to start and grow their businesses

SMEs and businesses

to solve problems, realise opportunities and create jobs

Landlords

to provide homes and build portfolios

Developers

to create communities for people to live and work in

Colleagues

by providing an inspiring purpose, a diverse and inclusive culture and a springboard to play their part and give back to society.

Regulators

by treating customers fairly and placing ourselves in their shoes, maintaining a high level of personal conduct and building a proactive regulatory partnership.

Communities

by improving environments, being a force for good and developing the next generation by promoting diversity, inspiring creativity and encouraging young entrepreneurs.

Our shareholder and investors

by creating sustainable value and long-term relationships as one of the UK's most successful and respected lenders.

Shaping our business for an exciting future

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Last year we introduced our new purpose, realising people's ambitions by making finance work, and this year we have made significant progress in embedding and bringing this to life across our organisation. I am extremely proud of how my colleagues have embraced our purpose, supporting each other in finding new ways to go the extra mile for our customers and making a difference for all of our stakeholders.

The strong progress Together has made over the last year means we are increasingly well placed to realise our vision of becoming the UK's most valued lender. On behalf of the Board, I would like to thank all of my colleagues warmly for everything they have done, and continue to do, to contribute to the Group's ongoing success and in making this such a great place to work.

Adapting to the new normal

As the UK continues to emerge from the Covid-19 pandemic and adapts to more flexible ways of working, it has been great to see so many colleagues back in the office and to feel the energy and engagement which is such an important part of our unique culture. To further support our colleagues as they return to the office we have put considerable effort into enhancing our colleague value proposition, introducing measures to help colleagues deal with the increased cost of living. This has included the introduction of a fuel allowance and early payment of our shared reward scheme. In addition, we have increased holiday entitlements and expanded our established colleague wellbeing programme.

We made significant progress in delivering our strategic change agenda during the year. This transformational process is focused on creating a better experience for our customers and intermediaries and providing the level of service they expect from a modern finance organisation, optimising our business processes to enhance scalability, increasing agility and flexibility, and expanding our distribution capability and addressable markets to enable us to help more customers to realise their ambitions. As part of the process of shaping our business for the future, in February we announced that we were working with our advisors and shareholder to explore a range of strategic options in relation to our ownership structure.

While we received significant interest from potential investors, in light of the current market conditions our shareholder has decided not to pursue these opportunities at this time and we will continue to pursue other initiatives to support our growth plans.

> **For more information, see our Strategy on page 28 and our Operating Review on page 32.**

"The strong progress Together has made over the last year means we are increasingly well placed to realise our vision of becoming the UK's most valued lender."

Mike McTighe
Chairman

A purpose that matters to our *people*

Our purpose, realising people's ambitions by making finance work, was developed with and has been warmly embraced by our colleagues. It is embedded into everything we do, underpinning our unique family-like culture, entrepreneurial spirit, common sense approach to lending and strong values of respect for people, doing the right thing and being accountable. These in turn underpin the Group's long-term success and provide a robust and sustainable platform for us to make a real difference to our customers, our communities, our charities and to our wider society.

We are proud of the business we have built together, and in August 2022, after the year-end, we were awarded Investors in People silver accreditation, taking the first step in meeting our objective to achieve external recognition for our investment in our colleagues, 18 months ahead of our plan. This exemplifies the culture at Together, and is evidence of the steps taken to empower and involve our colleagues, creating sustainable success.

> **For more information, see Our purpose on page 2, our Sustainability Report on page 52 and our Stakeholder Engagement Report on page 65.**

Launching our Environment, Society and Governance strategy

Together has a long tradition for supporting our local communities and charities, through our colleague-led 'Let's Make it Count' programme. This year, following input from our colleagues, customers and investors, we developed a comprehensive ESG strategy that recognises the overarching importance of our environmental and social responsibilities in line with our purpose and vision.

As part of our approach to ESG, we also launched our diversity and inclusion ('D&I') strategy during the year, setting out a number of significant aspirations including the proportion of women and underrepresented ethnic groups in senior management roles. We value diversity of thinking and background and firmly believe that it creates a more inclusive and dynamic environment, allowing everyone to achieve their full potential. I look forward to seeing this strategy embedded across all of our activities in the coming year.

> **For more information, see our Sustainability Report on page 52.**

Another strong financial performance

Together maintained its positive momentum throughout the year, with new lending consistently above pre-pandemic levels leading to net loan book growth of £1.2bn and our loan book reaching a new high of £5.3bn at 30 June 2022. This growth was achieved in a controlled and sustainable way, in line with our strategy and prudent risk appetite, with our loan book weighted average LTV remaining at a very conservative 51.5% and our arrears consistently low.

To support our growth we have continued to increase the scale, diversity and maturity of our funding, raising or refinancing over £4.2bn of facilities during the year and successfully increasing our funding headroom to £1.4bn. The Group also remained highly profitable and cash generative, delivering net interest margin of 5.5%, profit before tax of £151.5m, underlying profit before tax up 8.7% at £162.7m and cash receipts of £1.9bn in the year.

> **For more information, see our Financial Review on page 44. The section on Alternative Performance Measures on page 153 sets out how underlying profit before tax is calculated.**

Looking to the future

The UK's economic outlook has become more uncertain as global supply chain disruption and increasing energy and non-energy inflation, intensified by the war in Ukraine, have led to a tightening of monetary policy and rising interest rates. While this economic uncertainty seems set to continue for some time, with a multi-cycle track record, a clear purpose, our transformation programmes well underway, a keen focus on maintaining margin and strong diversified funding, Together remains well placed to help increasing numbers of customers realise their ambitions and to play our part in supporting the UK economy.

Mike McTighe
Chairman

Sustainable success built on solid foundations

This year, it has been wonderful to return to our more normal ways of working, getting back together with our colleagues and engaging in person with our customers. We have a unique, family-like culture, combined with an entrepreneurial spirit and dedication to helping our customers realise their ambitions, which is driven by all of our colleagues and underpins our purpose and successful multi-cycle track record.

Throughout its history, our business has been focused on delivering positive outcomes through common sense lending to underserved customers in attractive growing markets. At the same time, we have maintained prudent underwriting disciplines based on secured lending at low LTVs, affordability and appropriate risk adjusted margins. This focus and core disciplines remain just as important today as they were when I made my first loan 50 years ago.

> **For more information, see Business Model on page 6.**

Another year of achievements

In the year to 30 June 2022, Together delivered another very strong performance as we increased originations to record levels, lending an average of £226.8m a month, and achieved an underlying profit before tax of £162.7m for the year. We also continued to invest in modernisation and transformation projects to shape our business for an exciting future. I would like to take this opportunity to personally thank all of my colleagues for their continued dedication and commitment to our customers and to the success of our business.

To support our expected growth opportunities we raised or refinanced over £4.2bn of facilities during the year in nine transactions, and I would like to thank our banks and investors for their continued support.

> **For more information, see the Financial Review on page 44 and Operating Review on page 32.**

Well placed to help many more customers

The current headwinds facing the UK economy mean that many more customers may find themselves underserved by the mainstream lenders and look to specialists, like Together, to solve problems and realise opportunities. With expert personalised underwriting, a broad range of flexible products and strong levels of funding, we are well placed to make finance work to help increasing numbers of such customers and, in doing so, to help to support the UK's economy.

Henry Moser
Founder and Group Chief Executive Officer

Observations from our *journey*

Since the first loan made by our founder 50 years ago to today, we have seen a major evolution in the UK mortgage industry.

As the world has become more digital there has been a race to automate lending models, which suit plain vanilla cases but lack the flexibility to accommodate more complex situations, leaving many creditworthy customers underserved.

Customers' own expectations have changed, as they now want and demand much more from their lenders.

Regulation has increased, to protect customers and raise standards across the industry.

These factors have contributed to a significant growth in demand for support from specialist lenders, like Together, that take the time to treat customers as individuals, understand their circumstances and build a loan around the customer and their timescales.

Together – realising people's ambitions by making finance work.

Q&A with Group CEO Designate, Gerald Grimes

£162.7m
Underlying profit before tax

£5.3bn
Gross loan book

During the year, the Group has capitalised on its diverse proposition to continue to serve a wide range of customers. Together has continued to increase our monthly originations, which have hit several new records during the second half of the year, exceeding £300m per month in May and June. We have continued to navigate the uncertain macroeconomic environment, and achieved a profit before tax of £151.5m, £162.7m on an underlying basis, at the end of the financial year.

Together has delivered another strong set of results for the last 12 months. Can you provide an overview of the key achievements during the year?

I am extremely proud that we have achieved such a strong performance this financial year. It is a testament to the robustness and sustainability of our business and to the ongoing commitment and dedication of all of our colleagues.

Following a strong recovery last summer, UK economic growth slowed as Covid-19 support schemes and stamp duty incentives were withdrawn. The second half of the year has seen a number of macroeconomic challenges including supply chain pressures, rising inflation and higher interest rates. Despite these economic headwinds, Together continued to perform very well and we have carried this strong momentum throughout the year, with loan originations growing consistently to reach record levels of £300m in May and June and taking the gross loan book to a new high of £5.3bn at 30 June 2022. This has delivered continued profitability, with profit of £151.5m, £162.7m on an underlying basis, and whilst net interest margin has seen compression, from 6.1% last year to 5.5% this year, our actions taken in the latter part of the year to protect our margins will see further benefit as we move into FY23.

Our purpose, vision and culture continue to underpin our values and this has fed into our strategic focus of delivering the right customer experience, freeing and empowering colleagues to deliver value. We have made strong progress in delivering our transformation agenda and introducing more agile ways of working to enhance our core personalised underwriting proposition, enabling us to help more customers to realise their ambitions.

We have also revised and expanded our sales channels to give us increased access to our markets and we have formalised our ESG strategy, which you can read more about in our Sustainability Report on page 52 of this report. All of this has been supported by the raising or refinancing of over £4.2bn to further increase the diversity, liquidity and maturity of our funding to support our ambitious growth plans.

Against an increasingly negative macroeconomic backdrop, how confident are you that you can maintain the Group's positive momentum?

Our existing loan portfolio continues to perform well although, as you would expect, we are conducting regular stress tests, including modelling downside scenarios. We have also revised our underwriting criteria for new lending, including building in additional affordability buffers on top of those that are already part of our existing underwriting process. In addition, the fact that we are a low loan to value lender provides a level of built-in protection to a number of economic shocks, including deterioration in house prices.

With significant funding headroom and available liquidity, we believe the Group is well positioned to maintain controlled growth in line with our risk appetite.

How do you envisage the strategic direction for the business moving forward?

Building on our strong foundations, core to shaping our business for the future is our purpose of realising people's ambitions by making finance work. This purpose has been fully embraced and energised by our colleagues as we strive to do the right thing for our customers, colleagues and communities, while also creating new avenues for our future growth.

“Our strong financial performance is a testament to the robustness and sustainability of our business and to the ongoing commitment and dedication of all of our colleagues.”

Gerald Grimes
Group CEO Designate

In line with our purpose and vision, we are investing in future proofing our business to build an agile model that will enable us to react quickly to societal changes and realise opportunities as they arise, while also providing the solid foundations to cater for macroeconomic challenges.

This ongoing strategic agenda will deliver transformational change and drive efficiency benefits to further enhance the experience for our customers, and we have made great progress towards these longer-term strategic objectives over the course of the financial year. In modernising and transforming our technology architecture, we are focusing on using tech to do what it does best and our people to do what they do best as we deliver incremental improvements to our technology platform to set the business up for the next phase of its growth. To support this growth, we are also maximising our operations in our existing channels, and are well placed to expand our addressable market to sustainably grow our lending by supporting increasing numbers of underserved customers, and empowering our colleagues to grow and deliver value to our stakeholders.

It has been inspiring to observe how colleagues across the business have come together to collaborate and find the best solutions to deliver the best outcomes for our customers. The modernisation and transformation will not stop, it will just continue to support, shape and secure our future success.

What progress has been made on Together’s ESG journey?

Together has a long tradition for supporting our local communities and charities through our colleague-led ‘Let’s Make it Count’ programme. We have also established and continue to enhance our comprehensive governance structure.

As we disclosed last year, we have been working hard to formalise our ESG strategy in line with our purpose and vision for the future. We are pleased that we are now in the position to include our first Sustainability Report in this Annual Report, which outlines our environmental, social and governance ambitions and commitments. Through the support of key colleagues across the business, as part of this process we have been able to map out what diversity and inclusion looks like at Together and devised a strategy to help us to achieve a number of significant aspirations in this area. We have made a great start on the journey of ensuring we have a more inclusive and dynamic working environment, allowing all of our colleagues to achieve their full potential.

> For more information, see our Sustainability Report on page 52.

Can you tell us more about your vision for Together and what the future may look like?

Together is a unique company with a strong track record for delivering across multiple cycles, a family-like culture, entrepreneurial spirit and a can-do attitude which is embedded throughout the business.

Our vision is to be the most valued lending company in the UK – the most valued by our colleagues, our customers, our intermediaries and our investors, and the most valued for the impact we have on our communities, society and the wider UK economy.

While cognisant of the wider macroeconomic headwinds, with positive market opportunities as you will see from our ‘The Rise of the Modern Mortgage’ research, as well as our commitment to climate action and serving the wider society, I am very excited about the future and believe Together is well placed to help increasing numbers of customers realise their ambitions and deliver value for our stakeholders.

Gerald Grimes
Group CEO Designate

The Rise of the Modern Mortgage

"Our research highlights the growing need for specialist lenders, and the problems faced by borrowers who are categorised as non-standard, in realising their ambitions."

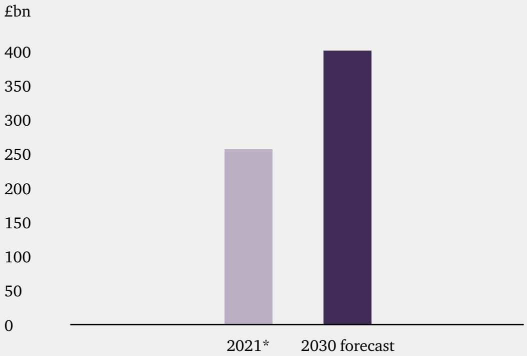
Gerald Grimes
Group CEO Designate

Our study of over 7,000 consumers, conducted by Opinium and weighted to be nationally representative, shows there is significant existing demand for a more flexible lending landscape:

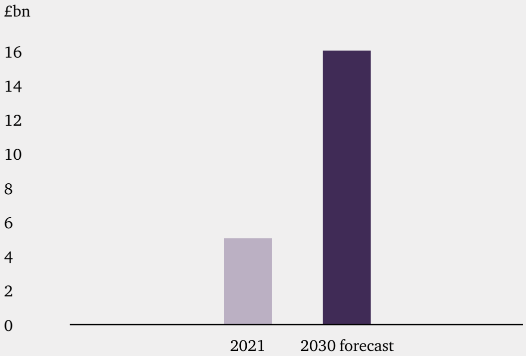
- 53% of respondents fell into one or more 'non-standard' criteria.
- 22% had experienced rejection whilst completing a mortgage application process.

Renowned economist, Dr John Glen, predicts the overall UK residential mortgage market will expand to around £400bn by 2030, with the specialist lending market more than tripling from £5bn to £16bn, with up to half a million mortgage approvals dependent on that growth.

UK Residential Mortgage Market



UK Specialist Residential Mortgage Market



* 2021 data based on UK Finance and Finance & Leasing Association reports.

67%
of adults have applied for a mortgage at some point in their life

53%
of respondents exhibit one or more 'non-standard' criteria

22%
of respondents with non-standard profiles have been rejected from a mortgage application

Update from our Chief Information Officer

Our modernisation and transformation progress

Our modernisation and transformation programme is focused on enhancing our capabilities to deliver our strategy for our stakeholders. Our aim is to use technology to do what technology does best, and allow our people to do what they do best.

Last year we took the decision to accelerate the programme, investing in technology and process improvements to enhance our efficiency and the experience for our customers. We have maintained this momentum and have achieved significant progress during the year.

Our modernisation and transformation programme is built on the three pillars of our strategic change agenda. Firstly, *Delivering the Right Customer Experience* is about creating a better experience for our customers and providing the level of service they expect from a modern finance organisation. *Enabling a Scalable Cost Base* is using our technology for simple tasks, removing inefficiencies and driving greater value from key suppliers. Finally, *Building our Capacity to increase Agility and Flexibility* ensures the time from idea to implementation is reduced and barriers to scalability are removed.

> **For more information, see Operating Review on page 32.**

Impact of our programme

Our customers' experience through their entire journey will continue to improve as we deliver further modernisation and transformation initiatives, from the point of first enquiry, through the acquisition journey and continuing into servicing throughout the life of a loan.

A key focus is on bringing modern servicing and application capabilities to our customers, allowing a greater level of digital communication and self-service. Whilst we will be communicating with customers more and more through electronic means, this will be interfaced with real people using the technology. Digital transformation means treating people as individuals, but also letting them deal with you the way they want to.

The investments in technology we have made so far have allowed the simplification and automation of business processes, reducing the level of risk and allowing our people to focus on the things that our stakeholders value. In light of our new ways of working, we are currently updating our technology, allowing colleagues to collaborate wherever they may be working.

Continuing our journey

Our modernisation and transformation roadmap is well established for the coming year and we will continue to deliver significant and incremental improvements based on our three pillars. Ultimately, transformation is about making better use of technology to help us realise our ambitions but also to help our customers realise theirs.

Tom Pirrie
Chief Information Officer

Realising ambitions for property entrepreneurs

"There are a number of funding options open to property developers, from mortgages to bridging loans. Which one you choose will depend on your circumstances and the type of property you're buying. We regularly work with Together, who we can rely on to be fast and flexible when we're looking to take on a new project."

Saif Derzi

£609m

total BTL originations during FY22

At Together, we work with property investors of all shapes and sizes.

As founder and Chief Investment Officer of SDGB Properties, Saif Derzi's amazing success as a property investor has seen him spotted by the national press. Just a few short years ago, however, he was a bored 23-year-old pharmacist looking for a new challenge and to break into the property market.

SDGB Properties is a business which has bought and sold 84 properties in the last three years. They develop and hold single-family homes, supported living and student accommodation, and more recently, they help others to manage their own renovations and properties.

"Together and I love supporting customers like Saif in realising their ambitions.

We're able to offer our customers more than just a finance product, but a relationship and a service that complements their business model, which can help them expand."

Kirsty Rogers
Business Development Director

Leading in the specialist lending market

In previous sections of the report we have outlined how our purpose and vision drive our sustainable business model.

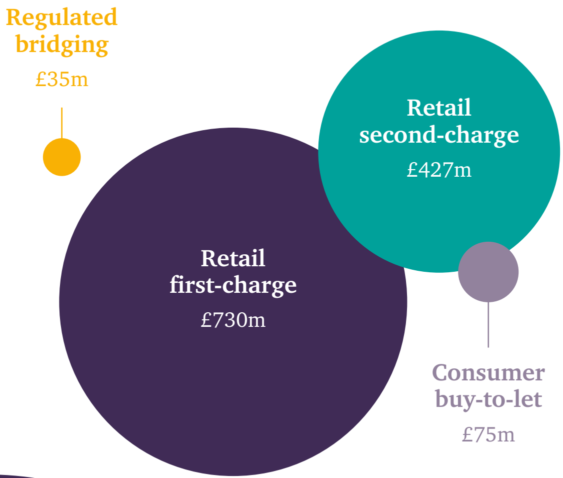
This Market Review outlines the wider economic environment, including the general property market, and then discusses the specific markets which Together targets with its products.

The breadth of our proposition allows the Group to target diverse markets, drive our business forward realising our potential, and deliver on our purpose of realising people's ambitions by making finance work.

Within this Market Review, we provide indications of market sizes and our addressable market, which is based on publicly available information and our experienced management team's expertise. Over time, as these markets grow, so will Together's addressable markets.

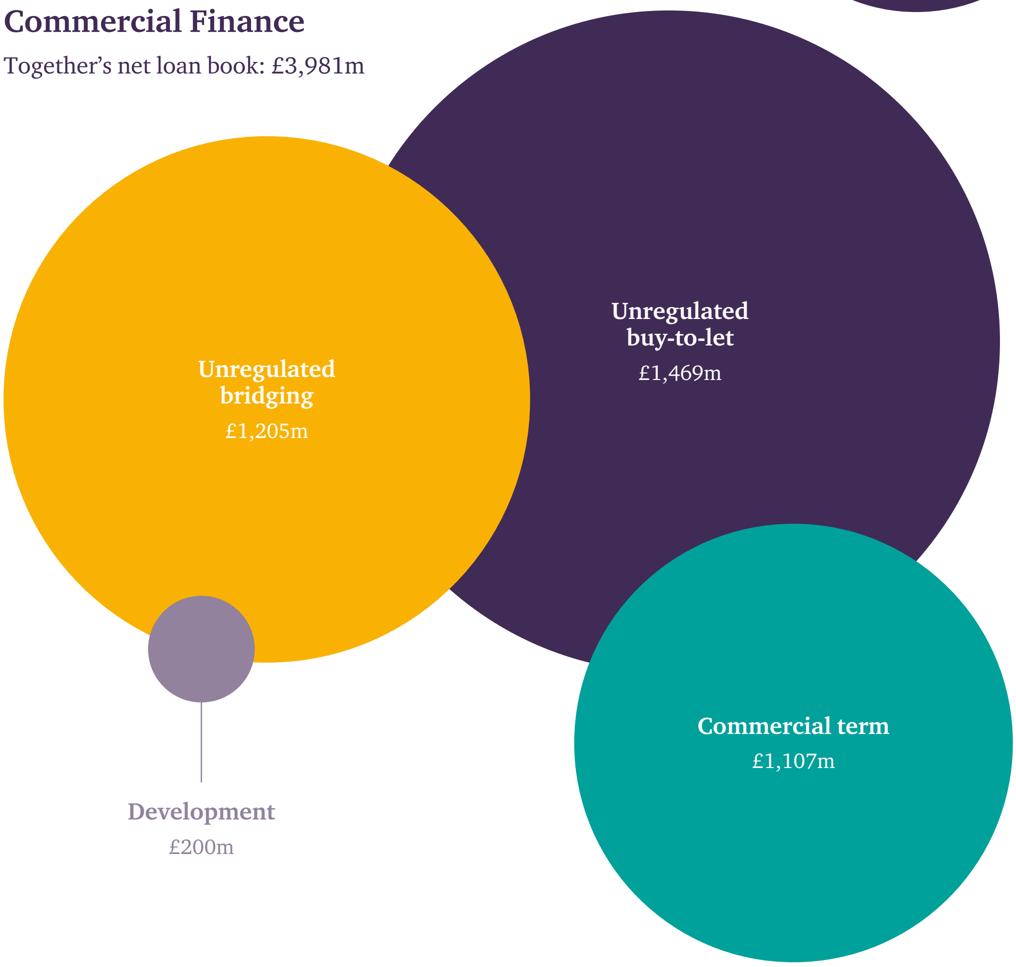
Personal Finance

Together's net loan book: £1,267m



Commercial Finance

Together's net loan book: £3,981m



Growing share in our core markets

£5.2bn
net loan book

£162.7m
underlying PBT

51.5%
weighted average LTV

The economic environment

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

In this context, unemployment, having risen in the early stages of the pandemic, recovered to pre-pandemic levels during the financial year despite the ending of the government's furlough scheme, to stand at 3.8% at June 2022. However, the bounce back in consumer demand, combined with price increases caused by the disruption of global supply chains, particularly in energy, has led to escalating inflation with CPI reaching 9.4% in June 2022. Wages, though rising significantly in nominal terms, have fallen in real terms in 2022 and the increase in the cost of living for households has become a major issue for policymakers, leading in May and September 2022 to the announcement of further government support measures. In response, the Bank of England has progressively raised Base Rate, from 0.1% at the beginning of the year to 1.25% at June 2022 and subsequently to 1.75%.

Increasing market interest rates may put pressure on our customers, as minimum repayments can be affected on products which are charged at a variable rate of interest. The Group has taken action to evaluate the impacts of rising interest rates, is committed to delivering good customer outcomes and is well placed to help see our customers through potential instability.

> **The interest-rate environment impacts the Group's net interest margin, which is discussed in more detail in the Financial Review on page 44.**

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

More detail of the particular markets in which the Group's divisions operate is given in the sections below.

While the economy has generally proven robust over much of the year, the accelerating inflation and its consequences for living standards and rising interest rates have led to concern among forecasters about future trends. The Group's measurement of credit risk, through estimates of expected credit losses, is particularly affected by unemployment, Bank of England Bank Rate and movements in house prices. The Group sets assumptions about the future projected values of these economic variables for the purposes of estimating expected credit losses, and these are set out in Notes 2 and 12 to the Financial Statements.

The Group's business model is for all its lending to be secured on UK property and/or land at prudent average loan-to-value ratios. In its lending decisions Together also carefully assesses affordability, reflecting possible conditions should customers find themselves in stressed circumstances. Moreover, uncertain times can create opportunity if competition reduces, and Together's full range of secured-lending products, discussed on the following pages, means the Group has the ability to adjust its product mix to adapt to changing market conditions. Management therefore continues to have confidence in the resilience of the Group's loan book in the face of potentially challenging circumstances.

> **For more information, see Note 2 to the Financial Statements on page 109 and Risk Management on page 82.**

The Group's markets and products

In the context of the wider economy set out above, the following two sections set out how the Group's Commercial Finance and Personal Finance divisions address their specific markets.

Commercial Finance

Buy-to-let

The Commercial Finance division provides unregulated lending, predominantly secured on residential land and buildings, to individual and corporate customers.

> For more information, see the Operating Review on page 32.

The market

The impact of the Covid-19 pandemic on the buy-to-let market (a reduction in the size of the market from c£44bn in 2019, to c£40bn in 2020) was mitigated because the market was bolstered by the release of pent-up demand and investors capitalising on government stimulus. That demand continued through 2021 to see lending reach record levels of c£46bn, driven by the highest house-purchase activity since 2007 resulting from the stamp duty holiday, attracting new entrants to the market. While the market is expected to soften over 2022, volumes have been strong in the first part of the year and we expect a return to growth in 2023.

The demand for rental property remains strong, with aspiring owner-occupiers being faced by rising house prices and therefore worsening affordability, and more recently by increasing interest rates and the cost of living crisis. However, the lack of housing stock that is fuelling rising house prices is also constraining the BTL sector and led to a hardening of rents during 2021, although current affordability pressures are expected to see growth in rental volumes slow during 2022.

Relatively stable government policy has meant that previous trends towards complex situations such as portfolio landlords, limited-company ownership and houses in multiple occupation have continued, as has the transition to increased regional investment.

The competitive environment

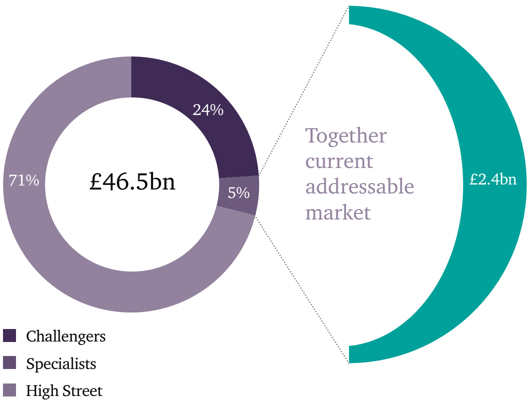
The BTL market has become increasingly commoditised (ie high volume, standard products for mainstream properties) and segmented by price. It is dominated by high-street lenders who are able to leverage their national brands and current-account relationships with customers. They generally offer lower rates in less complex situations such as 'vanilla' properties or small portfolios.

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

Specialist lenders currently represent around c£2bn of the annual lending within the BTL market. Most distribution is through brokers and packagers (ie larger brokers specialising in more complex lending), and with some direct lending. Flexibility in lending criteria is key, often catering for complex income, non-standard properties, and non-standard buying situations such as houses under multiple occupation, holiday lets and off-plan lending. In return, specialist lenders are able to achieve higher interest rates and are typically funded through wholesale funding and securitisations.

The Group held £1.5bn of unregulated BTL loans at the year-end:

Buy-to-let Mortgages



UK Finance; Mortgage Market Forecasts 2022-2023

Together's products

Our residential first-charge and second-charge buy-to-let mortgages help our customers to create, build or remortgage residential property portfolios as well as funding individual properties.

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

Together has a dominant position in the specialist sector of the BTL market. During the year it demonstrated its growth ambitions with a range of product launches. We provided support to customers of our core range, and to our existing customers with a new retention product.

Together is also able to move into other markets of customers, with more standard property, income and credit profiles. During the year this was achieved through an attractively priced product distributed through a limited number of partners, and the group will continue to monitor the market for further opportunities. In the first half of the 2022 calendar year, the Group has repeatedly broken its own monthly record for BTL lending while pricing its products in line with the changing interest-rate environment.

Bridging

The market

The 2021 bridging market was estimated at £4.1bn by Mintel, although some market participants believe the market may be substantially larger than indicated by publicly available information given the opaque nature of the bridging market. More recent estimates place this above £5bn, representing a strong recovery from the pandemic, with homeowners and property investors making use of bridging loans to secure property purchases ahead of the deadlines to the stamp-duty holiday. Together expects growth of 5-10% over the medium term, and market confidence continues to build, bringing the arrival of new entrants and leading to some pressure on rates within the market. Of total lending, 20-25% of lending is serviced, ie with interest paid monthly rather than on redemption, however Together's loans do not follow this trend, with approximately 65% of bridging loans originated during the period being on a serviced basis. Although the London market remains strong, particularly in respect of larger loans, the balance of lending is continuing to move somewhat towards the regions as investors seek greater yields.

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

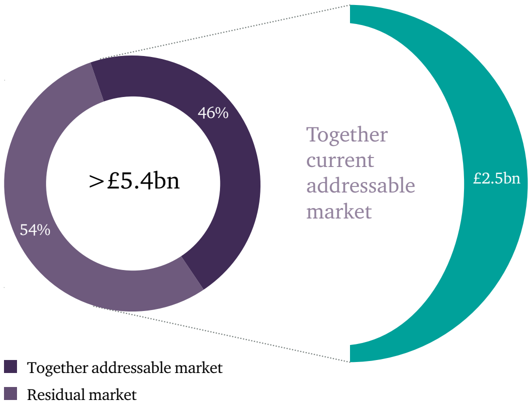
Service, in the form of speed and reliability, and reputation for reliable lending and distribution capability are key differentiators in the bridging market. With housing stock in short supply across the UK, increased opportunity to convert commercial property into residential use, and the fast-growing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

The competitive environment

There are approximately 25 major bridging lenders in the UK. The established lenders cover the whole market and each account for approximately £5m-£100m of monthly lending, offering a full service with complementary products that provide exit routes from the bridging period. Within this group the challenger banks tend to offer the market-leading rates, while the non-bank lenders offer better service and flexibility, within a higher rate corridor. There are also 'aspirational' lenders accounting for lending of £10m-£40m per month which, while established, are looking to increase market share. Finally there is a small number of niche lenders, providing total lending of up to £20m per month, which are typically new entrants and consist of small lenders and private investors.

The Group's unregulated bridging portfolio net of impairment provisions was £1.2bn at the year-end and we estimate that the Group's current addressable market (including regulated bridging) is c£2.5bn out of the total market:

Bridging Loans



Mintel Bridging Loans 2021, supplemented by management estimate

Together's products

Together's Commercial Finance division offers quick unregulated bridging-finance solutions, secured on residential and commercial properties using first-charge or second-charge loans. The majority of the division's bridging lending is serviced through regular payments, rather than 'rolling up' to the end of the loan term.

Its products are designed for small and medium-sized enterprises, individuals of high net worth and property investors. It can help with chain breaks and is able to cater for multiple exit strategies and make use of additional security. The division is also able to help investors acquire properties and land at auction.

Together's flexibility of criteria and servicing is key. It is also flexible in loan size, ranging on occasion up to £15m, while many less flexible lenders are limited to c£1m. Customers in the bridging market need confidence their lender will provide funding promptly as there is no binding offer in bridging, and the Group's history and reputation are invaluable. This has led to Together becoming a market leader, and in each month of the last quarter of the year the Group achieved the milestone of monthly unregulated bridging lending exceeding £100m.

Commercial Finance *continued*

Commercial term

The market

The UK commercial-property market is extremely diverse with loan sizes ranging from less than £100,000 to well in excess of £50m. It is also opaque: transactions are largely relationship-driven rather than in advertised products, and it is dominated by institutional investors comprising UK and global lenders. Estimates of the market size therefore vary but some project that lending volumes, which were significantly constrained during the height of the coronavirus pandemic because of the sector's higher risk, have now returned to pre-pandemic levels of c£50bn per annum or even more.

The appetite for home working remains higher than before the pandemic and is driving demand for smaller, more flexible commercial properties as businesses adapt to changing patterns of behaviour. There also remains strong investor appeal in larger commercial properties in towns and cities that offer re-purposing opportunities and, because of the lower prices and different tax implications, higher yields and long-term capital growth.

The competitive environment

Similar to the market for BTL lending, the commercial-term market is dominated by high-street lenders able to leverage their current-account relationships and retail funding. They account for approximately three quarters of the market, with larger corporate loans driving volume.

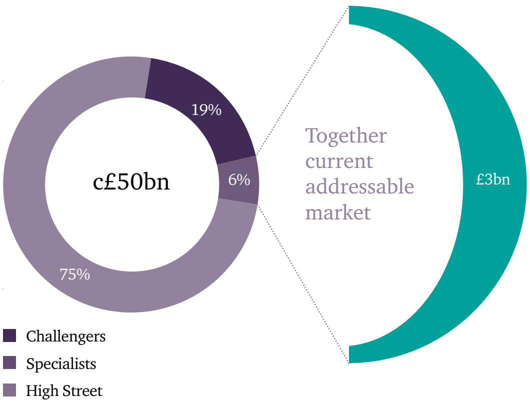
As the economy emerged from the coronavirus pandemic their appetite for commercial-real estate lending appeared to decrease as they concentrated on servicing and recovering the government-supported commercial lending schemes. However, the market is returning to normal and increasingly high-street lenders are using technology to facilitate their growth, with a particular focus on aggregators.

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

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

The Group sees its addressable market share as covering the entirety of the specialist sector:

Commercial Term Loans



Mintel Commercial Mortgages – May 2021

Together's products

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

Together has always concentrated on smaller-scale commercial-real-estate lending, focusing on prudent loan-to-value ratios and affordability, and lending across a diverse range of commercial property types. During the year the division has identified opportunities within the market, which has delivered consistently high monthly volumes. The Group will continue to seek appropriate opportunities to grow its footprint within its core markets, whilst remaining cognisant of the potential for changing market conditions.

Development

The market

Development finance allows builders to draw down funding over the course of their projects, with further advances on a facility generally occurring upon the achievement of certain milestones. This ensures cash flow for the developer, and manages risk for the lender, as funding is released as the project's value increases. We estimate the market to be c£24bn per annum, approximately 10% of which is 'heavy refurbishment' bridging, often entailing planning permission and/or structural work.

The government has set targets to raise housing supply by 300,000 per year by the mid-2020s. Brexit, the coronavirus pandemic and the subsequent global surge in demand have all driven materials shortages and inflation in the cost of construction. However, these pressures have so far been outweighed by house-price inflation and the sector continues to perform strongly.

The largest five housebuilders now build c80% of all new residential properties, drawing their funding from debt and equity instruments and, historically, tending to concentrate on the south of England. SME housebuilders, whose market share has steadily declined from c40% of housebuilding in the 1980s to only c20% in 2021, are being particularly supported by government funding.

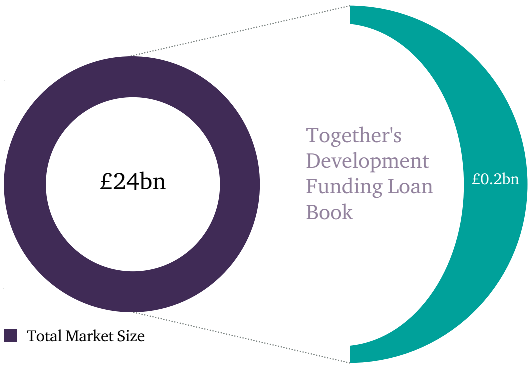
The competitive environment

High-street lenders have largely retrenched from the market, which is now dominated by challenger banks and specialist lenders. Challenger banks have a lower risk appetite, focusing on the large-scale, 'vanilla' projects of experienced developers. They operate through direct channels and can be slow to fund.

Specialist lenders can fund smaller projects of both experienced and new developers, and with higher LTV ratios. The projects, commonly for 6 to 12 dwellings, are often more complex and may extend beyond 24 months, reflected in the higher interest rates charged in the sector.

Together addressable market share is in the SME sector:

Development Finance



Management estimate based on publicly available information from market participants

Together's products

We offer tailored finance packages for many types and sizes of project, from new-build developments to residential conversions and small commercial construction projects, with lending of approximately £160m completed during the year. Our reputation for experience and end-to-end relationship management enables us to attract customers, and this approach mitigates risk throughout the life of a development.

The supply pressures and delays following Brexit and the pandemic can strain the delivery of developments. The Together Group's experience and speed of funding provides customers with certainty that their drawdowns will be completed in time. Our development finance offering is complementary to other products, such as bridging and BTL loans. Our customers often have diverse needs, which can be matched to our broad offering.

Personal Finance

The Personal Finance division provides FCA-regulated lending to retail customers, secured on residential land and buildings.

> **For more information, see the Operating Review on page 32.**

Retail mortgages

We help people buying their first home, moving or remortgaging with a range of capital-repayment and interest-only loans secured as first-charge and second-charge mortgages. We can cater for a wide spectrum of customers, including those with more complicated income sources, non-standard property types, thin or imperfect credit histories and those entering or in retirement.

First-charge residential loans

The market

After a c10% decline to £198bn in the year to December 2020 because of the pandemic, new first-charge lending to owner-occupiers recovered strongly in 2021 to a record of £255bn and has continued to grow to £262bn in 2022.

The single most important factor in the surging housing market was the stamp-duty holiday on properties valued up to £500,000, which eventually ran until September 2021. Home purchases were heavily influenced by lockdown experience and new working behaviours, with some potential buyers accelerating their plans to move. Demand increased for larger and more rural property to accommodate remote working, with less demand for city-centre living. Following the ending of lockdown restrictions, this trend to larger and rural properties has remained strong, while there is evidence of a return in demand for city-centre properties.

Service issues hampered some lenders, following the onset of the coronavirus pandemic in 2020, but this stabilised during 2021 as the industry embedded new processes to accommodate their increased levels of remote working and a more dispersed workforce. The same changes in working practice and culture permeated the UK workforce impacting employment and income types and, combined with the more recent macroeconomic pressures, have demanded greater scrutiny of customers' credit files.

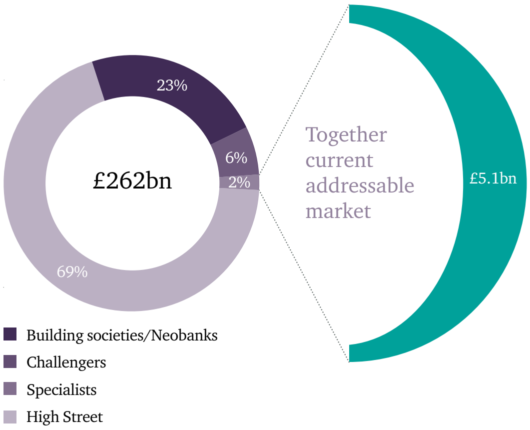
Mortgage approvals in 2022 have cooled from the 2021 peak due to the end of the stamp-duty holiday, the constraint of low housing-stock levels, and the increasing macroeconomic challenges. However, the market is proving resilient and approvals remain higher than before the pandemic.

