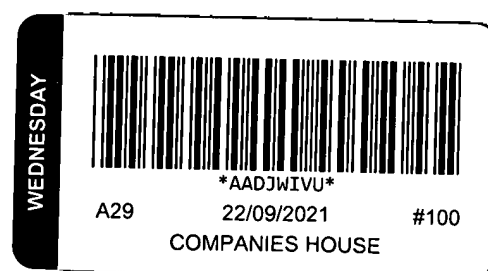




# **Together Commercial Finance Limited Annual Report and Financial Statements**

**For the year ended 30 June 2021**



Together Commercial Finance Limited  
Annual report and financial statements for the year ended 30 June 2021

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## Officers and professional advisers

### Directors

GD Beckett  
W Bowser\* (Resigned 25 May 2021)  
MR Goldberg  
GM Grimes  
RM McTighe\* (Resigned 25 May 2021)  
HN Moser

*\* Non-Executives*

### 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 2021.

### 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 strategy is to deliver secured lending to underserved customers in attractive growing markets; achieve positive customer outcomes; maintain high asset quality with prudent loan-to-value (LTVs) and reinvest profits to support future ambitions.

#### Macroeconomic environment and coronavirus pandemic

The last year saw a series of changes and reversals of lockdown restrictions in response to the changing infection rate for the coronavirus, with the UK government only finally able to allow successive relaxations from the spring of 2021 onwards. Economic activity as measured by GDP reflected this, with a second fall in the first quarter of the 2021 calendar year before improving in line with the subsequent easing of lockdown restrictions. Subject to possible disruption from new variants of the virus, current expectations are for UK economic growth to continue, buoyed by an improving global position, fueled particularly by the US fiscal stimulus.

After the first lockdown, house-price inflation surged until summer 2021, and most expectations are that this may now stabilise or even begin to contract with the final withdrawal of the temporary stamp duty, universal credit and furlough reliefs at the end of September 2021. The termination of the latter relief may lead to a rise in unemployment, which at 4.8% has held up better than many predicted. Inflation generally, as measured by CPI, has risen to now stand at 2.5% at the end of June 2021, partly due to the recovery in oil prices. The Bank of England has held Base Rate at 0.1% since the first lockdown, and is expected to continue to do so for some time as the current inflationary pressures are widely seen as temporary.

The continued period of recovery since spring 2021 has led to a somewhat greater degree of consensus among economists as to the eventual economic impact of the pandemic than was the case last year. Additionally, the terms of the UK's trading and co-operation with the EU have now been agreed, though they appear subject to some review, and of course to continuing development for those aspects not covered by the agreement.

This year saw the Company continue to focus on supporting customers. This included granting mortgage-payment deferrals to certain borrowers in some cases going beyond the criteria set by the government. This scheme closed to new applicants on 31 March 2021.

Having paused new lending in response to the pandemic, the Company has taken the opportunity to progress the transformation of its operational procedures to ensure its service remains competitive.

The Company cautiously resumed lending in July 2020, using criteria appropriate to the evolving economic and market conditions, focusing particularly on bridging and buy-to-let lending and has increased lending in a controlled manner throughout the year.

## Strategic report (continued)

### Business Review (continued)

#### Results

The Company, despite the ongoing nature of the pandemic and the fluctuations in the UK economy resulting from changes in lockdown requirements, was able to increase its profit before tax for the year by over 40% to £125.9m (2020: £89.4m). This is a strong performance for the business and reflects the proactive response of management to ensuring the Company's resilience during the crisis, the quality of the Company's mortgage portfolio and a highly sustainable business model.

The Company paused new lending during the prior period, as an immediate response to the possible impacts of the coronavirus pandemic. During the year, the Company has increased levels of originations, which has resulted in the net loan book therefore finishing 3.1% higher at £2,817.6m (2020: £2,732.5m).

Interest receivable and similar income fell slightly by just 1.1% to £271.2m for the year to 30 June 2021 (2020: £274.2m).

The net interest margin<sup>1</sup> percentage of 6.5% reduced slightly when compared to 7.0% for the year ended 30 June 2020.

Administrative expenses increased by 17.2% to £40.9m (2020: £34.9m) mainly due to an increase in staffing costs following on from the reinstatement of bonus awards to colleagues resulting from the greatly improved profit performance.

Impairment losses for the year were £17.2m, a decrease of 70.0% on the £57.3m reported for the year to 30 June 2020, with the cost of risk falling to 0.6% from 2.2% last year.

This reflects the application of the expected loss concept as required under IFRS 9, which has built the balance sheet impairment provision to £93.3m (2020: £99.2m) meaning that a certain level of protection has already been incorporated into the carrying value of our loan book for any future realised losses.

During the course of the pandemic there have been limited losses realised as the Company has continued to support its customers, and government interventions have continued to provide support to those affected by the coronavirus pandemic. Whilst we look forward to FY22 with renewed optimism, some uncertainty remains, as interventions such as the furlough scheme are unwound and economic forecasts remain subject to higher degrees of variability than in the pre pandemic environment.

#### Position

Loan originations during the year of £1,051.8m were 13.0% lower than last year (2020: £1,210.1m). This reflected the Company's cautious resumption of lending, after the early stages of the pandemic, to preserve its liquidity and capital buffers and with a revised risk appetite. Despite this, gross loans and advances to customers increased to £2,910.9m (2020: 2,831.7m), reflecting the increased levels of lending in the second half of the year, and lower levels of redemptions.

The impairment coverage ratio for loans and advances has decreased to 3.2% from 3.5% in 2020, owing primarily to a refinement to the write off criteria applied during the year for fully provided for loans which were held in stage 3 totalling £7.1m. Substantially all of these accounts had entered a shortfall position prior to the current period, and largely relate to legacy accounts which had been repossessed a number of years previously.

The Company's strategy prior to the emergence of the coronavirus was to increase the loan portfolio while maintaining conservative loan-to-value (LTV) ratios. This, combined with significantly reduced new lending in the early stages of the pandemic, stood the Company in good stead during 2021. At the same time equity has increased by 42.4% to £351.8m (2020: £247.1m) reflecting the impact of retained profit after tax for the year of £104.7m (2020: £79.6m).

#### Liquidity and Funding activity

The Company is partly financed by its parent company, Together Financial Services Limited, which itself is party to a revolving credit facility and through another Group company which has issued senior secured notes. The non-securitised assets of the Company are subject to a fixed and floating charge in respect of these facilities. 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; Charles Street Conduit Asset Backed Securitisation 1 Limited ('Charles Street ABS') originated in November 2007, Lakeside Asset Backed Securitisation Limited ('Lakeside ABS') originated in January 2015, Delta Asset Backed Securitisation 2 Limited ('Delta ABS 2') issued on 29 March 2019, and a commercial real-estate warehouse facility Highfield Asset Backed Securitisation 1 Limited ('Highfield ABS') originated in June 2018. These facilities are secured on specific loan assets of the Company ('securitised assets').

