together.®
Common sense lending

Together Commercial Finance Limited
Annual Report and Financial Statements

For the year ended 30 June 2023

Company Registration No. 02058813

Contents **Page**

Officers and professional advisers

Directors

GD Beckett
MR Goldberg
GM Grimes
HN Moser

Secretary

SE Batt

Registered office

Lake View
Lakeside
Cheadle
Cheshire
SK8 3GW

Auditor

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

Strategic report

The directors present their annual report and the audited financial statements for the year ended 30 June 2023.

Business Review

Business model and strategy

The principal activity of Together Commercial Finance Limited ('the Company') continues to be that of a mortgage lender. The Company is a wholly-owned subsidiary of Together Financial Services Limited which, with its subsidiaries, operates as the Together Group of businesses ('the Group').

The Company's purpose and vision is aligned to that of the Group. The Company's purpose is to realise people's ambitions by making finance work and its vision is to be the most valued lending company in the UK. The Company's strategy is executed by delivering on strategic objectives set for each of its key stakeholder groups; our customers, by delivering common sense decisions and being easy to do business with; our colleagues, by providing an inspiring purpose and creating a diverse culture where everyone can play their part; our communities by providing support to a range of groups and improving the environment in which we live and work; and our shareholder and investors, by creating long-term, sustainable value.

The economic environment

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

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

Despite the improvements in the UK's macroeconomic environment in the latter months of 2022-23, there remain challenges to both businesses and consumers from the continuing cost of living issues, and higher costs of borrowing. The Company has reacted to the ongoing cost of living challenges and increases in the Bank Rate, ensuring that good customer outcomes are delivered and vulnerable customers are supported, whilst repricing fixed rate mortgages and updating the rate for variable products, to reflect the changes in cost of borrowing. When making lending decisions, the Company assesses the affordability of its prospective customers, taking into account the impact of cost of living and interest rate increases through stress testing, ensuring sustainable and controlled growth of our mortgage book.

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

Changes in actual and forecast house prices are factored into the Company's expected credit loss modelling, and modelled at a regional level, given changes in house prices can differ region to region. Other macroeconomic variables are also factored in, using probability weighted assumptions on externally provided forecasts. Our impairment provisioning also considers the differing risk of commercial securities, where property prices differ depending upon the type of security type, and is less homogeneous than residential property. The impact of the macroeconomic variables on our expected credit loss provisioning is explained further in Notes 2 and 8 to the Financial Statements.

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

Business Review (continued)

Results

During the year, the Company's profit before tax decreased by 0.9% to £151.6m (2022: £152.9m) despite continuing growth in operating profit in the year to £189.0m (2022: £156.5m), as the Company took an increased impairment loss charge which was driven by the worsening macroeconomic outlook in the UK economy and the continuing growth in the loan book.

Interest receivable and similar income increased significantly by 51.3% to £455.9m for the year to 30 June 2023 (2022: £301.4m), due to passing on rising interest rates to new and existing customers where appropriate, as well as the continued growth in the loan book.

The net interest margin percentage of 5.5% reduced when compared to 6.0% for the year ended 30 June 2022, due to a lag in passing on interest rate increases to the Company's customers, compared to the increases in the variable interest rates on the parent group's funding, which is recharged to the Company. The process for adjusting interest rates on the Company's products was improved during the period, which saw an improving net interest margin towards the end of the financial year.

Administrative expenses increased by 18.4% to £54.8m (2022: £46.3m), mainly due to an increase in staff costs as headcount increased during the year, and an increase in information technology costs as the Company is recharged for a portion of the Group's costs relating to the modernisation and transformation programme.

Impairment losses for the year were £37.4m, an increase on the £3.6m reported for the year to 30 June 2022, with the cost of risk increasing to 0.9% from <0.1% last year. The increased charge is primarily driven by the worsening of macroeconomic conditions and outlook in the UK economy, which has led to the Company increasing the loan loss provision coverage on the loan book, as well as the impact of some increases in arrears observed in the book along with the overall growth of the loan book.

Position

During the year, total gross loans outstanding increased by 26.2% to £4,979.1m (2022: £3,944.6m). This is primarily due to loan originations continuing at high levels during the year at £2,339.9m (2022: £2,194.8m), as the Company capitalised on its broad product offering and distribution strategy, seeking controlled growth at appropriate risk-weighted returns.

The impairment coverage ratio for loans and advances has been stable at 2.0% (2022: 2.0%), with the impairment provision continuing to increase as the gross loan book has increased. This impairment provision takes into account forward looking information in relation to the macroeconomic environment, with the higher coverage reflecting this as well as some increase in arrears as a result of the worsening economic conditions during the year.

The Company's strategy continues to be to seek controlled growth of the loan portfolio while maintaining conservative loan-to-value (LTV) ratios. The weighted average indexed LTV of the Company's loan portfolio remained prudent, at 59.0% (2022: 53.7%), despite the significant increase in originations and slow down in house price growth in the year.

During the year, equity has increased by 25.8% to £606.0m (2022: £481.7m) reflecting the impact of retained profit after tax for the year of £124.3m (2022: £129.9m).

Liquidity and Funding activity

The Company is partly financed by the Group, with the non-securitised assets of the Company subject to a fixed and floating charge in respect of the Group's revolving credit facility and issued senior secured notes. In addition, the activities of the Company are also financed by Group securitisation facilities including various public residential mortgage-backed securitisations, public commercial real-estate mortgage-backed securitisation and private revolving securitisation facilities.

Business Review (continued)

Liquidity and Funding activity (continued)

Activity during the year included:

- In July 2022, the Group has completed a further RMBS, Together ABS 7, raising £470.0m of external funding with 89% of its notes rated on issuance.
- In September 2022, the Group refinanced its revolving credit facility, increasing the facility size from £71.9m to £138.3m and extended the maturity to 2026.
- Also in September 2022, the Group refinanced its BABS facility, extending its maturity to March 2027 with an additional £24m of funding secured.
- In December 2022, the Group launched a new facility, Fairway Asset Backed Securitisation 1 Limited (FABS), raising £467.4m.
- In June 2023, the Group refinanced its Lakeside ABS facility, raising a further £125.0m of funding.
- Since the year end, in July 2023, the Group issued TABS 8 raising £404.4m of external funding.
- In September 2023, the Group announced the pricing of a further RMBS, Together Asset Backed Securitisation 2023 – 1ST 2 PLC (TABS 9).
- Also in September 2023, the Group again refinanced its BABS facility, extending the maturity date to September 2027, and raising an additional £55.0m of funding.

The Board of Together Financial Services Limited has confirmed that it will continue to provide liquidity and funding to the Company for the going concern assessment period ending 15 September 2024, which is 12 months from the date of this report.

Detail on monitoring and management of liquidity and funding risk is discussed in the Principal risks and uncertainties section of the Strategic Report, and further detail on the going concern assessment is set out in Note 2 to the financial statements.

Operating review

The Company has continued its focus on controlled loan book growth in the year, with lending of £2.3bn in the year, up from £2.0bn in the previous year. This performance meant further growth in the net loan book, to reach £4.9bn at the year end, up 26.2% on June 2022. Such growth has been achieved whilst maintaining prudent LTVs of originations during the year standing at 59.0% (2022: 62.2%), whilst adjusting pricing to take into account the changing interest rate environment and competitive landscape to achieve appropriate risk-adjusted returns.