The competitive environment

The first-charge residential mortgage market shares similar characteristics to the BTL market, being predominantly commoditised and segmented by price. Like the BTL market it is dominated by the high-street lenders, though with some segmentation between the big banks and building societies and smaller new banks. The banks account for c70% of the market and generally offer the lowest interest rates thanks to their scale, automated underwriting based on credit scoring, and stricter lending criteria for properties and credit history. The building societies and new banks, at c20% of the market, generally charge slightly more, mainly reflecting their smaller scale and differing business models.

The Personal Finance division sees its addressable market in first-charge residential lending as covering the current specialist-lending sector, with significant opportunities for growth in the longer term:

Residential Mortgages



UK Finance – Mortgage Market Forecasts 2022-2023

The challenger banks cater to over half of the remaining market and, with funding coming from securitisations and the wholesale markets, demand higher interest rates, in return offering borrowers greater flexibility on income sources and property types.

Specialist lenders currently serve the balance of the market. Their ability to be flexible on non-standard income profiles, a variety of property types – including off-plan lending – and to cater for customers with variable credit history allows them to command premium rates.

Together's products

By offering a wider range of products and bringing much greater understanding in its lending criteria and decisions, which can cater for individual circumstances by appreciating the uniqueness of individual situations, the Personal Finance division supports customers who are typically excluded by the high-street lenders and challenger banks.

The division has market-leading income and affordability criteria (by, for example, catering for self-employed customers, or those with multi-faceted income) and covers varied property and construction types. It offers simple, easy-to-understand products catering for loan terms up to 40 years, with interest-only and capital-repayment options. It can also provide mortgages in the shared-ownership, right-to-buy and semi-commercial segments.

To support its longer-term growth targets, the Personal Finance division has significantly enhanced its first-charge product, offering variable rates for customers who want increased flexibility or two and five-year fixed-rate products for those who prefer repayment stability.

> **For more information, see The Rise of the Modern Mortgage on page 14.**

Second-charge residential loans

The market

Before the coronavirus pandemic this market had seen annual growth of 10-15% per annum and the available products becoming increasingly commoditised. After a sharp fall to around £0.7bn in 2020, annual lending has now returned to its pre-pandemic levels of c£1.3bn per annum.

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

New market entrants have brought increasing levels of automation, and for customers the key differentiator now is service, in particular speed of funding. Historically, second-charge lending has grown in more uncertain economic conditions. Together also expects the market to grow because more borrowers are fixed into long-term first-charge mortgages in a rising interest-rate environment, where a second-charge can provide a useful option compared to re-mortgaging at higher rates; and thanks to rapidly rising house prices many customers have more equity in their homes which they can use.

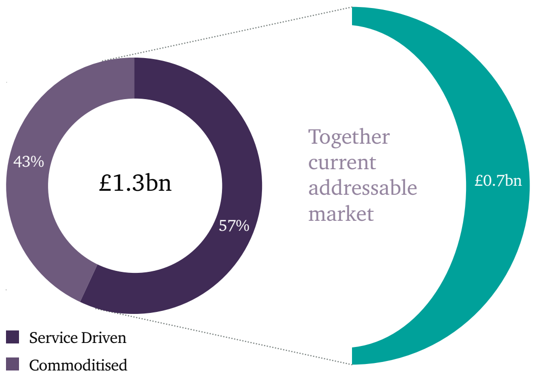
The competitive environment

The market for second-charge mortgages is specialised and not generally served by high-street lenders. It falls into two broad categories. The first, representing approximately two fifths of the market by volume but only one fifth by value, concentrates on high-volume, low-value lending (with loan sizes typically under £30,000). This is often for debt consolidation and typically with LTV ratios over 70%. New market entrants, which include some of the challenger banks, have focused on automating and increasing the speed of decisions, driving down the average loan size and time to completion.

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

The second-charge residential mortgage market offers Together significant growth potential:

Second-charge Mortgages



Finance & Leasing Association data, supplemented by management estimate

Together's products

The Personal Finance division does not participate in the low-loan-size/high-LTV sector of the market, aligning to the Group's strategy of originating loans at prudent LTVs, instead pursuing more profitable lending at average loan sizes of c£90,000. Together has an established reputation for breadth of lending criteria and surety of funding which differentiates the Group from competitors.

During the pause in new lending necessitated by the pandemic, the division took the opportunity to transform some of its operational procedures to improve its competitive service proposition. It has now returned to the market offering improved pricing for application fees and is ready to capitalise on a market that offers growth potential.

Realising ambitions for innovative developers

> We were brave to develop such an innovative property and Together was brave to give us their support throughout this major build.”
>
> *Chris Oakes*
> Owner and Founder, Huntsmere

£227m
development finance loan book

Together has utilised its personalised underwriting approach to support the development of an innovative underground property.

The subterranean home – Perdu – was built after the developers were previously refused planning permission for any building above ground that would spoil the character of the neighbouring 19th century mansion. However, following new proposals the underground development was given the go-ahead.

The backing of Together, characterised by our common sense lending approach and tailored underwriting decisions, allowed successful completion of the project and excellent outcomes for the customer and the Group, despite a challenging economic environment.

“We were blown away with the vision for Perdu as soon as we saw the designs… We’re proud to have provided the finance to help Chris Oakes and his team achieve their ambitions, despite the challenges of operating in the current economic environment.”

Chris Baguley
Managing Director, Corporate

Shaping our business for the future

In conjunction with our purpose and vision launch, we also outlined our key objectives for delivering our strategy over the next 5 years.

To deliver this strategy, we must meet the expectations of our key stakeholders. We are committed to creating value for our stakeholders and accordingly have set ambitious objectives to meet these expectations.

“We are already implementing a strategic agenda that delivers transformational change and drives efficiency benefits to further enhance the experience for our customers.”

Gerald Grimes
Group CEO Designate

> We employ a number of KPIs in the business to track the value we provide for our stakeholders. For further details, see KPIs on page 42.

Colleagues

At Together, we are committed to providing an inspiring purpose for our people and creating a diverse culture in which everyone can play their part. We strive to enable all colleagues to realise their ambition and are committed to giving something back to society.

In August 2022, after the year-end, we were awarded Investors in People silver accreditation, taking the first step in meeting our objective to achieve external recognition for our investment in our colleagues, 18 months ahead of our plan.

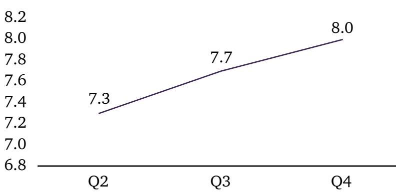
Our objectives

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

Related KPI

We utilise a number of KPIs and other qualitative measures to monitor progression against our objectives. A related KPI is shown below for our colleague stakeholder group:

Colleague Engagement Score



Customers

The Group is committed to making sure we are easy to do business with and that we are providing our customers with certain and prompt decisions. We want to be recommended by our customers so we ensure that we action the feedback received. We pride ourselves on our can do attitude in offering common sense solutions.

Our objectives

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

Related KPI

We utilise a number of KPIs and other qualitative measures to monitor progression against our objectives. A related KPI is shown below for our customer stakeholder group:

Customer Experience Rating

4.6/5

feefo

Shareholder & Investors

The Group is one of the UK's most consistently profitable lenders and is recognised for creating long-term sustainable value. We are a strong, straightforward and financially inclusive business that focuses on helping underserved customers realise their ambitions. The Group remains committed to building long-term relationships with partners and offering appropriate returns. This is all against a backdrop of the highest levels of governance, risk management and transparency.

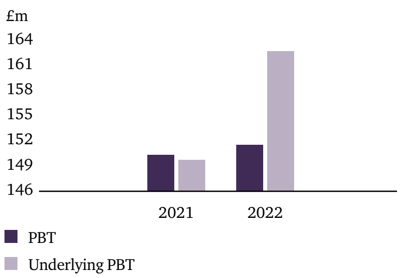
Our objectives

- To continue to grow a high-quality secured loan book
- To deliver increased profitability and sustainable returns
- To improve our corporate credit strength

Related KPI

We utilise a number of KPIs and other qualitative measures to monitor progression against our objectives. A related KPI is shown below for our shareholder and investors:

Profit before tax



Communities

Together has a long tradition of actively supporting local, regional and national charitable campaigns. Whilst we offer support to a range of groups within our community, we are particularly passionate about supporting young people. We work in partnership with schools and youth groups to inspire creativity, lead initiatives to encourage young entrepreneurs and enable our colleagues to share their experiences and skills to develop the next generation. The Group is also committed to improving the environment in which we live and work.

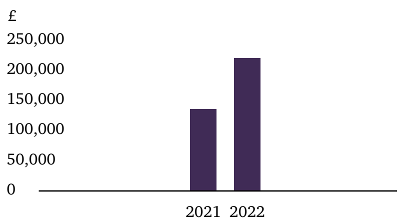
Our objectives

During the year, we established our ESG strategy under which we identified our five key priorities along with relevant targets. For further details, see the Sustainability Report on pages 52 to 63.

Related KPI

We utilise a number of KPIs and other qualitative measures to monitor progression against our objectives. A related KPI is shown below for our community stakeholder group:

Charitable donations



Regulators

As one of the UK's leading specialist lenders, we want to be an exemplar in the market and to foster a proactive partnership with the regulator. We have a culture that treats customers fairly and we empower our people to achieve a high level of personal conduct. This culture of respect and accountability is a key driver in achieving good customer outcomes.

Our objectives

- To be recognised externally for our treatment of vulnerable customers
- To be recognised externally for our clear customer communications

Realising ambitions for families

Together handled everything so quickly from the first phone call and we were delighted we could find somewhere that was so nice, shiny and new."

Kerry Hepton

51%

of new loans come through intermediary partners

Having spent months carefully saving up a deposit, Kerry and her partner Jamie worked with a local mortgage broker to identify what was available from the high street. Kerry was shocked when their mortgage application was rejected by a major high street bank due to a CCJ Jamie had accrued many years before, on a missed bill for £350. This was something neither Kerry nor Jamie were aware of, and despite him quickly paying off the debt, they knew that getting a mortgage from a high street lender was going to be extremely difficult.

Given Jamie is a self-employed bricklayer, and Kerry's key worker status, the couple were keen to find a quick solution that would give them options for a first proper family home, where they could raise their young son, in walking distance to the local nursery.

Before too long, they came across Together, through a broker who suggested the couple investigate Shared Ownership. Together considered the application on its merits, using our common sense approach to lending, allowing Kerry and Jamie to move into their family home.

"People turned down by mainstream lenders often think rejection means they've been locked out completely from the mortgage market... however they could speak to specialist mortgage lenders like Together, either through an adviser or directly."

Alan Davison
Personal Finance Distribution Director

Record originations, delivering strong loan book growth

—

In previous sections we have set out our business model and strategy, and how the Group's products address the specific lending markets in which we operate. This Operating Review first summarises the lending activities of our two customer-facing divisions (which offer similar products but under different regulatory regimes and to different customers). It then goes on to explain our funding structure and its development over the year, and how we are closely aligning our modernisation and transformation programme with our strategy.

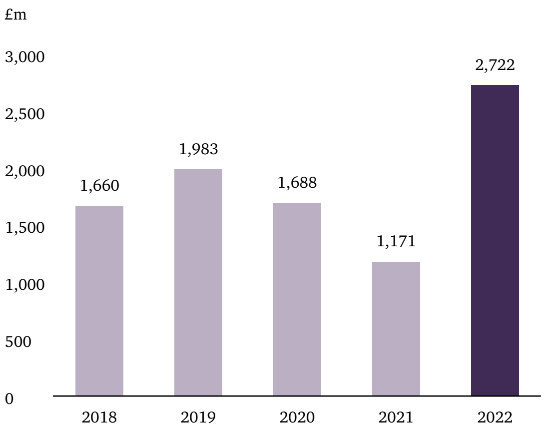
Lending to customers

Overview

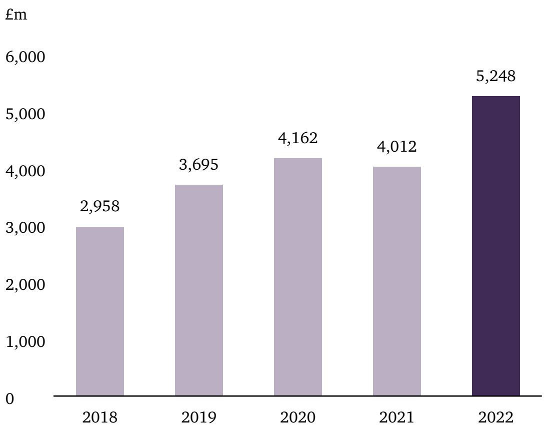
After the initial disruption of the pandemic, the Group was able to resume its lending over the course of the previous financial year and in the latest year has rapidly accelerated its loan originations. Lending for the year finished at £2.7bn, more than double the £1.2bn of 2020-21 and exceeding the levels achieved prior to the pandemic.

The strong growth in originations resulted in net loans and advances reaching £5.2bn by the year-end, up from £4.0bn last year and the highest annual growth in the Group's history.

After a two-year disruption, new lending is now well in excess of its pre-pandemic levels:



Growth in the net loan book was the highest in the Group's history:



Recent years have seen a more dynamic job market with job changes for many people and so credit profiles became more complex. At the same time there has been a change in lifestyle ambitions and working practices with many people seeking larger properties and outdoor spaces away from city centres. The increased appetite for home working is also driving demand for smaller, more flexible commercial properties. In the context of the overall resilience of the property market these changes offer opportunities for specialist lenders.

In the following two sections we discuss the lending activities of our two divisions, Commercial Finance and Personal Finance.

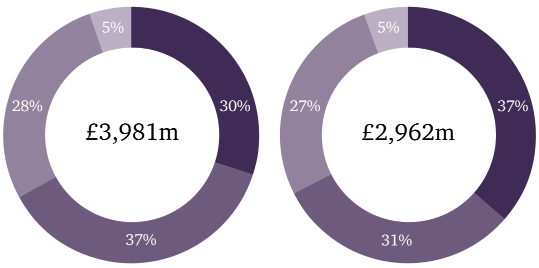
> **The growth in our loan book delivered during this year is a product of our commitment to deliver for all our stakeholders, and help them realise their ambitions.”**
>
> *Marc Goldberg*
> CEO of Commercial Finance

Commercial Finance

The Commercial Finance division provides unregulated lending, secured on a mix of commercial property and residential land and buildings, to individual and corporate customers and with an established customer base that provides a significant level of repeat business. As a result, almost half of Commercial Finance's new lending is direct. The division provides approximately 75% of the Group's mortgage portfolio.

Growth of 34% in the Commercial Finance division's loan portfolio reflected strong originations in all its main product groups:

2022 (m) | **2021** (m)



2022 (m)	2021 (m)
Unregulated buy-to-let (1,205)	Unregulated buy-to-let (1,081)
Unregulated bridging (1,469)	Unregulated bridging (926)
Commercial term (1,107)	Commercial term (793)
Development (200)	Development (162)

Our Commercial Finance division has expertise in bridging finance, in which it is the dominant market player, and it offers a full range of lending options for commercial customers, offering short and long-term solutions.

> **For more information, see the Market Review on page 18.**

The division delivered a record lending performance during the year, with loan originations higher than ever at £2.2bn, double the £1.1bn in the previous year, and an increase of 29% on originations achieved in FY20. This performance meant growth in the loan book resumed accordingly, to reach £4.0bn at the year-end, up 34% on June 2021. Such growth must be achieved while maintaining underwriting standards, and without compromising customer service, and as of June 2022 the division achieved a net promoter score of +61, further improving on the 2021 score of +43.

During the year, the division has been able to turn to new distribution opportunities to support its growth plans. These range from maximising the opportunity of established channels to developing wholly new ones, with tailored strategies supporting our distribution plans across these channels. A significant initiative delivered during the year was the creation of a new social-housing channel that can utilise the division's existing expertise in bridging and development loans. This has proven so successful that Together won the 2022 Business Moneyfacts award for Innovation in the SME Finance Sector.

The division continued to place its customers at the heart of its operations, through speed of service and flexibility, with the Group's modernisation and transformation agenda supporting improvements in the customer journey.

In the later part of the year, the division took action to maintain margins, following increases in the Bank of England Base Rate. The latter led to an increase in the Group's cost of funds and so interest rate increases were passed on, as appropriate, to the back book. In parallel, we continued to actively review front-book pricing, and took action to increase our readiness to respond to further rate rises.

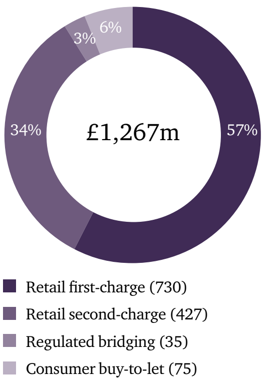
> **For more information, see the Financial Review on page 44, including discussion of our Net Interest Margin on page 45.**

Personal Finance

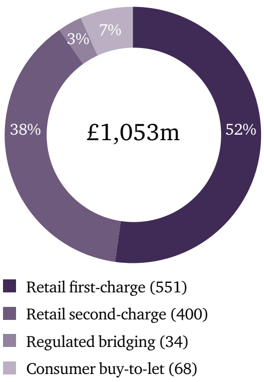
The Personal Finance division provides FCA-regulated lending, secured on residential land and buildings, to consumers rather than commercial customers. Over 75% of the division's lending is intermediated from brokers. It provides approximately 25% of the Group's mortgage portfolio.

The Personal Finance division grew its mortgage portfolio by 20%, prioritising first-charge residential originations as it resumed lending after the pandemic:

2022
(m)



2021
(m)



The division's main products and markets are in term loans, discussed in more detail in the Market Review. In addition, it can provide regulated bridging loans to help with chain breaks, and consumer buy-to-let mortgages to help those who find themselves 'accidental' landlords as a result of unforeseen circumstances or where family members reside in the property.

After a reduction in lending in the last two years, the division's controlled return to lending in the year meant originations returned to pre-pandemic levels of £0.5bn. The loan book finished the year at £1.3bn, up from £1.1bn at June 2021 and also back to pre-pandemic levels.

In response to the pandemic, the Personal Finance division focused its indirect distribution through established intermediaries, simplified its product range to grow its key markets, and invested in technology and process improvements to enhance efficiency and customer service. During the year to June 2022 the division has developed this approach further, taking a considered, product-by-product approach to its return to lending and where appropriate utilised market insight from its packager partners.

Particularly strong emphasis is now being placed on strengthening direct lending by maximising the opportunities from retention of our existing customers and from our strong relationships with introducers. The Group's development of its digital technology will be key for the Personal Finance division's acquisition of new customers, where it is particularly suited to the division's residential lending.

The division is using the Group's investment in technology through our modernisation and transformation programme, set out later in this Operating Review, to improve its efficiency, conversion of leads and service levels to customers. The latter is vital to its success, and the use of customer feedback is embedded in the division's ways of working. This has undoubtedly played a major role in its achievement of consistently favourable net promoter scores of +55 at June 2022 and +54 at June 2021.

The division remains committed to delivering positive customer experiences and outcomes. The division regularly reviews its policies and practices, and during the year has progressed with concluding regulatory matters. For further detail, see note 19 to the financial statements.

Similar to our Commercial Finance division, our offering in the Personal Finance division was updated in the latter portion of the year to reflect the increases in market interest rates.

Funding structure and activity

Together's near-50-year track record of success and its high-quality loan-asset base have proven attractive to providers of funding. This has allowed the Group progressively to develop a mature and diversified funding platform. This section of the Operating Review provides an overview of how the Group funds its activities, including a summary of its current funding structure, and describes the key developments during the last year.

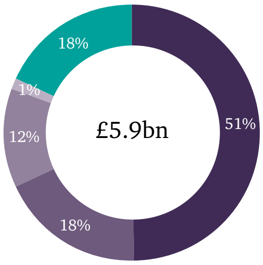
Overview

To fund its mortgage lending Together draws on the wholesale markets, underpinned by its growing, substantial shareholder funds, which surpassed £1bn during the year. Its diverse funding sources comprise two publicly listed senior secured notes (SSNs), five private and, including transactions since June 2022, ten public securitisations, and a revolving credit bank facility (RCF).

The Group is an established repeat issuer with excellent longstanding relationships with both public and private investors and lending institutions. Since July 2016, including refinancings and bond increases, it has successfully completed seven SSN transactions, five RCF transactions, ten public and twelve private securitisations. This activity includes the market's first issuance of a sterling bond post-Brexit and the first issuance of a securitisation vehicle dedicated to performing-arrears loans. Perhaps even more significantly, the Group's first securitisation of mortgages secured against small-value commercial properties was the first transaction of its type in the UK since the global credit crisis, effectively reopening this particular market.

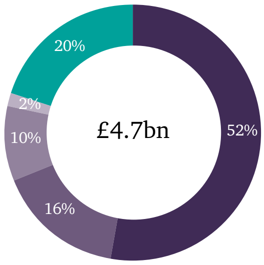
The Group has increased its facilities by c25% over the last year, with four fifths of its available funding now through securitisations:

2022
(bn)



- Private securitisations (2,927m)
- Public residential securitisations (1,074m)
- Public commercial securitisations (728m)
- Bank facilities (72m)
- Senior secured notes (1,055m)

2021
(bn)



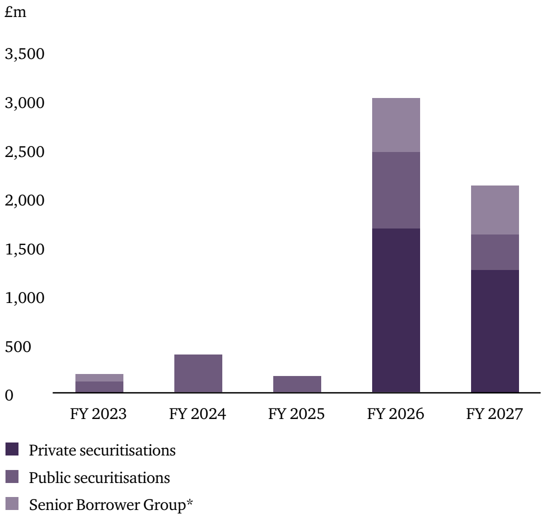
- Private securitisations (2,480m)
- Public residential securitisations (757m)
- Public commercial securitisations (447m)
- Bank facilities (72m)
- Senior secured notes (935m)

The Group takes a prudent approach to counterparty risk to ensure it is not greatly exposed to any one lender.

The maturity profile of the facilities is carefully managed to ensure flexibility. The average maturity of the portfolio at June 2022 was 3.7 years, significantly increased from the average of 2.6 years at June 2021. The earliest maturity is the Together ABS2 RMBS, with a call date in November 2022 and representing just 2% of the Group's total facilities, with the remainder being from June 2023 and beyond.

Only c12% of the Group's funding will mature in the next three years:

Total facilities by maturity date
(£m)

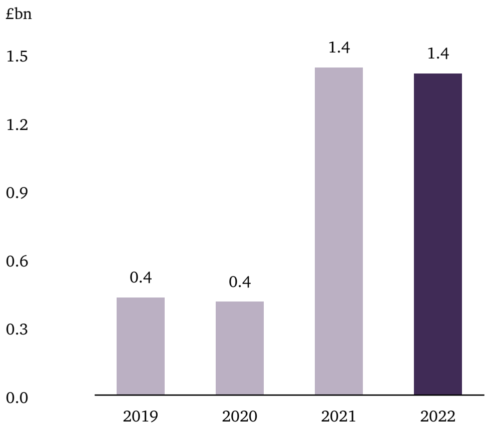


* The Senior Borrower Group facilities comprise the senior secured notes and the RCF, and are discussed further in the next section.

This variety and depth of funding results in significant 'headroom' of undrawn facilities, standing at £1.4bn at 30 June 2022 (2021: £1.4bn), allowing the Group to further grow its lending and manage liquidity risk.

Since the pandemic the Group has significantly increased its headroom, despite rapidly growing its balance sheet:

Facility headroom at the financial year-end
(£bn)



Overall, the Group's funding model benefits from the capital- and cost-efficient funding of securitisation vehicles, flexibility in funding different asset types, and the long-term stability of substantial shareholder funds.

Our funding structure

The diagram opposite illustrates our current funding structure.

All loans originated by Together are initially funded by the Senior Borrower Group (SBG, which consists of the senior secured notes, the revolving credit facility and a proportion of our shareholder funds), and also by cash originated from continuing loan-book activity and from excess interest income received from securitisations.

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

Pools of loans from Charles Street ABS 2 are periodically transferred into new public RMBS programmes, so creating funding headroom. Similarly, pools of loans from Highfield ABS, Lakeside ABS and the SBG from time to time are transferred into public commercial-mortgage-backed securitisations (CMBS) to create further headroom. The SBG substitutes or repurchases defaulted or ineligible loans from the private securitisations on a periodic basis.

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

The private and public securitisations are bankruptcy-remote special-purpose entities, which are not legally owned by Together, and holders of their loan notes have no recourse to the Group's other assets. Together holds subordinated debt in their structures; it also retains the risks and rewards of their ownership and they are therefore consolidated in the Group results in accordance with financial reporting standards.

Senior Borrower Group

Mortgage loans are initially funded within the Senior Borrower Group including the senior secured notes (bonds) and a revolving credit facility (RCF) and the portfolio is subject to gearing restrictions.

2026 senior secured notes

£555m

6yr

S&P and Fitch: BB-

2027 senior secured notes

£500m

6yr

S&P and Fitch: BB-

2023 RCF **

£71.9m commitment at 30 June 2022, which was increased subsequent to the year-end

Private Securitisations

Once originated, mortgage loans can be allocated into one of the private securitisations. Other than Brooks ABS, all are revolving facilities where access to the headroom is subject to eligibility and covenant restrictions.

Charles Street ABS 2 2027

£1,252m commitment

Moody's: Aa2; DBRS: AA

Loan and security types: 1st and 2nd charge mortgages and buy-to-let loans

All secured on residential property

Lakeside ABS 2026

£500m commitment

Loan and security types: 1st and 2nd charge bridging loans secured on residential and commercial property and 1st charge mortgages secured on commercial property

Delta ABS 2 2025

£400m commitment

Loan types: 1st and 2nd charge bridging loans secured on residential and commercial property

Highfield ABS 2025

£525m commitment

Loan types: 1st and 2nd charge

Mortgages secured on commercial property

Brooks ABS 1 2025 ***

£50.9m unrated notes in issue at 30 June 2022

Loan types: Non-performing and reperforming 1st and 2nd charge term loans

Secured on residential and commercial properties

Public Securitisations

Fixed pools of mortgage loans can also be funded by amortising public mortgage-backed securitisations. Notes in public securitisations can be traded between investors, giving investors liquidity in their investments.

Residential-mortgage-backed Securitisations

Together ABS 2

£106.1m rated notes in issue at 30 June 2022 with 78.5% rated AAA on issuance

Loan types: 1st and 2nd charge mortgages and buy-to-let loans

All secured on residential property

Together ABS 3

£153.9m rated notes in issue at 30 June 2022 with 79% rated AAA on issuance

Loan types: 1st and 2nd charge mortgages and buy-to-let loans

All secured on residential property

Together ABS 4

£220.5m rated notes in issue at 30 June 2022 with 81% rated AAA on issuance

Loan types: 1st and 2nd charge mortgages and buy-to-let loans

All secured on residential property

Together ABS 5

£238.6m rated notes in issue at 30 June 2022 with 87% rated AAA on issuance

Loan types: 1st charge mortgages and loans

All secured on residential property

Together ABS 6

£337.6m rated notes in issue at 30 June 2022 with 73% rated AAA on issuance

Loan types: 2nd charge mortgages and loans

All secured on owner-occupied and buy-to-let residential property

Together ABS 7 *

£494.4m rated notes currently in issue with 90% rated AAA on issuance

Loan types: 1st charge mortgages and loans

All secured on residential property

Commercial-mortgage-backed Securitisations

CRE ABS 1

£161.4m rated notes in issue at 30 June 2022 with 80% rated AAA on issuance

Loan types: 1st and 2nd charge commercial term loans

Secured on small-value commercial, residential & mixed-use properties

CRE ABS 2

£200.2m rated notes in issue at 30 June 2022 with 80% rated AAA on issuance

Loan types: 1st and 2nd charge commercial term loans

Secured on small-value commercial, residential & mixed-use properties

CRE ABS 3

£365.2m rated notes in issue at 30 June 2022 with 80% rated AAA on issuance

Loan types: 1st and 2nd charge commercial term loans

Secured on small-value commercial, residential & mixed-use properties

Shareholder funds (£1,030.0m at 30 June 2022) are used to support the Senior Borrower Group, private securitisations and public securitisations

* Together ABS 7 was issued after the end of the year, in July 2022.

** The RCF was refinanced in September 2022 increasing the facility size from £71.9m to £138.3m and extending the maturity to September 2026.

*** In September 2022, the Group refinanced its BABS facility, with an additional £24m of funding secured.

Funding activity during the year

In the year to June 2022 the Group successfully raised or refinanced £4.2bn of facilities to support the Group's lending activities, including the Group's first dedicated facility for non-performing loans:

- 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 performance 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 September 2025 and reducing the coupon.
- In September 2021 the Group redeemed the loan notes in its first RMBS, Together ABS 1, taking back beneficial title to the mortgage assets that had previously been securitised.
- Also in September 2021 the Group announced the launch of its inaugural 1st charge-only RMBS, Together ABS 5. The issuance raised £302m of external funding.
- In November 2021 the Group announced the issuance of an additional £100m of its $4^7/_8$% senior secured notes due 2026 through its wholly owned subsidiary Jerrold Finco PLC, and which was subsequently increased to £120m following significant demand.
- In December 2021 the Group refinanced its Delta ABS 2 facility, increasing the size from £200m to £400m, as well as extending the maturity from 2022 to 2025.
- In March 2022 the Group refinanced its Charles Street ABS facility, significantly improving commercial terms and extending its maturity from September 2023 to March 2027. As part of the refinancing, the Group has taken the opportunity to close down the original facility and re-issue it as a new one, Charles Street ABS 2.
- In April 2022 the Group refinanced its Lakeside ABS facility, extending its maturity from October 2023 to April 2026, with an increase in size from £500m to £700m and the addition of a new funding partner.
- In May 2022 the Group launched another RMBS, Together ABS 6. The issuance raised £321m of external funding with 73.5% of its notes AAA rated on issuance.
- In June 2022 the Group launched a new CMBS, Together CRE 3. The external funding raised was £365m and 80% of the notes were AAA rated.
- The RCF was refinanced in September 2022 increasing the facility size from £71.9m to £138.3m and extending the maturity to September 2026.
- Also in September 2022, the Group refinanced its BABS facility, with an additional £24m of funding secured.

Over the course of the year the Group successfully completed the transition of all its Libor-based financial instruments to a new reference rate, the reformed sterling overnight index average (Sonia). Further detail is set out in Note 29 to the financial statements.

In October 2021 Fitch revised the outlook of the Group's long-term rating from negative to stable and affirmed its BB- rating, citing the more stable UK economic backdrop, improvements in Together's liquidity and earnings profiles, and success over the past year in further developing its funding base. In January 2022, S&P also upgraded Together's outlook, this time from stable to positive, citing its successful navigation of the pandemic, resilient earnings, stable and diversified funding base and the potential for significant loan-book growth.

Shaping our business for an exciting future

The earlier report on the Group's strategy sets out how our purpose and vision have informed our strategic objectives. This section of the Operating Review describes how our modernisation and transformation programme, first launched in 2019, is supporting those objectives.

Last year we reported on the significant steps forward that the Group had made in its programme to transform its systems and processes. These included the implementation of electronic underwriting files, the launch of a messaging and data-sharing app that direct customers can use through the whole application process, automated income verification via our online portal My Broker Venue, and the release of the first phase of an electronic disbursements system.

In the year to 30 June 2022, the Group has transitioned to a scaled Agile way of delivering change. This approach focuses on the identification of the highest priority initiatives, which are prioritised for delivery in a series of sprints in each quarter of the financial year.

This approach to business change has seen the Group deliver a significant number of change initiatives.

We have delivered projects as part of the modernisation and transformation programme, including further improvements to our payments processes, greater levels of automation in our funding, 'paperless' direct debits so that customers can complete their mandates electronically, and the provision of a new payment provider to support the delivery and processing of customer payments.

This has also incorporated various regulatory and compliance changes, to ensure we can continue to meet the expectations of our regulators.

The changes were delivered in the context of an IT environment developed to be stable, secure and scalable, typically using cloud-based software solutions combined with technology from top-tier suppliers. During the year, the Group has signed a contract with a new third-party technology provider to replace elements of our core systems, using cloud-based platforms. The implementation and migration to these systems is anticipated to commence during our next financial year.

The delivery of change and transformation is a critical part of Together's strategic plans and has been developed into three separate initiatives, explained on the following page.

Delivering Transformation

Together has a strong track record of delivering change and utilising technology to improve customer experiences and operational processes. Our current transformation roadmap is well established, and has delivered significant and incremental improvements to our customers' experience. Our agenda is focused across three key initiatives, which are described in the following pages.

Deliver the right experience for our customers

This initiative to transform the application process will give customers the experience they expect while allowing the Group to refocus its manual intervention on where colleagues can best utilise their experience and expertise.

What will be delivered	Benefits provided
A phased delivery of a broker 'journey' that will allow Together to expand distribution to networks and clubs intermediaries • The ability for broker networks and clubs to submit applications through an automated decision process • Faster decisions in principle for customers and brokers. Maximum loan amounts to be based on the specific customer circumstances rather than just the property and affordability assessments • Decisions in principle become part of an automated application process	**Addressable markets for commoditised mortgage products greatly increased** • Growth in distribution through networks and clubs enables Together to meet more specialist customer needs • Ease the customer's application and provide the ability to track progress through the underwriting process • Alignment to the wider specialist market
'Digital-first' application and processing, allowing customers and intermediaries to apply and track progress digitally • A fully integrated end-to-end journey for customers and intermediaries to apply and track their applications • Validate the key data using a rules engine, easing the application process	**Gives customers and intermediaries the journey they expect through digital applications and processing** • Customers and intermediaries are able to apply and track their applications online, and whenever they choose • Less customer effort is required to apply as existing data from verified sources is used to support applications
Integration with external suppliers providing rich customer information to enable digital underwriting • Automated valuation models enable fast and accurate property valuations • Automated identification and verification of applicants using external data sources to maximise match rates • An open-banking solution to allow timely reviews of income and expenditure without the customer having to provide banking or employment details	**Reduced operational costs and processing times** • Applications to be progressed by integration with existing, verified, customer data • Saves customer inconvenience and time spent gathering required information from multiple sources, delivering an effortless service

Enable a scalable cost base

Reducing cost ratios allows Together to enter new markets with different price points, complementing our already-established service, speed and distinctive product offering.

What will be delivered	Benefits provided

Digital customer services
• A customer portal enabling correspondence to be sent and stored electronically
• Capability for customers to 'self-serve', including:
  ◦ Accessing their balances
  ◦ Requesting redemption figures
  ◦ Updating personal details
  ◦ Requesting loan information
	Customers gain the option to self-serve for simple transactions, while Together reduces its operational costs
	• Reduction in costs of producing and posting letters
	• Time spent on customer contact can be focused on high-value interactions
	• Increased functionality drives up usage and reinforces the above benefits

Business-as-usual change including robotic-process automation • End-to-end review of business processes to identify inefficiencies • Automation of repetitive or simple processes • Adoption of an agile way of working across the business as part of a culture of continuous improvement	**Incremental improvements to processing and service improve customer experience and reduce cost** • Reduction in effort by eliminating activities not adding value and automating those that are simple but high volume • Increased engagement as colleagues are empowered to identify and eliminate inefficiency and can focus on value added work
Automating parts of the lending process to add value where possible • Increase the proportion of automated valuations using externally sourced data • Automate the customer-identification and validation process using a wide range of data sources • Open-banking solution to provide validated income and expenditure data	**Improved productivity and efficiency** • Efficient and effective underwriting of applications by reducing the need for manual intervention, and so enabling quicker lending decisions • Speeds up applications and enables experienced colleagues to use their expertise to support the most complex cases • Eliminates need for customers to provide an array of personal information in support of their application

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

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

What will be delivered	Benefits provided
Replacement of our 'back office' loan-management system • Implementation of a leading third-party platform and the creation of a payment hub • Automation of key business processes	**Remove functional constraints in legacy systems and improve levels of automation with a better architected core** • Remove functional constraints and greater flexibility for implementation of new products • Save time and improve quality and repeatability of operations
Modern architecture transformation • System will take a 'cloud-first' approach, reducing reliance on locally held and operated solutions • Systems will be held in smaller independent units • Improved management of interfaces between different applications • Upgrading of security systems governing access to programs and data	**More rapid change achieved at reduced cost, enabling the implementation of architecture that offers economies of scale** • Cloud computing offers the ability to rapidly increase the scale of activity in the most cost-effective manner • Business logic can be developed more quickly in modules that can be changed and released independently • Improved flexibility offering faster change and innovation • Security across the whole IT estate is enhanced with consistent design
Use agile ways of working to streamline how business-change decisions are made and then delivered • Together has designed its 'Agile' strategy to identify, develop and deliver more change opportunities and at greater speed • This encourages the formation of collaborative cross-functional teams to deliver change, typically in two-week sprints • The executive team sets the direction aligned with the business strategy. The Agile teams are then empowered to define what they can then deliver with clear escalation points to support decision making • Assurance is carried out within the teams, allowing identification and rectification of issues within the development cycle	**Maximise the scale of change for the chosen business appetite and decrease the time from idea to execution** • Change is clearly aligned to strategic themes, with the business at the heart of the change agenda • How change decisions are made and governed is streamlined, with increased transparency so all colleagues are clear on business priorities • Change is delivered incrementally and more frequently, promoting early delivery of business benefits • Gives the ability to react to market developments with reduced time and effort on changing business priorities • Change assurance is achieved concurrent with delivery

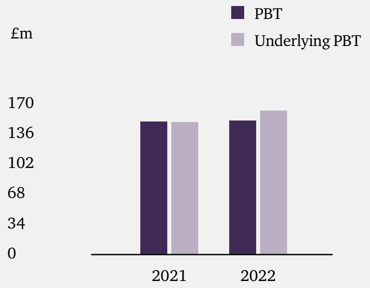
Key Performance Indicators

At Together, we use a range of KPIs to track our progress against our strategy and to ensure we are providing value to our stakeholders.

KPIs throughout the report are presented on both a statutory and an underlying basis. Underlying KPIs exclude exceptional costs such as customer provisions and costs incurred as part of our strategic options review. This provides management with a more consistent basis for comparing the Group's performance.

The Group's full suite of KPIs, along with further details on their calculation, can be found in the Alternative Performance Measures on page 153.

Profit before tax



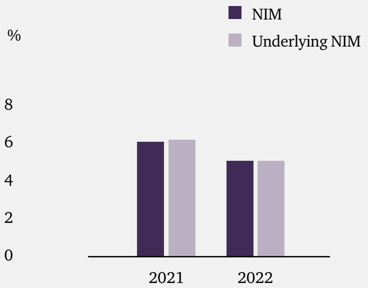
Definition

Underlying profit before tax (PBT) is calculated as the Group's statutory profit before tax adjusted for one-off exceptional items.