<sup>1</sup> Net interest margin is calculated by dividing net interest income by the average opening and closing net loans and advances to customers.

## Strategic report (continued)

### Business Review (continued)

#### Liquidity and Funding activity (continued)

In July 2020, the Group issued its fourth and largest residential mortgage backed securitisation ('RMBS'), Together Asset Backed Securitisation 2020 - 1 PLC ('TABS 4') of £361m with 81% of the notes rated AAA on issuance. Included within the portfolio of loans securitised were Buy-to-let ('BTL') loans originated by the Company. In September 2020, the maturity date on the undrawn £71.9m revolving credit facility was extended from June 2021 to June 2023. In January 2021, the Group announced the issuance of £500m senior secured notes at 5.25% and due in 2027, and repaid the existing £350m of 6.125% notes due to mature in 2024. At the same time, the Group also extended the term of its subordinated shareholder loans of £25.1m to September 2027. In March 2021, the Group successfully completed its first commercial real-estate mortgage-backed securitisation Together Asset Backed Securitisation CRE 2021 PLC ('CRE 1') raising external funding of £194.3m with 80% of the notes AAA rated. As a result of demand arising from CRE 1, the Group completed a second such transaction, Together Asset Backed Securitisation CRE 2 2021 PLC ('CRE 2'), in June 2021. This raised external funding of £241.6m with 80% of the notes AAA rated. All loans within the CRE 1 and CRE 2 portfolios were originated by the Company.

Shortly after the year end the Group launched a wholly new type of facility, Brooks ABS, secured on loans with some degree of arrears or imperfect credit histories. The external funding raised was £71m representing an advance rate of 74%. This will release further capacity for the Group's funding, not otherwise available from securitisations of performing loans.

Between June and September 2020, temporary covenant waivers were agreed with banks in all four private securitisations, in respect of the provision of mortgage payment holidays. The Group is not currently reliant on waivers, and following the closure of the Government mortgage payment deferral scheme to new entrants on 31 March 2021 there remains only a small number of customers who remain on such an arrangement.

The Board of Together Financial Services Limited has confirmed its intention to continue to provide funding to the Company for 12 months from the date of this report.

Detail on the monitoring and management of liquidity and funding risk is discussed in Principal risks and uncertainties section on page 11, and further detail on the going concern assessment is set out in Note 2 to the financial statements.

#### 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.

## Strategic report (continued)

### 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 changed our approach to supporting our stakeholders during the Covid-19 pandemic and beyond.

#### Colleagues

The Board provides oversight of colleague engagement and other employment matters within the parameters of the Group. All of the Group's colleagues are employed by Together Financial Services Limited. Information about the activities of the Board can be found in the Corporate Governance Statement.

At Together, we recognise that our colleagues are a key strength of our business and our achievements derive from their skills and knowledge as well as from their behaviours and attitudes. This year more than ever we are proud of our colleagues and their continued extraordinary efforts to support our customers and our business during these unprecedented times.

Our Accountability Charter continues to bring together the principles of the Senior Managers & Certification Regime and our Play your Part Beliefs.

To further embed the principles of good conduct, this year we amended our performance management process for all colleagues to enhance the focus on the 'how' as well as the 'what'. This 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. Colleagues continue to receive training on both the Regime and the Accountability Charter on an annual basis via an online learning module.

#### Listening to our colleagues

We place great value on feedback, and we listen to our colleagues to find out what we are getting right and what we can improve. During 2020, we revised our usual engagement surveys to run short wellbeing surveys to ensure that the wellbeing of colleagues was being monitored on a regular basis. These wellbeing surveys have continued on a quarterly basis and our response rate is consistently high; responses are internally benchmarked and tracked and used to inform discussions by the Board and Executive management alongside plans to address any actions arising from colleague feedback.

In 2020, a Group Colleague Representative Forum was formed with elected colleague representatives from across the business to support the colleague consultation approach. This Forum was maintained after the completion of the consultation as it provided a valuable communication tool for colleagues to discuss and ask questions about a wide range of topics with Group Executive management and the People team and as a valuable consultation group on matters affecting colleagues.

#### Colleagues' Wellbeing

Wellbeing is a continuing focus for the business, and the Group's Wellbeing Roadmap sets out monthly initiatives to focus on colleague wellbeing throughout the year including mental health awareness activities and events. In March, colleagues were chosen as Group Wellbeing Champions following a series of internal interviews. The Group Wellbeing Champions underwent a programme of learning and development with both internal and external training provided by Manchester Mind and Mental Health First Aid, to ensure that they had the appropriate skills and experience to act as a point of contact for colleagues who are experiencing mental health issues or emotional distress.

#### Protecting our colleagues during Covid-19

Since the start of the pandemic, we have focused on protecting our colleagues, with almost all colleagues enabled to work from home within a very short period of the first UK lockdown commencing. Extensive efforts were also invested into making the office a safe environment for colleagues when they were able to return to the office, including the repurposing of space to ensure that social distancing could be maintained, enhanced cleaning activity, and the introduction of an automatic temperature scanner on entry. These changes were supported by ongoing monitoring and management, with the introduction of a dedicated email address for colleagues to raise concerns related to the office environment. These measures have enabled us to easily flex working arrangements during subsequent lockdowns, including supporting those colleagues who wished to return to the office for wellbeing purposes.

In 2021, as colleagues began to return to the office, as lockdown restrictions were eased, colleagues were actively engaged through engagement surveys and one to one conversations with managers in order to understand their individual circumstances and prior to the wider availability of Covid-19 testing, weekly testing was available.

The safety of colleagues continues to be a priority for the business and the office environment continues to be adapted to ensure colleagues are safe and feel confident to work onsite.

## Strategic report (continued)

### Stakeholder engagement report (continued)

#### Our Diversity

This year, the Group set up a new Diversity and Inclusion Advisory Committee, championed by Liz Blythe, non-executive director of the Personal Finance division. The Committee was established as an advisory body to provide views and advice on issues of diversity and inclusion to the Board and Executive management on behalf of all colleagues. Its membership is made up of colleagues from across the business who represent diversity of race, ethnicity, gender, age, ability, and sexual orientation.

The Committee aims to support senior leadership in ensuring alignment between the Company's operations and strategic aims, and its diversity and inclusion goals. More information on our diversity and inclusion strategy can be found in the Group's **Environment & society report**.

#### **Customers**

Our mission is to use our experience, skills, entrepreneurialism and culture to make finance work to help our people realise their ambitions and it is at the heart of everything we do. We remain committed to delivering excellent service to our customers and we monitor customer feedback to understand both what we do well and how we can improve.

#### Modernisation and automation

We continue to execute a process of modernisation and automation to take advantage of technology to help further improve our customers 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 touchpoints throughout the loan lifecycle.

#### Listening to our customers

We seek to give customer-facing colleagues the tools, knowledge and support they need to deliver positive outcomes. This includes annual training that focuses on conduct, understanding our customers and improving awareness, and the identification of customers in vulnerable situations.