Managing the rapid increase in the Bank of England's Bank Rate has also been a key operational focus in the year. The business prioritised improving the rate change process such that variable rates reflect changes to the Bank Rate, whilst ensuring positive customer outcomes. This has allowed us to operationally pass on interest rate rises to variable rate customers. The Company has also focused on repricing their fixed rate products at the right level to maintain the right margins and at rates that allow finance to work for our customers.

The Company has prioritised how it can further support customers with the current economic pressures in the UK economy, on top of the current support already available and has proactively engaged with customers who may be approaching financial difficulty.

Regulatory and legal considerations

The Company's operations are affected by a number of laws and regulations. The Company also has to comply with the relevant UK and EU regulations including anti-money laundering regulations, the General Data Protection Regulation, and both the EU Securitisation Regulations and UK Securitisation Regulations.

Stakeholder engagement report

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

Our Stakeholder Engagement report sets out how we engage with our stakeholders and, where relevant, how we have continued to evolve our approach to supporting our stakeholders in response to the wider challenges, such as cost-of-living pressures. Further information is provided in the TFSL Group Sustainability report, which can be found in the Annual Report and Accounts of the Together Group.

COLLEAGUES

All of the Group's colleagues are employed by Together Financial Services Limited. Further information on our colleagues can be found within the Annual Report and Accounts of the Together Group within the colleague engagement section.

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

We continue to support colleagues at the start of their careers, through our apprentice and graduate programmes. Through our 50+ diversity and inclusion strand we offer support to colleagues as they move toward the end of their careers as well as continuing to celebrate those colleagues who achieve long service milestones. During the year, managers were encouraged to have discussions with their teams about career development with the launch of Confident Career Conversations workshops. The sessions helped managers understand how to support colleagues with their development and work towards their career goals and throughout the year we have seen colleagues develop into new roles, both within Commercial Finance and across the Group

Our Accountability Charter continues to bring together the principles of high levels of conduct and the Group's Play your Part Beliefs – respect for people, doing the right thing, and being accountable.

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

To support this, people managers received training on how to ensure that colleagues display the appropriate behaviours in the achievement of their objectives. Relevant colleagues continue to receive training on both the Regime and the Accountability Charter on an annual basis via an online learning module and, if appropriate, face to face sessions.

OUR DIVERSITY

During the year, work on diversity and inclusion continued to progress. Our Diversity & Inclusion Committee evolved to become the Diversity, Equity & Inclusion Committee so that the committee now also includes equity of opportunity as part of its remit.

The committee aims to support senior leadership in ensuring alignment between the Group's operations and its diversity, equity and inclusion goals. More information on our diversity, equity and inclusion strategy can be found in the Sustainability Report in the Annual Report and Accounts of the Together Group.

CUSTOMERS

Our purpose is to make finance work for our customers. We use our experience and entrepreneurial culture to help our customers realise their ambitions. We remain committed to delivering excellent service to our customers and we monitor customer feedback to understand both what we do well and how we can improve. We are proud that over the year our customer complaints have been significantly reduced and that our NPS scores are amongst the best in the industry.

Modernisation and automation

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

Stakeholder engagement report (continued)

CUSTOMERS (continued)

Customer Feedback

Our customer-facing colleagues are focused on delivering positive outcomes. To support this, we actively seek feedback from both our customers and intermediaries and we take complaints very seriously. We understand that we have a part to play in supporting our customers to make energy efficiency improvements to their homes. We have conducted research to better understand our customers' needs in this area. For more information, see our Sustainability Report in the Annual Report and Accounts of the Together Group.

REGULATORS

We continue to ensure that we are informed of industry best practice and relevant requirements, including data protection developments in line with Information Commissioner's Office requirements and through regular attendance at externally facilitated training and discussion forums.

Further details of compliance and conduct risk are contained in the Principal risks and uncertainties section.

COMMUNITY

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

PARTNERS

Maintaining good relationships with our partners provides us with confidence that we will be able to satisfy our lending appetite going forward. The intermediaries we work with, which include mortgage packagers and brokers, are central to ensuring our products are available to a wide range of potential customers. We adopt tailored strategies to address the needs of our partners who are segmented into gold, silver, bronze and green categories. A roving underwriter service is provided to support pre-underwriting reviews and support complex enquiries, and our customers, to ensure we maintain excellent levels of service for both partners and customers.

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

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

INVESTORS

The Group's 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 long-standing banking relationships and have also built strong relationships with our institutional investors, many of whom invest across a number of our funding facilities. The Group considers these relationships to be central to the continued success of our business.

The Group's 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. It achieves this via ongoing quarterly reporting to our bond investors, live investor conference calls with Q&A, periodic reporting to investors in our public and private securitisations, and regular attendance at investor conferences. The Group 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. The Group also attended a number of conferences throughout the year, including securitisation industry conferences in Europe and North American and bank high yield and leveraged finance conferences, both virtually and in person.

During the year, the Group successfully completed further issuances under the public securitisation programme and added a further private Warehouse facility. These activities involved close collaboration with banking partners and investors around the financing needs of the business. Further information can be found within the Operating Review of the Annual Report and Accounts of the Together Group.

Stakeholder engagement report (continued)

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 Together Financial Services Limited, a company whose ultimate parent entity is Redhill Famco Limited which is wholly controlled by HN Moser, the Group CEO. Management regularly updates both the TFSL Board and HN Moser on the activities of the business to facilitate alignment between Board decisions and the interests of the shareholder.

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 Company's board meets separately to discharge its statutory and regulatory responsibilities when required. All other decisions in relation to the TCF division including those related to strategy, are made by the Together Financial Services Limited (TFSL) Board. Both companies have some common directors to facilitate the alignment of interests. More information on the governance structure can be found in Corporate Governance and Committee Structure.

The table below provides some examples of how the TFSL 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 the Together Financial Services Limited 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 Group Board Transformation Steering Committee continued to receive regular reporting from the Chief Information Officer on the progress of IT transformation projects. The Group Board provided challenge and oversight to ensure the effective governance of the projects. • The Group Board approved a three year plan, which reset the business objectives following market disruption experienced during September 2022. The Board is updated at each meeting against the objectives within the plan to ensure operating plans are aligned with long term goals. • The Group Board received periodic updates on the sustainability strategy during the year and requested to be kept up to date with developments to the strategy. • The Group Board had oversight of significant appointments within the executive team to ensure the business had the right skills and knowledge in the long-term. During the year, the Chief Risk Officer was replaced and new appointments were made to the roles of Chief Compliance Officer, Chief Commercial Officer and Chief Transformation Officer to strengthen the skills within the executive team.

Section 172 statement (continued)

Section 172 requirement to have regard to:	How the Board has fulfilled its s.172 duties
b. the interests of the company's employees	• The Company has no employees, all of the Group's colleagues are employed by Together Financial Services Limited. • The Group Board receive real-time updates on colleague well-being via reporting from the People Team on the outcome of quarterly employee engagement surveys, which allows the Board to provide support for colleague initiatives, for example on colleague well-being. • The Group Board continued its support for the improvement of DE&I within the workforce, including supporting the commitment of the business to achieve its targets to increase diversity within the senior management team. • The Group Board supported a review of the employee value proposition, which included payments to assist colleagues to manage the cost of living crisis, including the £2k fuel allowance payments for most colleagues.
c. the need to foster the company's business relationships with suppliers, customers and others	• Maintaining positive business relationships is crucial to the Company's long-term sustainability and is regularly reported to the Board to inform decision making. • Doing the right thing for our customers is a key focus for the business and we encourage customers to provide feedback to inform our processes. Information on how we engage with our customers, can be found in our Stakeholder engagement report. The Board receives regular updates from the Company CEO on customer activity and customer engagement strategies. • Investor feedback is considered on an ongoing basis and particularly when relevant to decisions relating to funding transactions. • The Board approve contracts in line with the Group's financial delegated authority framework. During the year, this included the consideration and approval of key software and service contracts. • The Board supported the establishment of a procurement function and the roll out of an enhanced supplier management framework and policy.