FY22 performance

PBT has increased as a result of growth in the loan book as well as a reduction in impairment charges. The difference of £11.2m between statutory and underlying PBT in the current year is primarily driven by the strategic options costs.

Net interest margin



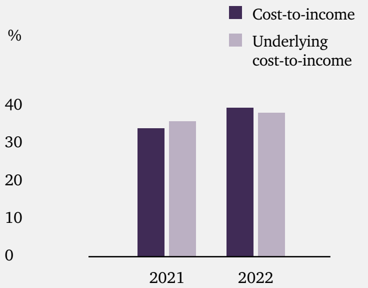
Definition

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

FY22 performance

NIM has fallen in FY22 in line with changes in book mix as well as the rising rate environment in the second half of the year, which was mitigated by rate changes on lending.

Cost-to-income ratio



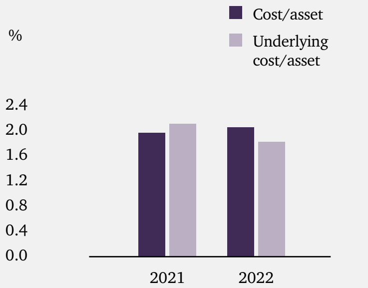
Definition

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

FY22 performance

Cost-to-income has risen due to last year's measure benefiting from the release of a provision and one-off costs borne in the current year relating to the Group's strategic options review.

Cost/asset ratio



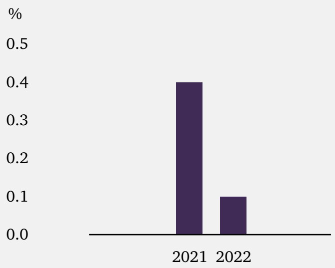
Definition

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

FY22 performance

Underlying cost/asset ratio has fallen sharply year-on-year as a result of the Group's continued investment in its modernisation and transformation programme. There has been a slight increase in the statutory cost/asset ratio due to exceptional costs.

Cost of risk



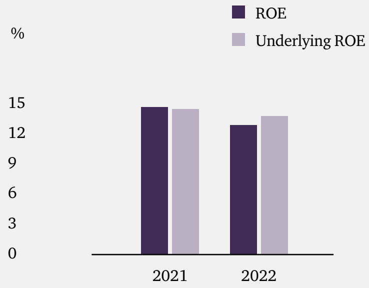
Definition

Cost of risk is the Group's impairment charge expressed as a percentage of the average of the opening and closing gross loans and advances to customers.

FY22 performance

The fall in cost of risk is driven by a fall in the impairment charge. This reduced impairment charge principally reflects that the economic consequences of the pandemic have not proved as severe as feared and house-price growth has increased the value of underlying securities.

Return on equity



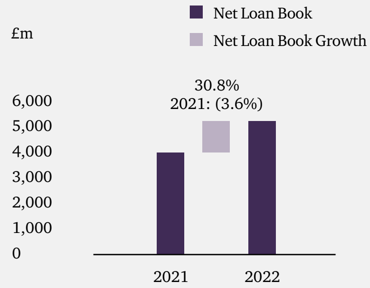
Definition

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

FY22 performance

Both statutory and underlying ROE have fallen, despite an increase in statutory and underlying profit, which reflects the impact of rising interest rates on our net interest margin.

Net loan book



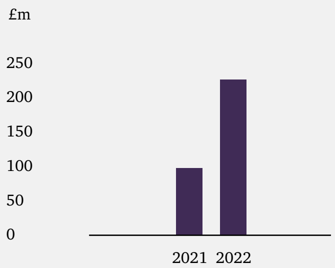
Definition

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

FY22 performance

The net loan book grew by 30.8%, equivalent to £1.2bn, during the year leading to a record loan book size. This is largely due to accelerated originations resulting in record lending.

Average monthly originations



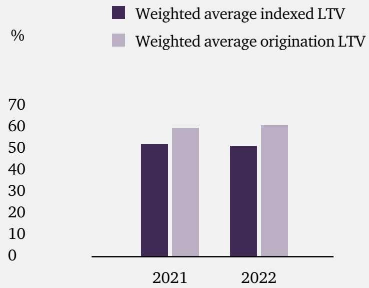
Definition

Average monthly lending.

FY22 performance

Average monthly originations have grown significantly during the year as the Group sought to capitalise on its strong market position, through an effective distribution and retention strategy.

LTV



Definition

The weighted average indexed LTV relates to the existing loan portfolio and is the ratio of the loan book's carrying amount to the value of its underlying property securities. As this is on an indexed-basis, the properties securing the loans are adjusted for movements in property prices since the last appraised valuation.

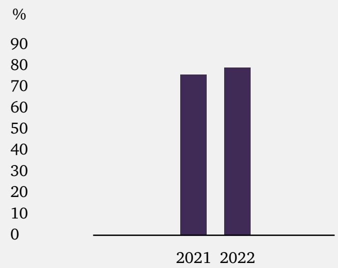
The weighted average origination LTV (WAOLTV) is the weighted average ratio of each origination to its underlying security.

FY22 performance

House-price inflation contributed to the fall in the weighted average indexed LTV from 52.1% to 51.5%.

The Group substantially increased its lending during the year with only a small increase in WAOLTV, from 59.8% to 61.0%, as we continued to originate our loan assets at prudent LTVs.

Net debt gearing



Definition

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

FY22 performance

Net debt gearing has risen in the year as the Group increased its borrowing. This was in order to support the resumption of its strong lending growth.

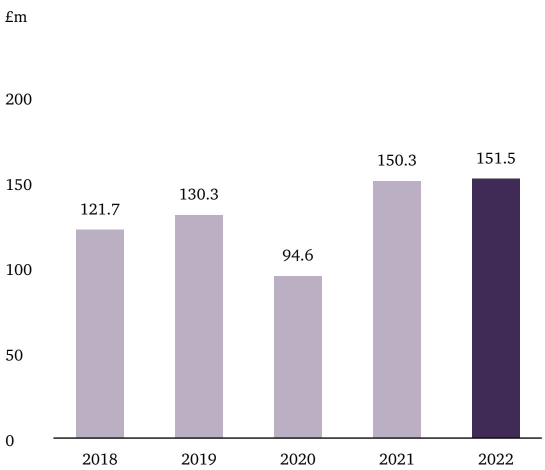
A strong and sustainable performance

In the year-ended 30 June 2022 the Group achieved a profit before tax of £151.5m, exceeding its record set in the previous year of £150.3m. On an underlying basis, excluding one-off exceptional costs, profit before tax increased from £149.7m last year to £162.7m for 2022.

This is a very strong result, delivered in the face of a challenging external environment. The increase in statutory profit comes despite one-off costs, and is driven principally by a reduction in impairment charges and underpinned by the continued strong operating performance of the business.

This operating performance included record loan originations of £2.7bn (2021: £1.2bn) as the Group accelerated its lending following the restrictions of the coronavirus pandemic. This resulted in the net loan book reaching £5.2bn (2021: £4.0bn), another record for the business.

Profit before tax for the year exceeded the record set by the Group in 2021, despite one-off exceptional costs of a net £11.2m:



Results for the year

The results for the year to 30 June 2022 are summarised:

	2022 £m	2021 £m
Net interest income	254.8	247.4
Net fee and other income	2.5	5.2
Operating income	257.3	252.6
Administrative expenses	(101.5)	(86.2)
Impairment losses	(4.3)	(16.1)
Profit before taxation	151.5	150.3

Key profit-related performance indicators[1]

	2022	2021
Net interest margin (%)	5.5	6.1
Underlying net interest margin (%)	5.5	6.2
Interest-cover ratio	2.13:1	2.26:1
Underlying interest-cover ratio	2.21:1	2.32:1
Cost-to-income ratio (%)	39.4	34.1
Underlying cost-to-income ratio (%)	35.1	35.9
Cost-to-asset ratio (%)	2.06	1.97
Underlying cost-to-asset ratio (%)	1.83	2.12
Cost of risk (%)	0.1	0.4
Return on equity (%)	12.9	14.7
Underlying return on equity (%)	13.8	14.5

The section on Alternative Performance Measures on page 153 sets out how these key performance measures are calculated.

Net interest income

During the year, net interest income increased to £254.8m (2021: £247.4m). Net interest margin as a percentage of the average loan book was 5.5%, down from 6.1% last year, as interest payable increased at a quicker rate than interest income and the Group's product mix evolved during the year, as term lending increased as a proportion of the portfolio, compared to bridging loans.

Interest receivable and similar income, having fallen to £370.9m for the year to 30 June 2021 as a result of the pandemic's impact on the Group's lending, recovered strongly to £393.4m for the latest year. This mainly reflected the sharp growth achieved in the mortgage portfolio, and in the latter part of the year, reflected the passing on of interest-rate increases to new and existing loans.

Interest income as a percentage of loans reduced from 9.1% last year to 8.5% for 2022, mainly because of a changing product mix as the Group expands its addressable markets.

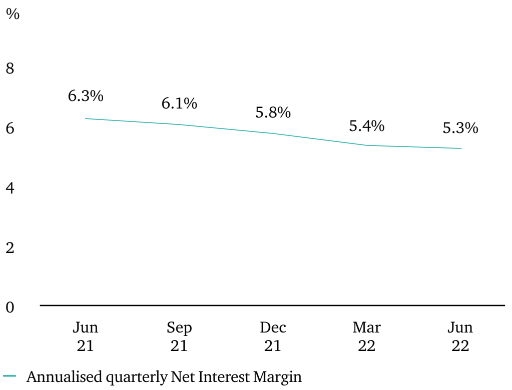
> For more information, see Market Review on page 18.

Interest payable and similar charges have also increased, from £123.5m last year to £138.6m at 30 June 2022. The increase was driven by the substantially higher interest-rate environment, which increases reference rates on our funding facilities, and by higher borrowing, in support of the growth in the Group's loan book.

> For more information, see the Operating Review on page 32.

The fall in net interest income mainly arose from a reduction in interest income as a percentage of loans due to the changing product mix and rising interest-rate environment, as described above. The Group has taken steps to mitigate the impact of the rising interest rates on our margins achieved, through passing on interest rates to existing loans as appropriate, and through actively reviewing the pricing of new lending. This has helped mitigate margin compression in the latter part of the year; however, the majority of the benefit of these actions will impact our next financial year.

The Group's net interest margin[1] has compressed due to a change in our product mix, and the impact of rising interest rates. Our actions in the latter part of the year slowed the decline, and will continue to impact our next financial year:



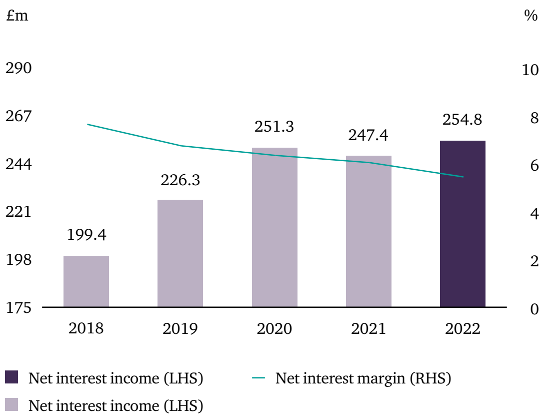
[1] Annualised NIM calculated on a quarterly basis.

As a result of these reviews, our pricing of new lending has increased, reflecting the wider market trends. The decision to execute these increases in rates is a result of balanced commercial decisions, which consider the maintenance of margins and our position compared with peers within our markets. Whilst these increases have had some impact during the year ended 30 June 2022, they will impact upon earnings in future periods, as they were only enacted in the latter portion of FY22.

The progressive development of the Group's systems, removing friction from the process of changing variable interest rates, and its funding facilities, as proactive refinancing and issuances have allowed the Group to achieve favourable rates, have mitigated the impacts of rising reference rates during the period.

Whilst rising rates have impacted on the Group's earnings during the period, the Group has acted to protect its margins.

The Group's expansion at competitive mortgage rates has enabled it to grow its loan portfolio and in turn its net interest income:



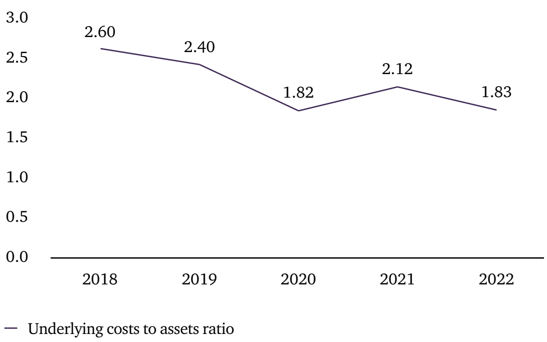
0.1%
Cost of risk

Expenditure

While reported administrative expenses increased from £86.2m last year to £101.5m for the year to 30 June 2022, on an underlying basis, excluding exceptional costs, expenses actually fell, from £92.7m last year to £90.3m this year. Last year's statutory results benefited from the one-off release of provisions for the cost of customer remediation; the current year's results have borne costs relating to corporate activity including the development of the Group's strategy and its strategic options review discussed in the Chairman's Review, which totalled £12.4m. On an underlying basis expenses fell because of the continued substantial fall in redress costs, and lower people costs.

Taking into account the growth in the Group's total assets, the resultant ratio of the Group's costs to assets was 2.06% (2021: 1.97%) and on an underlying basis it fell sharply from 2.12% last year to 1.83% for the year to 30 June 2022. This reflects the Group's growth of its loan book and continued investment in its modernisation and transformation programme, which increases the scalability of our operations and platforms and continued cost discipline, and despite the prevailing inflationary environment which looks set to continue.

The Group's strong growth has resulted in its cost-asset ratio running at well below pre-pandemic levels:

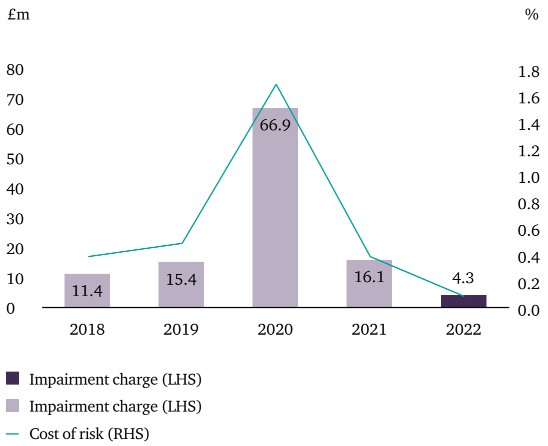


Because of the one-off costs described, administration expenses as a ratio of income rose from 34.1% for the year ended 30 June 2021 to 39.4% for 2022. However, stripping out these effects, on an underlying basis the ratio improved from 35.9% last year to 35.1% for 2022 below its level immediately prior to the pandemic.

Impairment charge

The Group recognised impairment charges for the year to 30 June 2022 of £4.3m, down 73% from £16.1m last year. As a percentage of average loans and advances to customers, this represented a cost of risk of just 0.1%, compared with 0.4% for the year ended 30 June 2021. The reduced impairment charge for the year principally reflects that the economic consequences of the pandemic have not proved as severe as feared, strong house-price growth has increased the value of securities against our loans and the incidence of arrears and realised losses to date has been much lower than implicit in the levels of ECL previously recognised.

The Group provided for increased expected credit losses with the onset of the coronavirus pandemic, but actual losses to date have been low and impairment charges as a percentage of the growing mortgage portfolio are now well below pre-pandemic levels:

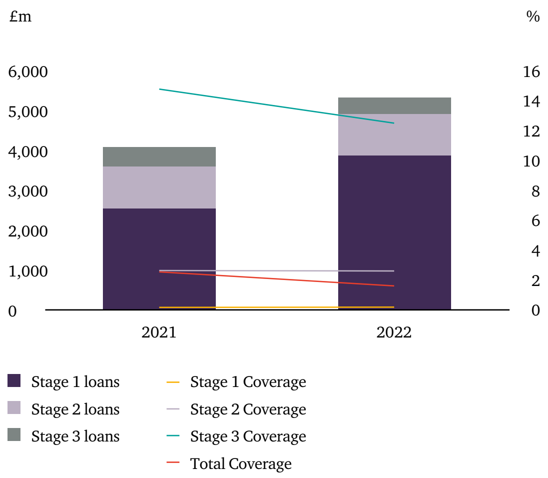


In comparison with the previous year, the impairment charge for the year to 30 June 2022 has benefited from reductions in the levels of mortgages identified as having undergone a significant increase in credit risk, or having defaulted.

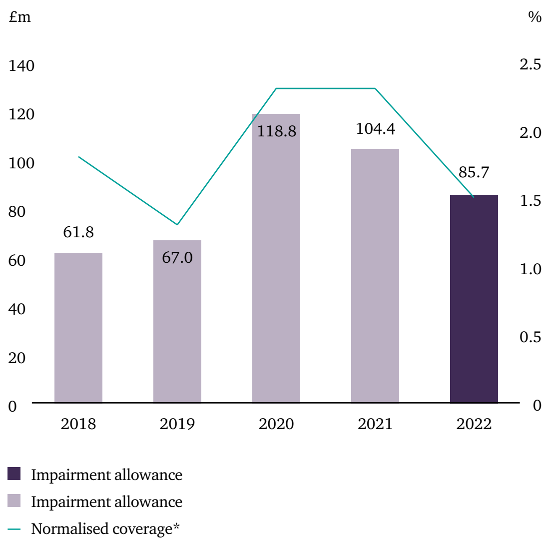
The Group remains cognisant of potential adversity arising out of the current macroeconomic climate, and whilst the outturn has been less severe than feared in prior years, the assumptions applied in our ECL models at the year-end reflect the rising interest rate environment and range of possible economic outcomes.

> Note 12 to the financial statements provides more detail of the impairment charge for the year and the macroeconomic assumptions it has made in estimating expected credit losses.

Whilst ECL coverage (defined as total ECL as a percentage of gross loans) has remained stable for individual stages, overall ECL coverage has reduced during the year, as a greater proportion of our loan book is in stage 1, not credit impaired:



While the Group has been able to reduce the level of allowances it holds against future expected credit losses, it continues to hold higher protection than before the pandemic:



* Normalised coverage is calculated by removing the impact of fully provided for, shortfall accounts, which distort true coverage levels.

> **For more information, see Risk Management on page 82.**

Estimating future credit losses in an unpredictable and changing environment entails a high level of judgement and is subject to significant uncertainty. Notes 2 and 12 to the financial statements set out how the Group measures expected credit losses, including the macroeconomic assumptions used and the sensitivity of loss allowances to those assumptions.

Note 12 to the financial statements also provides details of the movements in the Group's loss allowances over the year.

Profit before tax

Profit before tax for the year increased to £151.5m (2021: £150.3m), primarily driven by reduced impairment charges and the other movements set out above. This represented a return on equity of 12.9% (2021: 14.7%) or 13.8% on an underlying basis (2021: 14.5%), down from last year which reflects the impact rising interest rates has had on our variable borrowings, along with the delay and extent to which such increases have been passed onto our existing and new variable rate products, resulting in some compression of our net interest margin.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for 2022 rose to £295.3m (2021: £279.1m) primarily owing to an increase in interest income resulting from a larger loan book. The interest-cover ratio, the related measure of the business's ability to pay the interest on its borrowings, was 2.13:1 for the year to 30 June 2022 (2021: 2.26:1), 2.21:1 on an underlying basis (2021: 2.32). The slight fall from last year reflects increased interest costs due to rising reference rates on our wholesale borrowings, which fund our loan book.

Financial position

The Group's closing financial position was as follows:

	2022 £m	2021 £m
Loans and advances to customers	5,247.9	4,011.9
Cash	264.5	228.6
Fixed and other assets	67.9	56.5
Total assets	5,580.3	4,297.0
Borrowings	4,482.8	3,304.0
Other liabilities	98.9	85.3
Total liabilities	4,581.7	3,389.3
Total equity	998.6	907.7
Total equity and liabilities	5,580.3	4,297.0

Key performance indicators relating to the financial position are:

	2022	2021
Gross loan book (£m)	5,333.6	4,116.3
Lending volume (£m)	2,721.9	1,170.8
Net loan book growth (%)	30.8	(3.6)
Weighted average LTV of originations (%) *	61.0	59.8
Weighted average indexed LTV of portfolio (%) *	51.5	52.1
Net debt gearing (%)	79.7	75.6
Shareholder funds (£m)	1,030.0	937.0

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

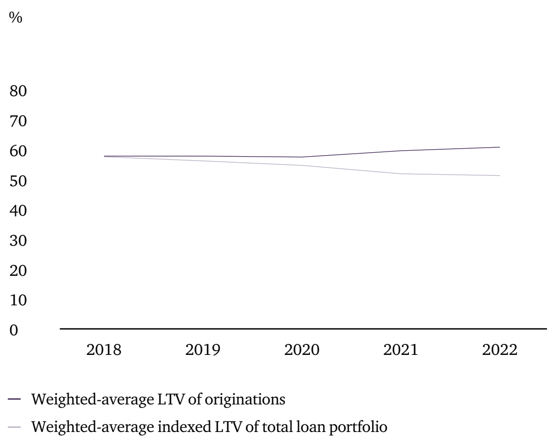
The section on Alternative Performance Measures on page 153 sets out how net debt gearing and shareholder funds are calculated.

Loan assets

Loan originations for the year ended 30 June 2022 of £2.7bn were approximately 132% higher than the previous year as the Group accelerated its lending activity and sought to capitalise on its strong market proposition, facilitated through an effective distribution and retention strategy. The Group's business model continued to generate high levels of cash inflows. Cash receipts of principal and interest represented 40% of our average loan portfolio, equating to receipts of £1.9bn over the year, £0.2bn higher than 2021. These movements resulted in gross loans and advances (before impairment) increasing £1.2bn to £5.3bn (2021: £4.1bn).

The Group has been able to resume its growth with no change to its long standing principle of focusing lending at prudent LTVs. As a result, whilst lending increased substantially during the year, the weighted-average LTV of loans originated in the year increased only slightly from 59.8% for 2021 to 61.0% for the year to 30 June 2022. House-price inflation contributed to the weighted-average indexed LTV of the Group's loan portfolio as a whole actually falling, from 52.1% last year to 51.5% at 30 June 2022, continuing the trend of recent years. The Group's conservative approach to LTV provides significant protection against any potential fall in property prices.

The Group has been able to maintain the average LTV of new lending as part of its growth strategy while seeing a fall in the average LTV of its loan portfolio:



> **For more information, see Risk Management on page 82.**

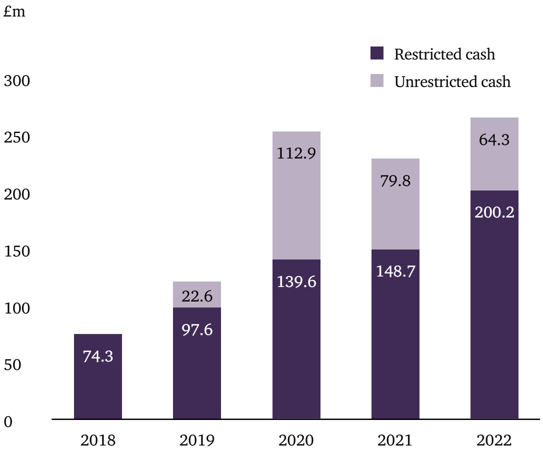
Cash balances

The Group manages its liquidity in order to remain within defined risk appetites, and has increased its liquid cash holdings in recent years.

> **For more information, see Risk Management on page 82.**

The Group's strong franchise within the wholesale funding markets has supported its liquidity management, as our funding strategy proactively seeks to refinance liabilities in advance of their contractual maturity dates. This ensures continued headroom and significant average times to maturity, which ensures resilience against potential economic downturns. This approach has been supported by a series of successful transactions to increase and extend its funding facilities. As part of this programme, the Group has successfully increased the size of several of its funding facilities during the year. The programme of funding activities during the year to 30 June 2022 resulted in closing cash balances increasing to £264.5m (2021: £228.6m), of which £64.3m was unrestricted (2021: £79.9m), and despite the £1.2bn increase in the Group's mortgage portfolio.

The Group has operated with substantially increased levels of cash for the last three years to safeguard its financial resilience:



> **For more information, see Risk Management on page 82 and Operating Review on page 32.**

Summary Consolidated Statement of Cash Flows

Profit before tax	Group 30 Jun 2022 £m	Group 30 Jun 2021 £m
Net cash generated/ (used in):		
Operating activities	(948.9)	417.1
Investing activities	(6.5)	(2.4)
Financing activities	991.3	(438.6)
Net increase/(decrease) in cash and cash equivalents	35.9	(23.9)
Cash and cash equivalents at the beginning of this period	228.6	252.5
Cash and cash equivalents at the end of this period	264.5	228.6

Borrowings

As previously described, Together has continued its longstanding programme of raising new funding and refinancing its existing facilities. In support of its resumption of strong lending growth, the Group increased its borrowings during the year by £1.2bn from £3.3bn last year to £4.5bn at 30 June 2022. (Details of the Group's funding are set out in the Operating Review.) Net debt gearing therefore increased to 79.7% at 30 June 2022 (2021: 75.6%).

> **For more information, see Risk Management on page 82 and Operating Review on page 32.**

Equity and shareholder funding

The Group continues to reinvest most of its profits in the business, and at 30 June 2022 total shareholder funds, which include subordinated loans to the Group, exceeded £1bn for the first time to stand at £1,030.0m (2021: £937.0m). Similarly, equity had reached £998.6m, up £90.9m from the beginning of the year. The increase reflected profit after tax of £125.0m, increases in hedging reserves of £12.6m due to the impact of rising interest rates on the value of derivatives held for risk management, and £2.1m of reserves movements relating to share schemes, offset by dividends to Together's parent company of £48.8m.

Realising ambitions to build communities

> **"Our partnership with Together over the last fifteen years has been vital in enabling our business, and the communities we are building, to grow. We are thrilled to continue our collaboration and take the next phase of the Climate Innovation District forwards."**
>
> *Chris Thompson*
> MD of Citu

£2.2bn

of new loans originated by our Commercial Finance division

Together has supported Citu, the pioneering sustainable developer behind the regeneration of large swathes of Leeds city centre on both banks of the River Aire.

The finance provided by Together will allow Citu to start building the latest residential phase of its Climate Innovation District, which, once complete, will be a leading community of more than 1,000 new low carbon, timber-framed homes underpinned by climate conscious leisure, offices, a primary school, care home and a state-of-the-art facility where the buildings are manufactured.

“Citu has an amazing vision, which in many ways ties in with our own as a lender in supporting schemes that not only make a massively positive difference to the immediate local community but which also have a positive effect on the much wider population.”

Ian Pickering
Head of Development Funding

Our social and environmental responsibilities

Our purpose is realising people's ambitions by making finance work.

Our vision is to be the most valued lending company in the UK.

While we refer to our overall Environmental, Social and Governance (ESG) strategy, this report sets out our approach to sustainability; particularly our commitment to acting in a responsible manner, ensuring we positively contribute to society and reduce our impact on the environment. Our strategy is based on four key priority areas which are underpinned by strong governance.

Our approach to sustainability

As a large local employer, we recognise the importance of our contribution to society, our local communities and our duty to our environment. Together has a long tradition for supporting underserved customers and through our colleague-led 'Let's Make it Count' programme, we have a longstanding commitment to local communities and charities. This year, following input from our colleagues, customers and investors, we have developed a comprehensive ESG strategy which builds on our ongoing work and recognises the importance of our commitment to sustainability, in line with our purpose and vision for the future.

Our Priorities	Targets & Measures
Our planet	• To reduce our carbon emissions, from our own operations by 70% by 2027 • To reduce our direct energy consumption by 50% by 2030 • To be net zero for our own operations by 2030 • To be net zero for our direct and indirect emissions by 2050[1]
Our customers	• To provide at least one green mortgage product that recognises our customers' progress in improving the energy efficiency of their home by the end of 2023 • To establish a partnership with an industry specialist by the end of 2023, to link our customers to experts with insight and knowledge to help improve the energy efficiency of their homes
Our colleagues	• To achieve our committed diversity and inclusion targets on gender, age, ethnicity and disability by 2026 a. 33% of senior management roles[2] to be filled by women by December 2022, 50% by the end of 2026 b. 20% of senior management positions to be filled by colleagues from underrepresented ethnic groups by the end of 2025 c. 20% of colleagues in 55+ age bracket by the end of 2026 d. 3 additional Togetherness groups in place by the end of 2022 e. Disability metrics in place by the end of 2022 • To obtain silver accreditation for 'Investors in People' by end of 2023 and then work towards gold accreditation
Our community	• To deploy in excess of £1m in the community through our Let's Make it Count programme in FY23 • By the end of 2025, 50% of colleague volunteering days to be used annually[3] (approximately 5,250 hours based on current colleague numbers) • To help finance 1,000 affordable properties by the end of 2025 • We are committed to signing the Sustainability Reporting Standard for Social Housing by the end of 2023

1. This incorporates the following commitment made in the FY21 Annual Report and Accounts
   - all cars in the fleet to be electric or hybrid by 2025
   - all energy suppliers to be switched to green tariffs or sustainable energy sources by 2025
2. Senior Management roles are defined as the Executive Board, not including NEDs, and Executive Direct Reports (EDRs).
3. This incorporates the following commitment made in the FY21 Annual Report and Accounts
   - creating an environment where colleagues use their allocated two days paid leave a year for charitable and community purposes

Sustainability materiality assessment

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

Materiality process

Identifying the impact

We conducted a materiality exercise, considering environmental and social issues to establish stakeholders' expectations of Together and ESG. This involved understanding business ESG risks and opportunities, and understanding what sustainability initiatives are already being undertaken within the business.

Using relevant outcomes from the materiality process, we built a preliminary risk review register for discussion, expansion, critique and rating.

Working with our internal teams, an ESG peer benchmarking exercise was conducted and considered Together's alignment with industry standards. This included the UN Sustainable Development Goals (SDGs) and reporting legislation such as a review of the Company's ISS and MSCI ESG reports.

Stakeholder engagement

Interviews were carried out with key stakeholders, including members of the Board, the internal ESG project group, members of Let's Make it Count and diversity and inclusion Togetherness groups, our banks and investors, colleagues and intermediaries. All key communications mediums were reviewed, including funding partner presentations, websites, social media and the intranet.

Developing our approach to sustainability

Building on the materiality exercise, we developed an ESG strategy that closely aligned with the priority issues identified through the consultations, while also responding to any funding partner, compliance or external standards spanning the breadth of social and environmental issues.

The resulting strategy defined key activities and timelines, which will enable the delivery of each of the targets. It also made recommendations for the roles and resources that will support the delivery of these targets and captured existing ESG-related work and strategies that we had planned, to integrate it with our existing wider business activities. The recommendations built upon the commitments made last year, with the strategy being incorporated into our wider approach to sustainability.

Governance

We understand the importance of strong governance in assuring that the Group's operations are successfully managed in the interests of the shareholder and other key stakeholders. It is paramount to supporting the effective delivery of our overall ESG strategy and being able to demonstrate that we always act with integrity, objectivity and impartiality is fundamental to our business.

Our existing Group governance structure demonstrates that we are committed to becoming more transparent by:

- Making existing governance structures more visible, publishing policies and terms of reference for the governance committees
- Continuously reviewing our compliance with the Wates Principles to ensure we comply with the six pillars of the principles

Going beyond our existing Group governance, we also need to ensure that we embed sustainability within the business and have the necessary level of oversight. During the year, we have established our ESG Committee, a management level committee which supports our Executive Committee and Board to ensure progress is made against the ESG strategy and our approach to sustainability remains a business priority. In addition, the committee will be continuously monitoring and reporting on our progress against our targets and their performance indicators.

Together Financial Services Limited Board

Together Financial Services Limited Executive Committee

ESG Committee

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

Let's Make it Count pillars

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

Sustainability Working Groups

Frequent meetings held between the sustainability team and the colleague leads for the agreed targets and measures within the ESG strategy. This forum allows for detailed discussions on progress and ensures the ESG Committee is correctly advised.

Diversity & Inclusion Steering Committee

The committee meets monthly and is championed by a Personal Finance non-executive director and includes the Personal Finance CEO, People Director and colleague representatives who lead on driving the various diversity and inclusion ambitions forward.

> Further details on the activities of the Board and committees during the year can be found in the Corporate Governance Statement on page 70.

Our Planet

We understand that we have an important role to play in reducing our own emissions. As a financial services business we appreciate that our scope 1 and 2 emissions will only make up a small percentage of our full emissions. Currently we do not know the full extent of our scope 3 emissions but we expect that the emissions outside our direct operations will make up a significant proportion of our future reported energy performance results.

Greenhouse Gas (GHG) performance

We support the UK's ambition to reduce GHG emissions to net zero by 2050.

Energy performance results

Energy use by source	Units	21/22	20/21
Gas	kWh	831,409	993,294
Electricity	kWh	1,858,804	1,664,074
Transportation	kWh	294,313	227,998
Total		2,987,526	2,885,366

GHG emission results

Emissions by category*	Units	21/22	20/21
Scope 1 – Combustion of gas and fuel for transport	tCO_2e	288.6	240.3
Scope 2 – Purchased electricity	tCO_2e	359.5	388.0
Total		648.1	628.3

Intensity ratio

Emissions by category	Units	21/22	20/21
Total emissions T/CO_2e employee		0.9	1.1

* Note that scope 3 emissions are not currently measured by the Group.

Over the next year, we will work to establish a strategy for delivering our net zero ambitions. The key considerations and strategic focus areas will be:

1. Reducing the impact the business has on the environment by reducing our own emissions and establishing an accurate baseline for our scope 3 emissions.
2. Supporting our customers in transitioning to a more energy efficient way of living and, in the future, developing products and servicing to support this.
3. Integrating climate considerations into our risk management framework.

During this reporting period we have commenced plans to develop and refurbish our head office buildings. The energy efficiency of the offices will be a key consideration in developing our plans and we aim to incorporate energy efficient solutions which are available. We have continued to make changes that impact our scope 1 emissions by upgrading car park lighting and the installation of a further four electric vehicle charging points.

Reducing emissions

Carbon emissions reduction

70%

by 2027

Net zero carbon operations

by 2030

Emissions by category

Explaining scope 1, 2 and 3

Scope 1

Direct emissions
Combustion of gas and fuel for transport

Scope 2

Indirect emissions
Use of electricity

Purchased electricity

Scope 3

Indirect emissions
Upstream and downstream activities to provide service to customers

Transportation

TCFD

Climate-related Financial Disclosures

During the year, new legislation has been enacted by the UK government, which introduces new requirements on businesses to report climate-related financial disclosures. The legislation largely reflects the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD) first published in 2017.

The Group is not yet in scope of the disclosure requirements, however we have given consideration throughout the year to our assessment of climate risk, and the information that will be required to be disclosed upon the Group reaching the thresholds which will bring us into scope of the requirements.

Our Climate Considerations

The Group recognises the importance of protecting the environment, and acts to reduce its impact. We acknowledge our responsibility, which is incumbent upon all businesses, to play our part in seeking to address the impacts of the climate crisis. In our Annual Report for the year ended 30 June 2021, we set out several environmental commitments, which will help improve the Group's climate footprint and emissions. For details of these commitments, and actions taken during the year, refer to this Sustainability Report.

Climate change, through considering our impact on our planet, is one of the five key pillars of our ESG strategy, and evidences the commitment of the Board and management of the Group to the climate agenda. We are focused upon minimising the impact of our operations on the environment, whilst also maintaining one of our core values of financial inclusivity by lending to underserved customers, in order to assist our customers in reducing their own environmental impact.

We are conscious that the regulatory landscape will continue to evolve, and therefore the Group is focused upon further developing our response to the existing requirements. This will allow us to be best placed to meet the disclosure requirements upon meeting the criteria, and provides a foundation to further develop our reporting of climate-related issues.

Whilst the Group is not currently in scope of the requirements, we have elected to provide commentary of our progress against each of the four pillars of the TCFD aligned disclosure requirements, ahead of future adoption upon coming into scope of the criteria.

"We are rapidly developing our integration of climate-related risks into our existing frameworks, as we look to play our part in the move toward a lower carbon economy."

Steve Miller
Chief Risk Officer

> For more information, see Sustainability Report on page 52.

This commentary provides a summary of the activities and progress which the Group has made to date in these areas, and our plans to progress further. Within the commentary, forward-looking focus areas have been described where relevant, to provide some further context around work planned and currently underway.

TCFD pillars

Governance

Under the requirements, which are aligned to the TCFD recommended disclosures, in-scope entities are required to describe the governance arrangements (at both board and management levels) of the company, in relation to assessing climate-related risks and opportunities.

Activities during FY22	Opportunities and developments for FY23
ESG considerations impact upon the Group's strategy, for which the Board has overall responsibility, and therefore the Board has had oversight of ESG matters in fulfilling this function throughout the year. In addition to this direct oversight, Board sub-committees, including the Risk Committee and Audit Committee, have considered climate-related matters during the year. This includes proposals to embed the assessment of climate risk across the Group's principal risks and requirements on climate-related financial disclosures.	The Board will, both directly and through delegation to relevant sub-committees, oversee further development of the Group's integration of climate risk into its risk appetite and risk management frameworks. This will be achieved through introduction of a specific climate-related risk management framework, and integration of climate risk into our existing risk management structures.
A new ESG committee has been formed during the year. This committee, chaired by the Group CEO Designate, is responsible for guiding the Group's ESG strategy, actions and targets.	The ESG Committee will be formally embedded within the Group's governance structures. It is anticipated that it will report to the Group Executive Committee and Board, and will guide the Group's ESG strategy, actions and targets. The ESG Committee will monitor all aspects of the Group's ESG agenda, including climate-related risks and opportunities.
The ESG Committee has met during the year, with key activities including: • Approval by the committee of its terms of reference; • Approval of ambition statements and targets in respect of the Group's defined ESG priority areas, which includes climate change; • Consideration of climate-related risks and opportunities, and their integration into the Group's existing level one risks.	The Group anticipates continuing to develop its climate-related expertise through working with a range of partners and external advisors, to inform our ongoing risk assessment and consideration of climate-related matters in business planning.

Strategy

The Group is developing its consideration of climate-related matters within its overall and ESG strategies. Once in scope of the disclosure requirements, the Group will be required to:

- Describe the climate-related risks and opportunities identified by the Group over the short, medium and long term;
- Describe the impact of climate-related risks and opportunities on the Group's business, strategy and financial planning; and
- Describe the resilience of our strategy in the context of climate scenarios.

The Group has undertaken activities during the year in relation to these areas, and the scope and magnitude of these is expected to increase in FY23.