We invite our customers to leave reviews for us on Feefo, TrustPilot and Google Reviews. At the end of June, our average ranking was over 4 stars on Feefo and TrustPilot and 3.9 on Google. Within the specialist lending sector, we are the only lender to actively invite customers to leave reviews on whichever review platform they choose. In February we won the Feefo Platinum Trusted Service 2021 award, which recognises businesses for consistently delivering exceptional experiences as rated by our customers. These achievements show our hard work and dedication to customer service, which has been particularly important during a year which has been a difficult time for many of our customers.

Alongside this, customer and broker feedback is collated via net promoter scores and voice of customer scores are regularly reported to the Board by the CEO with trend data and accompanying commentary.

We take customer complaints very seriously and our assurance teams complete root cause analysis on samples of customer complaints on a monthly basis; along with responses from customer satisfaction surveys, the data is used to inform process improvements and colleague training.

#### **Regulators**

We continue to ensure that we are informed of industry best practice and 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**

This year the Together Financial Services Limited consolidated accounts included an Environment & society report for the first time. The report includes information on the charity work the Group undertakes and how we support our local community.



## Strategic report (continued)

### Stakeholder engagement report (continued)

#### Intermediaries

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.

Since we resumed lending following the outbreak of the pandemic. We have fostered strong engagement by working closely with our intermediary partners and packagers to ensure that they were kept informed of our progress.

We continue to develop and streamline our application processes to improve the customer journey for both direct and intermediary customers. This has included the removal of hard copy documents within the application process, and the introduction of electronic filing, which has ensured a smoother customer journey and a reduced our time to fund through increasing the amount of information captured digitally both internally and by our intermediaries.

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

#### Investors and banks

Our funding is provided by UK and international banks and other financial institutions who invest in private and public securitisation vehicles, which is secured on loans originated and serviced by the Company. In addition, the Group, and therefore the Company, indirectly is funded via high yield bond markets, in which the Group has an established presence and has access to a revolving credit facility when may be required. The Group has established long standing banking relationships and have also built strong relationships with our institutional investors. We consider 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. This includes monthly reporting to banks and investors in our private and public securitisations, and regular attendance at investor conferences. We hosted virtual site visits for investors during the year which provided opportunities to meet management and we carry out regular due diligence activities with banking facility providers and maintain an ongoing dialogue with our rating agencies, including annual rating agency visits.

During the year, we concluded the refinancing of our revolving credit facility alongside further issuances under both the senior secured notes programme and public securitisation programme. These activities involved close collaboration with banking partners and investors around the financing needs of the business.

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

#### Suppliers

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

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

#### Our shareholder

The Company is a wholly owned subsidiary of Together Financial Services Limited, a company whose ultimate parent entity is Redhill Famco Limited which is wholly controlled by HN Moser, the Group CEO. The CEO 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.

## Strategic report (continued)

### 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 Together Commercial Financial (TCF) Board is an operational board which meets to provide oversight of the operations of the TCF division. 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	<ul style="list-style-type: none"><li>• The Board recognises the importance of understanding the effect that decision making can have on our stakeholders. During the year, the TFSL Board approved a new Purpose and Vision for the Group; the Purpose not only captures the ambitions of Together, but also how Together can support its key stakeholders in achieving their ambitions. As part of the process to develop the Purpose, the TFSL Board considered what it would mean to each stakeholder group, including our customers, colleagues, shareholder, funding providers, and the wider community. The successful achievement of our future ambitions relies on continued consideration of our stakeholders' needs and reporting against our objectives will regularly be provided to the TFSL Board to track progress. The TCF Board will monitor the implementation and embedding of the new Purpose and Vision within the TCF division.</li><li>• During the year, the Board has considered and approved the mobilisation of projects to update IT infrastructure which included, the proposed introduction of new software to ensure that core systems will provide a sound foundation for growth of the business over the long term.</li><li>• In March, the Board approved the entering into of Together's debut offering of Commercial Term Loans into the public securitisation market. The offering provided additional diversification of the Group's funding platform, further strengthening of liquidity and crystallising capital efficiencies. Whilst acknowledging the risks associated with the offering, which was the first small balance commercial real estate transaction in the UK since 2008, the Board recognised its benefits which included reducing the funding costs of the Commercial Term Product, whilst acting as a significant risk transfer by moving the assets to a more covenant-lite non-recourse structure.</li></ul>
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## Strategic report (continued)

### 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	<ul style="list-style-type: none"> <li>The Company has no employees, all of the Group's colleagues are employed by Together Finance Services Limited. The Board provides oversight of colleague matters within the Commercial Finance division within the parameters of the Group.</li> <li>The Group recognises the benefits of colleagues being able to interact and collaborate, which has been a key part of the Group's success for many years. Following the initial lifting of government lockdown restrictions, the TFSL Board approved a programme of work to enable colleagues to begin returning to the office safely. The TFSL Board delegated the implementation of the programme to the TFSL Executive Committee and to the divisional Executive Committees and an agenda item was added to the TFSL Board meetings to specifically update the Board on this activity and feedback from colleagues. The TFSL Board also support the recommendation from senior management that provided the office remained Covid-19 secure, it should remain available to those colleagues whose wellbeing benefitted from being in the office for any potential future lockdowns. Oversight of colleague health and safety has been delegated to the TFSL Risk Committee and regular incident reporting is provided alongside Covid-19 specific reporting.</li> <li>At the beginning of the year the vast majority of colleagues were employed by Blemain Finance Limited, a subsidiary of Together Financial Services Limited, and therefore the legal responsibility for colleague welfare lay with the subsidiary Board. To simplify the structure, in April the Boards of both Together Financial Services Limited and Blemain Finance Limited provided joint approval for the TUPE transfer of colleagues to Together Financial Services Limited. The Boards approved the recommendation from senior management that the timing of the transfer coincided with the commencement of the tax year, to mitigate the risk of any adverse tax implications for colleagues. The Boards were provided with assurance that colleagues would not be adversely affected by the transfer and also balanced the administrative and operational cost of the exercise against the clarity and consistency that having TFSL as the employer for all colleagues would provide.</li> </ul>
c. the need to foster the company's business relationships with suppliers, customers and others	<ul style="list-style-type: none"> <li>Maintaining positive business relationships is crucial to the Group's long-term sustainability and is regularly reported to the Board to inform decision making.</li> <li>This year, we formalised a Third Party Management Policy for the Group. The Policy sets out the standards all colleagues must follow when contracting with, or outsourcing services to a third party to encourage consistent treatment of suppliers across the business. The development of the Policy was one of the actions arising from an internal audit of third party supplier management, the actions from which were tracked to completion by the TFSL Audit Committee. To accompany the policy, those colleagues who manage a third party relationship were required to complete a mandatory e-learning module to ensure full understanding of the policy and its requirements and maintain a register and risk assessment for each supplier, which built upon good practice that already existed in some areas of the business.</li> <li>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 <b>Stakeholder engagement report</b>. The TFSL Board receives regular updates from the TCF CEO on customer activity and customer engagement strategies. During the Covid-19 pandemic, updates focussed on the activities of customer operations teams and how they had been mobilised with additional resource, to ensure that customers were receiving appropriate support.</li> <li>This year, we appointed a new Chief Operating Officer, who brings a wealth of experience of customer operations to the business; the COO is working closely with the Group's transformation and modernisation programme to understand how the use of technologies can enhance the customer experience and ensure that we meeting increasing custom expectations for a more automated experience. Oversight on progress is provided by the Board to ensure that the operations functions have sufficient resource and skills to continue to provide the best support to our customers whilst utilising efficiencies gained from automation of processes where appropriate.</li> <li>Investor feedback is considered on an ongoing basis and particularly when relevant to decisions relating to funding transactions. Information on how we foster relationships with our investors and banking facility providers can be found in our <b>Stakeholder engagement report</b> along with information on how we proactively engaged with bond investors and ratings agencies during the Covid-19 pandemic.</li> </ul>