Section 172 statement (continued)

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 Together Groups' 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. • The Board endorsed the introduction of the Charitable donations framework and approved donations in line with the Group's strategy – more detail can be found in the Sustainability report in the Annual Report and Accounts of the Together Group. • The Board support the Group's environmental targets, which include reducing carbon emissions from the company's operations by 70% by 2027, and to be carbon net zero by 2030. The Board receives updates on the Group's progress against these targets through quarterly updates from the Head of Sustainability.
e. the desirability of the company maintaining a reputation for high standards of business conduct	• The Board has approved the adoption of the Wates Principles for Large Private Companies as a demonstration of its commitment to high standards of corporate governance. Information on how the Group has applied the Wates Principles can be found in the Corporate governance section. • The Board and its committees approve policies and procedures that facilitate high standards of governance and compliance in line with stakeholder and regulatory expectations. Where relevant, divisional boards and committees consider and adopt their own policies which are set within the overall parameters of the Group to ensure standards are consistently maintained across all business operations. The Board approved new policies during the year in relation to Commercial Finance Pricing and Group Financial Risk. • The Board provided oversight of a project to enhance the effectiveness of the Group's corporate governance framework. This included a number of actions identified to strengthen the governance of the Group's Executive Committee. More information on the activities of the Group's Executive Committee can be found in the Corporate Governance Report in the Annual Report and Accounts of the Together Group.
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, including the Company, and their respective stakeholders.

Principal risks and uncertainties

The principal risks the Company and Group face are those that it is inherently exposed to and those which management believe could significantly impact the achievement of the Company and Group's purpose and vision. To identify and manage these risks the Group utilises an enterprise risk-management framework (ERMF) and the Company operates within the overall Group risk-management framework.

Further detail on the Group's risk exposure and approach to managing risk can be found in the Risk Management Report within the Annual Report and Consolidated Financial Statements for Together Financial Services Limited. Further details on the Company's governance arrangements can be found in the Corporate Governance Report.

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

- Strategic risk
- Credit risk
- Liquidity risk,
- Funding risk,
- Interest rate risk,
- Capital risk,
- Conduct risk,
- Compliance risk

Strategic risk

The Company's strategic risk is managed at the Together Financial Services Limited Group level. Further details can be found within Together Financial Services Limited's Strategic Report.

Definition

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.

Management and mitigation

Strategic risk is managed and mitigated by:

- 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 upon the Company's modernisation and transformation agenda, to improve the customer journey and increase the operational efficiency of the business.
- Responding appropriately to the changing external environment, utilising scenario and budget setting to inform decision making.
- Consideration of, and where appropriate alignment to, the parent group's strategy to ensure complimentary strategic aims are pursued by the Company and its parent.

Sensitivity and stress testing analysis are carried out against the loan book and business plans, in order to monitor our ability to deliver on our strategic objectives. As part of this, we:

- Maintain a prudent statement of financial position, with diversity of mix and tenor of funding structures, and closely monitored gearing levels.
- Perform the annual budget process, with a 12-18 month outlook, and aligns with the Company and the Group's objectives.
- Perform regular reforecasting to ensure we are able to respond to a changing environment whilst still achieving our strategic objectives.

For further detail of stress testing, see the Liquidity Risk and Funding Risk sections.

Direction of travel - increased

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

Market volatility has, at times, required consistent focus on pricing and margin, with fixed-rate lending temporarily paused in September following the Government mini-budget. Throughout the year, the Company has responded to external pressures that have threatened to impact its performance.

Principal risks and uncertainties (continued)

Credit risk

Definition

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

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

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

Management and mitigation

- The Company'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 Company, and are tailored to the customer and loan type. We continued to update affordability models throughout the year in response to external pressures such as inflation and rising base rate.
- Undertaking stress testing to model the impact of increased numbers of customers requiring support and other interventions, to allow appropriate resource and operational planning.
- Monitoring of customer performance throughout the life of the loan, with regard to arrears, proactive collection strategies, or the application of forbearance measures. During the year, the Company developed a score-based approach to prioritise those customers most in need of support.
- Measuring and monitoring credit quality for impairment purposes using a suite of expected credit loss models. Our detailed disclosures in respect of expected credit loss modelling are included within Notes 2, 3 and 8 to the Financial statements.

Direction of travel - increased

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

Liquidity risk

Definition

Liquidity risk is the risk that the Company is unable to access sufficient liquid financial resources to meet the Company's financial obligations as they fall due. The Company relies upon the Group for the management of its liquidity.

Management and mitigation

- Regular stress testing, including on a forecast basis, to test the ability of the Group to meet its obligations under normal and stressed conditions which are modelled and monitored against a 150-day survival period.
- Monitoring of liquidity risk against Board approved risk appetite limits and triggers.
- Monitoring of covenants and eligibility criteria within the securitisations.
- Forecasting of expected cash inflows and outflows, including the outstanding pipeline of loan offers, and monitoring of actual cash flows and the composition and quality of liquid resources.

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

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

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

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

Principal risks and uncertainties (continued)

Liquidity risk (continued)

Direction of travel - unchanged

The Group's liquidity position remains strong, as evidenced by the level of cash and its TAL.

Funding risk

Definition

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

Management and mitigation

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

Direction of travel - increased

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

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

Interest rate risk

Definition

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

Management and mitigation

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

Direction of travel

The Group has continued to carefully manage its assets and liabilities following the rate rises over the year. However, the Bank of England has increased base rate to its highest level in almost 15 years and persistently high inflation has led to market expectations of further increases, reflected in higher swap rates. Base rate rises have led to an increase in the cost of the Company's variable rate of borrowings.

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

At present, the Group does not hedge our pipeline mortgages which presents further interest rate risk exposure. The Group will continue to monitor its options including its hedging strategy in order to further mitigate its exposure to interest rate risk.

Capital risk

Definition

Capital risk is the risk of failure to hold adequate capital buffers and to appropriately manage the Group's capital base to withstand the crystallisation of individual risks or a combined stress event. Given capital also comprises a material source of funding via subordination in bond and securitisation structures, insufficient capital also gives rise to funding and liquidity risk. Capital risk includes the risk of excessive gearing. Capital risk is managed at a Group level.

Principal risks and uncertainties (continued)

Capital risk (continued)

Management and mitigation

- Continuous monitoring of internal capital requirements, and the projected capital levels.
- Business planning and stress testing over a forecast horizon of 12-18 months.
- Reviewing the level of gearing within securitisation facilities and within the Senior Borrower Group, and consistently managing these to ensure the Group has sufficient capital to support the facilities and to mitigate refinancing risk.

Direction of travel - unchanged

Current and forecast levels of Group capital, including the gearing ratio, are monitored and reported to the Board on a regular basis.