Activities during FY22	Opportunities and developments for FY23
The Group has considered relevant time horizons for defining short, medium and long term in the context of climate-related risks and opportunities. The Group lends on a range of commercial and residential securities, with products ranging in maturity from short-term bridging loans to longer-term residential mortgages. Given the nature of the Group's portfolio, and having regard to the nature of the physical and transition risks posed by climate change, these time periods have been defined as: • Short term – less than three years; • Medium term – up to 10 years; • Long term – more than 10 years.	Climate risk will be assessed as part of the financial planning processes, in order to consider the materiality of its potential impacts across the time horizons implicit within those financial plans. Further work will be carried out to quantify the Group's potential exposure to climate impacts, when assessing credit risk on our loan portfolio. As part of this, we anticipate partnering with third parties to access additional data sources.
In line with industry standard, both physical and transition risks arising from climate change risk have been considered, and mapped against existing level one risks within the Group's ERMF. A draft of this work has been presented to the Group's ESG Committee, but has not yet been through formal governance procedures. The short-term exposure to physical risks is low, however these increase as the time horizon extends. Key physical risks that could manifest in the long term include risk of losses due to reduced house prices arising from climate change impacts such as flooding.	The Group will develop its framework and scenario analysis in order to further consider the possible impacts of both physical and transition risks upon the Group's business activities and strategy.
In the short and medium term, key transition risks include the risk of increased losses due to falling property prices as a result of legislation (such as minimum EPC ratings) and increased risk of default by our customers as energy costs rise as a result of the transition to a net zero economy.	The Group expects to consider opportunities such as green mortgage products and securitisations and conduct analysis to identify the opportunities which generate the greatest value for our stakeholders and align to our ESG strategy. This may include partnering with third parties in order to meet the needs of our stakeholders.
The Group continued to measure its scope 1 and 2 carbon emissions to fulfil requirements under SECR reporting. In addition, the Group has initiated a process to engage an expert third party to assist in establishing a baseline for our scope 3 emissions, which is ongoing at the year-end.	The Group expects to finalise measurement of scope 3 financed emissions, using the most relevant reporting framework for our business. This will allow the Group to develop more in depth understanding of the impact of business activities on the climate, and aid the pursuit of climate-related targets, such as achieving net zero carbon emissions for our operations and mortgage portfolio by 2050.

Risk Management

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

Under the disclosure framework, the Group will describe:

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

Activities during FY22	Opportunities and developments for FY23
The Group has undertaken activities to identify climate-related risks, which have been considered by the ESG Committee, Enterprise Risk Committee and Board Risk Committee during the year.	Climate risk will be embedded within the Group's enterprise risk management framework.
Climate-related risks cut across the Group's principal risks and uncertainties, and therefore climate risk has been considered against each of these existing level one risk types.	The Group will continue to assess how climate risk-related management information and data can be used to enhance our monitoring and management of climate risk impacts upon our business and portfolio.
The Group has engaged with partners and suppliers in order to increase access to relevant data in order to inform our assessment of climate risk across our loan book. This includes enhancing data collection in respect of EPC ratings, and data relating to physical risks such as subsidence and flooding. Where required, the Group has also purchased additional data sources to provide greater insight into climate-related risks facing our portfolio.	Engagement with stakeholders across the Group will continue ahead of the anticipated finalisation of a climate-related risk framework. This climate-related risk framework will be taken through the Group's governance channels once complete.
The ESG Committee was established, with one aspect of its role being to identify and monitor climate-related risks and opportunities. For further information, see the governance section of these disclosures.	The Group will further develop risk metrics to measure climate-related risks against established and approved risk appetite levels. These will be monitored through the Group's existing risk governance channels.

Metrics and Targets

During the year, the Group has developed metrics and targets, in addition to those included within the Annual Report for the year ended 30 June 2021, which align to the five key priorities described within the Sustainability Report.

These metrics will allow the Group to monitor our progress against climate-related commitments, and are used in the ongoing assessment of climate-related risks and opportunities described above.

Upon the Group coming in scope of the TCFD aligned disclosure requirements, we will:

- Disclose the metrics used to assess climate-related risks and opportunities in line with our strategy and risk management processes; and
- Describe the targets used to manage climate-related risks and opportunities, and performance against targets.

Also within the scope of the TCFD aligned disclosures is a requirement to disclose scope 1, scope 2 and scope 3 Greenhouse Gas (GHG) emissions, and the related risks. The Group already discloses scope 1 and 2 GHG emissions within the Sustainability Report.

Activities during FY22	Opportunities and developments for FY23
The ESG Committee has formally approved metrics and targets for each of the ESG priorities, including climate change.	Further metrics and targets may be defined and monitored as the Group continues its ESG journey.
The Group is in the process of establishing relationships with an industry leading third-party specialist in order to establish our scope 3 emissions baseline values.	Scope 3 baseline values will be established. The Group will use this information to inform the further development of our road map to net zero by 2050.
The Group has partnered with suppliers to enhance data collection relating to environmental factors, such as EPC data on our mortgage portfolio.	As we enhance our library of data on our mortgage portfolio it will further inform our ongoing assessment of risks and opportunities relating to climate-related matters.

Our customers

Innovating for customers

Green mortgage product to improve home energy efficiency
by the end of 2023

As one of the UK's leading specialist lenders that is also financially inclusive, Together supports a wide range of underserved customers who may struggle to obtain financing from other sectors of the market to help them to realise their ambitions.

We help a wide range of customers including those with complex or multiple incomes, self-employed, later life borrowers, SMEs, high net worth individuals, those with thin or impaired credit and those seeking to purchase a property that may be non-standard or who are in a complex purchasing situation. As evidenced in our 'The Rise of the Modern Mortgage' research on page 14, 53% of UK adults exhibit one or more non-standard characteristic[4], which may typically restrict access to finance. Our experienced underwriters are also able to help customers that need funds quickly to realise opportunities or solve problems, including underserved SMEs, businesses, high net worth individuals and property investors across the UK.

Customer experience

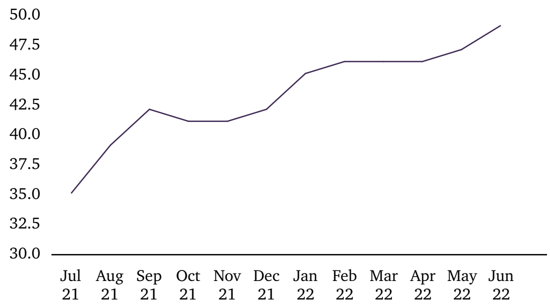
Over the last year, we have continued to invest in our business to further improve the experience for our customers. As part of our drive to deliver the best customer service in the UK specialist lending market, since October 2021 we have been working with Plain English, an independent group championing for plain English in public communication, to review all of our key automated and manual customer letters. Plain English's belief that everyone should have access to clear and concise information aligns with our own aim to simplify and improve how we communicate not only to our customers, but also to our colleagues internally. Upon completion of the letter review process, we have been awarded the Crystal Mark accreditation. Our next steps are to achieve accreditation on our website and digital offerings, and work with our colleagues internally to move to a simpler way of communicating that is embedded in our culture.

In addition, the acceleration of our technology and transformation programme has allowed us to invest in technology and process improvements to enhance our efficiency and the experience for our customers. Our focus has been on ensuring that we continue to use technology to do what technology does best, and allow our people to do what they do best. We have maintained this momentum and have achieved significant progress during the year. For more information, see the update on our technology and transformation progress in the Update from our Chief Information Officer on page 15.

Listening to our customers

The improvements we have made over the past 12 months have been reflected in our net promoter scores (NPS), with the accompanying graph showing a steady increase in positive customer feedback across the Group on a monthly basis, reflecting improved customer journeys resulting from the actions we've taken following customer feedback.

NPS scores
2021-2022



Customer review platforms continue to be an important measurement of our customer service and on Feefo, Trustpilot and Google Reviews, at the end of June our rankings were over 4 out of 5 stars on each of the platforms. This is an improvement from FY21 during which the average ranking was over 4 stars on Feefo and Trustpilot and 3.9 on Google. 77% of total Trustpilot reviews throughout the year were rated 5 stars, up from 66% at FY21. In January, we were proud to receive a Feefo Platinum Trusted service award for the second year running, in recognition of our ongoing efforts to go above and beyond to deliver exceptional customer service.

Vulnerable customers

In addition, we have continued to identify vulnerable customers at various points in the customer journey and invested in best in class training with the Money Advice Trust for our frontline colleagues to ensure that our customer and colleague wellbeing is at the heart of all of our interactions. We have also supported a number of our colleagues to achieve an industry-wide accreditation on the Vulnerability Academy run by UK Finance in partnership with the Money Advice Trust. The academy is focused on helping firms to meet their legal and regulatory responsibilities for vulnerable consumers, embed vulnerability within the organisation from product and service design, lending and on-boarding, customer service, data recording and analytics, collections, fraud, and across all channels.

Customer energy efficiency

To assist our customers with improving the energy efficiency of their properties, as outlined within our climate change priorities, we are assessing a potential partnership with an industry specialist. We understand that the reality of making suitable energy improvements to properties is a daunting prospect for the majority of UK property owners and we want to ensure that where possible, our customers are offered assistance with this task. Any future partner needs to have been prudently selected to ensure a continuity of service and experience, which matches our expectations.

To assist with meeting our target to offer a green mortgage product, we are conducting market research to help with understanding the needs of our customers. This will ensure that the product is designed with input from customers and that their needs will be met by the final product design.

4. Our 'The Rise of the Modern Mortgage' study of over 7,000 consumers was conducted by Opinium in June 2022.

Our colleagues

Diversity and Inclusion (D&I)

We are committed to promoting a dynamic and inclusive workplace in which colleagues of all backgrounds and demographics can work together cohesively and are supported to achieve their full potential. During the year, our Diversity and Inclusion Steering Committee, which is championed by Liz Blythe, non-executive director of the Personal Finance division, expanded its membership to include colleague representatives from across the business, and we have devised a diversity and inclusion strategy with five aspirations leading up to 2026. The committee's remit includes gender, age, ethnicity, LGBTQ+ and disability. Its aim is to support senior leadership in ensuring alignment between the Group's operations and strategic aims, and its diversity and inclusion goals.

Gender

As part of Together's pledge to playing our part in making financial services a more gender-balanced industry, we are proud to be a signatory to the Women in Finance Charter, an integral part of our diversity and inclusion strategy. Our Gender Pay Gap Report 2022 was published in April 2022 and can be found on our website. Together remains committed to increasing the number of women in senior management positions, with targets to increase the percentage of women in that group to 33% by December 2022 and to 50% by the end of 2026. The percentage of women who make up our senior management currently stands at 31% (up from 26% as at September 2021). Pete Ball, Chief Executive of Personal Finance and a member of the Group Board, is the accountable senior executive for gender diversity at Together.

We continue to listen to our colleagues on how we can better create a more inclusive environment for our female colleagues. To date, we have run a number of focus groups dedicated to increasing the number of women in leadership positions across our business and have relaunched our Togetherness group Women@Together.

Ethnicity

We aim to increase the representation of colleagues from underrepresented ethnic groups in senior management positions from 6% to 20% by the end of 2025. As part of this journey, we are consistently working hard to ensure that we promote an inclusive working environment at Together. We value the views and contributions of our colleagues and following feedback, we have made a formal decision to move away from using the acronym 'BAME' to describe black, Asian and minority ethnic individuals and will instead refer to 'underrepresented ethnic groups'.

Age

With 8% of colleagues currently in the over 55 age bracket and an ambition to reach 20% by the end of 2026, we have signed up to become an Age Inclusive employer by accreditation and will now begin to action the charter of commitments we have committed to Age Inclusive employers play a leading role in changing attitudes for the better and challenging age discrimination by changing behaviour and cultures in their own businesses, networks and communities, and reaping the benefits of inclusive recruitment practices. This scheme will allow us to recruit and retain great talent.

Disability

In line with our ambition to have disability metrics in place, we have commenced a series of changes to the HR system to rephrase the disability questions in line with the Equality Act 2010, which are due to be completed in the coming months. In July 2022, we were proud to join the Business Disability Forum and we are currently deciding on future actions to fully utilise their expertise as we progress the inclusion journey at Together. We aim to work with them to improve knowledge and inclusion of disabilities across the business to aid our customers and colleagues with training, inclusion audits and specialist support. Work is underway to increase visibility and awareness of disabilities through internal blog posts and roundtable discussions, which allow colleagues to gain insights and learn how to celebrate individual differences.

Togetherness groups

To help celebrate differences, remove barriers and allow colleagues to fulfil their potential, we currently have a number of networking groups under the 'Togetherness' umbrella:

- Women@Together – To promote a network that champions equality, celebrates and empowers women and provides a safe space to connect at Together
  - To connect women from across Together, to share experiences, inspire new initiatives and increase connections
  - To raise awareness across Together about issues impacting women in the workplace
  - To shine a spotlight on the achievements of women at Together, encouraging women to pursue their goals without bias or barriers
  - To play our part in creating a workplace where inclusivity is embedded into everyday decision making and behaviours
- Mind Matters – The network strives to raise awareness of common mental health conditions in the workplace and seeks to promote understanding, and empower anyone experiencing a mental health problem to speak openly about their mental health.
- Kaleidoscope – To celebrate diversity and equality at Together, to ensure every colleague has a voice and is able to flourish, regardless of sexuality or gender identity.
- Young Professionals Network – This group's purpose was to help develop those new in their role and Together, helping them grow their network and develop their career. Following a hiatus due to the pandemic, as a part of the diversity and inclusion strategy we are re-engaging this Togetherness group.

Due to the work done by the existing groups and the positive overall impact they have for diversity and inclusion at Together, we are committed to helping colleagues establish additional Togetherness groups. These will be colleague led and all colleagues are encouraged to play their part in helping Together embrace diversity and inclusion.

Promoting inclusivity

Women in senior management positions

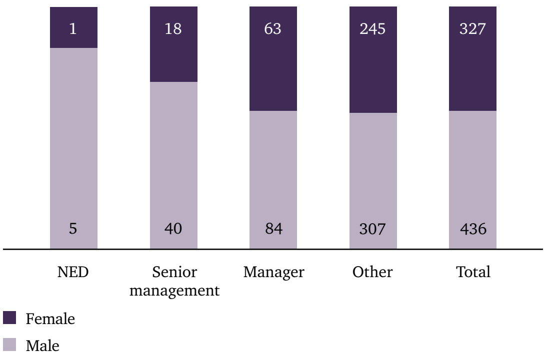
33%
by December 2022

50%
by the end of 2026

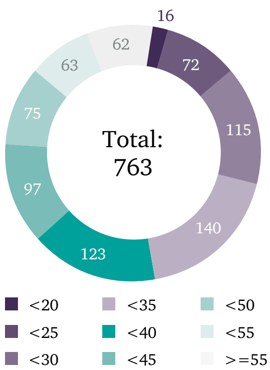
Colleagues from under-represented ethnic groups in senior management positions

20%
by the end of 2025

Our people in numbers



Age



Colleagues' wellbeing

We place great emphasis on the wellbeing of all of our colleagues and based on the feedback we receive, we are able to continuously improve. We have established annual and quarterly colleague surveys, scored on a 1-10 scale. During the year, we achieved an engagement score of 8.0, and in the last round, after year-end, a score of 8.2, demonstrating strong engagement and a high level of colleague input.

In addition, we have introduced a number of initiatives to support the mental wellbeing of our colleagues throughout their careers with Together. We have introduced mandatory mental health awareness training for all of our people managers to ensure that these individuals are equipped with the skills to allow them to better identify colleagues who may benefit from mental health support.

We have also established assistance schemes such as an Employee Assistance Programme that offers support to all of our colleagues on a wide range of matters, such as mental health support, with eight free counselling sessions available. Another scheme, 'Able Futures', provides support to those who live with mental health difficulties and offers a nine-month programme with a vocational coach.

Additional assistance is offered through an internal network of 'Wellbeing Champions' who provide colleagues with a safe and confidential environment to talk about their mental health, and give guidance on where to seek support. Wellbeing Champions received specific training, and enable any colleague experiencing a mental health problem to speak openly about the impact it has on their day-to-day lives.

In light of the current economic situation characterised by the increased cost of living, we have enhanced our colleague value proposition to further support colleagues now and in the future. Colleagues have been given a £2,000 fuel allowance to help with their winter bills, increased life assurance cover, increased remuneration following a salary review, early payment of our bonus scheme, increased holiday entitlements, free daily breakfasts, and monetary recognition for long service from 2 years' service which previously started at 5 years.

Investors in People

We are proud of the business we have built together and have a history of investing in the development of our colleagues, helping them to realise their ambitions. This year we applied for the 'Investors in People' accreditation to help us assess progress against our strategic objectives and to guide our plans for the future.

We set an ambition to obtain silver accreditation by the end of 2023 and then work towards gold accreditation. In August 2022, after the year-end, we were awarded Investors in People silver accreditation, taking the first step in meeting our objective to achieve external recognition for our investment in our colleagues, 18 months ahead of our plan. This exemplifies the culture at Together, and is evidence of the steps taken to empower and involve our colleagues, creating sustainable success.

Learning and development

As an organisation, we recognise the importance of developing our future talent pipeline to ensure we achieve ongoing business success and to deliver our sustainability ambitions through the organic growth of our people. We have a graduate programme, apprenticeship programme and offer professional qualifications and apprenticeships.

Graduates offer the business a dynamic and innovative approach to the way in which we do things. We are proud to have recruited 12 graduates in 2021 and in 2022 this number will rise to 14. As an alternative for those who do not attend university but wish to enter the world of work, our apprenticeship programme allows apprentices to build experience, skills and confidence, while gaining recognised qualifications. In 2021 we recruited 13 apprentices and in 2022 we are recruiting 8. Over the course of the two years, we have successfully supported over 60 colleagues through a professional qualification or an apprenticeship.

Supporting our people

55+ colleagues

20%

by the end of 2026

Silver accreditation

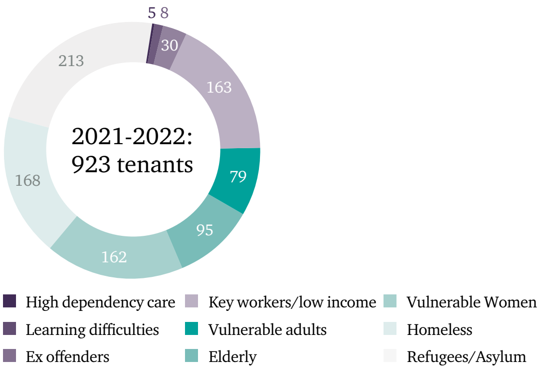
by the end of 2023

work towards

Gold accreditation

Our Community

Social housing by demographic



Social housing

In January, we officially launched Together's social housing initiative, following years of funding in this space, as a dedicated taskforce in partnership with regulated housing associations to help ease the UK's shortage of available homes. We currently work with five for-profit providers as well as numerous private social housing landlords. Due to the funding gap in the sector, with smaller housing associations not being funded, as well as 1.3 million people still on social housing waiting lists, we believe that it is important for us to help to alleviate that national crisis by playing our part.

We have experienced colleagues who are used to helping deliver funding projects for housing associations and are able to move quickly to do this in the right way to support the vulnerable. As a strong and well-funded business, we also have the capital to support this initiative and the regulator, social housing lawyers and social housing valuers to guide us.

In the last year, we have been able to provide funding for 148 properties, securing homes for 923 tenants. The individuals housed ranged from refugees and asylum seekers to low-income individuals, key workers and the elderly, and we are delighted to be progressing with our target of helping to finance 1,000 affordable properties by the end of 2025.

Let's Make it Count

During the past year the structure of our colleague-led 'Let's Make it Count' programme has been updated. By streamlining activities from the previous six pillars into four pillars, it has provided us with a more focused approach to community engagement.

Our aim is to drive engagement in community support and whilst all of the pillars align to this, to do this most effectively, we have decided to focus our efforts on the following core areas:

- Local communities
- Charities
- Training and mentoring for young people
- Environmental

The revised framework:

Let's get Giving – Fundraising programme of events that spans across local, regional and national campaigns to help a wide range of worthy causes.

Let's get Caring – Working with a range of local charities and organisations, offering support to different groups within our community.

Let's get Sharing – Our training and mentoring programmes are supported by colleagues from across the business, helping local school and college students.

Let's get Green – Passionate about creating a greener working environment for colleagues, reducing our environmental footprint as a business and making a difference to the local area.

We have also committed extra resources to our Let's Make it Count programme, which included creating a permanent role to help coordinate and maximise the impact of the programme. By offering all colleagues the opportunity to have two days annually of volunteering allowance we have created a framework, aligned with the programme for our colleagues to volunteer at our chosen charities, as well as being able to volunteer at a registered charity of their choice.

Next year, we aim to capitalise on the streamlined Let's Make it Count programme and our colleagues' engagement with our existing charity partners, as well as charities of their choosing to deliver an increasingly positive impact on our local community.

Donations and fundraising

As well as aiming to deploy in excess of £1m in the community through our Let's Make it Count programme in FY23, throughout the year, Together and our colleagues donated and helped raise the following:

	Value (£)
Total	Over £240,000
Together	Over £206,000
Colleague fundraising	Over £34,000

In August 2022, we agreed a partnership with Reaseheath College, spanning 5 years. Their unique construction department provides industry-led full time and apprenticeship courses. Learners develop a range of specific skills in three distinct trade areas, alongside professional tradespeople. Their world-class facilities and industry focused technical courses help support continued student success.

Tax Strategy

We are aware that the taxes we pay are part of our contribution to society and, therefore, take our tax compliance obligations seriously. In the year ended 30 June 2022, we paid £24.5m of corporation tax. We aim for our tax affairs to be transparent and do not pursue aggressive interpretations of tax laws. The Group are committed to having an open and transparent relationship with HMRC and we respond to their queries in a timely and appropriate manner.

Political donations

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

Investing in our community

Finance 1,000 affordable houses
by the end of 2025

Deploy in excess of £1m in the community
in FY23

Realising ambitions for supported living

“We are delighted to have completed this deal which represents our largest single investment yet. With households currently facing significant financial instability at the very same moment house prices continue to rise, the need for supported housing has never been more pressing. This deal will go a long way towards achieving our ultimate goal of helping to solve the UK’s homelessness crisis and ensuring the most vulnerable members of our society have access to a home.”

Guy Horne
CEO and co-founder at HSPG

WINNER
Business Moneyfacts Awards 2022
Innovation in the SME Finance Sector

Together won the Business Moneyfacts award for Innovation in the SME Finance Sector for our social housing funding initiative

Together partnered with HSPG, one of the UK’s leading social impact real estate firms, to deliver 592 units of low-level supported housing.

The landmark deal – HSPG’s largest single investment to date of over £70m – will see the firm work with six housing providers across 18 local authorities in delivering this vital accommodation.

View this story online

“As a business with an established reputation in the property sector, we’re absolutely committed to accelerating the delivery of inclusive communities and affordable homes, and we’re delighted to have partnered with HSPG on the delivery of this significant deal.”

Alex Bodie
Head of Social Housing

Stakeholder Engagement Report

Investing in strong stakeholder relationships

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

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

Colleagues

The Strategic Report sets out our Group purpose as well as our supporting vision and Beliefs

Together continues to focus on delivering a comprehensive value proposition for colleagues and on supporting their wellbeing. We have also continued to listen to feedback from our colleagues, through quarterly surveys and communications. More details of our support for colleagues can be found in our Sustainability Report.

During the year, the Group has rolled out a refreshed platform for conducting colleague engagement surveys, enhancing our approach to collecting and monitoring colleague feedback, and delivering actions to improve the overall colleague value proposition.

We continue to support colleagues at the start of their careers, through our apprentice and graduate programmes. Through our 55+ diversity and inclusion strand we offer support to colleagues as they move towards the end of their careers as well as celebrating those colleagues who achieve long service milestones.

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

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

We are proud of the business we have built together, and in August 2022, after the year-end, we were awarded Investors in People silver accreditation, taking the first step in meeting our objective to achieve external recognition for our investment in our colleagues, 18 months ahead of our plan. This exemplifies the culture at Together, and is evidence of the steps taken to empower and involve our colleagues, creating sustainable success.

Our diversity

Last year we established a Diversity and Inclusion Advisory Committee. During the year, as our work on diversity and inclusion progressed, we re-branded the committee as the Diversity and Inclusion Steering Committee and expanded its membership to include colleague representatives. The committee's remit includes gender, age, ethnicity, LGBTQ+ and disability.

The Diversity and Inclusion Steering Committee aims to support senior leadership in ensuring alignment between the Group's operations and strategic aims, and its diversity and inclusion goals. More information on our diversity and inclusion strategy can be found in the Sustainability Report.

Customers

Our purpose is to make finance work for our customers. We use our experience and entrepreneurial culture to help our customers achieve their ambitions. We remain committed to delivering excellent service to our customers and we monitor customer feedback to understand both what we do well and how we can improve.

Modernisation and automation

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

Customer feedback

Our customer-facing colleagues are focused on delivering positive outcomes. To support this, we actively seek feedback both from our customers and intermediaries and we take complaints very seriously. For more information see our Sustainability Report.

Regulators

The companies within our Personal Finance division undertake lending which is authorised and regulated by the Financial Conduct Authority (FCA).

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

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

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

Customer redress

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

The Group continually focuses on improving its customer processes and responding to changes in customer needs. During the period, the regulated division continued to identify ways to improve customer experience and outcomes, including the development of a framework aimed at ensuring consistency of customer outcomes, which seeks to build upon and enhance existing practices, policies and procedures. A process has been undertaken to assess the way that customer rates, and certain charges, are set and reviewed, and consider those that have historically been charged to certain customers, which has included continued engagement with the regulator following their thematic review in this area. This programme is in the process of being implemented, and is expected to be completed during the next financial year.

Disclosures in respect of customer provisions can be found in note 19 to the financial statements.

Community

The Sustainability Report includes information on the charity work we undertake and how we support our local community and is found on pages 52 to 63.

Partners

Maintaining good relationships with our partners provides us with confidence that we will be able to satisfy our lending appetite going forward. The intermediaries we work with, which include mortgage packagers and brokers, are central to ensuring our products are available to a wide range of potential customers. We adopt tailored strategies to address the needs of our partners, and our common customers, to ensure we maintain excellent levels of service.

We continue to develop and streamline our application processes to improve the customer journey for both direct and intermediary customers. More information on the automation achieved within our investment programme can be found in the Operating Review.

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

Investors and banks

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

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

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

We welcome feedback from our banks, investors and from debt and equity analysts to help us to further improve our communications.

Suppliers

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

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

Our shareholder

The Company is a wholly owned subsidiary of Bracken Midco2 Limited, a company whose ultimate parent entity is Redhill Famco Limited which is wholly controlled by Henry Moser. Mr Moser sits on the Board and meets regularly with colleagues across the Group, outside of the boardroom, including non-executive directors, members of the executive leadership team, and other colleagues. This facilitates alignment between Board decisions and the interests of the shareholder. Our private ownership structure provides a long-term stable form of capital which supports making decisions to create long-term value. More information can be found in the Financial Review.

"Meeting our stakeholders' expectations is vital for us to be able to deliver upon our purpose and vision."

Gerald Grimes
Group CEO Designate

Section 172 statement

Section 172 of the Companies Act 2006 defines the legal requirement for a director to act both individually and collectively, in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole with regards to all of its stakeholders. The table below provides some examples of how the Board has complied with section 172 during the year.

Many of the requirements are integral to the way that the Group operates and therefore references have been provided where appropriate to other sections of the Annual Report where more information can be found.

Section 172 requirement to have regard to:	How the Board has fulfilled its s.172 duties
a. the likely consequences of any decision in the long term	• The Board recognises the importance of understanding the effect that decision making can have on our stakeholders. • During the year, the Board considered a range of strategic options in relation to the Group's ownership structure. • During the year, the Board considered and approved the mobilisation of projects to update IT infrastructure, which included the introduction of new software to ensure that core systems will provide a sound foundation for growth of the business over the long term. • The Board has approved a process to evaluate its effectiveness and each of its committees. The process will gather views anonymously from each member and will provide feedback to allow the Board and committees to enhance how they work as a team. • As a demonstration of the Board's commitment to foster a diverse and inclusive workplace, the Board has endorsed the establishment of groups to enhance representation of women, over 55s, LGBTQ+, underrepresented ethnic groups and people with disabilities.
b. the interests of the company's employees	• The Board recognises the benefits of colleagues being able to interact and collaborate, which has been a key part of the Group's success for many years. The Board continued to ensure that the office remained available to those colleagues whose wellbeing benefited from being in the office during the Covid-19 lockdowns. Oversight of colleague health and safety was delegated to the Risk Committee and regular incident reporting was provided to the Board. • During the year, quarterly employee surveys were introduced which provided real-time information from colleagues for the Board to take into account when considering colleague wellbeing. • The Board recognised that colleague retention was of great significance and carried out reviews of the colleague value proposition during the year. These reviews considered market conditions and re-aligned certain colleagues' salaries mid-year and took into account the cost of living crisis when determining overall colleague reward.
c. the need to foster the company's business relationships with suppliers, customers and others	• Maintaining positive business relationships is crucial to the Group's long-term sustainability and is regularly reported to the Board to inform decision making. • This year, the Board oversaw plans for the introduction of a self-service system for existing customers to provide them with the flexibility to manage their own accounts. • Doing the right thing for our customers is a key focus for the business and we encourage customers to provide feedback to inform our processes. Information on how we engage with our customers can be found in our Stakeholder Engagement Report. The Board receives regular updates from the divisional CEOs on customer activity and customer engagement strategies. During the year, the Board focused on the way relationships with customers and partners were maintained and on the processes for retaining customers. This year was the first year of the five-year plan which provided the Board with information to monitor each customer channel. • Investor feedback is considered on an ongoing basis and particularly when relevant to decisions relating to funding transactions. Information on how we foster relationships with our investors and banking facility providers can be found in our Stakeholder Engagement Report.

Section 172 requirement to have regard to:	How the Board has fulfilled its s.172 duties
d. the impact of the company's operations on the community and the environment	• The Sustainability Report is included in the Annual Report and Accounts and describes the Group's activities during the year to positively impact our communities and the environment. Together colleagues continue to proactively support charitable causes and consideration of how best we can continue to undertake this activity has been central to the development of the Group's purpose. • During the year, the ESG Committee was established. The committee includes a number of the executive directors and reports to the Board via the Executive Committee. The role of the committee is to guide the Group's ESG strategy, actions and targets and to monitor all aspects of the Group's sustainability and ESG agenda.
e. the desirability of the company maintaining a reputation for high standards of business conduct	• The Board has approved the voluntary adoption of the Wates Principles for Large Private Companies as a demonstration of its commitment to high standards of corporate governance. Information on how the Group has applied the Wates Principles can be found in the Corporate Governance section. • During the year, management actions arising from the recommendations in the report included enhancements of the internal control environment for Board processes, a review of the Board and committee management information and a formal review of the committee structure to identify any efficiency improvements. The completion of recommended actions will enhance the standard of the Group's corporate governance and ensure continued alignment with external stakeholder expectations of appropriate governance arrangements for a large private company. • The Board and its committees approve policies and procedures that facilitate high standards of governance and compliance in line with stakeholder and regulatory expectations. Where relevant, divisional boards and committees consider and adopt their own policies which are set within the overall parameters of the Group to ensure standards are consistently maintained across all business operations. • During the year, the Board reviewed the Whistleblowing Policy. The Board ensured that the Whistleblowing Policy and process were publicised across the business.
f. the need to act fairly between members of the company	• The Group's overarching governance arrangements are regularly reviewed to ensure they continue to meet the requirements of all the Group entities and their respective stakeholders. Following the Company Secretary's review in the prior year of the Group's corporate governance arrangements, a proposal to enhance current arrangements was approved by the Board. The Company Secretary is now engaged on working with the Executive to develop a plan for delivery. More information on this review can be found in the Corporate Governance section.

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

Gerald Grimes
Group CEO Designate
16 September 2022

Corporate governance and committee structure

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

The Board provides strategic leadership which is implemented by management and monitored through reporting, systems and controls. The Board is responsible for setting risk appetite and overseeing the delivery of the Group's objectives within that risk appetite.

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

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

Company Secretary

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

Board of Directors

The current Board members are as follows:

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

The following director resigned during the year:

		Resigned
Marcus Golby	Group Chief Operating Officer	30 September 2021

Mike McTighe

Non-executive director and Chair

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

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

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

Wayne Bowser

Non-executive director and Chair of Audit and Risk Committees

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

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

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

Joe Shaoul

Non-executive director

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

Joe is a member of all the Group Board committees.

Henry Moser

Chief Executive Officer

Henry founded Together in 1974 and has overseen the success of the Company for nearly 50 years.

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

As Together's founder, he has helped foster the people-first approach which defines the ethos of the business.

Gerald Grimes

Group CEO Designate

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

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

Pete Ball

Personal Finance CEO

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

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

Marc Goldberg

CEO of Commercial Finance

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

As Chief Executive Officer of the Commercial Finance division since March 2016, Marc oversees all aspects of the commercial business model and lending activity and is renowned for his commercial acumen and his commitment to the industry.

Gary Beckett

Group Managing Director and Chief Treasury Officer

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

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

Gary has over 28 years experience managing finance and treasury functions and, prior to joining Together, he worked at a national accountancy practice.

The Board

The Board approves the Group's purpose and vision, and promotes the cultural tone from the top. The Board is collectively responsible for the success of the Group and demonstrates strong and entrepreneurial leadership through an effective Board and committee structure.

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

Board and committee agendas are the responsibility of the Company Secretary. Board agendas are developed with input from the CEO Designate and are structured around the Group's objectives, to enable the Board to discuss and challenge the Group's performance against its strategic aims. Agendas are agreed in advance and are reviewed by the relevant chair. The Group Chief Risk Officer is a standing attendee at Board meetings, to provide second line oversight.

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

The Operating Review section introduced the Group's two divisions, Personal Finance and Commercial Finance. The Commercial Finance division is comprised of companies which conduct unregulated lending. The Commercial CEO formally reports on its activities to the Group Board after each meeting. Oversight of the division's strategy, risk profile and financial position is provided by the Group Board.

The companies which comprise the Personal Finance division are authorised and regulated by the Financial Conduct Authority (FCA) and this division is responsible for all FCA regulated activities across the Group. The Personal Finance division operates independently from the Group, and has a separate Board, committee and governance structure, which provides additional oversight of matters relevant to the regulated division, such as regulatory compliance, including the oversight of compliance with the SM&CR.

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

Audit Committee

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

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

The committee oversees the performance and appointment of the Group's external auditor. During the year, the committee evaluated the performance of the external auditor, and recommended their reappointment for the financial year ended 30 June 2022. The committee also reviewed the external auditor's observations and control findings from their audit for the year ended 30 June 2021, and the audit plan for the year ended 30 June 2022.

The committee reviews the non-audit fees charged by the external auditor on a quarterly basis, to ensure continued compliance with the Group's non-audit services policy. The committee also approved the annual update of the policy during the year. The committee further considers the external auditor's independence on an ongoing basis, and considers the level of audit fees. The committee approved the audit fees for the year ended 30 June 2022 during the year.

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

In July 2021, the committee approved the performance of an External Quality Assessment of the Internal Audit function, which was the first time such an assessment had been carried out. The exercise took into consideration feedback from individual committee members and key management personnel as part of the assessment, and reviewed a sample of four Internal Audit files. The committee discussed the report at its meeting in November 2021 and subsequently agreed an action plan to address the recommendations. The actions contained in the plan are tracked by the Audit Committee, with regular progress updates being provided by the Internal Audit function.

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

During the year, the committee considered the impact of macroeconomic instability and the associated effect upon the Group's financial reporting, including factors such as the residual impact of the Covid-19 pandemic, the impacts of the war in Ukraine and the rising cost of living. This has included specific consideration of the impact on the Group's judgements, assumptions and disclosures relating to expected credit losses; the Group's going concern assessment and the quality and detail of the associated disclosures. In addition, the committee has considered developments in reporting of climate related matters, including disclosures recommended by the Taskforce on Climate-Related Financial Disclosures.

> For further information, see TCFD, within the Sustainability Report, on page 56.

Risk Committee

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

It has responsibility for oversight and advice to the Board on current risk exposures and the future risk strategy of the Group. The committee ensures that proper control systems are in place and that appropriate consideration is given to current and future risks. The committee is also responsible for ensuring that management develop appropriate policies and strategies to secure the long-term sustainability of the business. It is responsible for embedding and maintaining the right culture in relation to risk management and for providing assurance to the Board that the processes for risk management and internal control are adequate and effective, through providing challenge and independent oversight.

> For further information, see the Risk Management report on page 82.

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

During the year, the committee continually monitored and reviewed the reporting of the Group's top risks and updates to policies and risk appetites. The committee considers the action plans against each of the top risks on an ongoing basis, in order to ensure effective management and mitigation of the Group's risk profile.

In addition, the committee approved the Business Continuity Testing Plan and reviewed and recommended to the Board for approval the Group Product Governance Policy.

The Group's top risks are monitored on an ongoing basis, to ensure a holistic view of the Group's risk profile. Top risks considered during the period include:

- risks arising from macroeconomic and political uncertainty, including the possible effects of the conflict in Ukraine and rising cost of living;
- people risk, as the labour markets react to changes in the patterns of working and impacts of rising cost of living;
- operational capacity, reflecting our ambitious growth plans and further progression of our modernisation and transformation programme; and
- regulatory changes, as we continue to seek to be an exemplar in our engagement with our regulator and react to developing requirements, such as the introduction of consumer duty.

> For further information, see Risk Profile on page 85.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee operates under delegated authority from the Board on matters of remuneration, recruitment of directors and senior management and succession planning. It is also responsible for assessing the balance of skills, experience and knowledge of the Board to ensure it remains appropriate. The committee has responsibility for setting the Pay and Reward Policy for the executive directors and senior management and for determining their individual remuneration. It is also responsible for approving remuneration budgets and all colleague incentive schemes.

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

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

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

Disclosure Committee

The Disclosure Committee operates under delegated authority from the Board to review and approve public disclosures concerning the Group and to consider matters brought to its attention which would be likely to give rise to an obligation to make a market announcement in accordance with applicable market abuse regulations. It is the Group's policy that all public disclosures made by the Group should be accurate and complete, fairly represent the Group's financial position and be made on a timely basis as required by applicable laws and securities exchange requirements.

During the year, the committee approved a number of external announcements including in relation to funding transactions, changes to Board membership and financial results.

Dividend Committee

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

The committee met twice during the year to approve the payment of interim dividends.

Board activity

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

- Setting the strategic direction of the Group, considering the infrastructure and governance required to support the requirements of the Group.
- Review of the Group's Environment, Society and Governance (ESG) credentials and future requirements.
- Oversight of the Group's culture, including consideration of colleague engagement, investment in colleague training and development and monitoring culture and performance against the Group's strategic aims.
- Oversight of colleague wellbeing and health and safety performance.
- Capital structure, liquidity, fundraising activities and dividends.
- Review of the FCA wind down plan.
- Approval of a process to approve Treasury transactions in accordance with a programme agreed with the Board on an annual basis.
- Approval of entry into, amendment or extension of certain debt funding agreements.
- Ongoing review of the appropriateness of the organisational and governance structures to support the Group's activities, including establishing a sub-committee of the Board for the purpose of approving decisions relating to the Group's strategic options review.
- Regular updates from the executive directors on performance against objectives and review of financial performance against targets.
- Changes in the legal and regulatory landscape.
- The programme of change activity and prioritisation of key strategic and regulatory projects including oversight of the Group's modernisation and transformation programme.
- Approval of the Group's risk appetite and risk management framework.
- Approval of the Group's long-term business plan.
- Approval of the Group annual budgets and review of interim reforecasts.
- Review and approval of Group policies and assurance over the internal control framework which has been implemented to monitor compliance.
- Cyber resilience, information security and data management, including compliance with the General Data Protection Regulation.
- Key contracts and expenditure outside of the executive directors' delegated authority.
- Approval of the Group's tax policy and tax strategy.
- Approval of the Group Annual Report and Accounts.

> Further details on the activities of the Board and committees during the year can be found in the Corporate Governance Statement on page 74.

Corporate governance statement

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

The Board sets the overall governance framework for the Group. The framework is structured to enable the directors of all entities within the Group to have the necessary tools to make the key principal decisions crucial for creating long-term value, whilst meeting stakeholder expectations and legal and regulatory requirements.

The Wates Principles

The North Star

Purpose and leadership

Characteristics of governance

Board composition

Director responsibilities

Specific matters

Opportunity and risk

Remuneration

Stakeholder relationships and engagement

Principle 1

Purpose and leadership

An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.