## Strategic report (continued)

### 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	<ul style="list-style-type: none"><li>• This year, for the first time, the TFSL Board approved the inclusion of an Environment &amp; society report in the Annual Report and Accounts. The report recognises 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 new Purpose.</li></ul>
e. the desirability of the company maintaining a reputation for high standards of business conduct	<ul style="list-style-type: none"><li>• 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 Board has applied the Wates Principles can be found in our <b>Corporate Governance Statement</b>.</li><li>• The TFSL 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, the Board considers and adopts division specific policies which are set within the overall parameters of the Group to ensure standards are consistently maintained across all business operations.</li></ul>
f. the need to act fairly between members of the company	<ul style="list-style-type: none"><li>• The Group's overarching governance arrangements are regularly reviewed to ensure they continue to meet the standards expected of a large private financial-services organisation with listed debt instruments.</li></ul>

## Strategic report (continued)

### Principal risks and uncertainties

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

#### Strategic risk

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.

Strategic risk is managed and mitigated by:

- Regular Board oversight of the strategy, including monitoring of financial and non-financial performance indicators.
- Regular engagement with the Company's shareholder to ensure alignment of objectives.
- Redefining the purpose and vision, in order to ensure the alignment of our strategic objectives to our core objectives of helping to realise ambitions by making finance work.
- Developing succession planning, and continuing to focus on our colleagues, in order to mitigate the risks of key person dependencies at all levels of the Company.
- Enhancing the suite of management information and analysis used to monitor the lending pipeline, to give greater control over lending volumes and operational planning.
- Identification of areas of the market where customers value our common sense lending and a relationship-based approach.
- Listening to customers to learn how we can improve their experience and increase customer advocacy.
- Delivering upon the modernisation and transformation agenda, to improve the customer journey and increase the operational efficiency of our business.
- Delivery of significant change programmes and projects by a dedicated change delivery department in accordance with an established 'Change Delivery Framework'.
- Assessment and consideration of the broader global and UK macroeconomic environment and key industry drivers.
- Regular review and dissemination of market and competitor developments, including product evolution, merger and acquisition activity and wider corporate developments.
- Maintaining strong relationships with intermediaries.
- Ongoing monitoring of the funding markets in which we are active, including the securitisation and high yield bond markets.
- Ongoing Board review of the risk appetite, risk exposure and mitigation.

Sensitivity and stress testing analysis are carried out against the loan book and business plans, in order to monitor the Group and the Company's ability to deliver on its 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.

For further detail of stress testing, see:

- Liquidity and Funding Risk (page 12)

Overall responsibility for governance and monitoring of the Group's direction and strategy lies with the Group Board of Directors. For further detail of the role and structure of the board, and the committee structure which supports the board's activities, see:

- Corporate Governance and Committee Structure

The Group also monitors environmental and social factors, which may impact upon the delivery of its and the Company's strategic objectives. More information on environmental and social factors can be found in the Group's consolidated financial statements within the **Environment & society report**.

## Principal risks and uncertainties (continued)

### Credit risk

Credit risk is the risk arising as 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 borrower's circumstances.

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

The level of risk has been heightened by the impact of the Coronavirus pandemic. The Company remains cautious as the impact of the government support measures ending remains unknown, and maintains appropriate levels of provisions against possible future credit losses which recognise this uncertainty.

Our credit risk management cycle includes the undertaking of the following activities:

- The Group and Company's comprehensive underwriting procedures, which, as appropriate, have regard to creditworthiness, affordability levels, repayment strategies and LTV ratios.
- Conservative LTVs are targeted across all products, providing mitigation to the risk of credit losses arising in the event of default and protection from the risk of falling collateral values.
- Customer affordability models are utilised by the Group where appropriate, and are tailored to the customer and loan type.
- Undertaken stress testing to model the impact of increased numbers of customers requiring support and other interventions, to allow appropriate resource and operational planning.
- Implementing additional controls over originations, including the creation of a specific team to reflect some of the bespoke markets in which the Company operates. Lending has gradually increased with revised criteria, such as increased thresholds on affordability assessments, which were implemented in response to the pandemic remaining in place. Our close relationships with our partners has been maintained, and the majority of new business repayments profiles are fully serviced.
- Continuing to focus lending on areas of the market where the Company has specific expertise, which only includes secured lending, within the UK, at prudent LTVs.
- Monitoring of customer performance throughout the life of the loan, with regard to arrears, proactive collections strategies, or the application of forbearance measures.
- Capturing additional data and establishing enhanced monitoring of the specific risks posed to the portfolio by the impacts of Covid-19. This has included accessing additional data, where appropriate, including from credit reference agencies.
- During its implementation, assessing the performance of customers availing of mortgage-payment deferral arrangements, both during and subsequent to their utilisation of these measures.
- Updated arrears management standards and processes to reflect FCA guidance on mortgage-payment deferrals and the repossession moratorium.
- Monitoring of the characteristics of the loan portfolio, including geographical concentration and LTV.
- Implementing a programme of work to increase automation, including extension of the use of automated valuation models.
- Monitoring of credit risk exposures through credit risk management information, to enable an assessment of position versus risk appetite. This has been enhanced to provide further analysis and focus on particular risk factors emerging as a result of Coronavirus.
- Performance of regular assessments of the sensitivity of the loan book to movements in macroeconomic factors.
- Measuring and monitoring credit quality for impairment purposes using a suite of IFRS 9 models. Our detailed disclosures in respect of IFRS 9 credit modelling are included within Notes 2, 3 and 9 to the financial statements.

### Liquidity and funding risk

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

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

An overview of the Group's sources of funding and activities during the year, which are applicable to this Company, are included within the Business Review, which explains that the Company is partly financed by its parent company and therefore liquidity and funding risk is managed and mitigated at a Group level by:

- Close monitoring of liquidity risk against limits and triggers to ensure early identification of any liquidity stress.
- 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.