Operational risk

Definition

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes business process, people, information security, technology infrastructure and third party risks.

Management and mitigation

- Regularly 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, and independent assurance over the delivery of change projects by the Group Risk department.

Direction of travel - increased

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

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

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

Conduct risk

Definition

Conduct risk is the risk arising from business activities that fail to deliver appropriate and consistent outcomes to customers and other stakeholders.

The risk can arise from the failure to define and embed an appropriate culture, colleague behaviours that are inconsistent with defined Group and Company 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 Company's operating model.

Management and mitigation

- Regular review of the effectiveness of our business activities and processes for their ability to deliver consistent fair customer outcomes. Recently, reviews have focused on vulnerable customers, those with increasing balances and products at higher interest rates.
- Performance of gap analysis against industry body and regulator guidance and good practice to identify continual improvements to business processes.
- 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.

Principal risks and uncertainties (continued)

Conduct risk (continued)

Direction of travel - unchanged

The Company continues to put good customer outcomes at the centre of its decision-making process. We remained cognizant of our customers' circumstances and the potential for a rise in vulnerabilities.

Where the Company 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.

Compliance risk

Definition

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

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

Management and mitigation

- Quality assurance reviews in operational areas with oversight provided by experienced risk and compliance departments.
- Monitoring compliance with statutory obligations by in-house Compliance, Financial Crime and Data Protection team through execution of a Board approved monitoring programme
- Monitoring of compliance with legal obligations by an in-house legal department.
- Horizon scanning and impact assessments of potential regulatory and legal change. The compliance function monitors all regulatory developments, including the matters identified in the Group's operating plan, to allow for new guidance to be considered, and changes implemented where appropriate.

Direction of travel - increased

The level of regulatory scrutiny remains high as a result of the challenging macroeconomic environment. The Group continues to work to manage its compliance risk. During the year, a new financial crime system was implemented and progress was made on enhancing our in-process controls.

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

MR Goldberg
Director
15 September 2023

Corporate governance and committee structure

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

Board of directors

The Together Commercial Finance division is overseen by the Commercial Operations Executive meeting. The division comprises Together Commercial Finance Limited, Harpmanor Limited, Bridging Finance Limited and Auction Finance Limited. The companies within the division have common directors.

The Commercial Operations Executive meeting reports to the TFSL Group Board of directors. The Group Board of directors provides strategic leadership which is implemented by management and monitored through reporting, systems and controls, and sets the overall governance framework for the Group, within which the Company operates.

The Group Board is responsible for setting risk appetite and overseeing the delivery of the Group's objectives within that risk appetite. In order to effectively implement the Group's corporate governance framework, the Group Board takes into account considerations from all stakeholders, and ensures that the TCF division has sufficient experience and resources to meet its operational objectives and to comply with all legal, regulatory and contractual considerations. The Group Board also ensures that the appropriate culture, values and conduct are embedded across the organisation and fully endorses the Group's beliefs.

The Group 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 Group Board and committees during the year, which pertain to the Company.

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

Company Secretary

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

The Board

The Commercial Finance CEO, who is also a Company Director, formally reports on the Company's activities to the Group Board at each meeting. Oversight of the CF division's strategy, risk profile and financial position is provided by the Group Board.

The Group Board approves the Group's Vision and Purpose, 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 Group CEO Designate and are structured around the Group's objectives, to enable the Board to discuss and challenge the Group's performance against its strategic aims. Agendas are agreed in advance and are reviewed by the relevant chair. The Group Chief Risk Officer is a standing attendee at Board meetings, to provide second line oversight.

The chairs of the committees formally report to the Board after each meeting on key issues and topics raised at those meetings, as well as on any recommendations for the Board's approval, ensuring that the Board as a whole is updated on the matters on which it delegates authority.

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 2023. The committee also reviewed the external auditor's observations and control findings from their audit for the year ended 30 June 2022 and the audit plan for the year ended 30 June 2023.

Corporate governance and committee structure (continued)

Audit Committee (continued)

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.

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

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

Risk Committee

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

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

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

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

The committee have continued to provide challenge to the Executive team as to how they are identifying and managing our material risks across all of our level one risk types – strategic, credit, financial, operational, conduct and compliance risks. In particular, given the current macroeconomic environment, the committee have overseen how management are navigating this to provide the right outcomes for our customers whilst maintaining the integrity of the business model.

Corporate governance statement

For the year ended 30 June 2023, the Company continued to adopt 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 the Company to have the necessary tools to make the key principal decisions crucial for creating long-term value, supporting our sustainability goals, and meeting our legal and regulatory requirements. The Company Director, formally reports on the Company's activities to the TFSL Board at each meeting. Oversight of the CF division's strategy, risk profile and financial position is provided by the TFSL Board.

Principle	How the principle has been applied during the year
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.	• The TFSL Board sets the Group's objectives, taking into account key stakeholders and ensures that the necessary experience, skills and resources are in place to help our customers, partners, colleagues, community, and our wider society realise their ambitions by making finance work. More information on the Group's strategy can be found in the Strategic report. • In December 2022, the TFSL Board approved a revised Strategic Plan and financial reforecast which was presented by the business in response to the significant market turbulence experienced during the year. The Plan provided updates on progress against the Group's strategic objectives and set out key activities and areas of focus for each core business function. Progress made on the Group's strategic objectives is regularly discussed by the Group Executive Committee with updates provided to the Board at each meeting. • More information on the Group's strategy can be found in the Strategic report section of the Annual Report & Accounts of the Together Group.
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.	• The Chair leads the TFSL 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 TFSL Board has a wealth of experience within the specialist lending sector and benefits from three non-executive directors who provide challenge and bring a range of knowledge and expertise from both the financial services sector and elsewhere. • The approval of directors taking external board appointments is a matter reserved for the Remuneration and Nomination Committee. This ensures that directors continue to have sufficient capacity to make a valuable contribution to the Group and that there are no material conflicts. • In accordance with directors' duties under s.177 and s.182 of the Companies Act 2006, directors are asked at each meeting to declare any interests which may give rise to a conflict. Interests are logged by the Company Secretary and directors recuse themselves from discussions for which they are conflicted as appropriate.
Principle 3 – directors' responsibilities The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision making and independent challenge.	• The Company Secretary works with the chairs of the TFSL Board and Committees to ensure that agendas are structured to facilitate appropriate discussion and challenge with sufficient time given to key areas of focus. Board and committee agendas are structured in line with objectives to focus discussions on the key business deliverables required to support the achievement of longer term goals alongside operational updates. All TFSL Board and committee actions are monitored and tracked to completion to ensure that, alongside comprehensive and accurate minutes, a complete record of decision making is maintained. • The Matters Reserved for the TFSL Board and Committee Terms of Reference are regularly reviewed to ensure clear responsibilities and delegation of authority. Information on the activities of the TFSL Board and its Committees during the year can be found in the Corporate Governance section. • The Company Secretary provides an update on key governance activity to each board meeting. The update includes a governance dashboard which gives a clear view of how the circulation of packs and minutes are tracked against agreed Service Level Agreements. The Company Secretary and chairs use this information to monitor activities and ensure that governance processes continue to facilitate effective decision making and adhere to best practice.