How the principle has been applied during the year

- During the year, the Group has embedded its purpose and vision. This has included aligning long-term strategic planning, operational plans, and colleague objectives to the purpose and vision approved by the Board.
- The Board sets the Group’s objectives, taking into account key stakeholders, and ensures that the necessary experience, skills and resources are in place to help our customers, partners, colleagues, community and our wider society realise their ambitions by making finance work. More information on the Group’s strategy can be found in the Strategic Report.

Principle 2

Board composition

Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.

How the principle has been applied during the year

- The Chair leads the Board and facilitates open debate and constructive discussion whilst ensuring that the executive directors receive appropriate challenge. The role of the Chair and CEO is not exercised by the same individual.
- The Board has a wealth of knowledge relevant to the specialist lending sector and the Board benefits from three non-executive directors who provide challenge and bring a range of knowledge and expertise from the financial services sector and elsewhere.
- The approval of directors taking external board appointments is a matter reserved for the Remuneration and Nomination Committee. This ensures that directors continue to have sufficient capacity to make a valuable contribution to the Group and that there are no material conflicts.
- In accordance with directors' duties under s.177 and s.182 of the Companies Act 2006, the agenda for each Board meeting requires directors to declare any interests which may give rise to a conflict. Interests are logged by the Company Secretary. During the year, the Group Conflicts of Interest Policy was reviewed and updated to ensure that processes continued to reflect the Group's ethical and regulatory responsibilities in regards to colleague interests including those of the Board.

Principle 3

Directors' responsibilities

The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision making and independent challenge.

How the principle has been applied during the year

- The Company Secretary works with the chairs of the Board and sub-committees to ensure that agendas are structured to facilitate appropriate discussion and challenge. Board and committee agendas are structured in line with objectives, to focus discussions on the key business deliverables required to support the achievement of longer-term goals, alongside operational updates.
- The Board and committees receive information in a timely manner via a secure Board portal to maintain confidentiality.
- All Board and committee actions are monitored and tracked to completion to ensure that, alongside comprehensive and accurate minutes, a complete record of decision making is maintained.
- Reporting of management information on key governance activity is provided to each Board meeting by the Company Secretary via a governance dashboard. The dashboard provides a clear view of how the circulation of packs and minutes are tracking against agreed Service Level Agreements. The Company Secretary and chairs use this information to monitor activities and ensure that governance processes continue to facilitate effective decision making and adhere to best practice.
- The Group's governance framework is regularly reviewed to ensure the governance structure is appropriate and effective for the size, structure and complexity of the Group. Improvements have been introduced during the year to enhance the efficiency of the existing framework.

Principle 4

Opportunity and risk

A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.

How the principle has been applied during the year

- During the year, the Board has considered the evolving macroeconomic climate and its potential impact on the Company's ability to achieve its strategic objectives. More information on the Group's strategy can be found in the Strategic Report.
- The Risk Committee operates under delegated authority from the Board on matters of risk management and internal controls. More information on the committee's activities can be found in the Corporate Governance and Committee Structure section.
- The Group enterprise risk management framework provides a formalised structure for the risk management of the Group. The Board reviews and approves the risk appetite statements and associated limits, and early warning triggers, on an annual basis or more frequently if required. More information on the principal risks and uncertainties facing the business and risk management framework can be found in the Risk Management section.
- The Group continues to focus on the transformation and modernisation of key business processes and the benefits of efficiencies achieved through automation are regularly reported to the Board through a suite of operational KPIs. More information on this work can be found in the Operating Review.
- Treasury and financial risk updates are standing items on the Board agenda to ensure that the Board remains informed about the funding and liquidity position of the Group. Updates are comprehensive and agendas are structured to allow time for detailed discussion.

Principle 5

Remuneration

A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

How the principle has been applied during the year

- The Board delegates authority to its Remuneration and Nomination Committee. More information on the activities of the committee can be found in the Corporate Governance and Committee Structure section.
- The Remuneration and Nomination Committee is responsible for ensuring that variable pay structures do not incentivise inappropriate behaviour, and considers this in determining remuneration structures.

Principle 6

Stakeholder relationships and engagement

Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

How the principle has been applied during the year

- More information on engagement with stakeholders and employees, can be found in the Stakeholder Engagement Report.
- During the year, the Group's ESG priorities were approved. Targets were established for stakeholder groups relating to colleague engagement, customer advocacy and community investments.
- The programme of change to introduce improvements into the business IT infrastructure was overseen throughout the year. The Board received regular reports from the Chief Information Officer providing updates about the progress of the change programme.

Directors' Report

The directors present their report for the year ended 30 June 2022. Certain information required to be included in a directors' report can be found in the other sections of the Annual Report, as referenced below and in each of the sections that follow. All of the information presented in these sections is incorporated by reference into this Directors' Report and is deemed to form part of this report.

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

Results and dividends

The results for the year are set out in the consolidated statement of comprehensive income. The profit before taxation for the year ended 30 June 2022 was £151.5m (2021: £150.3m). A full review of the financial performance of the Group is included within the Financial Review and commentary on the Group's future outlook is given in the Strategic Report. No further dividends are proposed.

Financial position

As shown in the consolidated statement of financial position, loans and advances to customers net of impairment provisions have increased by 30.8% to £5,247.9m (2021: £4,011.9m). At the same time, shareholders' funds have increased by 9.9% to £1,030.0m (2021: £937.0m), including shareholder loans and notes of £31.4m (2021: £29.3m). This includes dividends of £48.8m (2021: £52.7m) during the year. Full reviews of the Group's financial position and funding and cash position are included within the Financial Review and the Operating Review.

> For more information, see Financial Statements on page 102.

Employee consultation

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

> For more information, see Stakeholder Engagement Report on page 65.

Disabled employees

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

Environment

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

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

Statement of going concern

As set out in the Statement of Directors' Responsibilities, the directors are required to prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors have assessed in the light of current and anticipated economic conditions, the Group's ability to continue as going concern for a period up to 16 September 2023, which is 12 months from the date of signing this report. Further detail on this assessment is set out in Note 2 to the Financial Statements.

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

Directors

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

RM McTighe*   *Chairman*
HN Moser   *Chief Executive Officer*
G Grimes   *Chief Executive Officer Designate*
PS Ball
GD Beckett
W Bowser*
MJJR Golby *(Resigned on 30 September 2021)*
MR Goldberg
JM Shaoul*

* Non-executives.

The Company Secretary throughout the year was SE Batt.

Directors' indemnities

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

Charitable donations

During the year the Company made donations of £224,000 (2021: £136,000) to charities.

Political donations

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

Auditor

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

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

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

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

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

Gerald Grimes
Group CEO Designate

16 September 2022

Statement of Directors’ Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Parent Company financial statements in accordance with UK adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit of the Group and the Company for that year.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in UK adopted international accounting standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company and Group financial position and financial performance;
- state whether UK adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company and the Group will not continue in business.

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

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors’ report and corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website.


It's a
big world
out there.
together

Overview of Risk Management within the Group

This Risk Management Report explains the Group's approach to managing risk, the key risk themes identified in FY22, the principal risks the Group is currently exposed to and how these risks are currently being managed and mitigated.

Enterprise risk management framework

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

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

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

Risk governance and oversight

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

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

Board/Committee	Purpose
TFSL Board	To provide oversight responsibility for determining the strategic direction of the Group and to create the environment and structures for risk management to operate effectively.
TFSL Board Risk Committee	To ensure that a risk management programme and system of internal controls is established, implemented and monitored.
Group Executive Risk Committee	To ensure that sufficient attention is granted to the management of risks across the Group.
TPF Board	To create the environment and structures for risk management to operate effectively within the regulated division of the Group, in line with the parameters set by TFSL. The TPF Board has the authority to act outside the Group parameters only where doing so is necessary to comply with any relevant law or regulation.
TPF Board Risk Committee	To ensure the Group ERMF and systems of internal control and compliance are implemented with the support of senior management of the Group. To provide objective assurance to the TFSL Board on the effectiveness of the ERMF.
TPF Executive Risk Committee	To ensure that sufficient attention is granted to the management of risks across TPF.
Assets and Liabilities Committee	To manage and monitor the Group's exposure to capital, liquidity, interest rate and market risk.
Operational, Conduct and Compliance Risk Committee	To oversee and monitor the Group's operational, conduct and compliance risk (including all sub-categories) in line with the Group's risk appetite.

The Group's system of internal controls and risk management uses a 'three lines' model.

First line
Operational management

- Ensures the Group's risk management activities are consistent with its goals and objectives.
- Identifies, owns and manages risk within the Group.
- Maintains effective internal controls.
- Implements, and guides the development of, internal Group and divisional policies and procedures.
- Provides quality assurance on the execution of business processes and the operation of the control framework.

Second line
Risk oversight and assurance

- Supports the design, implementation and operation of the ERMF.
- Provides oversight and challenge to operational management's risk management activities.
- Provides specialist risk advice and oversight, in areas such as Financial Crime, Business Continuity Planning, Credit Risk and Regulatory Compliance.
- Guides and supports first line managers to ensure the consistent application of the ERMF.

Third line
Internal audit

- Provides assurance to Group and divisions on the achievement of objectives.
- Conducts testing and verification of the effectiveness of Group's governance and internal control frameworks.
- Reviews risk management activity schedules and provides objective assurance.

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

Enterprise risk management framework

Risk universe

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

Risk culture

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

Effective communication

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

Accountability

- Active management of risks and usage of timely management information to facilitate effective risk decisions.
- Establishing an Accountability Charter, reinforced through risk management training programmes for all colleagues.

Incentives

- Risk management reflected in performance evaluations for all colleagues, with appropriate recognition and remuneration/reward structures.

Risk appetite

The Group's risk appetite is the amount of risk that the Group is willing to accept in pursuit of its strategic objectives.

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

Risk policy framework

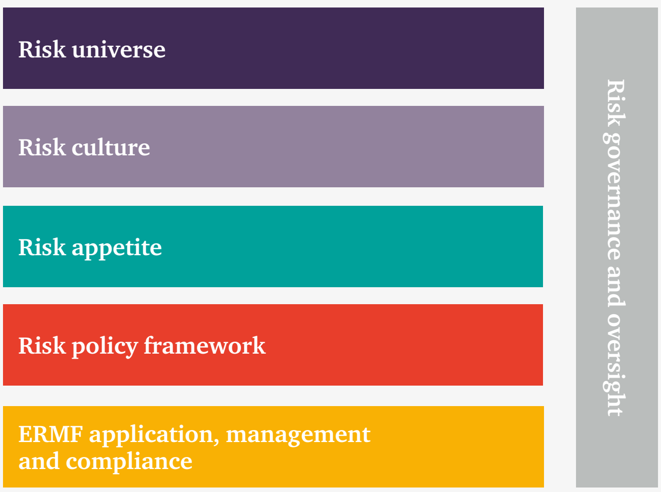
There is a risk policy framework which sets out the policy requirements for monitoring and managing the principal risks. Policies are established to communicate the approach to managing each risk and set the standard for monitoring and reporting.

ERMF application, management and compliance

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

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

- A culture which is led by the Board and senior management;
- Organisational structures and processes, such as committees and management meetings, which have a clear role in risk management; and
- Communication and training to all colleagues on risk management, which is clear and tailored to their responsibilities and performance management processes that reward the right behaviour.



Risk Profile

The Risk Profile highlights the top risks the Group is facing along with our actions taken during the year and the expectations of future developments.

Macroeconomic and political uncertainty (Strategic Risk)

The UK's economic performance continues to be greatly impacted by external factors. Generally speaking, the UK economy has been on an upwards trajectory of recovery from the worst impacts of Covid-19. However, more recently, the Russian attack on Ukraine has increased commodity prices, particularly oil and gas, and disrupted trade and business confidence.

Unemployment has recovered to pre-pandemic levels leading to a bounce back in consumer demand. This, coupled with price increases caused by the disruption of global supply chains, has led to escalating inflation. Wages, though rising significantly in nominal terms, have fallen in real terms and the increase in the cost of living for low-income households has become a major issue for policymakers. In response, the Bank of England has progressively raised Base Rate from 0.1% at the beginning of the financial year to 1.25% in June 2022, with further rate rises continuing after the end of the financial year.

Whilst the economy has generally proven robust over much of the year to date, the accelerating inflation and its consequences for living standards and interest rates have led to concern among forecasters about the economy's prospects. Furthermore, changes in interest rates impact upon the Group's borrowing costs, and potentially upon the interest rates paid by our customers. Increased borrowing costs can, particularly if interest rate rises are not fully passed on to our customers, result in compression of our net interest margin (NIM).

What we did in FY22

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

- Closely monitored financial resources and concluded frequent refreshes of financial projections, stress testing and monitoring of key risk indicators under a range of scenarios. This included monitoring the conflict in Ukraine, its impact on energy, fuel and commodities and the potential affordability impacts for customers;
- Delivered change and transformation projects to facilitate a responsive business platform;
- Increases in our cost of funds were passed on as increases in variable interest rates to our customers where appropriate, regularly reviewed our product pricing for new customers, and entered into interest rate swaps on certain liabilities to match cash flows of our liabilities to our loan assets;
- Modelled and assessed the impact of squeezed affordability on the loan book;
- Modelled and assessed the impact of changes in cost of funds and pricing actions and the potential impacts on margin;
- Successfully concluded several refinancing activities and issuances of new funding lines to further diversify the Group's funding resources; and
- Utilised new sources of data to support operational strategies for contacting customers in or approaching financial difficulty.

Group expectations for FY23 and direction

Despite the current economic uncertainty, the Group's loan originations continue to grow, signalling that the appetite in the market for the Group's product suite remains strong. The Group anticipates some continuing challenges arising from macroeconomic disruption, for example the impact of cost of living pressures may affect the ability of customers to continue to make repayments. This could result in a rise in defaults and a consequent rise in the Group's impairment charge. However, the actions taken during the year leave the Group well placed to support our customers through these challenges and continue to play our part in the UK's economic recovery.

Our model of lending at sensible loan-to-values and appropriate adjusted risk margin, has meant that the Group has been able to achieve respectable and sustainable returns throughout multiple economic cycles.

People (Operational Risk)

The Group strives to attract and retain the right talent. This has been increasingly challenging given the current competitive nature of the labour market. This increase in competition has been against a backdrop of rising cost of living and changes in ways of working.

What we did in FY22

In response to the escalating people risk, the Group:

- Undertook an external benchmarking exercise to review the current colleague value proposition;
- Improved engagement of existing colleagues through the communication of both the purpose and vision and action plans coming out of people surveys;
- Devised and implemented a flexible working approach across the business;
- Continued to develop and refine succession planning and career progression plans with a view to reducing key person dependency risk;
- Identified and delivered actions following a business-wide colleague wellbeing survey; and
- Expanded our graduate and apprenticeship programme, offering invaluable career development opportunities and building our talent pool for the future.

Group expectations for FY23 and direction

The Group is set to continue to support our colleagues and recognise the significant contribution that they play. Our focus will be on retaining colleagues by ensuring we continue to build on our employee offering and by providing opportunities for personal development. The Group will also continue to expand, and build upon, its diverse pool of talent in line with its ambitious growth plans.

Operational capacity (Operational Risk)

As part of our ambitious growth plan, we recognise that we need to upgrade our operational capability and the Group is embarking on a significant change programme to deliver this. This includes enhancing data management and control frameworks and focusing on the ability of our operations to service the business plan. This risk is also being considered in conjunction with the ongoing people and macroeconomic risks.

What we did in FY22

In response to operational risks faced in the year, the Group:

- Enhanced and developed our data strategy and roadmap;
- Continued to deliver change and transformation projects across the business to automate key manual processes;
- Agreed and defined business critical services and established a mapping and impact tolerance methodology. We have assessed the potential vulnerabilities associated with these services and identified areas to improve resilience;
- Modelled a downturn scenario and assessed the impact on operational plans including resourcing;
- Designed and implemented a change prioritisation model and enhanced resource planning processes;
- Designed, and obtained assurance over, a new change delivery methodology including governance arrangements and continuous learning mechanisms; and
- Reviewed and adapted controls to ensure compliance with the new UK-GDPR.

Group expectations for FY23 and direction

The Group will continue to successfully complete change and transformation projects that will enhance the business's operational capacity and resilience. This includes automating key processes and further maturing our data management processes. We will also focus on the realisation of the benefits arising from projects and utilise our new change prioritisation model to ensure change occurs at the right time. Finally, we will continue to deliver change projects that increase the responsiveness of our business platform to mitigate potential operational stresses brought on by macroeconomic changes.

Regulatory and conduct changes (Compliance Risk and Conduct Risk)

The Group pays close attention to changes in regulation as they have the potential to impact the way we do business. Failure to comply with changes in regulation could result in fines, reputational damage and the potential revocation of regulatory permissions. The FCA continues to look closely at those businesses in the non-standard lending sector.

What we did in FY22

In response to the continued focus on regulation and conduct in FY22, the Group:

- Developed a framework aimed at ensuring consistency of customer outcomes, which seeks to build on and enhance existing practices, policies and procedures;
- Assessed and enhanced the way that customer rates, and certain charges, are set and reviewed;
- Considered historical rates charged to certain customers, which includes continued engagement with the regulator following their thematic review in this area;
- Continued to progress remediation projects, primarily relating to forbearance and customer communications, in relation to redeemed customers; and
- Continued to maintain robust anti-money laundering controls and enhanced our new and ongoing financial crime customer risk assessment process.

Group expectations for FY23 and direction

The evolution of the regulatory environment continues to be a key area of focus for the Group, particularly given the increasing focus on the specialist lending sector. We continue to respond to any regulatory enquiries in a clear and transparent way and to monitor our own performance against regulatory standards and best practice.

The FCA finalised the rules relating to its new Consumer Duty in July 2022. The new Duty requires firms to focus on supporting and empowering customers whilst avoiding any foreseeable harm at every stage in the customer relationship. The FCA has also issued its 2022/23 Business Plan, setting out its future role and priorities. The key focuses, as outlined within the report, are reducing and preventing serious harm, setting and testing higher standards and promoting competition and positive changes.

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

Climate (Overarching Risk to be incorporated within the ERMF)

The focus on climate change, and its potential to impact on financial performance and risk management, has intensified throughout the year. The risks of climate change are likely to cause material disruption to the activities of the Group through the transition of the UK economy to lower carbon activities. There is also likely to be an impact arising from changes to regulation.

What we did in FY22

In relation to the increasing focus on climate change risk during FY22, the Group:

- Engaged a third party to develop an ESG approach following extensive communication with a range of stakeholders;
- Established an ESG Committee whose purpose is to support the Group Board and the Executive Committee in ensuring progress is made against the Group's ESG strategy; and
- Considered the impact of climate risk (both physical and transitional) in relation to existing identified material risks.

> For further details on the Group's activities during the year in relation to climate risk, see the Sustainability Report.

Group expectations for FY23 and direction

The Group will further enhance its understanding of climate risk and how it may impact the business model. Climate risk will be embedded across existing level one risk types within the ERMF, to ensure we remain within risk appetite in light of current and future climate-related risks.

We will also build upon the climate-related governance already in place and assess possible climate scenarios and their impact on our financial performance and position.

> For further detail on climate risk, please see our 'TCFD' disclosures within the Sustainability report.

Principal risks and uncertainties

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

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

Strategic risk

Credit risk

Financial risk: Liquidity and funding risk, Market risk and Capital risk

Operational risk

Conduct risk

Compliance risk

This section includes disclosures required by IFRS 7 and IFRS 9, which are subject to audit where noted, in respect of the Financial Statements.

Strategic risk

Further details on the Group's strategy can be found within the Strategic Review.

Definition	Management and mitigation	Direction of travel in FY22
Strategic risk is the risk of failure to achieve objectives that impact the long-term interest of stakeholders, or from an inability to adapt to the external environment.	• Regular Board oversight of the Group's strategy, including monitoring of financial and non-financial performance indicators and ensuring the alignment of objectives. • Developing succession planning, and continuing to focus on our colleagues. • Delivering the Group's modernisation and transformation agenda, to improve the customer journey and increase the operational efficiency of the business.	↑ Increased During the year, the Group refreshed its long-term strategic plan as well as communicating its updated purpose and vision, strategic objectives and beliefs. The Group has experienced strong performance in FY22 with significant growth in new lending. The Group continues to explore new technologies and methodologies for delivering change in order to meet its ambitious growth targets. Strategic risk has increased during the year as macroeconomic instability has continued, resulting in an increased risk that the Group may face challenges in executing its strategic plans.

The Group has made significant progress in developing its strategic objectives in relation to its environmental and social contribution. For further information see the Sustainability Report on page 52.

Credit risk

Definition	Management and mitigation	Direction of travel in FY22
Credit risk is the risk arising as a result of default by customers or counterparties due to failure to honour obligations when they fall due. The Group is exposed to changes in the economic position of its customers, which may adversely impact their ability to make loan repayments. The level of this risk is driven by macroeconomic factors as well as by factors relating to specific customers, such as a change in the borrowers' circumstances. Credit risk also arises if the value of assets used as security for loans falls in value, given this is the primary source of recourse should a borrower fail to repay amounts due.	• The Group's comprehensive underwriting procedures, which, as appropriate, have regard to creditworthiness, affordability levels, repayment strategies and LTV ratios. • Customer affordability models are utilised by the Group, and are tailored to the customer and loan type. The affordability models continue to consider factors such as the rising rate environment and increases in the cost of living. • Undertaking stress testing to model the impact of increased numbers of customers requiring support and other interventions, to allow appropriate resource and operational planning. • Monitoring of customer performance throughout the life of the loan, with regard to arrears, proactive collection strategies, or the application of forbearance measures. • Capturing additional data and establishing enhanced monitoring of the specific risks posed to the portfolio by the impacts of affordability and the rising cost of living. This has included accessing additional data, where appropriate, for example from credit reference agencies. • Performance of regular assessments of the sensitivity of the loan book to movements in macroeconomic factors. • Measuring and monitoring credit quality for impairment purposes using a suite of IFRS 9 models. Our detailed disclosures in respect of IFRS 9 credit modelling are included within notes 2, 3 and 12 to the Financial Statements.	Unchanged The Group continued to experience improvements in its credit indicators through the year as coronavirus restrictions were lifted. Following interest rate rises during the second half of the year, alongside rising levels of inflation, the Group continues to closely monitor customer affordability and levels of arrears. A rise in the level of arrears, due to cost of living pressures, could result in an uptick in defaults and a consequent increase in the Group's impairment charge. These macroeconomic changes are yet to be reflected in the credit risk profile but the Group continues to respond accordingly.

Maximum exposure to credit risk

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

Audited	Note	2022 £m	2021 £m
Included within the statement of financial position:			
Gross customer balances		5,357.1	4,132.4
Unsecured loans		–	0.2
Accounting adjustments		(23.5)	(16.3)
Gross loans and advances to customers	12	5,333.6	4,116.3
Less: allowance for impairment	12	(85.7)	(104.4)
Loans and advances to customers	12	5,247.9	4,011.9
Cash and cash equivalents	10	264.5	228.6
Derivative assets held for risk management	11	11.2	0.6
Amounts owed by related parties	13	1.3	0.4
Other debtors	13	1.0	0.7
		5,525.9	4,242.2
Not included within the statement of financial position:			
Commitments to lend (net of ECL)	28	219.1	106.0
Maximum exposure to credit risk		5,745.0	4,348.2

Cash and cash equivalents are primarily surplus cash placed overnight with institutions with sufficiently high credit ratings. The Group's material credit risk therefore relates to loans and advances to customers. The maximum exposure to credit risk increased to £5,745.0m during FY22, largely as a result of growth in the loan book.

An impairment allowance is held against the gross exposures on loans and advances to customers, measured on an expected credit loss (ECL) basis under IFRS 9. Further details on the Group's ECL methodology, and the movement in impairment losses through the year, are shown in notes 2 and 12 to the Financial Statements.

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

Collateral held

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

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

	2022 £m	2022 % of gross customer balances	2021 £m	2021 % of gross customer balances
60% or less	3,630.3	67.8	2,676.4	64.8
61 – 85%	1,625.3	30.3	1,328.3	32.1
86 – 100%	63.5	1.2	78.3	1.9
Greater than 100%	38.0	0.7	49.4	1.2
Gross customer balances	5,357.1	100.0	4,132.4	100.0

Of the gross customer balances at 30 June 2022, 98.1% (30 June 2021: 96.9%) of loans had an indexed LTV of less than or equal to 85%.

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

	2022 %	2021 %
Buy-to-let	64.5	62.3
Development	43.6	34.2
Unregulated bridging	60.8	60.8
Commercial term	58.4	57.9
Retail	56.7	52.2
Average weighted LTV	59.5	57.2

Concentration of credit risk

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

	2022 %	2021 %
East Anglia	4.3	4.5
East Midlands	4.0	3.9
Ireland	0.1	0.1
London	15.3	16.7
North East	1.6	1.6
North West	17.3	16.3
Scotland	5.2	4.8
South East	24.9	25.0
South West	6.3	7.4
Wales	3.7	3.4
West Midlands	9.8	9.3
Yorks & Humber	7.5	7.0
Gross customer balances	100.0	100.0

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

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

	2022 %	2021 %
Up to £50,000	6.8	9.5
£50,000–£100,000	13.8	15.5
£100,000–£250,000	24.6	23.4
£250,000–£500,000	16.6	16.3
£500,000–£1,000,000	11.2	10.5
£1,000,000–£2,500,000	12.1	11.5
More than £2,500,000	14.9	13.3
Gross customer balances	100.0	100.0

The proportion of the Group's gross customer balances in excess of £2.5m has shown a small increase compared to the prior year. Of these loans, 93.7% (30 June 2021: 89.0%) have an LTV of under 85% at 30 June 2021.

Forbearance

Forbearance occurs when a concession is made on the contractual terms of a loan or mortgage in response to a borrower's financial difficulties. Forbearance measures are to support the customer and are based on the individual's unique circumstances. In the Personal Finance division, this is offered in accordance with regulatory guidance. For those customers requiring additional assistance, the Group works with a number of not-for-profit agencies.

A range of forbearance options are available, including:

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

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

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

Financial Risk: Liquidity and Funding risk

Definition	Management and mitigation	Direction of travel
Liquidity risk is the risk that the Group is unable to access sufficiently liquid financial resources to meet the Group's financial obligations as they fall due.	• Regular stress testing, including on a forecast basis, to test the ability of the Group to meet its obligations under normal and stressed conditions which are modelled and monitored against a 150-day survival period. • Close monitoring of liquidity risk against limits, triggers, covenants and restrictions to ensure compliance and ensure early identification of any liquidity stress. • Forecasting of expected cash inflows and outflows, including the outstanding pipeline of loan offers, and monitoring of actual cash flows and the composition and quality of liquid resources. • Proactive refinancing of facilities well in advance of their contractual maturity dates and diversification of funding.	Liquidity risk: Unchanged Funding risk: Decreased The Group has successfully launched a number of new facilities in FY22 as well as completing a number of transactions to refinance existing borrowing facilities. This increased funding diversity partially mitigates increases in risk of funding a growing loan portfolio, meaning that in aggregate the level of this risk is unchanged. We continue to refinance existing facilities well in advance of their contractual maturity date. This ensures the protection of the business now and in the future.
Funding risk is the risk of being unable to access funding markets or to only be able to do so at excessive cost. This includes the risk of reduced funding options due to adverse conditions in the wholesale funding market, potentially caused by political and economic uncertainty, leading to the inability to secure additional funding for new business, or refinance existing facilities at an acceptable cost.	• Diversification of funding sources. • Maintenance of depth of maturity through regular new issuances and timely refinancing of existing sources of funding. • Monitoring individual funding maturity dates and maturity concentrations.	

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

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

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

During the period TAL has decreased to £406.9m at 30 June 2022 (2021: £453.3m), whilst cash balances have increased to £264.5m at 30 June 2022 (2021: £228.6m). Not all cash is accessible at any one time due to securitisation requirements and covenant restrictions, and so accessible cash, which is just one component of TAL, is lower than the total cash balance.

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

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

Audited 30 June 2021	Carrying value £m	Repayable on demand and up to 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
Loan notes	2,327.7	290.2	499.6	1,681.8	–	2,471.6
Senior secured notes	935.0	45.5	47.5	577.4	526.4	1,196.8
Obligations under finance leases	29.9	0.9	0.8	2.1	26.1	29.9
Subordinated shareholder loans	29.3	–	–	–	68.0	68.0
	3,321.9	336.6	547.9	2,261.3	620.5	3,766.3
Debt issue costs	(17.9)	–	–	–	–	–
Borrowings	3,304.0	336.6	547.9	2,261.3	620.5	3,766.3
Trade creditors	1.1	1.1	–	–	–	1.1
Other creditors	1.9	1.9	–	–	–	1.9
Commitments to lend	–	106.2	–	–	–	106.2
	3,307.0	445.8	547.9	2,261.3	620.5	3,875.5

The weighted average maturity of the Group's borrowings is 3.9 years at 30 June 2022 (30 June 2021: 2.6 years) and the Group has a strong track record of successful refinancing and raising new facilities.

The depth of maturity in the Group's existing debt facilities provides significant mitigation in respect of refinancing risk. Following the refinancing of the Lakeside Asset Backed Securitisation (ABS) facility, the earliest maturity of wholesale funding is the Highfield Asset Backed Securitisation (the drawn amount at 30 June 2022 of £118m representing 2.0% of the Group's available borrowing facilities), which is not due until September 2025. Following the redemption of the notes issued by Together ABS 1, the earliest call date on any of the Group's public securitisations is Together ABS 2 in November 2022. Further detail is set out in note 18 to the Financial Statements.

Financial Risk: Market risk

Definition	Management and mitigation	Direction of travel
Market risk is the risk arising from the Group's exposure to movements in market values, including movements in interest rates. The fact that the Group does not carry out proprietary trading or hold positions in assets or equities which are actively traded means the key market risk faced by the Group is interest rate risk, the risk of loss through mismatched asset and liability positions sensitive to changes in interest rates.	• Regular monitoring of interest rate risk exposure, including a forward-looking view which incorporates new business assumptions and expected redemptions and undertaking hedging transactions as appropriate. • Closely monitoring the impact of a range of possible interest rate changes on the Group's performance and strategy.	Increased The Group has continued to carefully manage its assets and liabilities following the rate rises over the year. However, rising interest rates during the year increased the Group's risk through an increase in the cost of funding. The Group is unable to pass these increases on immediately, resulting in a temporary mismatch with interest receipts. The Group will continue to monitor its options in order to mitigate its exposure to interest rate risk.

The table below sets out the impact on profit before tax of an immediate decrease and increase of 0.5% and 1.0% in interest rates, based on the interest rates prevalent at the year-end dates and before any mitigation or management actions.

	2022 £m	2021 £m
1.0% decrease	**(18.1)**	(18.1)
0.5% decrease	**(9.1)**	(9.0)
0.5% increase	**9.1**	9.0
1.0% increase	**18.1**	18.1

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

Note 11 to the Financial Statements details the Group's use of derivatives to mitigate interest rate risk.

Financial Risk: Capital risk

Definition	Management and mitigation	Direction of travel
Capital risk is the risk of failure to hold adequate capital buffers and to appropriately manage the Group's capital base to withstand the crystallisation of individual risks or a combined stress event. Given capital also comprises a material source of funding via subordination in bond and securitisation structures, insufficient capital also gives rise to funding and liquidity risk. Capital risk includes the risk of excessive gearing. Regulatory capital requirements must also be met at all times within certain of the Group's subsidiaries.	• Continuous monitoring of the required regulatory capital requirements with relevant subsidiaries and the actual levels projected. • Business planning and stress testing over a forecast horizon of 12-18 months. • Reviewing the level of gearing within securitisation facilities and within the Senior Borrower Group, and consistently managing these to ensure the Group has sufficient capital to support the facilities and to mitigate refinancing risk.	Unchanged The Group continues to closely monitor levels of capital against requirements and remains responsive to outcomes of stress testing. Gearing levels remained within appetite throughout the year.

Current and forecast levels of Group capital, including the gearing ratio, are monitored and reported to the Board on a regular basis. Total shareholder funds increased by £93.0m over the year (2021: £80.6m increase), which is net of dividends paid in the year of £48.8m. The net debt gearing ratio[1] has increased to 79.7% at 30 June 2022 (30 June 2021: 75.6%) as a result of a rise in debt to fund loan portfolio growth.

1. Refer to appendix for definitions and calculations.

Operational risk

Definition	Management and mitigation	Direction of travel
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes execution risk in relation to the performance of the Group's modernisation and transformation agenda, and risks relating to the transition from the ways of working implemented following the onset of the Covid-19 pandemic back to a sustainable, business as usual, approach.	• Regularly reviewing the top identified risks and the development of focused action plans to mitigate them. • Conducting root cause analysis to understand any incidents which do occur and implement appropriate responses. • Frameworks to recruit, train and retain sufficient skilled personnel. This includes succession planning and identification and mitigation of reliance on key individuals. • Utilising a Risk and Control Self-Assessment (RCSA) approach to identify, manage and monitor key operational risks, and the development of action plans to address these risks. • Specialist risk advice to and independent assurance over the delivery of change projects by the Group Risk department. • Investment in cyber risk prevention systems, resulting in a mature cyber security capability, including a dedicated cyber security team and market-leading detection tools.	↑ Increased The Group adopted an ambitious change agenda but has been successful in closely monitoring and managing the associated risks. An objective of the change agenda is to reduce operational risk through the reduction and removal of manual processes as well as minimising key person dependencies. We also remain responsive to ongoing changes in ways of working.

Conduct risk

Definition	Management and mitigation	Direction of travel
Conduct risk is the risk arising from business activities that fail to deliver appropriate and consistent outcomes to customers and other stakeholders. The risk can arise from the failure to define and embed an appropriate culture, colleague behaviours that are inconsistent with defined Group values, and from our business activities if they fail to deliver fair and appropriate outcomes to our customers. Failure to manage this risk sufficiently could result in reputational damage, regulatory sanction, remediation programmes, and impact the Group's operating model.	• Regular review of the effectiveness of our business activities and processes for their ability to deliver consistent fair customer outcomes. Recently, reviews have focused on vulnerable customers, those with increasing balances and products at higher interest rates. • Mobilising projects to enhance the approach to account management within the Personal Finance division, in order to improve the consistency of approaches to the management of both new and existing customers. • Performance of gap analyses against industry body and regulator guidance and good practice to identify continual improvements to business processes. • Identifying and supporting customers when things go wrong, for example, through application of forbearance tools and complaint handling. • Root cause analysis of complaints, claims or failings, focusing on continuous improvement aiming to identify where we could improve the outcome for customers.	Unchanged The Group continues to put good customer outcomes at the centre of its decision-making process. This has meant a number of projects, including reviewing our practices and policies, have taken place during FY22 which has resulted in the recognition of additional provisions of £0.6m (2021: £11.9m). We remained supportive of those customers impacted by Covid-19 and increases in the cost of living.

Where the Group identifies potential instances of activities that may have fallen short of the standards expected, a detailed assessment is carried out to understand the cause, impact and appropriate resolution, which may include remediation.

The Group is committed to delivering positive customer experiences and outcomes, and has progressed with remediation programmes where customers have been adversely affected by legacy issues. In addition, the Personal Finance division continues to assess its policies and procedures, and has developed a framework aimed at ensuring consistency of customer outcomes, which seeks to build upon and enhance existing practices, policies and procedures. A provision has been recognised to reflect that the Group may make payments to customer populations in scope upon finalisation of the framework.

> For more information, see note 19 of the Financial Statements on page 140.

Compliance risk

Definition	Management and mitigation	Direction of travel
Compliance risk is the risk arising from the failure to comply with existing or new legislation or regulations in the markets within which the Group operates. This includes the risk that the Group misinterprets regulation or legislation. This could include the risk of developing business practices and processes that do not adhere to, or are not in line with the spirit of, the law or regulations, leading to customer dissatisfaction or detriment, legal action against the Group and/or potentially fines from a regulator.	• Quality assurance reviews in operational areas with oversight provided by experienced risk and compliance departments. • Proactively engaging with the Group's regulators to provide transparency with regard to actions taken to ensure compliant outcomes for legacy customers. • Monitoring compliance with regulatory obligations by in-house Compliance, Financial Crime and Data Protection team through execution of a Board approved monitoring programme. • Monitoring of compliance with legal obligations by an in-house legal department. Regular meetings are held with operations personnel, the legal department and the compliance team to identify trends in potential legal claims and proactively make process improvements to improve customer outcomes. • Horizon scanning and impact assessments of potential regulatory and legal change. The compliance function monitors all regulatory developments, including the matters identified in the Group's operating plan, to allow for new guidance to be considered, and changes implemented where appropriate.	Unchanged The level of regulatory change continues to be high with significant focus on non-standard lending. However, the Group has the capabilities to respond and interacts with the regulator to take part in thematic reviews when required. The Group continues to manage its prudential risk and enhance its risk measurement and monitoring capability.

The Group is committed to delivering positive customer experience and outcomes, and has progressed with remediation programmes where customers have been adversely affected primarily as a result of legacy issues. This has included developing a framework to ensure that customer outcomes are consistent.

> For more information, see note 19 of the Financial Statements on page 140.

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

Opinion

We have audited the financial statements of Together Financial Services Limited (the 'Company' or 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2022 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity and the consolidated and company statement of cashflows and the related notes 1 to 31, including a summary of significant accounting policies and information in the Risk Management section of the annual report, marked as "audited". The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and, as regards the Parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the Group's and of the Parent Company's affairs as at 30 June 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for the period ending 16 September 2023, which is twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 80 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to Together Financial Services Limited and determined that the most significant are UK adopted International Accounting Standards, the Companies Act 2006, Financial Conduct Authority rules and regulations, and UK Tax Legislation.
- We understood how the Company is complying with those frameworks by making enquiries of management, internal audit, legal counsel, those charged with governance, and reviewing relevant committee minutes and board reports. We enquired as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by considering the controls that the Company has established to address risks identified by the Company, or that otherwise seek to prevent, deter or detect fraud, or that otherwise seek to prevent, deter or detect fraud. We considered the risk of fraud through inappropriate journal postings and the risk of fraud in key areas of estimation, notably expected credit loss provisions, conduct and legal provisions, and revenue recognition relating to effective interest rate accounting.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquires of management and internal audit for their awareness of any known instances of non-compliance or suspected non-compliance with laws and regulations, reviewing key policies and correspondence exchanged with the Company's regulators. We performed journal entry testing, with a focus on post-closing adjustments and those considered to be at a heightened risk of fraud based on our understanding of the business and incorporated unpredictability into the nature, timing, and extent of our testing. In addition, we designed specific audit procedures to address the risk of fraud in key areas of estimation, including challenging the assumptions and judgements made by management, with the support of auditor's specialists where applicable.
- The Company operates in the financial services industry, which is a highly regulated environment. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

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

Use of our report

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

Ernst & Young LLP

Stephen Littler
(Senior Statutory Auditor)

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

16 September 2022

Consolidated statement of comprehensive income

Year ended 30 June 2022

All amounts are stated in £m

Income statement	Note	2022	2021
Interest receivable and similar income	4	393.4	370.9
Interest payable and similar charges	5	(138.6)	(123.5)
Net interest income		254.8	247.4
Fee and commission income		5.2	4.2
Fee and commission expense		(3.0)	(1.8)
Net fair-value (losses)/gains on derivatives	11	(0.3)	1.1
Other income		0.6	1.7
Operating income		257.3	252.6
Administrative expenses	6	(101.5)	(86.2)
Operating profit		155.8	166.4
Impairment losses	12	(4.3)	(16.1)
Profit before taxation		151.5	150.3
Income tax	9	(26.5)	(19.2)
Profit after taxation		125.0	131.1

Other comprehensive income and expense	Note	2022	2021
Items that may be reclassified to the income statement			
Movement in the cash flow hedging reserve:			
Effective portion of changes in fair value of derivatives	11	11.3	1.3
Amounts reclassified to income statement		0.8	0.3
		12.1	1.6
Movement in the cost-of-hedging reserve:			
Effective portion of changes in fair value of derivatives	11	–	(0.5)
Amounts reclassified to income statement		0.5	0.2
		0.5	(0.3)
Other comprehensive income for the year, net of tax		12.6	1.3
Total comprehensive income for the year		137.6	132.4

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

Consolidated statement of financial position

As at 30 June 2022

All amounts are stated in £m

	Note	2022	2021
Assets			
Cash and cash equivalents	10	**264.5**	228.6
Derivative assets held for risk management	11	**11.2**	0.6
Loans and advances to customers	12	**5,247.9**	4,011.9
Other assets	13	**7.5**	6.3
Property, plant and equipment	15	**33.3**	31.6
Intangible assets	16	**7.1**	7.0
Deferred tax asset	17	**8.8**	11.0
Total assets		**5,580.3**	4,297.0
Liabilities			
Derivative liabilities held for risk management	11	**–**	1.2
Current tax liabilities		**1.7**	1.9
Borrowings	18	**4,482.8**	3,304.0
Provisions for liabilities and charges	19	**20.3**	25.1
Other liabilities	20	**76.9**	57.1
Total liabilities		**4,581.7**	3,389.3
Equity			
Share capital	21	**9.8**	9.8
Subordinated-shareholder-funding reserve	18	**36.6**	38.7
Cash flow hedging reserve		**11.0**	(1.1)
Cost-of-hedging reserve		**0.1**	(0.4)
Other reserves		**12.7**	10.6
Retained earnings		**928.4**	850.1
Total equity		**998.6**	907.7
Total equity and liabilities		**5,580.3**	4,297.0

These financial statements were approved and authorised for issue by the Board of Directors on 16 September 2022.