## Principal risks and uncertainties (continued)

### Liquidity and Funding Risk (continued)

- Development of additional forecast cash-flow scenarios, stress-testing and reverse stress-testing in response to the economic and market disruptions following the outbreak of Coronavirus.
- Regular monitoring and reporting of compliance with financial covenants and restrictions.
- Reporting of management information which includes a range of quantitative measures of liquidity risk.
- Closely managing total liquidity resources, including cash, redemption cashflows, access to funding from securitisations and access to a revolving credit facility.
- Forecasting of expected cash inflows and outflows, including the outstanding pipeline of loan offers, and monitoring of actual cashflows.
- Only placing surplus cash balances on overnight deposit, ensuring they remain immediately available.
- The utilisation of a range of medium to long-term funding sources.
- Diversification of funding sources.
- Maintenance of prudent headroom in facilities.
- Regular engagement with banks and investors.
- 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.

Based on the Group's business model of funding primarily via securitisation programmes and bond markets, the Group has set risk appetites for both liquidity and funding risks. This provides a level of assurance that the Group is able to meet its liabilities and commitments when they fall due, and holds sufficient headroom, with acceptable depth of maturity, to support planned loan book growth and to survive a period of liquidity stress in line with the appetite set by the Group. Liquidity, funding, and capital risk (see Capital Risk below) are closely related given capital provides the necessary subordination to each of the facilities, which in turn provides liquidity.

A key driver of liquidity risk within the Group arises from a number of private securitisation facilities being subject to portfolio covenants and eligibility restrictions including concentration limits and performance measures. Amongst other requirements, such covenants limit the proportion of loans in arrears and on an individual loan basis, the level of arrears determine eligibility for such facilities.

In certain circumstances assets can be exchanged, repurchased or additional capital can be injected into the facilities to support compliance with facility terms, thereby maintaining access to liquidity provided by such facilities. Failure to comply with facility terms or breach of non-curable performance covenants will cause such facilities to go into early amortisation, with removal of undrawn facility headroom and deferral of cashflows to the Senior Borrower Group.

The potential for increasing arrears, as a result of the wider economic consequences of the pandemic, increases the risk that insufficient eligible assets will be available to ensure facilities remain in compliance with covenants, and thus able to provide a source of liquidity and funding for the Group. The Group monitors such covenants and carries a level of cash and eligible assets to support the private securitisation facilities in a stress event in line with set risk appetites.

During the year, the Group has continued to implement its tried and tested strategy of proactively refinancing liabilities well in advance of their contractual maturity dates, and continued to diversify its funding sources. Several financing transactions have been successfully completed, which includes the issuance of Senior Secured Notes due 2027, the UK's first small ticket commercial real estate mortgage backed securitisation (CRE MBS) since the financial crisis (Together CRE 1), a second CRE MBS issuance (Together CRE 2), and a further public securitisation (Together ABS 4). These actions together have increased the headroom on our funding facilities to £1,434.5m (2020: £406.0m).

The Group also benefits from a highly cash-generative business model, with a high level of redemptions which is a key source of liquidity. The actions taken by the Group during the coronavirus pandemic, which includes lower levels of loan originations, increased the levels of liquidity and leaves the Group well positioned in the event of further macroeconomic instability which could impact upon cash generation through redemption activity.

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

Note 2 to the financial statements provides further detail on the assessment of the going concern basis of preparation. This includes an assessment of the risks presented by any potential breaches of lending covenants including potential mitigating actions.

Within commitments, as disclosed in Note 16 of the financial statements, we include amounts for undrawn elements of existing development funding commitments.

## Strategic report (continued)

### Principal risks and uncertainties (continued)

#### Market risk

Market risk is the risk arising from the Company's exposure to movements in market values, including movements in interest rates.

The Company does not carry out proprietary trading or hold positions in assets or equities which are actively traded, and the key market risk faced by the Company is interest rate risk, the risk of loss through mismatched asset and liability positions sensitive to changes in interest rates.

Our interest rate risk management cycle includes the undertaking of the following activities at a Group level:

- Monitoring against risk appetite. During the year the Group continued to monitor exposure compared to defined triggers and limits for interest rate risk which consider the risk to earnings of mild and severe stress scenarios.
- Regular monitoring of interest rate risk exposure, including a forward-looking view which incorporates new business assumptions and expected redemptions.
- Closely monitoring the impact of a range of possible interest rate changes, including the possibility of negative interest rates, on the Group's performance and strategy.
- Undertaking hedging transactions as appropriate.

The Company's performance is not considered at material risk from changes in interest rates that are reasonably expected for the next twelve months.

#### Capital risk

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 and mitigated at a Group level by:

- Regular monitoring of current and forecast levels of capital, including the gearing ratio at Group and at facility level. We also regularly assess profitability and business performance, in order to consider the Group's ability to generate capital.
- 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 seeking to manage these when refinancing to ensure the Group's capital efficiency, whilst ensuring sufficient capital is available to support the facilities and mitigate refinancing risk.

#### Operational risk

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

Operational risk includes execution risk in relation to the performance of the Group's modernisation and transformation agenda, and risks relating to the transition from the ways of working implemented following the onset of the Coronavirus pandemic back to a sustainable, business as usual, approach.

Our operational risk management cycle includes the undertaking of the following activities by the Group and Company:

- A framework of systems, controls, policies and procedures.
- Continual monitoring of a variety of operational metrics, and evaluation of these against defined operational risk appetites.
- Regularly reviewing the top identified risks and the development of focussed action plans to mitigate them.
- Maintaining an incident management process in order to mitigate the impact of any operational incidents, and 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.
- A documented and tested business continuity plan.
- A specialist business change team dedicated to managing the change projects the business is undertaking.
- Specialist risk advice to and independent assurance over the delivery of change projects by the Group Risk department.
- Maintaining IT infrastructure, which is sufficiently resilient.



## Strategic report (continued)

### Principal risks and uncertainties (continued)

#### Operational risk (continued)

- Investment in cyber risk prevention systems, resulting in a mature cyber security capability which includes:
  - A dedicated cyber security team focused on prevention and detection.
  - Top tier industry standard tools for both antivirus and firewalls, using multiple vendors to maximise protection.
  - Market leading detection tools, continually monitoring the IT network and data.
  - Full penetration testing for externally facing networks.
  - Encryption of all mobile devices.

The Group has demonstrated an ability for the vast majority of our colleagues to work from home. The Group implemented social distancing measures, personal temperature testing and enhanced cleaning procedures to provide a 'Covid-secure' workspace for those colleagues who were unable to work from home or where there was a necessity to work from the office, in accordance with government restrictions as they have prevailed from time to time earlier in the year.

As restrictions have been lifted, the Group has implemented plans which have supported a safe and phased return to the office for many of our colleagues.