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	• The TFSL Risk Committee operates under delegated authority from the TFSL Board on matters of risk management and internal controls. This year, the newly appointed CRO completed a thorough review of Risk reporting, which has led to a more streamlined pack, with enhanced information, to drive a better quality of discussion around the key risks facing the business. More information on the Committee's activities can be found in the Corporate Governance and Committee Structure section. • The Group enterprise risk management framework provides a formalised structure for the risk management of the Group. The TFSL 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 TFSL Board by the divisional CEOs. More information on this work can be found in the Operating review. • The TFSL Board regularly receives comprehensive Treasury and financial risk updates to ensure that members remain informed on the funding and liquidity position of the Group. During the year the TFSL Board received training from the Treasury team to enhance their understanding of the funding transaction process.
Principle 5 – remuneration A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.	• The TFSL 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. • During the year the Remuneration and Nomination Committee approved an increase to colleague base pay in recognition of the financial challenges facing colleagues. The Committee also took into consideration the increased cost of living when making decisions regarding the approach to the annual salary review.
Principle 6 – stakeholder relationships and engagement Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.	• The TFSL Board receives regular reporting on progress made against the Group's Sustainability targets. More information on the activities of the Sustainability Committee including the strategy can be found in the Sustainability Report. • More information on stakeholder engagement including colleague engagement, can be found in the Stakeholder Engagement Report in the Annual Report & Accounts of the Together Group.

Directors' report

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

- The Company's strategy, business model and likely future developments can be found within the Strategic Report.
- The Company's principal risks and risk management processes are set out in the Strategic Report.
- The Group's governance arrangements can be found within the Strategic Report.
- Events taking place after the balance sheet are disclosed in Note 17 to the accounts.

Directors

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

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.

Results and dividends

The results for the year are set out in the Business Review within the Strategic Report. No dividends were paid during the year (2022: £nil). The directors of the Company do not recommend the payment of a dividend. A full review of the financial performance of the Company is included within the Business Review.

Employees

The Company has no employees (2022: nil). Directors' emoluments and wages and salaries relating to employees of the Group were borne by its parent company, Together Financial Services Limited, and recharged to the Company in line with approved methodologies.

Environment

The Company recognises the importance of protecting the environment, and acts to reduce its impact, by recycling and reducing energy consumption. During the year, the Company has devoted significant time and resources to the further progression of implementing our Sustainability strategy, which is detailed further within the Sustainability Report in the Annual Report & Accounts of the Together Group.

Statement of going concern

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

The Company is reliant on its parent company, Together Financial Services Limited, for financial support. The Board of Together Financial Services Limited has confirmed that it is a going concern and that it will provide financial support to the Company to 15 September 2024, which is 12 months from the date of signing the Company's accounts. Further detail on the going concern assessment is set out in Note 2 to the financial statements.

On the basis that the Company has adequate funding and support as detailed above, together with its current performance and financial position, the directors have a reasonable expectation that the Company will have sufficient funding and liquidity to continue in operational existence to 15 September 2024, which is a period of 12 months from the date of signing the accounts. Accordingly, the directors of the Company have adopted the going-concern basis in preparing the financial statements. Further detail on the going concern assessment is set out in Note 2 to the financial statements.

Principal risks and uncertainties

A description of the principal risks and uncertainties facing the Company is contained in the Strategic Report.

Directors' report (continued)

Audit information

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

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

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

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

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

MR Goldberg
Director
15 September 2023

Statement of directors' responsibilities

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

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

- select suitable accounting policies 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 FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company financial position and financial performance;
- state whether applicable UK Accounting Standards, including FRS 101, 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 will not continue in business.

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

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.

Independent auditor's report to the members of Together Commercial Finance Limited

Opinion

We have audited the financial statements of Together Commercial Finance Limited (the 'Company') for the year ended 30 June 2023 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 June 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to other entities of public interest, 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. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained an understanding of management's going concern assessment process and reviewed the going concern assessment, including the underlying forecasts and assumptions, and made inquiries of management and those charged with governance.
- We reviewed the historical financial performance and position of the Company with reference to audited financial information in order to consider the level of stress that would be needed to cause a challenge to the Company's ability to continue as a going concern. We also obtained and audited the maturity analysis relating to the Company's borrowings to establish whether these could give rise to specific material cash flow requirements across the going concern period, and considered whether the Company was able to meet these obligations under expected and stressed conditions.
- We obtained a letter of support from the parent Company outlining the intention to continue to provide the Company with funding and to meet any obligations of the Company in the event it was unable to do so on a standalone basis. We assessed the ability of the parent Company to support the Company, should it be required to in a stressed scenario, through consideration of the forecast financial position of the Group and testing of underlying data and assumptions.
- We considered whether there were any events subsequent to the balance sheet date which could have a bearing on the going concern conclusion.
- We reviewed the going concern disclosures included in the Annual Report and Financial Statements in order to assess whether the disclosures were appropriate and in conformity with the accounting standards.

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 Company's ability to continue as a going concern for a period ended 15 September 2024, 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 Company'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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006 and UK Tax Legislation.

- We understood how the Company is complying with those frameworks by making enquiries of management, internal audit, those charged with governance, and reviewing relevant committee minutes and board reports. We enquired as to any known instances of non-compliance or suspected non-compliance with laws and regulations.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the Company, or that otherwise seek to prevent, deter or detect fraud. 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 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 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.

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

Use of our report

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

Ernst & Young LLP

Stephen Littler (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
15 September 2023

Statement of comprehensive income
Year ended 30 June 2023
Unless otherwise indicated, all amounts are stated in £m

Income statement	Note	2023	2022
Interest receivable and similar income	4	455.9	301.4
Interest payable and similar charges	5	(214.8)	(101.4)
Net interest income		**241.1**	**200.0**
Fees and commission income		5.3	4.7
Fees and commission expense		(2.7)	(2.3)
Other income		0.1	0.4
Operating income		**243.8**	**202.8**
Administrative expenses	6	(54.8)	(46.3)
Operating profit		**189.0**	**156.5**
Impairment losses	8	(37.4)	(3.6)
Profit before taxation		**151.6**	**152.9**
Taxation	7	(27.3)	(23.0)
Profit after taxation		**124.3**	**129.9**

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

Statement of financial position
As at 30 June 2023
Unless otherwise indicated, all amounts are stated in £m

	Note	2023	2022
Assets			
Cash and cash equivalents		23.3	4.2
Loans and advances to customers	8	4,877.9	3,866.1
Other assets	9	0.8	0.5
Deferred tax asset	10	4.0	4.9
Total assets		**4,906.0**	**3,875.7**
Liabilities			
Borrowings	11	3,156.2	2,293.3
Other liabilities	12	1,139.2	1,099.9
Current tax liability		4.6	0.8
Total liabilities		**4,300.0**	**3,394.0**
Equity			
Share capital	13	-	-
Retained earnings		606.0	481.7
Total equity		**606.0**	**481.7**
Total equity and liabilities		**4,906.0**	**3,875.7**

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

Company Registration No. 02058813

Signed on behalf of the Board of Directors

HN Moser
Director

MR Goldberg
Director

Statement of changes in equity
Year ended 30 June 2023
Unless otherwise indicated, all amounts are stated in £m

2023	Share capital	Retained earnings	Total
At beginning of the year	-	481.7	481.7
Retained profit for the financial year	-	124.3	124.3
At end of the year		**606.0**	**606.0**

2022	Share capital	Retained earnings	Total
At beginning of the year	-	351.8	351.8
Retained profit for the financial year	-	129.9	129.9
At end of the year		**481.7**	**481.7**

1. Reporting entity and general information

Together Commercial Finance Limited is incorporated and domiciled in the UK. The Company is a private company, limited by shares and is registered in England (Company number: 02058813). The registered address of the Company is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW. The Company is a provider of mortgage finance.