Company Registration No. 02939389.

Signed on behalf of the Board of Directors

HN Moser
Director

G Grimes
Director

Company statement of financial position

As at 30 June 2022

All amounts are stated in £m

	Note	2022	2021
Assets			
Cash and cash equivalents		30.7	37.3
Amounts owed by related parties	13	1,467.6	1,393.8
Other assets	13	5.3	4.5
Investments in subsidiaries	14	35.5	25.3
Property, plant and equipment	15	32.8	31.6
Intangibles	16	7.1	7.0
Deferred tax asset	17	1.4	1.3
Total assets		1,580.4	1,500.8
Liabilities			
Borrowings	18	61.0	59.0
Current tax liability		0.6	–
Amounts owed to related parties	20	1,080.6	955.6
Other liabilities	20	47.7	28.0
Total liabilities		1,189.9	1,042.6
Equity			
Share capital	21	9.8	9.8
Subordinated-shareholder-funding reserve	18	36.6	38.7
Other reserves		22.3	20.2
Retained earnings		321.8	389.5
Total equity		390.5	458.2
Total equity and liabilities		1,580.4	1,500.8

Together Financial Services Limited (the Company) reported a loss after tax for the year ended 30 June 2022 of £21.0m (2021: £1.8m loss).
As permitted by section 408 of the Companies Act 2006, no separate statement of comprehensive income is presented in respect of the Company.

These financial statements were approved and authorised for issue by the Board of Directors on 16 September 2022.

Company Registration No. 02939389.

Signed on behalf of the Board of Directors

HN Moser
Director

G Grimes
Director

Consolidated statement of changes in equity

Year ended 30 June 2022

All amounts are stated in £m

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

2021	Called-up share capital	Subordinated-shareholder-funding reserve	Cash flow-hedging reserve	Cost-of-hedging reserve	Other reserves	Retained earnings	Total
At beginning of year	9.8	39.7	(2.7)	(0.1)	10.6	770.7	828.0
Total comprehensive income	–	–	1.6	(0.3)	–	131.1	132.4
Modification of subordinated debt	–	1.0	–	–	–	(1.0)	–
Transfer between reserves	–	(2.0)	–	–	–	2.0	–
Dividend paid	–	–	–	–	–	(52.7)	(52.7)
At end of year	9.8	38.7	(1.1)	(0.4)	10.6	850.1	907.7

Other reserves consist of the following:

	Share premium	Merger reserve	Capital redemption reserve	Treasury share reserve	Share-based payment reserve	Total
As at 30 June 2022	**17.5**	**(9.6)**	**1.3**	**(2.6)**	**6.1**	**12.7**
As at 30 June 2021	17.5	(9.6)	1.3	(0.2)	1.6	10.6

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

In the financial statements for the previous year, the capital redemption reserve was stated net of a £0.2m debit reserve for treasury shares.

Company statement of changes in equity

Year ended 30 June 2022

All amounts are stated in £m

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

2021	Called-up share capital	Subordinated-shareholder-funding reserve	Other reserves	Retained earnings	Total
At beginning of year	9.8	39.7	20.2	443.0	512.7
Loss for the financial year	–	–	–	(1.8)	(1.8)
Modification of subordinated debt	–	1.0	–	(1.0)	–
Transfer between reserves	–	(2.0)	–	2.0	–
Dividend	–	–	–	(52.7)	(52.7)
At end of year	9.8	38.7	20.2	389.5	458.2

Other reserves consist of the following:

	Share premium	**Capital redemption reserve**	**Treasury share reserve**	**Share-based payment reserve**	**Total**
As at 30 June 2022	**17.5**	**1.3**	**(2.6)**	**6.1**	**22.3**
As at 30 June 2021	17.5	1.3	(0.2)	1.6	20.2

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

In the financial statements for the previous year, the capital redemption reserve was stated net of a £0.2m debit reserve for treasury shares.

Consolidated statement of cash flows

Year ended 30 June 2022

All amounts are stated in £m

	Note	2022	2021
Cash flows from operating activities			
Profit after tax		125.0	131.1
Adjustment for non-cash items included in profit after tax	23	(210.1)	(193.9)
Changes in operating assets and liabilities	23	(1,232.7)	126.4
Interest income		393.4	370.9
Income tax paid		(24.5)	(17.4)
Net cash inflow/(outflow) from operating activities		(948.9)	417.1
Cash flows from investing activities			
Cash paid on purchase of property, plant and equipment		(3.3)	(0.6)
Investment in intangible assets		(3.2)	(2.0)
Proceeds from disposal of property, plant and equipment		–	0.2
Net cash outflow from investing activities		(6.5)	(2.4)
Cash flows from financing activities			
Drawdown of loan notes		1,292.4	35.0
Repayment of loan notes		(1,787.7)	(1,233.1)
Proceeds from issuance of loan notes		1,559.5	795.9
Repayment of senior secured notes		–	(350.0)
Proceeds from issuance of senior secured notes		120.4	500.0
Net cash outflows from bank facilities		–	(10.0)
Interest paid		(138.8)	(120.9)
Dividends paid		(48.8)	(52.7)
Purchase of shares		(2.4)	–
Purchase and cancellation of derivatives		(0.6)	(0.6)
Principal elements of lease liability payments		(1.2)	(1.6)
Interest paid on lease liabilities		(1.5)	(0.6)
Net cash (outflow)/inflow from financing activities		991.3	(438.6)
Net (decrease)/increase in cash and cash equivalents		35.9	(23.9)
Cash and cash equivalents at beginning of year		228.6	252.5
Cash and cash equivalents at end of year	10	264.5	228.6

At 30 June 2022 cash and cash equivalents include £200.2m (2021: £148.7m) of restricted cash (see note 10).

Company statement of cash flows

Year ended 30 June 2022

All amounts are stated in £m

	Note	2022	2021
Cash flows from operating activities			
Loss after tax		(21.0)	(1.8)
Adjustment for non-cash items included in profit after tax	23	58.4	59.9
Changes in operating assets and liabilities	23	77.1	(9.5)
Tax received		1.2	–
Net cash inflow from operating activities		115.7	48.6
Cash flows from investing activities			
Purchase of intangible assets		(3.2)	(0.4)
Contribution to investments		(10.2)	–
Cash paid to acquire property, plant and equipment		(3.5)	(0.4)
Net cash outflow from investing activities		(16.9)	(0.8)
Cash flows from financing activities			
Net cash outflows from bank facilities		–	(10.0)
Interest paid		(56.6)	(59.9)
Dividends paid		(48.8)	(52.7)
Net cash outflow from financing activities		(105.4)	(122.6)
Net decrease in cash and cash equivalents		(6.6)	(74.8)
Cash and cash equivalents at beginning of year		37.3	112.1
Cash and cash equivalents at end of year		30.7	37.3
Additional information on operational cash flows from interest and dividends			
Dividend received		10.0	–

Notes to the financial statements

1. Reporting entity and general information

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

2. Significant accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with UK adopted international accounting standards.

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

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

These financial statements have been prepared on the historical cost basis, except for derivative financial instruments and other long-term employee benefits which are stated at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Presentation of risk disclosures

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

Going concern

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

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

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

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

Funding

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

The Group has retained access to wholesale-funding markets throughout the market disruption during the past several years, which has allowed the continuation of the existing strategy of refinancing facilities in advance of their contractual maturities. This is just one example of risk factors which have been considered as part of scenario planning, but have not so far crystallised into significant adverse effects on the Group's business.

A key risk associated with wholesale funding is refinancing risk, where the Group has a proven track record of successfully refinancing borrowings. The depth of maturity in the Group's existing debt facilities provides significant mitigation in respect of refinancing risk. Following the refinancing of the Lakeside Asset Backed Securitisation facility, the earliest maturity of wholesale funding is the Brooks Asset Backed Securitisation facility (the amount drawn at the reporting date representing 1% of the Group's borrowings) in July 2025. The earliest call date on our public securitisation is the Together Asset Backed Securitisation 2 facility (representing 2% of the Group's borrowings) in November 2022.

To mitigate refinancing risk, the Group has demonstrated an ability to access the wholesale funding markets on multiple occasions during the year as shown within note 18.

Liquidity

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

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

In the event that waivers or amendments are required but not agreed, and existing covenants are breached (and the breach is not rectified by using headroom in other facilities or through other remedies within a defined cure period), then the noteholders of the private securitisation facilities have the option to call a default of the facility.

If a facility defaults, then the cash inflows from the securitised asset pool for each facility are used to repay the interest and principal of the most senior loan notes, with deferred consideration and any interest payment of the subordinated notes due to the originators deferred until such time as all the liabilities ranking more senior are repaid in full. This would delay and potentially reduce cash inflows ordinarily flowing to the Senior Borrower Group as excess spread from each of the securitisations.

The risk of lower levels of cash inflows from redemptions can be mitigated by increasing the amount of liquid resources held as cash. Total cash balances remain at elevated levels compared with before the pandemic, at £264.5m at 31 June 2022 (30 June 2021: £228.6m), of which £64.3m is unrestricted cash (30 June 2021: £79.9m) as shown in note 10.

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

Stress testing

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

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

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

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

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

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

The directors are satisfied that the Company and the Group have adequate resources to continue in operation for the going-concern assessment period ending 16 September 2023, which is 12 months from the date of signing this report.

Basis of consolidation

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

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

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

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

Goodwill

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

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

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

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

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

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

Operating segments

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

Interest income and expense

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

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

Fee and commission income and expense

Fees and commissions which are an integral part of the effective interest rate of a financial instrument eg procuration fees paid to introducers are recognised as an adjustment to the contractual interest rate and recorded in interest income.

Fees and commissions which are not considered integral to the effective interest rate are generally recognised on an accruals basis when the service has been provided. These items primarily consist of legal and valuation fees, and credit-search fees.

Leases

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

The Group as a lessee

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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses the interest rate implicit in the lease.

The lease liability is measured at amortised cost using the interest rate implicit in the lease or the incremental borrowing rate. It is remeasured when there is:

- a change in future lease payments arising from a change in an index or rate
- a change in the Group's estimate of the amount expected to be payable under a residual value guarantee
- if the Group changes its assessment of whether it will exercise a purchase, extension or termination option
- a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Rentals received under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Pension benefits

During the period the Group operated a defined contribution scheme and made contributions to employees' personal pension plans.

The amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year to Group pension plans and personal pension schemes. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Share-based payments

The Group has granted options to senior management under an equity-settled scheme.

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

In the Company's financial statements the grant by the parent of options over its equity instruments to the employees of subsidiary undertakings is treated as an investment in subsidiaries. The fair value of services received, measured by reference to the fair value at the date of grant, is recognised over the vesting period as an increase in investments in subsidiary undertakings, with a corresponding credit to the share-based payment reserve within equity.

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

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of the assets and liabilities in the financial statements and the corresponding amounts used for taxation purposes, and is accounted for using the balance sheet liability method. Deferred tax assets and liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

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

Cash and cash equivalents

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

Where cash is not freely available for the Group to use for its general purposes, it is disclosed as restricted cash; this includes cash collected in the securitisation vehicles prior to paying down loan notes.

Financial assets and liabilities

Financial assets

All of the Group's financial assets are initially recognised at fair value plus any directly attributable transaction costs.

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

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

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

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

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

Financial liabilities

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

Financial liabilities are derecognised when their contractual obligations are discharged, cancelled or have expired. An exchange of financial liabilities with substantially different terms or a substantial modification to the terms of an existing financial liability is treated as an extinguishment of the original liability and the recognition of a new one. It is assumed that terms are substantially different if the discounted present value of the cash flows under the new terms is at least 10% different from the discounted present value of the remaining cash flows of the original liability. All gains or losses on non-substantial modifications, calculated as a change in the net present value of future cash flows using the original effective interest rate, are recognised immediately in the income statement. The Group may also consider qualitative factors in determining whether a modification is substantial.

Impairment of financial instruments

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

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

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

For certain of the Group's subsidiaries which engage in regulated lending, these criteria are aligned to the regulatory definition of credit impaired.

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

Besides instruments that become credit impaired on entering default, lifetime ECLs are also used for any that are credit impaired on origination.

If, due to the financial difficulties of the borrower, the terms of a financial asset are renegotiated or modified, or the asset is replaced with a new one, then an assessment is made of whether the asset should be derecognised. A loan to a borrower granted such concessions due to forbearance is evaluated to determine whether it is considered to be credit impaired or to have experienced a significant increase in credit risk. If this is the case a loss allowance will be recognised equivalent to the full lifetime ECL. If there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment, the loss allowance on the new asset will generally be based on a 12-month ECL.

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

Loans are written off when the Group expects no further recovery and the amount of the loss has been determined. For accounts which are in a shortfall position, this is judged to occur when an account is fully provided against, and no payments have been received for six consecutive months. The Group may continue to apply enforcement activities for loans written off and any subsequent recoveries are recognised as impairment gains in the income statement.

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

Derivatives held for risk-management purposes and hedge accounting

The Group has accounted for derivative instruments in accordance with IFRS 9.

The Group does not hold derivative financial instruments for trading but may enter into contracts for derivatives to manage exposure to interest-rate risk.

Derivatives are initially recognised at fair value at the date the contract is entered into and subsequently measured at fair value. The timing of recognition of any resulting gain or loss on the derivative depends on the nature of the hedging relationship. The Group will designate such derivatives as hedging instruments of the fair value of recognised assets or liabilities or of future cash flows.

At inception, the Group documents the relationship between the hedging instrument and the hedged item along with its risk-management objectives and strategy. At inception and afterwards on a continuing basis, the Group assesses whether the hedging instrument is effective in offsetting changes in the fair value or cash flows of the hedged item attributable to the hedged risk. Any ineffective portion of changes in fair value of the derivative is recognised immediately in the income statement.

If a hedging relationship ceases to meet the hedge-effectiveness requirements but the risk-management objective remains the same, the Group adjusts the hedge, ie it rebalances the relationship, so that it again meets the qualifying criteria. Hedge accounting is discontinued only for that part of the hedged item or hedging instrument that is no longer part of the relationship.

In hedge relationships involving options, the Group designates only the option's intrinsic value. In such cases the time-value component of the option's fair value is deferred in other comprehensive income, as a cost of hedging, over the term of the hedge to the extent that it relates to the hedged item. The hedged items so designated by the Group are related to time periods, and the amount of the original time value of the option that relates to the hedged item is amortised from equity to the income statement, within other net income, on a straight-line basis over the term of the hedging relationship.

The Group has no fair-value hedges. The effective portion of changes in the fair value of derivatives designated as cash flow hedges is recognised through other comprehensive income in the cash flow hedging reserve. Amounts so recognised are reclassified to the income statement in the periods when the cash flows of the hedged item affect the income statement and in the same line of the income statement as those cash flows.

The Group discontinues hedge accounting when the derivative is terminated or when the hedging relationship ceases to meet the qualifying criteria. Any cumulative amount existing in equity at that time remains until the hedged cash flows affect the income statement when it is reclassified to the income statement.

Securitisation

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

SPEs used to raise funds through securitisation transactions are consolidated into the Group's operations in accordance with IFRS 10 *Consolidated Financial Statements* as if they were wholly-owned subsidiaries. Financial assets transferred to SPEs under securitisation agreements are not derecognised by the Group because it retains the risks and rewards of ownership, and all financial assets and liabilities related to the SPE continue to be held on the Group's consolidated statement of financial position.

Inventories

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

During the year, the Group reclassified £0.5m worth of inventories to property, plant and equipment.

Investments

Fixed asset investments are stated at cost less provision for impairment.

Intragroup transactions

Transfers of assets and liabilities between the Company and its subsidiaries occur at book value.

In order to simplify the Group's arrangements, a decision was made during the previous year to transfer staff and certain specific assets and liabilities from one of the Group's subsidiaries to the Company. The assets and liabilities transferred include prepayments, fixed assets and certain accruals and was settled through an intercompany loan.

Property, plant and equipment

Property, plant and equipment are shown at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Land and buildings	Buildings over 50 years, straight-line; land not depreciated
Fixtures and fittings	10-15 years straight-line on cost
Motor vehicles	25% reducing balance
Computer equipment	3-5 years straight-line on cost

All items of property, plant and equipment are reviewed for indications of impairment on a regular basis and at each reporting date. If impairment is indicated, the asset's recoverable amount (being the greater of fair value less cost to sell and value in use) is estimated. Value in use is calculated by discounting the future cash flows generated from the continuing use of the asset. If the carrying value of the asset is more than the recoverable amount, an impairment charge is recognised in the income statement.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item, and are recognised net within administrative expenses in the income statement.

Intangible assets

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment allowances. The estimated useful life of three to five years is reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets consist wholly of expenditure relating to computer software incurred in respect of individual projects and are capitalised only if all of the following conditions are met:

- an intangible asset is created that can be separately identified;
- it is probable that the intangible asset created will generate future economic benefits; and
- the development cost of the intangible asset can be measured reliably.

This type of expenditure is amortised on a straight-line basis over the expected useful life of the asset.

Where the above conditions for capitalisation are not met, development expenditure is recognised as an expense in the period in which it is incurred.

All intangible assets are reviewed for indications of impairment at least annually. If impairment is indicated, the asset's recoverable amount (being the greater of fair value less cost to sell and value in use) is estimated. Value in use is calculated by discounting the future cash flows generated from the continuing use of the asset. If the carrying value of the asset is more than the recoverable amount, an impairment charge is recognised in the income statement.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation as a result of a past event, which is reliably measurable and where it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the amount required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Where provisions are recognised in relation to live loans, they may be settled by the application of credits to customer accounts. Where this is the case, it is the Group's accounting policy to recognise a provision for the expected settlement amounts. At the point of application, the provision is utilised and the corresponding adjustment applied within loans and advances to customers.

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

New and revised standards, amendments and interpretations not yet effective

The International Accounting Standards Board has issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments Disclosures* relating to market reforms of benchmark interest rates. The reforms result in transitioning from interbank offered rates (IBORs) such as Libor to alternative benchmark interest rates (also referred to as near-risk-free rates or RFRs). In the UK, the Bank of England has determined that the reformed sterling overnight index average (Sonia) is the RFR that generally replaces sterling Libor.

Phase 1 ('*Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7*') of the IASB's amendments was mandatory for annual reporting periods beginning on or after 1 January 2020 and adopted in the Group's results for the year ended 30 June 2021.

Phase 2 ('*Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39, IFRS 4, IFRS 7 and IFRS 16*') of the amendments is effective for reporting periods beginning on or after 1 January 2021 and was adopted by the Group for the year ended 30 June 2022. Phase 2 enables entities to reflect the effects of transitioning to RFRs without giving rise to accounting impacts that would not provide useful information to users of financial statements.

The application of the Phase 2 amendments impacts the Group's accounting as follows:

- Changes to the basis for determining contractual cash flows as a result of the reforms are required, as a practical expedient, to be treated prospectively as changes to a floating interest rate, rather than as a contractual modification. This applies only provided that, for the financial instrument, the transition from the IBOR benchmark rate to the new RFR takes place on an economically equivalent basis.
- Phase 2 provides temporary reliefs that allow the Group's hedging relationships to continue upon the replacement of an existing interest-rate benchmark with a new RFR. The reliefs require the Group to amend hedge designations and hedge documentation to reference the new rate and amend the method for assessing hedge effectiveness. Updates to hedge documentation must be made by the end of the reporting period in which a replacement takes place.
- If the hedged item is modified due to the reforms, the cumulative gain or loss in the cash flow hedging and cost-of-hedging reserves for designated cash flow hedges and for discontinued hedging relationships is deemed to be based on the new RFR.

The amendments also require further new disclosures of the nature and extent of the risks arising from the reforms, how the entity is managing the risks and transition, and progress made.

Note 29 sets out the financial disclosures.

A number of other new or revised standards issued by the International Accounting Standards Board have not yet come into effect. None of these are expected to have a material impact on the Group's financial statements.

3. Significant accounting judgements and key sources of estimation uncertainty

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

Significant judgements in applying the Group's accounting policies

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

a) Loan impairment allowance

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

- The incorporation of forward-looking information in the measurement of expected credit losses (ECL), in particular the economic variables driving credit risk and the number and relative weightings of the scenarios used;
- Determining the criteria for a significant increase in credit risk and indicators of credit impairment; and
- Determining where there is requirement for post model adjustment and determining inputs for the calculation of ECL where there is such a requirement.

Further detail on the judgements in respect of the measurement of ECL and sensitivities thereon is set out in note 12 to the Financial Statements.

b) Provisions and contingent liabilities

There is considerable judgement required to estimate provisions and to provide useful information concerning the nature of the uncertainty contained within these estimates, including the disclosure of a range of possible impacts. There is also judgement required in determining whether contingent liability disclosures are required. Further disclosures in respect of this can be found in note 19 to the Financial Statements.

The following key judgement does not give rise to a significant risk of material adjustment in carrying amounts of the Group's assets and liabilities in the next financial year, but does represent a significant judgement taken during the period.

c) Modifications of financial liabilities

The Group, from time to time, conducts refinancing of its wholesale funding facilities, which results in amendments to the contractual terms, in particular when refinancing private warehouse facilities. Depending on the facts and circumstances the assessment can be straightforward and in other cases significant judgement may be required to determine whether the amendments constitute a substantial or non-substantial contractual modification under IFRS 9. This can require the calculation of the change in the carrying value of the facility implied by the new contractual terms, which requires judgement to be applied in forecasting the amounts and timings of future cash flows in order to determine if the modification meets the 10% threshold, which would result in a substantial modification and therefore de-recognition of the existing instrument.

In addition, qualitative factors applied in accordance with our accounting policies require consideration, and significant judgement is required to determine which factors are indicative that a substantial modification has occurred. Further disclosure in respect of these judgements can be found in note 18 to the Financial Statements.

Key sources of estimation uncertainty

a) Loan impairment allowance
The Group utilises macroeconomic forecasts and the other assumptions and estimates necessary for the calculation of ECL. Further detail on these estimates and assumptions and sensitivities thereon is set out in note 12 to the Financial Statements.

b) Provisions and contingent liabilities
The calculation of the Group's provisions contains significant estimation uncertainty. Further disclosures in respect of this can be found in note 19 to the Financial Statements.

c) Interest income recognition
Interest income is recognised using the effective interest rate ('EIR') method. The EIR of a financial instrument is the rate which exactly discounts the estimated future cash flows of the instrument to its carrying amount. In calculating the EIR, all contractual terms of the financial instrument are taken account of, including transaction costs and other premiums or discounts, but not expected credit losses.

The estimation of future cash flows requires the Group to estimate the expected behavioural lives of groups of assets. The Group utilises models which draw upon the Group's actual historical experience, however there is estimation uncertainty to the extent that future performance may not mirror that of the past.

Climate-related matters

In making the judgements and estimates required for preparation of these financial statements, the directors have had regard to the potential impacts of climate-related factors. For the current reporting period, it has been judged that no material adjustment to the judgements or methods of estimation is required to reflect the potential impacts of climate related matters, based upon the information available at the balance sheet date. For further information, please refer to the Sustainability Report on page 52.

4. Interest receivable and similar income

	2022	2021
Interest on loans and advances to customers	393.4	370.9

Included within interest on loans and advances to customers is £11.4m (2021: £12.1m) relating to credit impaired loans.

5. Interest payable and similar charges

	Note	2022	2021
On borrowings		**136.3**	121.5
On lease liabilities	25	**1.5**	0.6
On derivatives in qualifying and discontinued hedging relationships		**0.8**	1.4
		138.6	123.5

In the prior year, interest payable on borrowings included a call penalty of £5.4m, the release of the issue premium of £0.7m and the write-off of deferred upfront fees of £1.2m as a result of early refinancing of the 2024 senior secured notes. It was also net of a modification gain of £1.0m arising on the extension in January 2021 of the maturity date of £25.1m of interest-free subordinated shareholder loans. There are no similar costs within the current financial year.

6. Administrative expenses

	Note	2022	2021
Staff costs	7	**69.2**	53.8
Auditor's remuneration	8	**1.0**	0.6
Depreciation of property, plant and equipment	15	**2.3**	2.2
Amortisation of intangible assets	16	**3.0**	3.1
Provisions for liabilities and charges	19	**0.6**	11.9
Legal and professional costs		**6.1**	2.3
IT costs		**6.2**	5.2
Other administrative costs		**13.1**	7.1
		101.5	86.2

Included within staff costs is £9.1m of expenditure relating to the Group's strategic options review, including a £4.5m charge for share-based payments. Legal and professional costs includes expenditure of £3.3m also relating to the strategic options review. There is also a one-off customer redress release of £1.2m included within provisions for liabilities and charges. The costs and release above have been adjusted for in the calculation of underlying metrics within the Alternative Performance Measures.

There were no material gains or losses on the disposal of property, plant and equipment (2021: £nil).

7. Staff costs

The average monthly number of employees, including executive directors, was:

Management and administration	2022 No.	2021 No.
Full time	**618**	557
Part time	**54**	52
	672	609

The aggregate remuneration of staff and executive directors was as follows:

Staff remuneration	Note	2022	2021
Wages and salaries		**49.8**	36.3
Social security costs		**5.3**	3.8
Pension	26	**1.6**	1.3
		56.7	41.4

Directors' remuneration	Note	2022	2021
Emoluments		**12.5**	12.4
Company contribution to personal pension schemes	26	**–**	–
		12.5	12.4
Total staff costs		**69.2**	53.8

The emoluments of the highest paid director were £4.1m (2021: £3.9m) including £nil (2021: £nil) of Company contributions to a defined contribution pension scheme for any directors. Details of the pension arrangements operated by the Group are given in note 26.

During the previous year, the employees of the Group were transferred from a subsidiary to the Company pursuant to the Transfer of Undertakings (Protection of Employment) ('TUPE') regulations. Directors' emoluments and wages and salaries are now borne by the Company and are recharged to subsidiaries in line with approved methodologies.

8. Auditor's remuneration

	2022	2021
Fees payable for the audit of the Company's accounts	**0.1**	0.1
Fees payable for the audit of the Company's subsidiaries	**0.6**	0.3
Audit-related assurance services	**0.2**	0.1
Other assurance services	**0.1**	0.1
	1.0	0.6

9. Income tax

	2022	2021
Current tax		
Corporation tax	**24.2**	22.1
Adjustment in respect of prior years	**0.1**	0.5
	24.3	22.6
Deferred tax		
Origination and reversal of temporary differences	**1.8**	(0.4)
Adjustment in respect of prior years	**0.4**	(1.3)
Effect of tax rates	**–**	(1.7)
	2.2	(3.4)
Total tax on profit	**26.5**	19.2

Corporation tax is calculated at 19.0% (2021: 19.0%) of the estimated taxable profit for the year.

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

	2022	2021
Profit before tax	**151.5**	150.3
Tax on profit at standard UK corporation tax rate of 19.0% (2021: 19.0%)	**28.8**	28.6
Effects of:		
Expenses not deductible for tax purposes	**1.7**	0.1
Income not taxable	**–**	(0.2)
Group relief*	**(5.3)**	(6.8)
Adjustment in respect of prior years	**0.5**	(0.8)
Changes in tax rate	**–**	(1.7)
Section 455 charge	**0.8**	–
Group tax charge for year	**26.5**	19.2

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

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Group's future current tax charge accordingly. The net deferred tax asset at 30 June 2022 has been calculated using these rates, to reflect the expected timing of reversal of the related temporary differences, resulting in a £nil (2021: £1.7m) increase in the value of the net deferred tax asset.

10. Cash and cash equivalents

	2022	2021
Unrestricted cash	64.3	79.9
Restricted cash	200.2	148.7
Total cash and cash equivalents	264.5	228.6

Restricted cash is held in securitisation vehicles for use in managing the Group's securitisation facilities. It is ring-fenced under the terms of the securitisation agreements and is not readily available. Within restricted cash, £31.8m (2021: £39.7m) represents amounts that could be accessed by the Group, for example by allocating additional eligible assets into the private securitisations. The balance of restricted cash represents amounts which are held within the securitisations for other purposes and may be accessible in future, such as cash reserves or amounts paid over as deferred consideration.

All cash and cash equivalents held by the Group are denominated in pounds sterling.

11. Derivatives held for risk management

The Group applies hedge accounting for its strategy of cash flow hedging the interest-rate risk on floating-rate liabilities in certain of its securitisation vehicles. These liabilities fund portfolios of mortgage assets, some of which pay fixed rates of interest, and to address the resultant risk of mismatches in the cash flows, the securitisation vehicles may enter into interest-rate swaps (which may include floors) or purchase interest-rate caps. The notional amounts of these derivatives are designated against a proportion of floating-rate notes funding fixed-rate mortgages, and decline over time in line with the expected repayment of the mortgages.

The effectiveness of this strategy is assessed by comparing the changes in fair value of the interest-rate derivatives with changes in the fair value of the hedged floating-rate notes and uses the hypothetical-derivative method.

The Group establishes the hedging ratio by matching the notional amount of the derivative with the corresponding floating-rate notes. In these hedging relationships, the main potential sources of ineffectiveness are:

- Repayment of the notes faster than the decline in the notional amount of the derivative
- For interest-rate swaps, the inclusion of transaction costs in the fixed-rate leg
- Changes in the credit risk of either party
- Differences in the expected maturity of the hedged item and the hedging instrument

The following table analyses derivatives held for risk-management purposes by type of instrument:

	30 June 2022		30 June 2021	
	Assets	Liabilities	Assets	Liabilities
Interest-rate swaps and floors	10.9	–	0.6	(1.2)
Interest-rate caps	0.3	–	–	–
Derivatives designated in cash flow hedges	11.2	–	0.6	(1.2)

All derivatives mature in under five years. The average fixed interest rate on swaps is 1.43%. The average strike rate on caps is 2.5%.

The following tables set out details of the exposures hedged by the Group:

			Debit/(credit) balance	
Year ended 30 June 2022	**Carrying amount of liabilities**	**Changes in fair value for calculating hedge ineffectiveness**	**Cash flow-hedging reserve**	**Cost-of-hedging reserve**
Borrowings hedged by interest-rate swaps and floors				
Continuing hedging relationships	454.6	10.1	(11.0)	–
Discontinued hedging relationships	–	1.1	–	–
	454.6	11.2	(11.0)	–
Borrowings hedged by interest-rate caps				
Continuing hedging relationships	75.7	0.1	–	(0.1)
Total of all borrowings hedged by derivatives	530.3	11.3	(11.0)	(0.1)

Year ended 30 June 2021	Carrying amount of liabilities	Changes in fair value for calculating hedge ineffectiveness	Debit/(credit) balance Cash flow-hedging reserve	Debit/(credit) balance Cost-of-hedging reserve
Borrowings hedged by interest-rate swaps and floors				
Continuing hedging relationships	298.6	0.8	(1.0)	–
Discontinued hedging relationships	–	–	2.1	–
	298.6	0.8	1.1	–
Borrowings hedged by interest-rate caps				
Continuing hedging relationships	128.6	–	–	0.4
Total of all borrowings hedged by derivatives	427.2	0.8	1.1	0.4

Details of instruments used to hedge borrowings are set out below:

Year ended 30 June 2022	Notional amount	Carrying amounts Derivative assets	Carrying amounts Derivative liabilities	Carrying amounts Net total	Debit/(credit) balance Cash flow-hedging reserve	Debit/(credit) balance Cost-of-hedging reserve	Fair-value (gains)/losses through income statement
Interest-rate swaps and floors							
Borrowings	454.6	10.9	–	10.9	(11.0)	–	0.5
Discontinued hedges	–	–	–	–	–	–	–
	454.6	10.9	–	10.9	(11.0)	–	0.5
Interest-rate caps							
Borrowings	75.7	0.3	–	0.3	–	(0.1)	(0.2)
Total of all derivatives	530.3	11.2	–	11.2	(11.0)	(0.1)	0.3

Year ended 30 June 2021	Notional amount	Carrying amounts Derivative assets	Carrying amounts Derivative liabilities	Carrying amounts Net total	Debit/(credit) balance Cash flow-hedging reserve	Debit/(credit) balance Cost-of-hedging reserve	Fair-value (gains)/losses through income statement
Interest-rate swaps and floors							
Borrowings	298.6	0.6	(1.2)	(0.6)	(1.0)	0.3	(1.1)
Discontinued hedges	–	–	–	–	2.1	–	–
	298.6	0.6	(1.2)	(0.6)	1.1	0.3	(1.1)
Interest-rate caps							
Borrowings	–	–	–	–	–	0.1	–
Total of all derivatives	298.6	0.6	(1.2)	(0.6)	1.1	0.4	(1.1)

All interest-rate-cap balances relate to continuing hedging relationships. The following tables summarise the movements relating to hedging instruments.

For the year ended 30 June 2022	Debit/credit balance Net derivative assets/ (liabilities)	Cash flow-hedging reserve	Cost-of-hedging reserve	Fair-value (gains)/losses through income statement
Interest-rate swaps and floors				
Balances at the beginning of the period	(0.6)	1.1	0.3	–
Changes in fair value recognised in other comprehensive income	11.2	(11.3)	0.1	–
Hedge ineffectiveness recognised as (gains)/losses in the income statement	0.3	–	–	(0.3)
Total changes in fair value for calculating hedge ineffectiveness	**11.5**	**(11.3)**	**0.1**	**(0.3)**
Changes on settlement of interest or its reclassification to income statement	0.3	(0.3)	–	–
Reclassification of cost of hedging to income statement	–	–	(0.1)	–
Amounts released on cancellations of derivatives	(0.3)	(0.5)	(0.3)	1.6
Payments on discontinuance of hedging relationships	–	–	–	(0.8)
Balances at end of the period	**10.9**	**(11.0)**	**–**	**0.5**
Interest-rate caps				
Balances at the beginning of the period	–	–	0.1	–
Changes in fair value recognised in other comprehensive income	0.1	–	(0.1)	–
Hedge ineffectiveness recognised as (gains)/losses in the income statement	0.2	–	–	(0.2)
Total changes in fair value for calculating hedge ineffectiveness	**0.3**	**–**	**(0.1)**	**(0.2)**
Reclassification of cost of hedging to income statement	–	–	(0.1)	–
Balances at end of the period	**0.3**	**–**	**(0.1)**	**(0.2)**

For the year ended 30 June 2021	Debit/credit balance Net derivative assets/ (liabilities)	Cash flow-hedging reserve	Cost-of-hedging reserve	Fair-value (gains)/losses through income statement
Interest-rate swaps and floors				
Balances at the beginning of the period	(3.0)	2.7	(0.1)	–
Changes in fair value recognised in other comprehensive income	0.9	(1.4)	0.5	–
Hedge ineffectiveness recognised as (gains)/losses in the income statement	1.1	–	–	(1.1)
Total changes in fair value for calculating hedge ineffectiveness	2.0	(1.4)	0.5	(1.1)
Changes on settlement of interest or its reclassification to income statement	(0.2)	(0.2)	–	–
Reclassification of cost of hedging to income statement	–	–	(0.1)	–
Amounts released on cancellations of derivatives	0.6	–	–	–
Balances at end of the period	(0.6)	1.1	0.3	(1.1)
Interest-rate caps				
Balances at the beginning of the period	–	–	0.2	–
Changes in fair value recognised in other comprehensive income	–	–	–	–
Hedge ineffectiveness recognised as (gains)/losses in the income statement	–	–	–	–
Total changes in fair value for calculating hedge ineffectiveness	–	–	–	–
Reclassification of cost of hedging to income statement	–	–	(0.1)	–
Balances at end of the period	–	–	0.1	–

12. Loans and advances to customers

	30 June 2022			
	Stage 1	**Stage 2**	**Stage 3 and POCI**	**Total**
Gross loans and advances	**3,879.0**	**1,042.5**	**412.1**	**5,333.6**
Loss allowance	**(7.1)**	**(27.1)**	**(51.5)**	**(85.7)**
	3,871.9	**1,015.4**	**360.6**	**5,247.9**
ECL coverage (%)	**0.2**	**2.6**	**12.5**	**1.6**

	30 June 2021			
	Stage 1	Stage 2	Stage 3 and POCI	Total
Gross loans and advances	2,541.3	1,089.9	485.1	4,116.3
Loss allowance	(4.0)	(28.7)	(71.7)	(104.4)
	2,537.3	1,061.2	413.4	4,011.9
ECL coverage (%)	0.2	2.6	14.8	2.5

Loans and advances to customers include total gross amounts of £4.3m (2021: £5.0m), equivalent to £0.3m net of allowances (2021: £1.0m), loaned to companies in which HN Moser is a director and shareholder. The companies concerned were Sunnywood Estates Limited, Edgworth Developments Limited and, in 2021, August Blake Developments; further details are given in note 24.

Group gross balances of credit impaired loans include £15.8m (2021: £11.8m) of purchased or originated credit impaired (POCI) loans, which are presented net of lifetime ECL impairment provisions of £1.9m (2021: £1.4m).

Measurement of expected credit losses (ECL)

ECL model

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

- It becomes 90 days or more past due
- Its security has been taken into possession
- The appointment of receivers
- There is evidence of fraud
- Loans which exhibit certain indicators of increased credit risk

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

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

ECL is calculated at an individual loan level as the product of PD, LGD and EAD, discounted to the reporting date.

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

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

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

- Into stage 2: 6 months of performing at stage 2 or better; and
- Into stage 1: 9 months of performing at stage 1.

The Group undertakes back-testing and validation procedures in order to assess the reasonableness of assumptions and judgements applied in calculating ECLs. The results of these procedures are considered in determining the ongoing appropriateness of key judgements and inputs, which are subject to oversight from the Audit Committee.