#### Conduct risk

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

This risk can arise from the failure to define and embed an appropriate culture, colleague behaviours that are inconsistent with defined Group values, and from our business activities if they fail to deliver fair and appropriate outcomes to our customers. Failure to manage this risk sufficiently could result in reputational damage, remediation programmes, and impact the Company's operating model.

Conduct risk, also discussed within the Corporate Governance Report, is managed and mitigated for the Group and Company by:

- The communication of the Group's Vision and Purpose set by the Board, which define our organisational culture and focus on colleague conduct, respect, accountability and customer experience.
- Remuneration, recruitment, performance management and promotion practices reviewed by the Remuneration and Nomination Committee to ensure they are reinforcing the right values and embedding good colleague behaviour.
- Annual training and awareness sessions for colleagues, for example training to identify factors which may indicate that a customer is vulnerable and action that can be taken to reflect their situation and treat them fairly.
- Adherence to a system of processes and controls which mitigate conduct risk, including monitoring and reporting against risk appetite.
- Regular review of the effectiveness of our business activities and processes for their ability to deliver consistent and fair customer outcomes.
- Products are approved through a 'Product Governance framework' with a focus on customer needs.
- The communication to all colleagues of the Group's gifts and hospitality policy.
- 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.
- Quality assurance frameworks, which have recently been enhanced to include a focus on those customers impacted by Covid-19 and to focus on the potential impact on vulnerable customers or on customer who may become vulnerable.

Where potential instances are identified 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.

## Strategic report (continued)

### Principal risks and uncertainties (continued)

#### Compliance risk

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 operates.

This includes the risk that the Company 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 regulation, leading to customer dissatisfaction or detriment, legal action against the Group and/or potentially fines from the regulator.

Our compliance risk management cycle includes the following activities:

- Quality assurance reviews in operational areas, with oversight provided by experienced risk and compliance departments.
- Independent monitoring reviews undertaken by second-line teams. Recently, these have focussed on the impact of Covid-19 on customer outcomes, from customer requests for a mortgage-payment deferral through to their payment deferral exit.
- Continued investment in staff training and awareness.
- Products are approved through a 'Product Governance framework' with a focus on customer needs.
- Controls to prevent financial crime, including fraud detection, anti-money laundering checks and established processes for whistleblowing. The Board receives an annual report from its dedicated Money Laundering Reporting Officer (MLRO) setting out a comprehensive review of controls and compliance with relevant regulation. We are also investing in technology to manage financial crime risks.
- Monitoring of compliance with legal obligations by an in-house legal department. Regular meetings are held with operations personnel, the legal department and the compliance team to identify trends in potential legal claims and proactively make process improvements to improve customer outcomes.
- Monitoring processes to assess ongoing compliance with the requirements of GDPR.
- Horizon scanning and impact assessments of potential regulatory and legal changes.

The Company and the Group also consider risks arising in relation to other key stakeholders such as our shareholder, investors and banks, intermediaries, colleagues, and our community. This includes both the impact to our operations from their actions, or the failure of a key stakeholder, and also the impact of our actions on our relationship with stakeholders.

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



MR Goldberg  
Director  
14 September 2021

## Corporate governance and committee structure

## 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 Board (TCF Board) is a board of directors for the Together Commercial Finance (TCF) division comprising Together Commercial Finance Limited, Harpmanor Limited, Bridging Finance Limited and Auction Finance Limited. All companies within the division have common directors. In May, following a review of the governance arrangements across the Group, a decision was taken to consolidate TCF's divisional governance arrangements with those of the TFSL Board and committees, and the non-executive directors stood down from the TCF Board. The TCF Board will continue to provide operational leadership for the TCF division within a control framework which enables risk to be assessed and managed. For all other matters, the companies within the TCF division fall within scope of the Matters Reserved for the TFSL Board and its committees' Terms of Reference.

The TFSL board of directors is responsible for setting risk appetite for the Group, and for agreeing and overseeing the delivery of its strategy within that risk appetite. In order to effectively implement the Group's corporate governance framework, the TFSL 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 TFSL Board also ensures that the appropriate culture, values and conduct are embedded across the organisation and fully endorses the Group's beliefs.

The TFSL 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.

## Corporate governance statement

For the year ended 30 June 2021, 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 TFSL Board sets the overall governance framework for the Group. The framework is structured to enable the directors of all entities within the Group to have the necessary tools to make the key principal decisions crucial for creating long-term value, whilst meeting stakeholder expectations, and legal and regulatory requirements.

Principle	How the principle has been applied during the year
<b>Principle 1 – purpose and leadership</b> An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.	<ul style="list-style-type: none"><li>• The TFSL Board sets the Group's objectives, taking into account the requirements of key stakeholders and ensures that the necessary experience, skills and resources are in place to help our customers, partners, colleagues, community, and wider society realise their financial ambitions by making finance work. The CEO reports to the TFSL Board on the performance of the TCF division after each meeting and provides updates on progress against its strategic and operational objectives.</li><li>• In June, the TFSL Board approved the revised Purpose and Vision for the Group. The work builds on the Group's existing success and will support the achievement of the Group's future ambitions both for Together and for its stakeholders.</li><li>• This year, the performance management process was enhanced to include a requirement for colleague objectives to be linked to the Group's strategic objectives to create a clear golden thread of alignment between colleague performance and individual contribution to the achievement of the Group's strategic aims.</li><li>• The TFSL Board recognises the importance of having a diverse and inclusive culture at Together and the part it plays in helping the Group to achieve its future ambitions. During the year, the TFSL Remuneration &amp; Nomination Committee approved the approach to a new diversity and inclusion strategy for the Group. More information on this can be found in the <b>Environment and society report</b>.</li></ul>

## Corporate governance and committee structure (continued)

### Corporate governance statement (continued)

Principle	How the principle has been applied during the year
<b>Principle 2 – board composition</b> 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.	<ul style="list-style-type: none"> <li>The TCF Chair leads the TCF Board and facilitates open debate and constructive discussion whilst ensuring that the executive directors receive appropriate challenge, including the TCF CEO. The role of the TCF Chair and TCF CEO is not exercised by the same individual.</li> <li>The TCF Board has a wealth of knowledge relevant to the specialist lending sector and until May 2021 the TCF Board benefited from two non-executive directors who provided challenge and brought a range of knowledge and expertise from both the financial services sector and elsewhere. In May, the corporate governance arrangements for TCF were reviewed and the decision was made to consolidate the corporate governance arrangements for TCF into the TFSL structure.</li> <li>The approval of directors taking external appointments is a matter reserved for the TFSL Remuneration &amp; 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.</li> <li>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 a conflict. Interests are logged by the Company Secretary and directors absent themselves from discussions for which they are conflicted as appropriate. During the year, the Group Conflicts of Interest Policy was reviewed and updated with the output of an external benchmarking exercise to ensure that processes continued to reflect the Group's ethical and regulatory responsibilities in regards to colleague interests including those of the Board.</li> </ul>
<b>Principle 3 – directors' responsibilities</b> 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.	<ul style="list-style-type: none"> <li>The Company Secretary works with the TCF chair to ensure that agendas are structured to facilitate appropriate discussion and challenge. TCF Board agendas are structured in line with the Group's objectives to focus discussions on the key business deliverables required to support the achievement of longer term goals alongside operational updates.</li> <li>The TCF Board receives information in a timely manner via a secure board portal to maintain confidentiality. All actions are monitored and tracked to completion to ensure that, alongside comprehensive and accurate minutes, a complete record of decision making is maintained.</li> <li>Reporting of management information on key governance activity is provided to each TFSL Board meeting by the Company Secretary via a governance dashboard. The dashboard provides a clear view of how the circulation of packs and minutes are tracking against agreed SLAs. 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.</li> </ul>