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 Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101). This applies the recognition and measurement requirements of International Financial Reporting Standards (IFRS) but provides certain exemptions from the disclosure requirements of IFRS.

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

The Company's parent undertaking, Together Financial Services Limited, includes the Company in its consolidated financial statements, and therefore the Company is exempt from the obligation to prepare and deliver consolidated accounts. The consolidated financial statements of Together Financial Services Limited are available to the public and may be obtained from Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW. In these financial statements, the Company has taken advantage of the disclosure exemptions under FRS 101 in relation to the presentation of a cash flow statement, disclosures in respect of IFRS 7 and IFRS 13, standards not yet effective and related party transactions.

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

These financial statements have been prepared on the historical cost basis 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.

Going concern

In preparing these financial statements, the directors have assessed the Company's ability to continue as a going concern.

The Company is reliant on its parent company, Together Financial Services Limited (the 'Group'), for financial support, given the management of the Group's funding and liquidity occurs at the Group level. The Board of Together Financial Services Limited has confirmed that it is a going concern and that it will provide financial support to the Company to 15 September 2024, which is 12 months from the date of signing the Company's accounts.

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.

2. Significant accounting policies (continued)

Going concern (continued)

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

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

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. The earliest maturity of wholesale funding is the Highfield Asset Backed Securitisation facility in September 2025, with the amount drawn at the reporting date representing 6.8% of the Group's borrowings. Following the redemption of Together Asset Backed Securitisation 3 in September 2023, the earliest call date on the Group's public securitisations is Together Asset Backed Securitisation 4 in June 2024, representing 3% of the Group's borrowings at the reporting date. Further detail is set out in Note 11.

To mitigate refinancing risk, the Group has demonstrated an ability to access the wholesale funding markets on multiple occasions during the year, as seen within the liquidity and funding section of the Business review on page 3.

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 continues to show significant headroom.

2. Significant accounting policies (continued)

Going concern (continued)

In addition, the potential impact of reductions in the level of profitability were 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 with the probability of such a severe outcome is considered remote.

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

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

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 Company takes into account all contractual terms of the financial instrument but does not consider future credit losses except for assets which are credit-impaired on origination. For credit-impaired assets a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses. The calculation includes all fees, transaction costs and other premiums or discounts that relate to the origination of the instrument.

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

Fee and commission income and expense

Fees and commissions which are an integral part of the effective interest rate of a financial instrument e.g. procuration fees paid to introducers are recognised as an adjustment to the contractual interest rate and recorded in interest income.

Fees and commissions which are not considered integral to the effective interest rate are generally recognised on an accruals basis when the service has been provided. These items primarily consist of legal and valuation fees, and credit-search fees.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Current and deferred tax items are recognised in the income statement except tax on items that are recognised in other comprehensive income shall be recognised in other comprehensive income, and tax on items that are recognised directly in equity shall be recognised in equity.

Current tax is the expected tax payable on the taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of the assets and liabilities in the financial statements and the corresponding amounts used for taxation purposes, and is accounted for using the balance sheet liability method. Deferred tax 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 Company intends to settle its current tax assets and liabilities on a net basis.

Cash and cash equivalents

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

2. Significant accounting policies (continued)

Financial assets & liabilities

Financial assets

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

All the Company's financial assets are classified as measured at amortised cost, being the gross carrying amount less expected impairment allowance, using the effective interest rate method, as they meet both of the following conditions:

- The assets are held within a business model whose objective is to hold the assets to collect contractual cash flows; and
- The contractual terms of the financial assets give rise to cash flows at specified dates that are solely payments of principal and interest on the principal amounts outstanding.

The Company's business model for its financial assets is to hold them to collect contractual cash flows, with sales of mortgage loans and advances to customers only made internally to consolidated special purpose vehicles for the purpose of collateralising the issuance of loan notes. 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 Company's financial assets as measured at amortised cost.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset have expired or where substantially all the risks and rewards of ownership have been transferred.

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. The Company 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 Company 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. income 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 Company's financial liabilities, which largely consist of borrowings, are all classified as measured at amortised cost. All of the Company's financial liabilities are recognised initially at fair value, less any directly attributable transaction costs.

Financial liabilities are derecognised when their contractual obligations are discharged, cancelled or have expired. 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 Company may also consider qualitative factors in determining whether a modification is substantial.

Impairment of financial instruments

The Company 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 Company 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 Company would not otherwise consider; and
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

2. Significant accounting policies (continued)

Impairment of financial instruments (continued)

For financial instruments on which credit risk has not increased significantly since initial recognition, the Company measures loss allowances at an amount equal to the 12-month ECL, i.e. 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, i.e. 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 recognized equivalent to the full lifetime ECL. If there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment, the loss allowance on the new asset will generally be based on a 12-month ECL.

Interest income is recognised at the effective rate on the gross carrying amount of a financial asset, i.e. before allowance for impairment, except for those assets which are credit impaired, for which interest income is recognised on the carrying amount net of the allowance for impairment.

Loans are written off when the Company expects no further recovery and the amount of the loss has been determined. The Company may continue to apply enforcement activities to 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.

Securitisation

Where the Company 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.

Financial assets transferred to SPEs under securitisation agreements are not derecognised by the Company 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 Company's consolidated Statement of financial position.

Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation as a result of a past event, which is reliably measurable and where it is probable that the Company 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 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.

3. Critical accounting judgements and key sources of estimation uncertainty

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

Critical judgements in applying the Company's accounting policies

These critical judgements are those which the directors consider to result in a significant risk of material adjustment in the carrying amounts of the Company's assets and liabilities.

a) Loan impairment allowance

The calculation of the Company'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 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.
- 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 8 to the accounts.

Key sources of estimation uncertainty

a) Loan impairment allowance
The Company 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 8 to the accounts.

b) 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 Company to estimate the expected behavioural lives of groups of assets. The Company utilises models which draw upon the Company'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.

Unless otherwise indicated, all amounts are stated in £m

4. Interest receivable and similar income

	2023	2022
Interest on loans and advances to customers	**455.9**	**301.4**

Included within interest on loans and advances to customers is £9.3m (2022: £9.5m) relating to impaired loans.

5. Interest payable and similar charges

	2023	2022
On borrowings	214.0	100.6
On lease liabilities	0.8	0.8
	214.8	**101.4**

Included within interest on borrowings is interest payable on amounts owed to the parent company, Together Financial Services Limited of £54.6m (2022: £46.5m).

6. Administrative expenses

	2023	2022
Administrative costs	**54.8**	**46.3**

The audit fee borne by Together Financial Services Limited in respect of the Company in 2023 was £66,000 (2022: £62,500).

Amounts totalling £11.2m (2022: £6.5m) relating to the emoluments of the directors of the Company were recharged to the Company by Together Financial Services Limited during the year.