Incorporation of forward-looking information

Variables

The Group uses forward-looking information in its measurement of ECL and in identifying significant increases in credit risk (discussed in the next section). The Group's statistical analysis of historical data has confirmed that the key economic variables that drive credit risk, and the ECL for the Group's financial instruments, are unemployment, Bank Rate, and changes in house prices. The Group has developed a range of future economic scenarios of these variables, drawing on external forecasts where appropriate.

During the period, further developments have been implemented within the Group's Economic Response Models (ERM) which model the relationship between macroeconomic data and default rates. During the Covid-19 pandemic, the relationship between annual GDP growth and defaults did not behave as expected when the models were developed prior to the pandemic, and required manual intervention and utilisation of post model adjustments within the ECL calculation.

A revised ERM has been developed and implemented, which removes GDP from the modelling for default rates. The Group's models continue to utilise unemployment, Bank of England Base Rate, and for certain loan types, forecast house prices in the modelling of default rates projected and used in the calculation of ECLs. The revised models have a greater degree of correlation to historic default rates, and therefore are judged to be the most appropriate approach to prediction of future account behaviour, based on the economic scenarios adopted. Forecast house prices continue to be incorporated into the calculation of loss given default.

Scenarios

Prior to the coronavirus pandemic the Group calculated ECL using a base case, an upside and a downside scenario, weighted 40%, 30% and 30% respectively. The unprecedented societal and economic impact caused by the coronavirus outbreak meant that the available economic forecasts were subject to significant uncertainty and showed a wide range of views on the depth, shape and duration of the impact of the pandemic.

As a result of this uncertainty, the Group's approach to developing economic scenarios for the purposes of measuring ECLs was to increase the number of scenarios from three to six. The base case is weighted at 50% and each of the other five scenarios is weighted at 10%. The Group continues to apply this methodology as uncertainty remains significantly elevated compared with pre pandemic levels, despite the period of recovery since spring 2021, owing to the war in Ukraine and the rising cost of living.

Judgement is required to set the scenario weightings, informed by an external provider of economic forecasts, to consider the interaction between the severity of the scenarios and the weightings applied. Management has sought to assess the reasonableness of the probabilities by comparing the weighted average of each economic indicator with other available macroeconomic forecasts, in addition to benchmarking the base case scenario.

To project the economic variables for the remaining term of each instrument, it is assumed that the forecasts used in all scenarios revert to our long-term base case forecast beyond a 10 year horizon.

The section of this note on significant accounting estimates shows the unweighted ECL by scenarios and provides sensitivities of the ECL to changes in scenario weightings.

The most significant assumptions used for the ECL estimate as at 30 June 2022, by economic indicator, until June 2026 are as follows. In addition GDP, which is not used within our models, is included to provide context as to the nature of the scenarios:

Bank Rate	Weighting	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Jun 2024	Jun 2025	Jun 2026
Upside	10%	1.8	2.6	3.2	3.5	3.8	3.8	3.8
Mild upside	10%	1.8	2.5	3.0	3.4	3.5	3.5	3.5
Base	50%	1.6	2.4	2.9	3.0	3.0	3.0	3.0
Stagnation	10%	1.5	1.8	2.0	2.5	2.5	2.5	3.5
Downside	10%	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Severe downside	10%	1.1	1.0	0.9	0.8	0.8	0.8	0.5
Weighted average		**1.5**	**2.1**	**2.5**	**2.6**	**2.7**	**2.7**	**2.7**

Unemployment rate	% peak	Weighting	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Jun 2024	Jun 2025	Jun 2026
Upside	3.3%	10%	3.5	3.3	3.3	3.3	3.3	3.3	3.3
Mild upside	3.8%	10%	3.8	3.7	3.7	3.7	3.6	3.6	3.6
Base	3.9%	50%	3.8	3.8	3.9	3.9	3.8	3.8	3.7
Stagnation	6.7%	10%	4.4	4.6	5.0	5.3	6.3	6.7	6.5
Downside	6.9%	10%	4.4	4.7	5.1	5.4	6.5	6.9	6.7
Severe downside	7.3%	10%	4.5	4.8	5.2	5.7	6.9	7.3	7.1
Weighted average			**4.0**	**4.0**	**4.2**	**4.3**	**4.6**	**4.7**	**4.6**

Annual change in house-price index (%)	Start to trough % change	Weighting	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Jun 2024	Jun 2025	Jun 2026
Upside	n/a*	10%	13.5	11.0	8.4	7.3	0.4	3.1	3.7
Mild upside	n/a*	10%	12.5	9.4	6.2	4.6	0.0	1.0	3.5
Base	n/a*	50%	9.7	5.7	2.0	0.2	0.2	0.2	2.1
Stagnation	(11.4%)	10%	9.3	4.5	(0.4)	(3.7)	(6.3)	(3.6)	3.9
Downside	(16.3%)	10%	8.6	3.4	(1.9)	(5.7)	(7.9)	(5.4)	4.0
Severe downside	(24.6%)	10%	7.4	1.5	(4.6)	(9.1)	(10.7)	(8.8)	4.3
Weighted average			**10.0**	**5.9**	**1.8**	**(0.5)**	**(2.3)**	**(1.3)**	**3.0**

Annual GDP change (annual %)**	Weighting	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Jun 2024	Jun 2025	Jun 2026
Upside	10%	5.5	5.0	4.2	5.1	4.2	3.6	2.4
Mild upside	10%	5.3	4.4	3.1	3.5	3.4	3.3	2.3
Base	50%	5.1	3.7	1.7	1.4	1.8	2.4	2.0
Stagnation	10%	4.6	2.5	(0.3)	(1.4)	1.1	2.3	2.0
Downside	10%	4.4	2.0	(1.1)	(2.6)	0.6	2.1	2.0
Severe downside	10%	4.1	1.1	(2.5)	(4.7)	(0.2)	1.8	1.9
Weighted average		**4.9**	**3.4**	**1.2**	**0.7**	**1.8**	**2.5**	**2.0**

* House price index (HPI) is forecast to increase in all future periods in this scenario.
** Annual GDP change represents the average annual change in GDP up to the date shown.

The most significant assumptions used for the ECL estimate as at 30 June 2021 by scenario until June 2025 were as follows:

Bank Rate	Future quarter which anticipates the first rate rise	Weighting	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Jun 2023	Jun 2024	Jun 2025
Upside	Sep-21	10%	0.2	0.4	0.6	0.9	1.8	2.0	2.1
Mild upside	Sep-21	10%	0.2	0.3	0.4	0.5	1.3	1.5	1.5
Base	Mar-23	50%	0.1	0.1	0.1	0.1	0.3	0.5	0.8
Stagnation	Mar-25	10%	0.1	0.1	0.1	0.1	0.1	0.1	0.3
Downside	Mar-26	10%	0.1	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)	0.0
Severe downside	Jun-29	10%	(0.1)	(0.3)	(0.4)	(0.5)	(0.5)	(0.5)	(0.3)
Weighted average			**0.1**	**0.1**	**0.1**	**0.1**	**0.4**	**0.5**	**0.7**

Unemployment rate	% peak	Weighting	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Jun 2023	Jun 2024	Jun 2025
Upside	4.4%	10%	4.4	4.2	4.0	4.0	4.0	4.0	4.0
Mild upside	4.5%	10%	4.5	4.4	4.3	4.3	4.3	4.3	4.3
Base	5.5%	50%	5.1	5.5	5.1	4.8	4.5	4.5	4.5
Stagnation	6.4%	10%	5.7	6.0	6.0	6.1	6.4	6.3	6.0
Downside	6.6%	10%	5.9	6.3	6.3	6.4	6.6	6.5	6.2
Severe downside	6.9%	10%	6.4	6.8	6.8	6.8	6.9	6.8	6.5
Weighted average			**5.2**	**5.5**	**5.3**	**5.1**	**5.1**	**5.0**	**4.9**

Annual change in house-price index (%)	Start to trough % change	Weighting	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Jun 2023	Jun 2024	Jun 2025
Upside	n/a*	10%	11.6	8.2	5.7	6.2	5.0	11.2	3.1
Mild upside	n/a*	10%	10.0	6.1	2.9	2.8	2.5	8.4	3.2
Base	(2.3%)	50%	7.4	3.0	(0.8)	(1.6)	(0.5)	3.0	3.4
Stagnation	(15.3%)	10%	5.0	(0.6)	(5.7)	(8.1)	(6.6)	(1.3)	3.8
Downside	(22.4%)	10%	3.8	(2.2)	(7.8)	(10.8)	(9.3)	(4.1)	4.1
Severe downside	(34.3%)	10%	1.9	(4.8)	(11.4)	(15.3)	(14.3)	(9.5)	4.5
Weighted average			**6.9**	**2.2**	**(2.0)**	**(3.3)**	**(2.5)**	**2.0**	**3.6**

Annual GDP change (annual %)	Weighting	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Jun 2023	Jun 2024	Jun 2025
Upside	10%	5.1	9.9	15.3	12.4	5.1	2.3	1.6
Mild upside	10%	4.8	9.3	14.2	10.8	4.4	2.0	1.6
Base	50%	4.5	8.5	12.9	8.7	3.1	1.6	1.5
Stagnation	10%	3.8	6.7	10.1	5.2	3.2	1.3	1.5
Downside	10%	3.6	6.2	9.0	3.4	3.3	1.2	1.4
Severe downside	10%	3.2	5.4	7.7	1.4	2.4	1.1	1.4
Weighted average		**4.3**	**8.0**	**12.1**	**7.7**	**3.4**	**1.6**	**1.5**

Annual quarterly GDP change (%)	Future quarter when GDP returns to Dec-19 levels	Weighting	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Jun 2023	Jun 2024	Jun 2025
Upside	Sep-21	10%	10.7	12.0	15.5	11.5	3.2	2.0	1.4
Mild upside	Sep-21	10%	9.5	10.6	13.8	9.5	2.9	1.8	1.5
Base	Dec-21	50%	8.2	8.7	11.5	6.5	2.2	1.5	1.5
Stagnation	Sep-22	10%	5.6	4.3	7.5	3.3	1.9	1.2	1.6
Downside	Sep-23	10%	4.6	3.3	4.9	0.9	2.7	1.1	1.7
Severe downside	Dec-25	10%	3.0	1.7	3.2	(2.2)	3.0	0.9	1.7
Weighted average			**7.4**	**7.6**	**10.2**	**5.5**	**2.5**	**1.4**	**1.6**

* House price index (HPI) is forecast to increase in all future periods in this scenario.

Significant increases in credit risk, forbearance and contract modifications

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

The Group uses qualitative and quantitative criteria including:

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

The Group offers forbearance to assist customers who are experiencing financial distress and considers an account as forborne at the time a customer in financial difficulty is granted a concession. For accounting purposes, any gains or losses arising upon granting forbearance are usually not material because losses are already included in ECLs. Subsequently, the Group may determine after a probationary period that a restructuring has significantly improved credit risk such that the asset is moved back to stage 1.

Loss allowance

The following tables analyse the movement of the loss allowance during the years ended 30 June 2022 and 30 June 2021.

	2022			
Loss allowance	**Stage 1**	**Stage 2**	**Stage 3 and POCI**	**Total**
Balance at beginning of year	**(4.0)**	**(28.7)**	**(71.7)**	**(104.4)**
Transfer to a 12-month ECL	**(1.1)**	**6.3**	**–**	**5.2**
Transfer to a lifetime ECL not credit impaired	**3.9**	**(12.8)**	**4.2**	**(4.7)**
Transfer to a lifetime ECL credit impaired	**0.3**	**19.8**	**(25.6)**	**(5.5)**
Other changes in credit risk during the year	**(7.0)**	**(7.1)**	**6.8**	**(7.3)**
Impairment of interest income on stage 3 loans	**–**	**–**	**(11.4)**	**(11.4)**
New financial assets originated	**(2.7)**	**(2.9)**	**(1.3)**	**(6.9)**
Financial assets derecognised	**4.0**	**9.5**	**18.4**	**31.9**
Changes in models and risk parameters	**(0.5)**	**(11.1)**	**2.7**	**(8.9)**
Impairment losses for the year charged to income	**(3.1)**	**1.7**	**(6.2)**	**(7.6)**
Unwind of discount	**–**	**–**	**11.4**	**11.4**
Write-offs net of recoveries	**–**	**(0.1)**	**14.5**	**14.4**
Changes on refinancing of impaired loans	**–**	**–**	**0.5**	**0.5**
Balance at end of year	**(7.1)**	**(27.1)**	**(51.5)**	**(85.7)**

	2021			
Loss allowance	Stage 1	Stage 2	Stage 3 and POCI	Total
Balance at beginning of year	(12.4)	(21.0)	(85.4)	(118.8)
Transfer to a 12-month ECL	(1.9)	5.2	–	3.3
Transfer to a lifetime ECL not credit impaired	8.2	(24.6)	15.9	(0.5)
Transfer to a lifetime ECL credit impaired	0.9	24.2	(42.7)	(17.6)
Other changes in credit risk during the year	(3.9)	(15.4)	(4.0)	(23.3)
Impairment of interest income on stage 3 loans	–	–	(12.1)	(12.1)
New financial assets originated	(1.7)	(3.0)	–	(4.7)
Financial assets derecognised	3.0	9.6	26.4	39.0
Changes in models and risk parameters	3.8	(3.6)	(2.3)	(2.1)
Impairment losses for the year charged to income	8.4	(7.6)	(18.8)	(18.0)
Unwind of discount	–	–	12.1	12.1
Write-offs net of recoveries	–	(0.1)	16.6	16.5
Changes on refinancing of impaired loans	–	–	3.8	3.8
Balance at end of year	(4.0)	(28.7)	(71.7)	(104.4)

Changes in models and risk parameters resulted in a charge of £8.9m (31 June 2021: £2.1m). The main drivers of this change were updates to macroeconomic data, including the update to the economic response model.

Other changes in credit risk include the development or cure of loan arrears and other changes in status. The loss allowance on new financial assets originated represents the ECL on initial recognition. Subsequent changes in ECL are reflected in other movements in the above table.

The loss allowance has decreased by £18.7m to £85.7m (2021: £104.4m). Reductions in the loss allowance as a result of the unwind of the discounting of expected cash flows, write offs net of recoveries, and ECL releases on financial assets derecognised offset increases owing to the movements of loans through the three-stage model, and other changes in credit risk.

The key changes in the estimate for ECL are set out below.

The impact of loans transferring between stages has increased ECL by £5.0m during the year (2021: £14.8m) and other changes in credit risk have increased ECL by £7.3m (2021: £23.3m). There are a number of drivers of the combined increase of £12.3m observed in these line items, the principal ones being:

- £6.4m due to increases in arrears levels. These and other qualitative and quantitative factors are used to assess the allocated stages of loans and can therefore result in the recognition of allowances based on lifetime losses on loans which were previously measured using a 12-month loss. Arrears levels also affect the probability of default assigned to loans.
- £4.3m due to changes in qualitative criteria used to assess whether a loan has experienced a significant increase in credit risk. The criteria have been expanded to include customers who are not in arrears, but may have suffered a certain level of income shock based on credit bureau data. Also includes loans which are not in arrears or otherwise exhibiting signs of an increase in credit risk but are secured on certain property types which may have been affected by the current macroeconomic environment.
- £11.9m due to other factors impacting credit risk, such as changes in probability of default and also valuation changes within the year.
- £11.6m release due to increases in HPI during the year.

The impairment of interest income recognised on stage 3 loans of £11.4m (2021: £12.1m) was offset by the unwinding of discounting on expected cash flows of the same amount. New originations increased ECL by £6.9m (2021: £4.7m), driven by new lending undertaken during the year and the requirement to measure all loans using a forward-looking ECL. Increases in ECL were offset by releases of £31.9m (2021: £39.0m) on loans which have redeemed during the period. ECL has reduced by £0.5m (2021: £3.8m) due to refinancing of credit impaired assets where the new loans have been classified as POCI. The gross balances of the new POCI assets included £0.5m of ECLs on initial recognition, resulting in a net release of £0.1m.

Write-offs net of recoveries includes £8.2m (2021: £4.9m) that has arisen during the normal performance of the loan book. The other £8.3m (2021: £11.6m) relates to accounts that have been written off following a refinement to the write-off criteria applied by the Group. Accounts are classified as shortfall where the property has been repossessed and sold but an outstanding balance remains.

Impairment losses for the period

	30 June 2022	30 June 2021
Movements in impairment allowance, charged to income	**(7.6)**	(18.0)
Amounts released from deferred income	**0.2**	(0.5)
Write-offs net of recoveries	**3.0**	–
Gains/(losses) on derecognition of assets held at amortised cost as a result of refinancing impaired loans	**0.1**	2.4
Charged to the income statement	**(4.3)**	(16.1)

The following tables set out changes in the gross carrying amount of loans and advances to customers that contributed to the changes in the loss allowance:

	2022			
Movements in gross carrying amounts	**Stage 1**	**Stage 2**	**Stage 3 and POCI**	**Total**
Balance at beginning of year	**2,541.3**	**1,089.9**	**485.1**	**4,116.3**
Transfer to a 12-month ECL	**739.2**	**(739.2)**	**–**	**–**
Transfer to a lifetime ECL not credit impaired	**(926.9)**	**1,009.3**	**(82.4)**	**–**
Transfer to a lifetime ECL credit impaired	**(10.6)**	**(206.9)**	**217.5**	**–**
New financial assets originated	**2,508.5**	**44.0**	**3.8**	**2,556.3**
Changes on refinancing of impaired loans	**–**	**–**	**–**	**–**
Financial assets derecognised including write-offs	**(972.5)**	**(154.6)**	**(211.9)**	**(1,339.0)**
Balance at end of year	**3,879.0**	**1,042.5**	**412.1**	**5,333.6**

	2021			
Movements in gross carrying amounts	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	3,061.3	721.2	498.5	4,281.0
Transfer to a 12-month ECL	526.7	(524.8)	(1.9)	–
Transfer to a lifetime ECL not credit impaired	(1,239.7)	1,452.4	(212.7)	–
Transfer to a lifetime ECL credit impaired	(32.1)	(446.3)	478.4	–
New financial assets originated	967.0	102.9	2.7	1,072.6
Changes on refinancing of impaired loans	–	–	(0.7)	(0.7)
Financial assets derecognised including write-offs	(741.9)	(215.5)	(279.2)	(1,236.6)
Balance at end of year	2,541.3	1,089.9	485.1	4,116.3

Analysis of stage 2 loans

	30 June 2022		30 June 2021	
Days past due	**Gross exposure**	**Impairment allowance**	Gross exposure	Impairment allowance
> 30 days past due	**69.6**	**4.4**	76.6	2.2
< 30 days past due	**972.9**	**22.7**	1,013.3	26.5
Total	**1,042.5**	**27.1**	1,089.9	28.7

The slight reduction in total stage 2 loans since June 2021 is mainly because during the year the Group removed certain judgemental qualitative criteria which had been applied to the staging methodology within the ECL calculation during the pandemic. These overrides had moved accounts through the stages based upon risk factors, and the progression of the economy's recovery and emergence from the pandemic means that certain cohorts of accounts have not been impacted to the degree initially expected. The removal of these criteria has resulted in the transfer of £240m of gross loans and advances from stage 2 to stage 1, and £23m of gross loans and advances from stage 3 to stage 2, since June 2021.

Significant accounting estimates

Key areas of estimation uncertainty in the ECL models are the macroeconomic scenarios used, and the calculations of loss given default and probability of default. The sensitivities below were performed by recalculating the impairment allowance by changing only those assumptions stated, and with all other variables unchanged:

Macroeconomic scenarios

The following table shows unweighted ECL when 100% probability was applied to each scenario as at 30 June 2022 and 30 June 2021.

	2022		2021	
Scenarios	**Probability of the scenario**	**Unweighted ECL**	Probability of the scenario	Unweighted ECL
Upside	**10%**	**35.5**	10%	49.8
Mild upside	**10%**	**42.0**	10%	56.0
Base case	**50%**	**60.7**	50%	75.4
Stagnation	**10%**	**112.2**	10%	137.5
Downside	**10%**	**148.0**	10%	174.9
Severe downside	**10%**	**215.6**	10%	248.9
Weighted average		**85.7**		104.4

Utilising multiple economic scenarios reflects the non-linearity of the forward-looking ECL approach.

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

Loss given default

The LGD model uses current security values and forecast HPI assumptions to project property values for each of the economic scenarios. An immediate and sustained 10% reduction in forecast house prices applied in each scenario (ie a 10% cut applied to the index in each forecast future period) would result in an increase in the impairment allowance of £14.7m at 30 June 2022 (30 June 2021: £20.3m); conversely, a 10% increase would result in a decrease in the impairment allowance of £11.3m at 30 June 2022 (30 June 2021: £15.7m).

Probability of default and probability of repossession given default

A 10% relative worsening of both PDs and PPGDs simultaneously (eg a 1.0% PD increasing to 1.1%) would increase the total impairment allowance by £6.8m at 30 June 2022 (30 June 2021: £7.3m). A 10% relative improvement of both PDs and PPGDs simultaneously (eg a 1.0% PD decreasing to 0.9%) would result in a decrease in the impairment allowance by £6.1m at 30 June 2021 (30 June 2021: £7.0m).

Significant accounting judgements

Key areas of judgement in the ECL models include judgements about which loans have been subject to a significant increase in credit risk since initial recognition and therefore should be classified as stage 2, with a resultant loss allowance based on a lifetime rather than a 12-month ECL.

The sensitivity below was performed by recalculating the impairment allowance by changing only the item stated, and with all other variables unchanged.

	Increase in allowance	
Sensitivities	**2022**	2021
Measure all loans in stage 1 using a lifetime ECL	**35.1**	16.6

13. Other assets

Group	2022	2021
Amounts owed by related parties	**1.3**	0.4
Prepayments and accrued income	**5.0**	4.5
Other assets	**1.2**	1.4
	7.5	6.3

Company	2022	2021
Amounts owed by related parties	**1,467.6**	1,393.8
Prepayments and accrued income	**5.1**	4.5
Other debtors	**0.2**	–
	1,472.9	1,398.3

Amounts owed by related parties of the Group include £1.0m (2021: £0.2m) due from companies of which HN Moser is a director and shareholder. Also included within amounts owed by the related parties is £0.3m (2021: £0.3m) in relation to a director's loan. The loan is interest free and repayable on demand.

For the Company, amounts owed by related parties are primarily balances with subsidiary companies and also includes £0.1m (2021: £0.2m) in respect of non-subsidiary companies of which HN Moser is a director and shareholder.

The Company regularly assesses whether there is evidence that financial assets are impaired. The Group has continued to report substantial profits and the directors do not consider that there has been a significant increase in credit risk; accordingly any ECL for the amounts owed by subsidiaries is considered to be immaterial.

14. Investments in subsidiaries

The Company held the following investments in subsidiary undertakings:

	2022	2021
At beginning of year	**25.3**	25.3
Capital injections	**10.2**	–
At end of year	**35.5**	25.3

Capital injections represent injections of capital into subsidiary companies during the year, effected by the forgiveness of intra-group loans.

The Company has the following subsidiaries, all of which are incorporated in Great Britain and are registered in England and Wales and operate throughout the United Kingdom:

	Shares and voting rights	Principal activities
Auction Finance Limited	100%	Commercial lending
Blemain Finance Limited	100%	Retail lending
Bridging Finance Limited	100%	Commercial lending
FactFocus Limited	100%	Property investment
Harpmanor Limited	100%	Commercial lending
Jerrold Finco PLC	100%	Raising finance
Spot Finance Limited	100%	Retail lending
Together Commercial Finance Limited	100%	Commercial lending
Together Personal Finance Limited	100%	Retail lending
General Allied Properties Limited	100%	Non–trading
Heywood Finance Limited	100%	Non–trading
Heywood Leasing Limited	100%	Non–trading
Jerrold Mortgage Corporation Limited	100%	Non–trading
Phone-a-Loan Limited	100%	Non–trading
Supashow Limited	100%	Non–trading
BridgingFinance.co.uk Limited (Company registration number 04159852)	100%	Dormant
Classic Car Finance Limited (Company registration number 03237779)	100%	Dormant
Jerrold Holdings Limited (Company registration number 04950229)	100%	Dormant
Together123 Limited (Company registration number 10758537)	100%	Dormant

The above are all owned via direct holdings of ordinary share capital, with the exception of Spot Finance Limited which is held by Blemain Finance Limited. The dormant subsidiaries have taken advantage of the exemption from audit under section 479A of the Companies Act 2006. The registered address of all subsidiaries is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW.

The employee benefit trust, Jerrold Holdings Employee Benefit Trust, is treated as a branch of the Company and therefore its results are included within these financial statements.

The results of the following securitisation vehicles are consolidated in the Group accounts:

- Brooks Asset Backed Securitisation 1 Limited
- Charles Street Conduit Asset Backed Securitisation 1 Limited
- Charles Street Conduit Asset Backed Securitisation 2 Limited
- Delta Asset Backed Securitisation 1 Limited
- Delta Asset Backed Securitisation 2 Limited
- Highfield Asset Backed Securitisation 1 Limited
- Lakeside Asset Backed Securitisation 1 Limited
- Together Asset Backed Securitisation 1 PLC
- Together Asset Backed Securitisation 2018 – 1 PLC
- Together Asset Backed Securitisation 2019 – 1 PLC
- Together Asset Backed Securitisation 2020 – 1 PLC
- Together Asset Backed Securitisation 2021 – CRE1 PLC
- Together Asset Backed Securitisation 2021 – CRE2 PLC
- Together Asset Backed Securitisation 2021 – 1ST1 PLC
- Together Asset Backed Securitisation 2022 – 2ND1 PLC
- Together Asset Backed Securitisation 2022 – CRE-1 PLC

15. Property, plant and equipment

2022 Group	Land and buildings	Fixtures, fittings and equipment	Motor vehicles	Right-of-use assets	Total
Cost					
At beginning of year	–	8.1	1.6	35.5	45.2
Additions	–	2.4	1.1	–	3.5
Reclassification from inventories	0.5	–	–	–	0.5
Disposals	–	–	(0.1)	–	(0.1)
At end of year	0.5	10.5	2.6	35.5	49.1
Depreciation					
At beginning of year	–	5.0	0.8	7.8	13.6
Charge for the year	–	0.9	0.3	1.1	2.3
Disposals	–	–	(0.1)	–	(0.1)
At end of year	–	5.9	1.0	8.9	15.8
Net book value					
At 30 June 2022	0.5	4.6	1.6	26.6	33.3
At 30 June 2021	–	3.1	0.8	27.7	31.6

2021 Group	Fixtures, fittings and equipment	Motor vehicles	Right-of-use assets	Total
Cost				
At beginning of year	8.3	1.9	16.0	26.2
Additions	0.5	0.1	5.3	5.9
Lease modifications	–	–	14.4	14.4
Disposals	(0.7)	(0.4)	–	(1.1)
Impairment	–	–	(0.2)	(0.2)
At end of year	8.1	1.6	35.5	45.2
Depreciation				
At beginning of year	4.7	0.8	6.8	12.3
Charge for the year	1.0	0.2	1.0	2.2
Disposals	(0.7)	(0.2)	–	(0.9)
At end of year	5.0	0.8	7.8	13.6
Net book value				
At 30 June 2021	3.1	0.8	27.7	31.6
At 30 June 2020	3.6	1.1	9.2	13.9

The Group occupies two buildings. During the year to 30 June 2021, revisions were made to the terms of both leases resulting in a remeasurement of the Group's lease liability and a modification adjustment to the corresponding right-of-use asset.

2022 Company	Fixtures, fittings and equipment	Motor vehicles	Right-of-use assets	Total
Cost				
At beginning of year	8.1	1.6	35.5	45.2
Additions	2.4	1.1	–	3.5
Impairment	–	(0.1)	–	(0.1)
At end of year	10.5	2.6	35.5	48.6
Depreciation				
At beginning of year	5.0	0.8	7.8	13.6
Charge for the year	0.9	0.3	1.1	2.3
Disposals	–	(0.1)	–	(0.1)
At end of year	5.9	1.0	8.9	15.8
Net book value				
At 30 June 2022	4.6	1.6	26.6	32.8
At 30 June 2021	3.1	0.8	27.7	31.6

2021 Company	Fixtures, fittings and equipment	Motor vehicles	Right-of-use assets	Total
Cost				
At beginning of year	–	–	16.0	16.0
Transfer of assets	7.9	1.4	1.0	10.3
Additions	0.2	0.2	4.3	4.7
Lease modifications	–	–	14.4	14.4
Impairment	–	–	(0.2)	(0.2)
At end of year	8.1	1.6	35.5	45.2
Depreciation				
At beginning of year	–	–	6.8	6.8
Transfer of assets	4.8	0.6	–	5.4
Charge for the year	0.2	0.2	1.0	1.4
At end of year	5.0	0.8	7.8	13.6
Net book value				
At 30 June 2021	3.1	0.8	27.7	31.6
At 30 June 2020	–	–	9.2	9.2

16. Intangible assets

Group	Computer software 2022	Computer software 2021
Cost		
At beginning of year	20.0	18.0
Additions	3.2	2.0
Disposals	(0.1)	–
At end of year	23.1	20.0
Amortisation		
At beginning of year	13.0	9.9
Charge for the year	3.0	3.1
At end of year	16.0	13.0
Net book value		
At end of year	7.1	7.0
At beginning of year	7.0	8.1

Company	Computer software 2022	Computer software 2021
Cost		
At beginning of year	20.3	–
Transfer of assets	–	19.9
Additions	3.2	0.4
Disposals	(0.1)	–
At end of year	23.4	20.3
Amortisation		
At beginning of year	13.3	–
Transfer of assets	–	12.8
Charge for the year	3.0	0.5
At end of year	16.3	13.3
Net book value		
At end of year	7.1	7.0
At beginning of year	7.0	–

17. Deferred tax asset

2022 Group	Accelerated capital allowances	Short-term timing differences	Total
At beginning of year	(0.4)	11.4	11.0
Charge to income statement	(0.2)	(1.6)	(1.8)
Adjustment in respect of prior years	0.1	(0.5)	(0.4)
Effect of changes in tax rates	(0.1)	0.1	–
At end of year	(0.6)	9.4	8.8

2021 Group	Accelerated capital allowances	Short-term timing differences	Total
At beginning of year	(0.8)	8.4	7.6
Charge to income statement	0.2	0.2	0.4
Adjustment in respect of prior years	0.2	1.1	1.3
Effect of changes in tax rates	–	1.7	1.7
At end of year	(0.4)	11.4	11.0

2022 Company	Accelerated capital allowances	Short-term timing differences	Total
At beginning of year	(0.5)	1.8	1.3
Charge to income statement	(0.2)	0.9	0.7
Effect of changes in tax rates	–	(0.6)	(0.6)
At end of year	(0.7)	2.1	1.4

2021 Company	Accelerated capital allowances	Short-term timing differences	Total
At beginning of year	–	0.3	0.3
Charge to income statement	(0.5)	1.3	0.8
Effect of changes in tax rates	–	0.2	0.2
At end of year	(0.5)	1.8	1.3

18. Borrowings

Group	Note	2022	2021
Loan notes		3,391.9	2,327.7
Senior secured notes		1,055.4	935.0
Subordinated shareholder loans		31.4	29.3
Lease liabilities	25	29.6	29.9
		4,508.3	3,321.9
Debt issue costs		(25.5)	(17.9)
Total borrowings		4,482.8	3,304.0

Of which:

Due for settlement within 12 months	355.5	345.8
Due for settlement after 12 months	4,127.3	2,958.2
	4,482.8	3,304.0

Company	Note	2022	2021
Subordinated shareholder loans		31.4	29.3
Lease liabilities	25	29.6	29.9
		61.0	59.2
Debt issue costs		–	(0.2)
Total borrowings		61.0	59.0

Of which:

Due for settlement within 12 months	1.0	0.7
Due for settlement after 12 months	60.0	58.3
	61.0	59.0

Interest accrued on the funding facilities is presented within other liabilities. Please refer to note 20 for further information.

Loan notes have the following features:

Loan facility	Established	Facility type	Facility size (£m)	Maturity
Brooks ABS	2021	Amortising	50.9	Jan 2026
Charles Street ABS 2	2022	Revolving	1,251.5	Mar 2027
Delta ABS 2	2019	Revolving	400.0	Dec 2025
Highfield ABS	2018	Revolving	525.0	Sept 2025
Lakeside ABS	2015	Revolving	700.0	Apr 2026
Together ABS 2	2018	Amortising	108.5	Nov 2022
Together ABS 3	2019	Amortising	160.0	Sep 2023
Together ABS 4	2020	Amortising	223.2	Jun 2024
Together ABS 5	2021	Amortising	261.5	Oct 2025
Together ABS 6	2022	Amortising	320.4	May 2026
Together CRE1	2021	Amortising	161.9	Feb 2025
Together CRE2	2021	Amortising	202.3	Feb 2026
Together CRE3	2022	Amortising	363.7	Oct 2026

In the case of the amortising facilities, the maturity date shown is the date of the option to call the facility and the facility size is shown as the amortised position at the balance sheet date. The maturity dates for revolving facilities include an amortisation period covering one year prior to the maturity date, except for Lakeside ABS which has no amortisation period.

Following its refinancing in September 2022, the maturity date on the undrawn revolving credit facility has been extended to September 2026, with the facility size increasing from £71.9m to £138.3m.

Subordinated shareholder loans were originally issued on 2 November 2016. They are interest-free loans totalling £68.1m, which comprised £25.1m due in 2026, after maturity extensions, and £43.0m due in 2036. In January 2021, the 2026 loans were extended to 2027. The difference between the nominal value and the initial fair value represents a capital contribution, and the extension of the 2026 notes resulted in a net decrease in the carrying value of the loans of £1.0m, and a corresponding modification gain through income which was then transferred to non-distributable reserves. The difference between the total nominal value of £68.1m and the initial fair values on origination or extension of £22.2m represents a cumulative non-distributable capital contribution of £47.9m, £11.3m of which has amortised by 30 June 2022 (30 June 2021: £9.2m). The remainder of the reserve will be amortised over the life of the instruments.

The Group has undertaken the following refinancing activity during and subsequent to the year ended 30 June 2022:

- 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 September 2025 and reducing the coupon. As part of the refinance, the Highfield ABS became a revolving facility having become amortising in June 2021. The refinancing of the Highfield ABS facility has been judged to constitute a non-substantial modification, as neither the present value of the cash flows nor the qualitative changes arising on the refinanced facility are substantially different from the facility prior to refinancing.

  The Group has assessed that there is no material modification gain or loss arising on the transaction, based upon the cash flows arising under the average forecast utilisation levels of the facility. The estimation of modification gains and losses on revolving facilities used to hold mortgages before transfer to other facilities is subject to a high degree of judgement and uncertainty. If utilisation were to be 10% greater than that which results in a modification gain or loss of nil, the Group would have incurred a modification gain of £1.8m, whilst if utilisation were 10% lower, the Group would have incurred a modification loss of £1.8m.

- 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 first-charge-only residential-mortgage-backed securitisation (RMBS), Together Asset Backed Securitisation 2021 – 1ST1 PLC (TABS 5). The issuance raised £302m of external funding.
- The Group has two senior secured notes in issue. The senior secured note of £435m is due to mature by 2026, and the senior secured note of £500m is due to mature by 2027. In November 2021, the Group announced the issuance of an additional £120m of its 4 7/8% Senior Secured Notes due 2026 through its wholly owned subsidiary Jerrold Finco PLC at an offering price of 100.5%.
- In December 2021, the Group announced the successful refinancing of its Delta ABS 2 facility, from £200m to £400m. The maturity of DABS 2, which supports the Group's unregulated bridging lending, has also been extended to December 2025.
- In March 2022, the Group successfully refinanced its Charles Street ABS facility, improving commercial terms and extending its maturity from September 2023 to March 2027. As part of the refinancing, the Group has taken the opportunity to close down the original facility and re-issue it as a new facility, Charles Street ABS 2 ('CABS 2').
- In April 2022, the Group successfully refinanced its Lakeside ABS facility, extending its maturity from October 2023 to April 2026, and with an increase in size from £500m to £700m and the addition of a new funding partner.
- In May 2022, the Group successfully launched another RMBS, Together ABS 6. The issuance raised £321m of external funding with 73.5% of its notes AAA rated on issuance.
- In June 2022, the Group launched a new commercial-mortgage-backed securitisation, Together CRE 3. The external funding raised was £365m with 80% of the notes AAA rated on issuance.
- Also after the year end, in September 2022, the Group refinanced its revolving credit facility, increasing the facility size from £71.9m to £138.3m and extended the maturity initially to 2026.
- Also in September 2022, the Group refinanced its BABS facility, with an additional £24m of funding secured.

Refer to note 25 for more details in relation to the lease liabilities.

Debt-issue costs, which consist of the prepaid fees in relation to the bank loan, loan notes and the senior secured notes, are deducted from the loan carrying amounts and charged to interest expense over the expected duration or term of the facility or notes as appropriate.

Borrowings have the following maturities:

As at 30 June 2022:

Group	<1 year	1-2 years	2-5 years	>5 years	Total
Loan notes	356.5	469.4	2,566.0	–	3,391.9
Senior secured notes	–	–	1,055.4	–	1,055.4
Subordinated shareholder loans	–	–	–	31.4	31.4
Lease liabilities	1.0	1.0	2.2	25.4	29.6
	357.5	470.4	3,623.6	56.8	4,508.3
Debt-issue costs	(2.0)	(2.6)	(20.9)	–	(25.5)
	355.5	467.8	3,602.7	56.8	4,482.8

Company	<1 year	1-2 years	2-5 years	>5 years	Total
Subordinated shareholder loans	–	–	–	31.4	31.4
Lease liabilities	1.0	1.0	2.2	25.4	29.6
	1.0	1.0	2.2	56.8	61.0
Debt-issue costs	–	–	–	–	–
	1.0	1.0	2.2	56.8	61.0

As at 30 June 2021:

Group	<1 year	1-2 years	2-5 years	>5 years	Total
Loan notes	346.1	349.9	1,631.7	–	2,327.7
Senior secured notes	–	–	435.0	500.0	935.0
Subordinated shareholder loans	–	–	–	29.3	29.3
Lease liabilities	0.9	0.8	2.1	26.1	29.9
	347.0	350.7	2,068.8	555.4	3,321.9
Debt-issue costs	(1.2)	(2.1)	(8.2)	(6.4)	(17.9)
	345.8	348.6	2,060.6	549.0	3,304.0

Company	<1 year	1-2 years	2-5 years	>5 years	Total
Subordinated shareholder loans	–	–	–	29.3	29.3
Lease liabilities	0.9	0.8	2.1	26.1	29.9
	0.9	0.8	2.1	55.4	59.2
Debt-issue costs	(0.2)	–	–	–	(0.2)
	0.7	0.8	2.1	55.4	59.0

19. Provisions and contingent liabilities

Provisions

	Customer provisions	Other provisions	Total
Balance at beginning of year	13.3	11.8	25.1
Charge for the year	3.5	(2.9)	0.6
Provisions utilised	(2.7)	(2.7)	(5.4)
Balance at end of year	14.1	6.2	20.3

As at 30 June 2022, the Group has recognised provisions of £20.3m (30 June 2021: £25.1m). Estimating the amount of provisions requires the exercising of significant levels of judgement, with the amounts representing the best estimate of the amount required to settle or transfer the obligation at the reporting date. It is possible that the ultimate outcome could differ from amounts currently provided.