## Corporate governance and committee structure (continued)

### Corporate governance statement (continued)

Principle	How the principle has been applied during the year
<b>Principle 4 – opportunity and risk</b> 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	<ul style="list-style-type: none"> <li>During the year, the Board's strategic priorities have been reconsidered in light of the post pandemic macroeconomic climate. More information on the Board's strategy can be found in the <b>Strategic review</b>.</li> <li>The TFSL Risk Committee operates under delegated authority from the Board on matters of risk management and internal controls. More information on the Committee's activities can be found in the <b>Corporate Governance and Committee Structure</b> section. More information on the activities of the Group Committees can be found in the Together Financial Services Limited Annual Report.</li> <li>The Group enterprise risk management framework provides a formalised structure for the risk management of the Group. The TCF Board reviews and approves the risk appetite statements and associated limits and early warning triggers on an annual basis or more frequently if required.</li> <li>The Board 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 TCF Board through a suite of operational KPIs. More information on this work can be found in the <b>Operating review</b>. In April, a deep dive session was held for the TCF Board to provide technical information on proposals for material IT infrastructure changes, the aim of the session was to ensure that the TCF Board had opportunity to understand the risks as well as the benefits associated with proposals prior to approval being sought at a special Board meeting. During this session, the Boards sought assurance that the customer experience would not be disrupted by the proposed infrastructure works and that the appropriate 2<sup>nd</sup> and 3<sup>rd</sup> line assurance would be undertaken throughout the project. The Boards will provide ongoing oversight of the infrastructure changes through the provision of updates from Group COO at scheduled Board meetings until project completion.</li> <li>Treasury and financial risk updates are regularly provide to the TCF Board to ensure that the TCF Board remains informed on the funding and liquidity position of the Group. Updates are comprehensive and agendas are structured to allow time for detailed discussion. Individual transaction proposals are brought to the TCF Board to consider the risks and benefits with appropriate input from both internal SMEs and external advisors prior to approval.</li> </ul>

## Corporate governance and committee structure (continued)

### Corporate governance statement (continued)

Principle	How the principle has been applied during the year
<b>Principle 5 – remuneration</b> 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.	<ul style="list-style-type: none"> <li>• The TCF Board delegates authority to the TFSL Remuneration &amp; Nomination Committee. More information on the activities of the Committee can be found in the <b>Corporate Governance and Committee Structure</b> section. More information on the activities of the Group Committees can be found in the Together Financial Services Limited Annual Report.</li> <li>• In March, the TFSL Remuneration &amp; Nomination Committee approved a new approach to pay and reward following feedback from senior leaders, people managers and colleagues from across the Group. The changes included more discretion for managers to decide the appropriate level of performance related bonus payments within an agreed range, and a flat salary increase for eligible colleagues in line with economic conditions and company performance. During the year, the Group also commenced an external benchmarking exercise to ensure all colleague salaries continued to be in line with market expectations.</li> </ul>
<b>Principle 6 – stakeholder relationships and engagement</b> 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.	<p>More information on stakeholder engagement and employee engagement, including engagement during the Covid-19 pandemic can be found in the <b>Stakeholder engagement report</b>.</p> <ul style="list-style-type: none"> <li>• During the year, board and committee reporting was enhanced with the introduction of a revised executive summary. The new format aims to clearly and concisely highlight the key elements of a report, including which stakeholders the reader should consider in their decision making. More information on how the TCF Board has taken stakeholder requirements into consideration when making key decisions can be found within the <b>Section 172 statement</b>.</li> <li>• In May, the TFSL Board approved a revised Purpose and Vision for the Group. As part of the development of the Future Vision, workshops were held with colleagues from around the business in order that colleague feedback could be fed into proposals. The Board recognises the importance of ensuring that the Group's strategy has colleague support and provides a future for Together that colleagues want to play their part in.</li> <li>• This year, Liz Blythe, non-executive director of our Personal Finance Board, was appointed as Group Diversity Champion. Liz was involved in discussions about the Group's new diversity and inclusion strategy from inception, and will continue to engage with colleagues, senior leadership, and the Boards about ways in which diversity and inclusion can be encouraged and fostered at Together.</li> </ul>

## Directors' report

The directors present their report for the year ended 30 June 2021. 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 18 to the accounts.

### Directors

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

GD Beckett	
W Bowser*	(Resigned 25 May 2021)
MR Goldberg	
GM Grimes	
RM McTighe*	(Resigned 25 May 2021)
HN Moser	

\* *Non-Executives*

### 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. There was no dividend paid during the year (2020: £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 (2020: nil). For part of the year, directors' emoluments and wages and salaries relating to employees of the Group were borne by a fellow subsidiary company of Together Financial Services Limited, Blemain Finance Limited, and recharged to the Company, in line with approved methodologies. Employees were transferred to Together Financial Services Limited pursuant to TUPE regulations on 15 March 2021. From the date of the transfer, emoluments and wages and salaries relating to employees were borne and recharged by Together Financial Services Limited.

### Environment

While the Company operates in the financial services sector, which is generally considered to have a relatively limited environmental impact, we recognise the importance of protecting the environment, and acts to reduce its impact by recycling and reducing energy consumption.

### 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 for the 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 for 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

A handwritten signature in black ink, appearing to be 'MR Goldberg', enclosed within a hand-drawn oval border.

MR Goldberg  
Director  
14 September 2021



## Statement of directors' responsibilities

### 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

### 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 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes 1 to 18, 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 2021 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, 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 the period of 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.

## Independent auditor's report (continued)

### 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 there is 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 23, 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.

## Independent auditor's report (continued)

### *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 identified the greatest potential for fraud through inappropriate journal postings and the risk of bias in key estimates, notably expected credit loss provisions and revenue recognition relating to EIR 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, and reviewing key policies. We performed journal entry testing, with a focus on post-closing adjustments and journals indicating unusual transactions based on our understanding of the business, incorporated unpredictability into the nature, timing, and extent of our testing. We challenged assumptions and judgements used by management in key areas of estimation, involving the use of internal credit risk modelling, economics, and valuations specialists.

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.