Unless otherwise indicated, all amounts are stated in £m

7. Taxation

	2023	2022
Current tax		
Corporation tax	26.0	22.4
Adjustment in respect of previous years	0.4	-
Total current tax	**26.4**	**22.4**

	2023	2022
Deferred tax		
Origination and reversal of temporary differences	0.9	0.6
Total deferred tax	**0.9**	**0.6**

Total tax on profit	**27.3**	**23.0**

Corporation tax is calculated at 20.50% (2022: 19.00%) of the estimated taxable profit for the year. The differences between the Company tax charge for the year and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2023	2022
Profit before tax	151.6	152.9
Tax on profit at standard UK corporation tax rate of 20.50% (2022: 19.00%)	31.1	29.1
Effects of:		
Income not taxable	-	(0.1)
Expenses not deductible for tax purposes	0.4	0.1
Group relief*	(4.6)	(6.1)
Adjustment in respect of prior years	0.4	-
Tax charge for year	**27.3**	**23.0**

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 Company's future current tax rate accordingly. The deferred tax asset at 30 June 2023 has been calculated using these rates, to reflect the expected timing of reversal of the related temporary differences, resulting in a £nil (2022: £nil), increase in the value of the deferred tax asset.

* The group referred to is the tax group headed by Redhill Famco Limited, the ultimate parent of the Company, as described in Note 16.

Unless otherwise indicated, all amounts are stated in £m

8. Loans and advances to customers

	30 June 2023			
	Stage 1	Stage 2	Stage 3 and POCI	Total
Gross loans and advances	3,416.8	1,184.8	377.5	4,979.1
Loss allowance	(16.4)	(27.1)	(57.7)	(101.2)
	3,400.4	**1,157.7**	**319.8**	**4,877.9**
ECL coverage (%)	0.5	2.3	15.3	2.0

	30 June 2022			
	Stage 1	Stage 2	Stage 3 and POCI	Total
Gross loans and advances	2,910.3	743.3	291.0	3,944.6
Loss allowance	(12.9)	(19.8)	(45.8)	(78.5)
	2,897.4	**723.5**	**245.2**	**3,866.1**
ECL coverage (%)	0.4	2.7	15.7	2.0

Company gross balances of credit impaired loans include £17.1m (2022: £15.8m) of purchased or originated credit impaired (POCI) loans, which are presented net of lifetime ECL impairment provisions of £1.9m (2022: £1.9m).

Loans and advances to customers include total gross amounts of £0.8m (2022: £4.3m), equivalent to £0.3m net of impairment allowances (2022: £0.3m), loaned to a company in which a Director of this Company is also director and shareholder. Further detail on related party transactions is set out in Note 14.

Measurement of expected credit losses (ECL)

ECL model

The Company considers whether financial assets are credit impaired at each reporting date. For these purposes, it considers default to occur, and such loans are considered to be credit impaired, in any of the following circumstances relating to a loan:

- It becomes 90 days or more past due
- Its security has been taken into possession
- The appointment of receivers
- There is evidence of fraud
- Loans which exhibit certain indicators of increased credit risk such as forborne accounts as described below, or specific accounts where stage overrides are made on a specific case basis.

The Company calculates its ECL using a statistical model based on probability of default (PD), loss given default (LGD) and exposure at default (EAD):

- PD is an estimate of the likelihood of default over a given time horizon, estimated at a point in time. The calculation is based on statistical models that utilise both market and internal data, based on current conditions adjusted to take into account estimates of future conditions that will impact PD and estimates for customer prepayment behaviour. For development loans, PDs are assigned using a slotting approach which comprises a range of quantitative and qualitative criteria.
- LGD is an estimate of the likely loss in the event of a default. The expected loss amounts vary according to loan-to-value (LTV) ratios and future collateral prices. The estimates are based on the Group's history of recovery rates, calculated as forced-sale discounts, and the probability of repossession given default (PPGD), discounted at the original effective interest rate of the loan for the average period for recovery of sale proceeds. The LGD calculation includes floors, i.e. minimum losses, which are assigned based on the LTV of the loan and the type of security and have been developed from historical data.
- EAD is an estimate of the expected gross carrying amount at a future default date. EAD is based on the current loan amount adjusted for expected repayments of principal, contractual drawdowns of loan commitments, and the impact of missed payments which would be expected for an account in default.

8. Loans and advances to customers (continued)

Measurement of expected credit losses (ECL) (continued)

In accordance with IFRS 9, the Company 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 occur only after the completion of probationary periods.

Significant increases in credit risk, forbearance and contract modifications

The Company uses qualitative and quantitative criteria, including:

- A loan becoming 30 days or more past due;
- Certain qualitative indicators, such as those used in the servicing of the loan which indicate increased credit risk;
- Increases in internal risk scores on certain portfolio accounts;
- External credit bureau data signifying increases in credit risk for a customer;
- There is an increase in the lifetime PD of the loan since origination which is judged to be significant; and
- Loans which exhibit certain indicators of increased credit risk such as forborne accounts as described below, or specific accounts where stage overrides are made on a specific case basis.

The Company supports its 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 Company may determine after a probationary period that a restructuring has significantly improved credit risk such that the asset is moved back to stage 1.

Unless otherwise indicated, all amounts are stated in £m

8. Loans and advances to customers (continued)

Loss allowance and impairment losses for the year

A loss allowance is derived from the application of the accounting policies for measurement of ECL as explained in Note 2. The loss allowance has increased by £22.7m to £101.2m (2022: £78.5m), due to the growth in the loan book, and driven by the worsening macroeconomic forecasts in the period.

Allowance for impairment losses	2023	2022
At beginning of the year	(78.5)	(93.3)
Charges to the income statement	(38.9)	(8.2)
Unwind of discount	9.2	9.5
Write-offs net of recoveries	7.0	13.1
Changes on refinancing of impaired loans	-	0.4
At end of year	**(101.2)**	**(78.5)**

Impairment losses for the year	2023	2022
Movements in ECL, charged to income	(38.9)	(8.2)
Amounts released from deferred income	0.5	0.3
Write-offs net of recoveries	1.0	4.3
Charge to income statement	**(37.4)**	**(3.6)**

Critical 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.

Macroeconomic scenarios

The Company uses forward-looking information, contained in a range of economic scenarios, in its measurement of ECL and in identifying significant increases in credit risk. In practice, this is achieved by modelling an ECL for each scenario and calculating a probability-weighted total. These scenarios entail a high degree of uncertainty in their estimation.

The following table shows unweighted ECL when 100% probability was applied to all the scenarios as at 30 June 2023 and 30 June 2022.

	2023		2022	
Scenarios	**Probability of the scenario**	**Unweighted ECL**	**Probability of the scenario**	**Unweighted ECL**
Upside	10%	56.1	10%	31.7
Mild upside	10%	65.5	10%	37.9
Base case	50%	87.0	50%	55.6
Stagnation	10%	125.0	10%	103.8
Downside	10%	143.4	10%	136.7
Severe downside	10%	186.8	10%	197.3
Weighted average		**101.2**		**78.5**

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 (i.e. a 10% haircut applied to the index), applied in each scenario, would result in an increase in the impairment allowance of £17.8m at 30 June 2023 (30 June 2022: £13.1m); conversely, a 10% increase would result in a decrease in the impairment allowance of £13.6m at 30 June 2023 (30 June 2022: £10.3m).

Probability of default and probability of repossession given default

A 10% relative worsening of both PDs and PPGDs simultaneously (e.g. a 1.0% PD increasing to 1.1%) would increase the total impairment allowance by £7.8m at 30 June 2023 (30 June 2022: £6.4m). A 10% relative improvement of both PDs and PPGDs simultaneously (e.g. a 1.0% PD decreasing to 0.9%) would result in a decrease in the impairment allowance by £7.5m at 30 June 2023 (30 June 2022: £5.7m).