The Group continually focuses on improving its customer processes and responding to changes in customer needs. During the year, the regulated division continued to identify ways to improve customer experience and outcomes, including the further development 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 in arrears and those with escalating balances.

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

During the period the Group has progressed with the evaluation of these matters and there is increased certainty as to the amounts of payments that will be made, compared to the position as at 30 June 2021. Some uncertainty remains in respect of certain factors assessed in calculating these provisions, in particular in relation to the Group's framework for ensuring consistency of customer outcomes, as the final proposals remain subject to Board approval, however there is significantly reduced uncertainty from the prior year.

The current best estimate is that the Group may incur costs of £12.6m presented within customer provisions. This represents management's best estimate at the reporting date, derived by considering potential scenarios which could impact upon live and redeemed loans and also includes £1.5m which relates to estimated operational expenditure associated with these activities.

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

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

Contingent liabilities – fixed and floating charges

As at 30 June 2022, the Group's assets were subject to a fixed and floating charge in respect of £1,055m senior secured notes (30 June 2021: £935m).

20. Other liabilities

Group	2022	2021
Amounts owed to related parties	0.1	1.4
Trade creditors	3.3	1.1
Other creditors	0.4	1.9
Other taxation and social security	2.2	0.7
Accruals and deferred income	70.9	52.0
	76.9	57.1

Included within accruals and deferred income is £30.8m relating to interest accruals on the Group's borrowings (2021: £24.3m).

Company	2022	2021
Amounts owed to related parties	1,080.6	955.6
Trade creditors	2.6	0.6
Other creditors	–	1.5
Other taxation and social security	1.4	0.7
Accruals and deferred income	43.7	25.2
	1,128.3	983.6

Included within accruals and deferred income is £25.6m relating to interest accruals on the Company's borrowings (2021: £22.2m).

Amounts owed to other related parties of the Group are in respect of companies of which HN Moser is a director and shareholder.

Amounts owed to other related parties of the Company are primarily balances with subsidiary companies.

21. Share capital

Authorised	2022	2021
10,405,653 A ordinary shares of 50 pence each	5.2	5.2
9,149,912 B ordinary shares of 49.9 pence each	4.6	4.6
921,501 C ordinary shares of 1 penny each	–	–
70,000 D ordinary shares of 1 penny each	–	–
10,000 E ordinary shares of 1 penny each	–	–
	9.8	9.8

Issued, allotted and fully paid	2022	2021
10,405,653 A ordinary shares of 50 pence each	5.2	5.2
9,149,912 B ordinary shares of 49.9 pence each	4.6	4.6
921,501 C ordinary shares of 1 penny each	–	–
70,000 D ordinary shares of 1 penny each	–	–
	9.8	9.8

A ordinary shares carry voting rights, rights to certain dividends and rights to participate in a distribution (including on winding up) as set out in the articles of association. The holders of B, C and D ordinary shares do not have voting rights, but do have rights to certain dividends and participation in a distribution (including on winding up) as set out in the articles of association. E ordinary shares have been issued, and the Company's directors are authorised to allot up to 10,000 E ordinary shares to holders of D ordinary shares.

13,335 of the D Ordinary shares are held in an employee benefit trust and accounted for as treasury shares.

22. Financial instruments and fair values

The Group measures fair values using the following hierarchy, which reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Measurements derived from observable data, such as market prices or rates;

Level 3: Measurements relying on significant inputs not based on observable market data.

Financial instruments measured at fair value

The following table analyses the fair values as at the year-end of financial instruments measured at fair value, analysed into different levels according to the degree to which they are based on observable inputs:

2022	Level 1	Level 2	Level 3	Fair value	Carrying value
Derivative assets held for risk management – Interest-rate risk					
Derivative assets	–	11.2	–	11.2	11.2
Derivative liabilities	–	–	–	–	–

2021	Level 1	Level 2	Level 3	Fair value	Carrying value
Derivative assets/(liabilities) held for risk management – Interest-rate risk					
Derivative assets	–	0.6	–	0.6	0.6
Derivative liabilities	–	(1.2)	–	(1.2)	(1.2)

The Group's derivative assets are interest-rate swaps and caps and its derivative liability at 30 June 2021 was an interest-rate swap and related floor. The valuations of these instruments are level 2, being derived from generally accepted valuation models that use forecast future interest-rate curves derived from market data.

Financial instruments not measured at fair value

All the Group's other financial assets and liabilities are held at amortised cost. The carrying value is a reasonable approximation of fair value for all financial instruments other than for loans and advances to customers and for borrowings. For loans and advances to customers and for borrowings, fair value is calculated based upon the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

The following table analyses the fair values of loans and advances and of borrowings into different levels according to the degree to which the fair values are based on observable inputs:

2022	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets					
Loans and advances to customers	–	–	5,206.0	5,206.0	5,247.9
Financial liabilities					
Borrowings	930.3	1,852.5	1,590.0	4,372.8	4,482.8

2021	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets					
Loans and advances to customers	–	–	4,073.3	4,073.3	4,011.9
Financial liabilities					
Borrowings	963.9	1,210.7	1,180.7	3,355.3	3,304.0

The fair value of loans and advances to customers is based on future interest cash flows (at current customer rates) and principal cash flows discounted using the rate at which we most recently advanced similar loans (a market rate). This rate is assumed to encompass the time value of money, plus a risk premium to account for the inherent uncertainty in the timing and amount of future cash flows arising from mortgage assets. Forecast principal repayments are based on redemption at maturity with an overlay for historical behavioural experience to take account of expected prepayment. The eventual timing of future cash flows may be different from the forecast due to unpredictable customer behaviour. A further adjustment is made to reflect expected credit losses over the life of each loan.

For borrowings, the fair value of senior secured notes is considered to be level 1, reflecting quoted prices. The fair value is lower than the carrying value as the notes are trading at a discount to their par value as at 30 June 2022.

The fair value of loan notes issued by private securitisations is estimated to be the carrying value because the notes track a floating rate of interest but where the margins payable are observable inputs only when they are issued or refinanced. These notes are classified as level 3 with publicly issued residential mortgage-backed securities classified as level 2.

Subordinated shareholder loans and lease liabilities are also classified as level 3. Market prices are not available for these loans and so fair value has been estimated by discounting the related expected future cash flows. As market rates are not observable for these loans, management has derived discount rates by reference to other arm's length transactions with investors, making allowance for the tenor and seniority of the loans.

23. Notes to the cash flow statement

Group	2022	2021
Adjustments for non-cash items in profit after tax:		
Net interest income	(254.8)	(247.4)
Changes in expected credit losses charged to income statement	7.6	18.0
Taxation	26.5	19.2
Provisions for liabilities and charges	0.6	11.9
Depreciation and amortisation	5.2	5.3
Share-based payment	4.5	–
Net gains/(losses) on financial instruments	0.3	(1.1)
Impairment of right-of-use asset	–	0.2
	(210.1)	(193.9)

	2022	2021
Changes in operating assets and liabilities		
(Increase)/decrease in loans and advances to customers	(1,243.6)	132.3
(Increase)/decrease in other assets	(1.8)	0.7
Increase/(decrease) in other liabilities	12.7	(6.6)
	(1,232.7)	126.4

Company	2022	2021
Adjustments for non-cash items in profit after tax:		
Net interest income	59.1	60.7
Taxation	(0.7)	(1.0)
Impairment of right-of-use asset	–	0.2
	58.4	59.9

	2022	2021
Changes in operating assets and liabilities		
Intergroup recharges and treasury transfers	51.0	(22.2)
Increase in accruals	26.9	16.4
Increase in other assets	(0.8)	(3.7)
	77.1	(9.5)

Reconciliation of changes in liabilities arising from financing activities

As at 30 June 2022:

			Non-cash changes					
Group	At beginning of year	Net cash flows	Lease additions	Prepaid fees	Amortisation of premiums and discounts	Modification of subordinated loan	Net other movements	At end of year
Bank facilities	–	–	–	–	–	–	–	–
Loan notes	2,327.7	1,064.2	–	–	–	–	–	3,391.9
Senior secured notes	935.0	120.6	–	–	(0.2)	–	–	1,055.4
Subordinated shareholder loans	29.3	–	–	–	2.1	–	–	31.4
Lease liabilities	29.9	(1.2)	0.9	–	–	–	–	29.6
	3,321.9	1,183.6	0.9	–	1.9	–	–	4,508.3
Net debt issue costs	(17.9)	–	–	(7.6)	–	–	–	(25.5)
Total borrowings	3,304.0	1,183.6	0.9	(7.6)	1.9	–	–	4,482.8

As at June 2021:

			Non-cash changes					
Group	At beginning of year	Net cash flows	Lease additions	Prepaid fees	Amortisation of premiums and discounts	Modification of subordinated loan	Net other movements	At end of year
Bank facilities	10.0	(10.0)	–	–	–	–	–	–
Loan notes	2,729.8	(402.1)	–	–	–	–	–	2,327.7
Senior secured notes	786.1	150.0	–	–	(1.1)	–	–	935.0
Subordinated shareholder loans	28.4	–	–	–	2.1	(1.0)	(0.2)	29.3
Lease liabilities	11.5	(2.2)	20.6	–	–	–	–	29.9
	3,565.8	(264.3)	20.6	–	1.0	(1.0)	(0.2)	3,321.9
			–					
Net debt issue costs	(15.7)	–	–	(2.2)	–	–	–	(17.9)
Total borrowings	3,550.1	(264.3)	20.6	(2.2)	1.0	(1.0)	(0.2)	3,304.0

As at 30 June 2022:

			Non-cash changes					
Company	At beginning of year	Net cash flows	Lease additions	Prepaid fees	Amortisation of premiums and discounts	Modification of subordinated loan	Net other movements	At end of year
Bank facilities	–	–	–	–	–	–	–	–
Subordinated shareholder loans	29.3	–	–	–	2.1	–	–	31.4
Lease liabilities	29.9	(1.2)	0.9	–	–	–	–	29.6
	59.2	(1.2)	0.9	–	2.1	–	–	61.0
Net debt issue costs	(0.2)	–	–	0.2	–	–	–	–
Total borrowings	59.0	(1.2)	0.9	0.2	2.1	–	–	61.0

As at 30 June 2021:

			Non-cash changes					
Company	At beginning of year	Net cash flows	IFRS 16 adjustment	Prepaid fees	Amortisation of premiums and discounts	Modification of subordinated loan	Net other income	At end of year
Bank facilities	10.0	(10.0)	–	–	–	–	–	–
Subordinated shareholder loans	28.4	–	–	–	2.1	(1.0)	(0.2)	29.3
Lease liabilities	10.5	–	19.7	–	–	–	(0.3)	29.9
	48.9	(10.0)	19.7	–	2.1	(1.0)	(0.5)	59.2
Net debt issue costs	(0.1)	–	–	(0.1)	–	–	–	(0.2)
Total borrowings	48.8	(10.0)	19.7	(0.1)	2.1	(1.0	(0.5)	59.0

24. Related party transactions

Relationships

The Company has the following related parties:

a) Controlling party

All the voting shares of Together Financial Services Limited are controlled by Bracken Midco2 Limited, a company whose ultimate parent is Redhill Famco Limited, which is wholly owned and controlled by HN Moser, a director of Together Financial Services Limited.

Besides the companies owned by Redhill Famco Limited, other entities owned by HN Moser are deemed to be related parties and during the year transacted with the Company's subsidiaries as follows:

Entity	Nature of transactions
Bracken House Properties LLP	The Group pays operating lease and insurance costs to Bracken House Properties LLP for its provision of the Group's head office property.
Centrestand Limited	The Group collects rents and pays service charges and costs on behalf of Centrestand Limited.
Charles Street Commercial Investments Limited	The Group refers borrowers outside its lending criteria to Charles Street Commercial Investments Limited. The Group performs underwriting, collection and arrears-management activities for these loans. The Group also manages accounts payable on behalf of the company and provides ancillary accounting and treasury services for which it receives a fee.
Sterling Property Co. Limited	Sterling Property Co. Limited provides property management services for properties repossessed or placed into LPA receivership by the Group. These services solely relate to properties repossessed prior to the current year. The Group also pays Sterling Property Co. Limited for the rental of additional office space.
Edgworth Developments Limited & Sunnywood Estates Limited	The Group provides loans with interest charged at 5% per annum, secured on certain assets of these companies. The Group also manages accounts payable on behalf of these entities.
August Blake Developments Limited	The Group manages accounts payable on behalf of August Blake Developments Limited.

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

b) Parent companies

The Group transacted with the following parent companies owned by HN Moser:

Entity	Nature of transactions
Bracken Midco2 Limited	In November 2016 the Company received subordinated funding from Bracken Midco2 Limited. The subordinated loans are interest-free and for fixed terms, as set out in note 18. The difference between the loans' maturity amounts and their fair values represents a capital contribution to the Group which is being amortised through income over the life of each loan. The Group pays dividends to its parent company Bracken Midco2 Limited.

c) Subsidiaries

Details of the Company's interest in its subsidiaries are listed in note 14. The Company utilises its bank and subordinated shareholder funding, and bonds raised by a subsidiary company, to provide treasury funding to its lending subsidiaries. Interest is recharged among Group companies based on the Group's external cost of borrowings and the risk of the assets funded. The cost of equity funding is not charged. All amounts are repayable on demand.

d) Key management personnel

Key management personnel comprise directors of the Group. There are no transactions with directors other than the director's loan disclosed in Note 13 and remuneration in the ordinary course of business disclosed in note 7.

During a previous accounting period, the Group granted options to senior management under an equity-settled share-based payment scheme. During the current year, a charge of £4.5m has been recognised in the income statement, having met the threshold for recognition during the year. The majority of this charge represents the costs to the Group of services received from those individuals in previous accounting periods.

Transactions

The amounts receivable from and payable to related parties by the Group and Company are disclosed in notes 13 and 20 to the Financial Statements. The Group and Company had the following transactions with related parties during the year:

	2022		2021	
Group	**Charge to income or equity**	**Paid**	Charge/ (credit) to income or equity	Paid/ (received)
Lease and insurance costs	2.2	2.2	1.5	1.2
Accounts payable transactions	–	0.9	–	1.0
Impairment of related party loans	0.1	–	0.1	–
Interest on related party loans	–	–	(0.2)	–
Net settlement of related party balances	–	1.1	–	(2.7)
Related parties of HN Moser	2.3	4.2	1.4	(0.5)
Interest expense	2.1	–	1.0	–
Dividends paid	48.8	48.8	52.7	52.7
Parent companies	50.9	48.8	53.7	52.7
Total related parties	53.2	53.0	55.1	52.2

	2022		2021	
Company	**Charge/ (credit) to income or equity**	**Paid/ (received)**	Charge/ (credit) to income or equity	Paid
Interest expense	2.1	–	1.0	–
Dividends paid	48.8	48.8	52.7	52.7
Parent companies	50.9	48.8	53.7	52.7
Depreciation expense of right-of-use assets	1.0	–	1.0	–
Interest expense on lease liabilities	1.5	–	0.6	–
Interest recharges	(3.2)	–	(6.0)	–
Capital injection	10.2	10.2	–	–
Net settlement of related party balances	–	(78.5)	–	10.7
Subsidiary companies	9.5	(68.3)	(4.4)	10.7
Total related parties	60.4	(19.5)	49.3	63.4

25. Leases

The table below sets out the amounts recognised in the income statement in respect of the Group's and Company's right-of-use assets and lease liabilities during the year ended 30 June 2022 and year ended 30 June 2021:

2022	Administrative expenses £m	Interest expense £m	Total £m
Depreciation expense of right-of-use assets	1.0	–	1.0
Interest expense on lease liabilities	–	1.5	1.5
Total recognised in the income statement	1.0	1.5	2.5

2021	Administrative expenses £m	Interest expense £m	Total £m
Depreciation expense of right-of-use assets	1.0	–	1.0
Interest expense on lease liabilities	–	0.6	0.6
Total recognised in the income statement	1.0	0.6	1.6

The below table sets out the carrying amounts of the Group's and Company's right-of-use assets and lease liabilities and the movements during the year ended 30 June 2022 and the year ended 30 June 2021.

	2022		2021	
	Right-of-use assets – leasehold property £m	Lease liabilities £m	Right-of-use assets – leasehold property £m	Lease liabilities £m
As at beginning of year	27.7	(29.9)	9.2	(11.5)
Additions	–	(0.9)	5.3	(5.6)
Modifications	–	–	14.4	(14.4)
Depreciation expense	(1.0)	–	(1.0)	–
Interest expense on lease liabilities	–	(1.5)	–	(0.6)
Payments	–	2.7	–	2.2
Impairment	–	–	(0.2)	–
As at end of year	26.7	(29.6)	27.7	(29.9)

The analysis of lease liabilities includes hire-purchase obligations for motor vehicles. The Group had total cash outflows for leases of £2.7m during the year ended 30 June 2022 (2021: £2.2m).

26. Pension arrangements

During the year the Group contributed to employees' personal pension plans. The total cost for the year amounted to £1.6m (2021: £1.3m).

27. Share-based payments

Senior management has previously been granted D shares and options over E shares of the Company. The ability to dispose of such shares and execute such options is conditional on sale of shares held by other shareholders amounting to 25% or more of the Company's share capital on a cumulative basis. The value of these shares is dependent upon the value of the Company at the time of granting and is not reassessed. Awards are treated as equity settled and are satisfied by the same entity where the obligation rests at the point awards are realised. The options over the E shares have not yet been exercised.

In accordance with IFRS 2, management considers that, during the year, the likelihood of the occurrence of the conditions required for the scheme to vest has increased. As a result, a charge of £4.5m has been recognised in the income statement having met the threshold for recognition during the year, with a corresponding increase in the share-based payment reserve within equity. The majority of this charge represents the costs to the Group of services received from those individuals in previous accounting periods.

28. Commitments

The Group has commitments to extend credit which are not recorded on the balance sheet. This includes both the undrawn element of existing facilities and new commitments to lend.

As 30 June 2022, the Group had undrawn commitments to lend of £219.4m (30 June 2021: £106.2m). These relate mostly to lines of credit granted to existing customers for property development. The amounts do not represent the amounts at risk at the reporting date but the amounts that would be at risk should the facilities be fully drawn upon and should the customer default.

The ECL on the undrawn elements of existing facilities is included within the total ECL held within net loans and advances to customers. The ECL on new lending commitments is £0.3m (2021: £0.2m), and is classified within other liabilities.

29. Reforms of benchmark interest rates

The Group's derivatives and non-derivative financial liabilities have been exposed to sterling Libor. Due to interest-rate benchmark reform, sterling Libor was discontinued on 31 December 2021 (other than for a 'synthetic' Libor available for instruments not transitioned from Libor by that date). It has therefore been necessary to transition to an alternative benchmark rate, also referred to as near-risk-free rates or RFRs. The Group's RFR for sterling Libor is the reformed sterling overnight index average (Sonia).

Implementation of alternative benchmark interest rates

The Group's mortgage loans do not directly reference Libor, and its only significant use has been as a reference rate for some of the Group's floating-rate borrowings and, in two cases, their related hedging arrangements. The Group's discontinuance of sterling Libor was closely managed by the treasury department to minimise the risk to the business's performance and activities and, during the year, the Group completed the transition arrangements for all its sterling-Libor facilities, as set out below.

Risks arising from the interest-rate benchmark reform

The key potential risks for the Group arising from the transition were:

Interest-rate basis risk: this risk arises if negotiations with counterparties are not successfully concluded before the cessation of Libor, or if negotiations result in derivative and non-derivative instruments in a hedging relationship transitioning at different times, with different adjustment spreads or to different calculation methodologies.

Accounting: if transition to Sonia is executed such that it does not permit the application of the reliefs in the Phase 2 amendments to IFRS 9, this could lead to volatility in the income statement as a result of the discontinuation of hedge-accounting relationships or if non-derivative financial instruments are modified or derecognised.

Operational risk: the implementation of alternative benchmark rates will require changes which potentially give rise to operational risks.

Group management successfully worked with all counterparties to implement the changes and none of the risks has crystallised.

Interest-rate benchmark transition for non-derivative financial liabilities

The Group is already using Sonia as the reference rate for floating-rate notes and derivative contracts in its most recent securitisations. For its facilities referencing Libor, the Group actively managed the transition to Sonia. All facilities to be transitioned by specific contract amendments, rather than upon refinancing, required the agreement of spread adjustments to reduce or eliminate, to the extent reasonably practicable, any transfer of economic value from one party to another as a result of the transition to Sonia.

The table below summarises the year-end position for the sterling-Libor financial liabilities that were in scope of the IFRS 9 amendments due to interest-rate benchmark reform. The amounts represent the total facility size and so include notes that pay interest at commercial-paper rates, as well as notes that reference Libor.

Non-derivative financial liability	Maturing in	Total facility	Hedge accounting	Transition progress
Revolving credit facility	June 2023	71.9	N/a	Transitioned to Sonia
Private securitisation loan notes				
Charles Street ABS	–	–	N/a	Facility extinguished
Lakeside ABS	April 2026	700.0	N/a	Transitioned to Sonia
Highfield ABS	September 2025	525.0	N/a	Transitioned to Sonia
Delta ABS	December 2025	400.0	N/a	Transitioned to Sonia
Public securitisation loan notes *				
Together ABS1	–	–	N/a	Facility extinguished
Together ABS2	November 2022	108.5	Partially designated in cash flow hedge	Transitioned to Sonia

* The stated maturity dates for the public securitisations are aligned to the maturity/call dates disclosed in note 18. The stated nominal amounts represent the amounts outstanding at the end of the period.

Interest-rate benchmark transition for derivatives and hedging relationships

The Group used sterling-Libor derivatives for hedging purposes in only two of its securitisations, Charles Street ABS (CABS) and Together ABS2 (TABS 2). CABS used a combined interest-rate swap and floor and TABS 2 used a cap, and all derivatives were subject to reform. TABS 2 was successfully transitioned to Sonia by the Libor cessation date while the CABS derivatives were transitioned to synthetic Libor as an interim measure before being cancelled as part of the termination of the CABS facility.

30. Ultimate parent company

The largest (and only additional) group of which Together Financial Services Limited is a member, and for which group financial statements will be drawn up, is that headed by Redhill Famco Limited, the Company's ultimate parent company. The immediate parent company of Together Financial Services Limited is Bracken Midco2 Limited.

The registered office of Redhill Famco Limited and Bracken Midco2 Limited is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW.

31. Events after the reporting date

In July 2022, the Group announced the issuance of its largest ever RMBS, Together Asset Backed Securitisation 2022 – 1ST1 PLC (TABS 7), raising £494.4m.

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

Also in September 2022, the Group refinanced its BABS facility, with an additional £24m of funding secured.

Glossary

2026 Senior Secured Notes (SSNs 2026)	£555m senior secured notes issued by a subsidiary of the Group, Jerrold Finco PLC.
2027 Senior Secured Notes (SSNs 2027)	£500m senior secured notes issued by a subsidiary of the Group, Jerrold Finco PLC.
ALCO	Asset and Liabilities Committee. Responsible for managing the Group's exposure to capital, liquidity, interest-rate risk and market risk.
Bank Rate	Bank of England Bank Rate, also known as Base Rate.
Brooks ABS 1	Brooks Asset Backed Securitisation 1 Limited – this is an amortising facility, which as of September 2022 had £71.5m of notes issued against a loan portfolio of £96.7m with a contractual maturity of March 2027.
BTL	Buy-to-let.
Capital risk	The risk that the Group fails to hold adequate capital buffers and to appropriately manage the Group's capital base.
Charles Street ABS	Charles Street Conduit Asset Backed Securitisation 1 Limited – £1,255m facility with a maturity date of September 2023. The facility was closed down as part of refinancing and re-issued under a new facility – 'Charles Street ABS 2'.
Charles Street ABS 2	Charles Street Conduit Asset Backed Securitisation 2 Limited – £1,255m facility with a maturity date of March 2027.
Company	Together Financial Services Limited is a private company, limited by shares, and is registered in England (company number: 02939389).
Compliance risk	The risk arising from the failure to comply with existing or new legislation or regulations in the markets within which the Group operates.
Conduct risk	The risk arising from business activities that fail to deliver appropriate and consistent outcomes to customers and stakeholders.
CMBS	Commercial-mortgage-backed securitisation
Credit risk	The risk arising as result of default by customers or counterparties due to failure to honour obligations when they fall due.
Delta ABS 2	Delta Asset Backed Securitisation 2 Limited – £400m facility with a maturity date of December 2025.
Development loans	Development loans are loans that we extend to finance the development of land or property primarily into residential units with repayments typically being made out of the sale of the units.
EBITDA	Earnings before interest, tax, depreciation and amortisation. The calculation of this is shown in the following section on alternative performance measures.
Expected credit loss (ECL)	ECLs are a probability-weighted estimate of the present value of credit losses discounted over the expected life of an instrument at its original effective interest rate. Calculated using a statistical model based on probability of default, loss given default and exposure at default.
EIR	Effective interest rate, ie the rate that, at inception of the instrument, discounts its estimated future cash payments or receipts to the gross carrying amount, in the case of financial assets, or to the amortised cost in the case of financial liabilities.
Enterprise risk management framework (ERMF)	This provides the requisite organisational arrangements and foundation for managing risks in a consistent and structured manner.
ESG	Environment, Society and Governance.
Fair value	The amount at which an asset could be exchanged, or a liability settled, between willing parties in an arm's length transaction.
Financial Conduct Authority (FCA)	The FCA is the conduct regulator for financial services firms and financial markets in the UK.
Forbearance	A concession that is made on the contractual terms of a loan or mortgage in response to a borrower's financial difficulties.
Gross domestic product (GDP)	GDP measures the total value of all of the goods made and services provided in a country in a year.
Highfield ABS	Highfield Asset Backed Securitisation 1 Limited – £525m facility size with a maturity date of September 2025.
IFRS	International Financial Reporting Standards.
Lakeside ABS	Lakeside Asset Backed Securitisation 1 Limited – £700m facility with a maturity date of April 2026.

Liquidity and funding risk	Liquidity risk is the risk that the Group is unable to maintain sufficient accessible liquid financial resources to meet the Group's financial obligations as they fall due. Funding risk is the risk of being unable to access funding markets or to only be able to do so at excessive cost. This includes the risk of reduced funding options due to adverse conditions in the wholesale-funding market, potentially caused by political and economic uncertainty leading to the inability to secure additional funding for new business, or refinance existing facilities at an acceptable cost.
Loan book	This refers to the gross loans and advances to customers, ie before impairment allowances.
Loan origination	The process of creating a loan(s) or mortgage(s).
Loss given default (LGD)	An estimate of the likely loss, as a percentage of the loan amount, in the event of a default.
LPA	Law of Property Act. The act provides a means by which a secured lender can gain control of a freehold property against a defaulting borrower.
Loan to value (LTV)	The ratio of the carrying amount of a mortgage loan to the appraised value of the property securing the loan. The carrying amount is calculated as the aggregate of: i. the principal amount of a mortgage loan, ii. any higher-ranking-charge mortgage loans secured on the same property, iii. the accrued interest and fees thereon, iv. less allowances for impairments, and v. other accounting adjustments (including adjustments to recognise income at the effective interest rate). The appraised value is typically: i. the assessed value of real property in the opinion of a qualified appraiser or valuer, or ii. derived from an automated valuation model during the mortgage origination process, or iii. the revised valuation of the property if a later valuation has been undertaken.
Market risk	The risk arising from the Group's exposure to movements in market values, including movements in interest rates.
Net loan book	This refers to the net loans and advances to customers, ie loans and advances to customers after impairment allowances.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
PIK toggle notes	A PIK toggle note is a bond in which the issuer has the option, subject to certain conditions being met, to pay interest in the form of payment-in-kind (PIK) as opposed to cash interest.
Probability of default (PD)	An estimate of the likelihood of default over a given time horizon, estimated at a point in time.
Repossession and LPA receivership	Repossessed properties are properties in respect of which a court order has been actioned by a charge holder of the security or in respect of which the borrower has surrendered ownership of the property. LPA receivership is typically used to exercise security over property used for commercial-purpose loans to enable us subsequently to sell the property (LPA sales).
Revolving credit facility (RCF)	Syndicated revolving credit loan facility of £138.3m with a maturity date of September 2026.
RMBS	Residential mortgage-backed securitisation.
Senior Borrower Group (SBG)	The Company and its subsidiaries, not including its securitisation vehicles listed in note 14 to the Financial Statements.
Senior management	The Executive Committee members, not including NEDs, and Executive Direct Reports (EDRs).
Shareholder funds	Equity and subordinated shareholder loans and notes. The calculation of this is shown in the section on alternative performance measures.
Strategic risk	The risk of failure to achieve objectives that impact the long-term interest of stakeholders.
TCFD	Task Force on Climate-related Financial Disclosures.
The Group	Together Financial Services Limited and its subsidiaries.
The tax group	This is the Redhill corporation tax group, which is Redhill Famco Limited, the ultimate parent company of Together Financial Services Limited, together with its subsidiaries, excluding the securitisation vehicles.
Together ABS 1	Together Asset Backed Securitisation 1 PLC – this was an amortising facility which raised £275.0m with a contractual maturity date of 2049 and an option to call the facility in September 2021. This was fully repaid on 13 September 2021.
Together ABS 2	Together Asset Backed Securitisation 2018 – 1 PLC – this is an amortising facility, which raised £272.6m against a loan portfolio of £286.9m with a contractual maturity of 2050 and an option to call the facility in November 2022.

Together ABS 3	Together Asset Backed Securitisation 2019 – 1 PLC – this is an amortising facility, which raised £315.4m against a loan portfolio of £332.0m with a contractual maturity of 2061 and an option to call the facility in September 2023.
Together ABS 4	Together Asset Backed Securitisation 2020 – 1 PLC – this is an amortising facility, which raised £360.5m against a loan portfolio of £366.0m with a contractual maturity of December 2061 and an option to call the facility in June 2024.
Together ABS 5	Together Asset Backed Securitisation 2021 – 1ST1 PLC – this is an amortising RMBS facility which raised £318.0m against a loan portfolio of £332.9m with a contractual maturity of July 2063 and an option to call the facility in October 2025.
Together ABS 6	Together Asset Backed Securitisation 2022 – 2ND1 PLC – this is an amortising RMBS facility which raised £349.8m against a loan portfolio of £366.3 with a contractual maturity of February 2054 and an option to call the facility in May 2026.
Together ABS 7	Together Asset Backed Securitisation 2022 – 1ST1 PLC – this is an amortising RMBS facility which raised £470.0m against a loan portfolio of £499.4m with a contractual maturity of June 2066 and an option to call the facility in June 2026.
Together CRE1	Together Asset Backed Securitisation 2021 – CRE1 PLC – this is an amortising facility which raised £194.3m against a loan portfolio of £200.0m with a contractual maturity of January 2055 and an option to call the facility in February 2025.
Together CRE2	Together Asset Backed Securitisation 2021 – CRE2 PLC – this is an amortising facility which raised £241.6m against a loan portfolio of £249.0m with a contractual maturity of August 2052 and an option to call the facility in February 2026.
Together CRE3	Together Asset Backed Securitisation 2022 – CRE3 PLC – this is an amortising facility which raised £365.2m against a loan portfolio of £378.4m with a contractual maturity of April 2054 and an option to call the facility in October 2026.
Underlying profit before tax	Underlying profit before tax (PBT) is the Group's statutory profit before tax adjusted for one-off exceptional items. In 2022, underlying PBT excluded one-off strategic options costs of £7.9m, share-based payment of £4.5m along with a release of £1.2m relating to certain customer provisions. In 2021, underlying PBT excluded one-off refinancing and transaction costs of £5.9m, £1.7m relating to redundancy costs and a £8.2m release of certain customer provisions.
Underlying profit after tax	Underlying profit after tax (PAT) is the Group's statutory profit after tax adjusted for one-off exceptional items. In 2022, underlying PBT excluded one-off strategic options review costs of £7.9m, share-based payment of £4.5m along with a release of £1.2m relating to certain customer provisions. In 2021, underlying PAT excluded one-off refinancing and transaction costs of £5.9m, £1.7m relating to redundancy costs and a £8.2m release of certain customer provisions.
Weighted average LTV of originations	The average LTV on originations is calculated on a weighted-average basis, by multiplying each LTV by the respective principal loan amount and then dividing the sum of the weighted LTVs by the total of principal amounts.
Weighted average indexed LTV of portfolio	Indexation is applied to the values of properties securing loans within our portfolio on a quarterly basis. The value of the properties securing our loans are adjusted for movements in property prices since the latest appraised valuation in accordance with the relevant regional property indices. The weighted average indexed LTV of our loan portfolio is subsequently calculated by multiplying each indexed LTV by the respective loan amount and then dividing the sum of the weighted indexed LTVs by the total amount of loans.

Alternative performance measures

In the reporting of financial information, we use certain measures that are not required under IFRS, the Generally Accepted Accounting Principles ('GAAP') under which we report. These measures are consistent with some of those used by management to assess underlying performance. In addition, a number of non-IFRS metrics are calculated which we consider to be helpful in understanding the performance of the Group.

These alternative performance measures have been defined below:

Cost of risk

Impairment charge expressed as a percentage of the average of the opening and closing gross loans and advances to customers.

	2022 £m	2021 £m
Impairment charge	4.3	16.1
Average net loans and advances to customers	4,629.9	4,087.0
	0.09%	0.40%

Cost/income ratio

Administrative expenses including depreciation and amortisation divided by operating income.

	2022 £m	2021 £m
Administrative expenses	101.5	86.2
Operating income	257.3	252.6
	39.4%	34.1%

Underlying cost/income ratio

Administrative expenses including depreciation and amortisation divided by operating income but excluding the effects of provision releases made in respect of forbearance and customer communications, strategic option costs and share-based payment.

	2022 £m	2021 £m
Administrative expenses	101.5	86.2
Less redundancy costs	–	(1.7)
Less strategic options costs	(7.9)	–
Less charge for share-based payment	(4.5)	–
Plus releases in forbearance and customer-communication provisions	1.2	8.2
Administrative expenses excluding exceptional items	90.3	92.7
Operating income	257.3	252.6
Add back refinance cost	–	5.9
Operating income excluding exceptional	257.3	258.5
Underlying cost/income ratio	35.1%	35.9%

Earnings before interest, tax, depreciation and amortisation (EBITDA)

Profit before taxation adding back interest payable and similar charges and depreciation and amortisation.

	2022 £m	2021 £m
Profit before tax	151.5	150.3
Add back:		
Interest payable and similar charges	138.6	123.5
Depreciation and amortisation	5.2	5.3
	295.3	279.1

Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)

EBITDA adjusted for provision releases made in respect of forbearance and customer communication, strategic option costs and share-based payment.

	2022 £m	2021 £m
EBITDA	295.3	279.1
Add back:		
Redundancy costs	–	1.7
Strategic options costs	7.9	–
Charge for share-based payment	4.5	–
Less releases of forbearance and customer-communication provisions	(1.2)	(8.2)
Underlying EBITDA	306.5	272.6

Interest-cover ratio

The ratio of EBITDA to interest payable and similar charges.

	2022 £m	2021 £m
EBITDA	295.3	279.1
Interest payable and similar charges	138.6	123.5
	2.13:1	2.26:1

Underlying interest-cover ratio

The ratio of underlying EBITDA to interest payable and similar charges.

	2022 £m	2021 £m
Underlying EBITDA	306.5	272.6
Interest payable and similar charges	138.6	123.5
Add back:		
Refinancing cost	–	(5.9)
	138.6	117.6
Underlying interest-cover ratio	2.21:1	2.32:1

Net debt gearing

Net debt expressed as a percentage of loans and advances to customers. Net debt consists of certain borrowings facilities excluding any premiums, less cash and cash equivalents.

	2022 £m	2021 £m
Loan notes	3,391.9	2,327.7
Senior secured notes	1,055.4	935.0
Less premium on senior secured notes	(0.4)	–
Less cash and cash equivalents	(264.5)	(228.6)
Net debt	4,182.4	3,034.1
Loans and advances to customers	5,247.9	4,011.9
	79.7%	75.6%

Net interest margin (NIM)

Net interest income as a percentage of the average of the opening and closing net loans and advances to customers.

	2022 £m	2021 £m
Net interest income	254.8	247.4
Average loans and advances to customers	4,629.9	4,087.0
	5.5%	6.1%

Underlying net interest margin

Net interest income, adjusted for one-off refinancing cost relating to 2021 senior secured notes, as a percentage of the average of the opening and closing net loans and advances to customers.

	2022 £m	2021 £m
Net interest income	254.8	247.4
Add back:		
Refinancing cost	–	5.9
Adjusted net interest income	254.8	253.3
Average loans and advances to customers	4,629.9	4,087.0
	5.5%	6.2%

Underlying profit before tax

Calculated as the Group's statutory profit before tax adjusted for one-off exceptional items.

	2022 £m	2021 £m
Profit before tax	151.5	150.3
Add back:		
Refinancing cost	–	5.9
Redundancy costs	–	1.7
Strategic-options costs	7.9	–
Charge for share-based payment	4.5	–
Less releases of forbearance and customer-communication provisions	(1.2)	(8.2)
	162.7	149.7

Return on equity (ROE)

Calculated as the return to shareholder funds expressed as a percentage of the average of the opening and closing shareholder funds (which are defined later in this section). The return to shareholder funds is profit after tax adding back shareholder-loan interest net of associated tax at the effective tax rate.

	2022 £m	2021 £m
Profit after tax	125.0	131.1
Add back shareholder-loan interest	2.1	1.0
Less tax on shareholder-loan interest	(0.3)	(0.1)
Total return to shareholder funds	126.8	132.0
Average shareholder funds	983.5	896.7
	12.9%	14.7%

Underlying return on equity (Underlying ROE)

Calculated as total return to the shareholder, adjusted for exceptional items and their associated tax, expressed as a percentage of the average of the opening and closing shareholder funds.

	2022 £m	2021 £m
Total return to shareholder funds	126.8	132.0
Add back exceptional items:		
Redundancy costs	–	1.7
Strategic options costs	7.9	–
Charge for share-based payment	4.5	–
Less releases of forbearance and customer-communication provisions	(1.2)	(8.2)
Refinancing cost	–	5.9
	11.2	(0.6)
Less tax on exceptional items using effective tax rate	(2.0)	0.1
	9.2	(0.5)
Underlying return to shareholder funds	136.0	131.5
Underlying average shareholder funds	983.5	908.5
	13.8%	14.5%

Cost/asset ratio

Administrative expenses expressed as a percentage of the average of the opening and closing total assets.

	2022 £m	2021 £m
Administrative expenses	101.5	86.2
Average total assets	4,938.7	4,375.8
	2.06%	1.97%

Underlying cost/asset ratio

Administrative expenses, excluding exceptional items, divided by the average of the opening and closing total assets.

	2022 £m	2021 £m
Administrative expenses	101.5	86.2
Less redundancy costs	–	(1.7)
Less strategic options costs	(7.9)	–
Less charge for share-based payment	(4.5)	–
Plus releases of forbearance and customer-communications provisions	1.2	8.2
Adjusted administrative expenses	90.3	92.7
Average total assets	4,938.7	4,375.8
	1.83%	2.12%

Shareholder funds

This is equity plus subordinated shareholder loans.

	2022 £m	2021 £m
Equity	998.6	907.7
Shareholder loans	31.4	29.3
	1,030.0	937.0

Further information

Registered office

Lake View
Lakeside
Cheadle
Cheshire
SK8 3GW

External auditor

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

For further information:

Mike Davies
Director of Corporate Affairs
+ 44 7753 138185
mike.davies@togethermoney.com

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