Unless otherwise indicated, all amounts are stated in £m

8. Loans and advances to customers (continued)

Critical 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 Company undertakes back-testing and validation procedures in order to assess the reasonableness of assumptions and judgements applied in calculating ECLs. The results of these procedures are considered in determining the ongoing appropriateness of key judgements and inputs, which are subject to oversight from the Audit Committee.

During the current year, the Company has made adjustments to the model which have resulted in individually material movements to the ECL estimate as follows:

- Refined the significant increase in credit risk criteria for bridging products to reflect external credit data and internal scoring data;
- Updated the approach to the assumption in the LGD model of the time taken to sell a property in downside macroeconomic scenarios;
- Updated the forced sale discounts in the LGD model to better reflect historic data; and
- Model parameters have been updated throughout the period to reflect the latest data available.

The sensitivities below were performed by recalculating the impairment allowance by changing only those items stated, and with all other variables unchanged.

Sensitivities	2023	2022
Measure all loans in Stage 1 using a lifetime ECL – increase in allowance	35.5	32.7

9. Other assets

	2023	2022
Amounts owed by related parties	0.5	0.3
Other debtors	0.3	0.2
	0.8	**0.5**

Amounts owed by related parties are repayable on demand.

10. Deferred tax asset

	2023	2022
At beginning of the year	4.9	5.5
Charge to income statement	(0.9)	(0.6)
	4.0	**4.9**

All figures relate to short term timing differences.

Unless otherwise indicated, all amounts are stated in £m

11. Borrowings

	2023	2022
Amounts owed to Brooks ABS 1	13.6	22.9
Amounts owed to Charles Street ABS 2	631.0	565.6
Amounts owed to Delta ABS 2	317.4	181.8
Amounts owed to Fairway ABS 1	254.1	-
Amounts owed to Highfield ABS	369.5	106.2
Amounts owed to Lakeside ABS	415.2	311.9
Amounts owed to Together ABS 2	-	15.4
Amounts owed to Together ABS 3	48.5	63.8
Amounts owed to Together ABS 4	80.1	100.6
Amounts owed to Together ABS 5	73.5	107.6
Amounts owed to Together ABS 6	115.3	141.0
Amounts owed to Together ABS 7	274.5	-
Amounts owed to Together CRE 1	125.7	156.0
Amounts owed to Together CRE 2	158.2	193.8
Amounts owed to Together CRE 3	291.6	342.7
Debt issue costs	(12.0)	(16.0)
Total borrowings	**3,156.2**	**2,293.3**

Under the facilities above, the participants, including the Company, sell beneficial title to certain mortgage assets to the securitisation vehicles. The Company recognises a corresponding deemed loan liability against which it offsets the subordinated notes it holds in the securitisation. The amount of the liability reported in the table above represents the Company's net liability. The table below shows the type of facility for each of the Group's SPVs in which the Company has amounts owed.

Loan facility	Established	Facility type	Maturity
Brooks ABS	2021	Amortising	Mar 2027
Charles Street ABS 2	2022	Revolving	Mar 2027
Delta ABS 2	2019	Revolving	Dec 2025
Fairway ABS	2022	Amortising	Dec 2026
Highfield ABS	2018	Revolving	Sept 2025
Lakeside ABS	2015	Revolving	Apr 2026
Together ABS 3	2019	Amortising	Sep 2023
Together ABS 4	2020	Amortising	Jun 2024
Together ABS 5	2021	Amortising	Oct 2025
Together ABS 6	2022	Amortising	May 2026
Together ABS 7	2022	Amortising	Jun 2026
Together CRE1	2021	Amortising	Feb 2025
Together CRE2	2021	Amortising	Feb 2026
Together CRE3	2022	Amortising	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.

12. Other liabilities

	2023	2022
Amounts owed to related parties	1,135.6	1,097.3
Trade creditors	0.5	0.5
Other creditors	1.1	0.3
Accruals and deferred income	2.0	1.8
	1,139.2	**1,099.9**

Amounts owed to Group undertakings are repayable on demand.

Unless otherwise indicated, all amounts are stated in £m

13. Share capital

All amounts are stated in pounds.

Authorised	**2023**	**2022**
1,000 ordinary shares of £1 each	**1,000**	**1,000**

Called up, allotted and fully paid	**2023**	**2022**
2 ordinary shares of £1 each	**2**	**2**

14. Related party transactions

Relationships
The Company has the following related parties:

Entity	**Nature of transactions**
Charles Street Commercial Investments Limited	The Company refers borrowers outside its lending criteria to Charles Street Commercial Investments Limited. The Company performs underwriting, collection and arrears-management activities for these loans 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 Company. These services solely relate to properties repossessed prior to the current year.
Sunnywood Estates Limited	The Company provides a loan with interest charged at 5% per annum, secured on certain assets.

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

Transactions

The amounts receivable from and payable to related parties by the Company are disclosed in Notes 9 and 12. The Company had the following transactions with related parties during the year:

	2023		**2022**	
	Charge to income or equity	**Paid**	**Charge to income or equity**	**Paid**
Interest on related party loans	-	-	-	-
Impairment of related party loans	-	-	0.1	-
	-	**-**	**0.1**	**-**

15. Commitments and contingencies

Fixed and floating charges

As at 30 June 2023, the Company's non securitised assets, along with those of the Together Group's non securitised assets were subject to a fixed and floating charge in respect of £1,055.0m senior secured notes (30 June 2022: £1,055.0m) and £70.0m in respect of the revolving credit facility (30 June 2022: £nil).

Commitments

The Company has commitments to extend credit which are not recorded on the balance sheet relating to undrawn elements of existing facilities. The amounts do not represent the amounts at risk at the balance sheet date but the amounts that would be at risk should the facilities be fully drawn upon in the event that the customer defaults.

At 30 June 2023, the Company had undrawn commitments to lend of £118.8m (30 June 2022: £128.9m) relating to future drawdowns on existing facilities granted to customers. The ECL on these commitments is included within the ECL recognised in Note 8, Loans and advances to customers.

16. Ultimate parent company

The Company is a subsidiary undertaking of Together Financial Services Limited, a company incorporated in Great Britain and registered in England and Wales. The smallest group of which the Company is a member, and for which group financial statements are drawn up, is that headed by Together Financial Services Limited. The largest group of which the Company is a member, and for which group financial statements will be drawn up, is that headed by Redhill Famco Limited (the Company's ultimate parent undertaking). The principal place of business and registered address for Together Financial Services and Redhill Famco Limited is Lake View, Lakeside, Cheadle, Cheshire, United Kingdom, SK8 3GW and both are privately owned and limited by shares.

17. Events after the reporting date

In July 2023, the Group issued an RMBS, Together Asset Backed Securitisation 2023 – 1ST 1 PLC (TABS 8), raising £404.4m in external funding.

In September 2023, the Group announced the pricing of a further RMBS, Together Asset Backed Securitisation 2023 – 1ST 2 PLC (TABS 9).

In the same month, the Group exercised its option to redeem the loan notes in Together ABS 3, taking back the beneficial title to the mortgage assets that had previously been securitised.

Also in September 2023, the Group refinanced its BABS facility, extending the maturity date to September 2027 and raising an additional £55.0m of funding.