DocuSigned by:

*Stephen Littler*

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Stephen Littler (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Manchester  
14 September 2021

# Statement of comprehensive income

Year ended 30 June 2021

Unless otherwise indicated, all amounts are stated in £m

<b>Income statement</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
Interest receivable and similar income	4	271.2	274.2
Interest payable and similar charges	5	(90.3)	(95.9)
<b>Net interest income</b>		<b>180.9</b>	<b>178.3</b>
Fees and commission income		3.6	3.9
Fees and commission expense		(1.5)	(1.5)
Other income	6	1.0	0.9
<b>Operating income</b>		<b>184.0</b>	<b>181.6</b>
Administrative expenses	7	(40.9)	(34.9)
<b>Operating profit</b>		<b>143.1</b>	<b>146.7</b>
Impairment losses	9	(17.2)	(57.3)
<b>Profit before taxation</b>		<b>125.9</b>	<b>89.4</b>
Income tax	8	(21.2)	(9.8)
<b>Profit after taxation</b>		<b>104.7</b>	<b>79.6</b>

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 2021

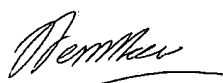
Unless otherwise indicated, all amounts are stated in £m

	Note	2021	2020
<b>Assets</b>			
Cash and cash equivalents		19.4	15.3
Loans and advances to customers	9	2,817.6	2,732.5
Other assets	10	0.3	0.5
Current tax asset		-	0.6
Deferred tax asset	11	5.5	5.2
<b>Total assets</b>		<b>2,842.8</b>	<b>2,754.1</b>
<b>Liabilities</b>			
Borrowings	12	1,388.7	1,555.5
Other liabilities	13	1,101.5	951.5
Current tax liability		0.8	-
<b>Total liabilities</b>		<b>2,491.0</b>	<b>2,507.0</b>
<b>Equity</b>			
Share capital	14	-	-
Retained earnings		351.8	247.1
<b>Total equity</b>		<b>351.8</b>	<b>247.1</b>
<b>Total equity and liabilities</b>		<b>2,842.8</b>	<b>2,754.1</b>

These financial statements were approved and authorised for issue by the Board of Directors on 14 September 2021.

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 2021

Unless otherwise indicated, all amounts are stated in £m

2021	Share capital	Retained earnings	Total
At beginning of the year	-	247.1	247.1
Retained profit for the financial year	-	104.7	104.7
<b>At end of the year</b>		<b>351.8</b>	<b>351.8</b>

2020	Share capital	Retained earnings	Total
At beginning of the year	-	167.5	167.5
Retained profit for the financial year	-	79.6	79.6
<b>At end of the year</b>	-	<b>247.1</b>	<b>247.1</b>

## Notes to the financial statements

Unless otherwise indicated, all amounts are stated in £m

### 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 unregulated 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

The directors have assessed, the Company's ability to continue as a going concern, including specific consideration of the continuing impacts of the coronavirus pandemic upon the Company through the effects on our customers, the property market, and the wholesale funding market.

The Company is reliant on its parent company, Together Financial Services Limited (the 'Group'), for financial support. The Board of Together Financial Services Limited has confirmed that it is a going concern and its intention to provide financial support to the Company for the 12 months from the date of signing the Company's accounts.

Although consensus economic forecasts are now more optimistic than those earlier in the pandemic, during 2020, the Group has continued to regularly reassess and reforecast its liquidity and funding positions, and compliance with financial covenants, in order to proactively manage the risks which may arise with respect to the going-concern assumption.

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 to many downside risks.



## Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

### 2. Significant accounting policies (continued)

#### Going concern (continued)

As part of the Group's monitoring and reforecasting for the impacts of the pandemic, specific consideration has been given to the following during the period:

- the impact of offering mortgage-payment deferrals in line with government guidance;
- exit strategies for customers post the mortgage-payments deferrals;
- the impact of advancing other forbearance measures to our customers;
- changes in customer-repayment behaviour;
- increases in credit risk;
- the potential for declining or stagnating property values;
- possible reduced access to wholesale-funding markets;
- changes in market rates of interest;
- reductions in new mortgage-origination volumes; and
- changes to operating costs.

Many of the potential challenges included above have either not emerged during the period or not emerged to a significant extent. The Group has, for example, retained access to wholesale funding markets 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.

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

In response to the pandemic, the directors and Group management have undertaken a number of actions in order to mitigate potential risks, which included temporarily pausing new lending in the early stages of the pandemic to increase liquidity buffers.

Alongside the shareholder funding and profits which has been retained in the business, the Group is reliant on the wholesale-funding markets to fund lending, including a combination of public securitisations, private revolving securitisations, senior secured notes and a revolving credit facility (RCF).

A key risk associated with wholesale funding is refinancing risk, where the Group has a proven track-record of successfully refinancing borrowings. The coronavirus outbreak has had some impacts on the capital markets and the availability and/or pricing of wholesale funding at certain points earlier in the pandemic. The depth of maturity in the Group's existing debt facilities provides significant mitigation in respect of refinancing risk with the earliest maturity of wholesale funding being the Highfield Asset Backed Securitisation facility (the amount drawn at the reporting date representing 2.2% of the Group's borrowings) in June 2022 and the earliest call date for the public securitisations is Together Asset Backed Securitisation 1 (representing 2.1% of Group's borrowings) in September 2021.

In addition the Group has demonstrated an ability to access the wholesale funding during the year:

- In July 2020, the Group successfully issued the latest and largest issuance in its residential mortgage-backed securitisation (RMBS) programme, Together Asset Backed Securitisation 2020 – 1 PLC raising £361m.
- In September 2020, the maturity date on the undrawn £71.9m RCF facility was extended from June 2021 to June 2023.
- In January 2021 the Group issued £500m of senior secured notes due 2027, at a coupon of 5.25%.
- In March 2021, Together completed its first public market securitisation backed by commercial real-estate mortgage, CRE 1. The issuance resulted in £193.8m of additional funding.
- As a result of the demand arising from CRE 1, the Group completed a second such transaction, Together CRE 2, in June 2021. This raised external funding of £246.1m.
- Shortly after the year end, the Group launched a new type of facility, Brooks ABS, secured on loans with some degree of arrears or imperfect credit histories. The issuance raised external funding of £71m.
- In September 2021 the Group refinanced its £525m Highfield ABS facility, extending its maturity date from June 2022 to September 2025 and reducing the coupon.
- In September 2021 the Group redeemed the loan notes in its first residential-mortgage-backed securitisation, Together ABS 1, taking back beneficial title to the mortgage assets that had previously been securitised.

In respect of the private securitisations, the Group may, in certain circumstances, need to seek further waivers and amendments within the going-concern assessment period, although this risk is considered to have reduced compared with the prior year. This could include, but is not limited to, impact on covenants as a result of: a reintroduction of the mortgage-payment deferrals scheme, deterioration in loan

## Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

book performance due to adverse economic conditions, or reductions in property values.

## 2. Significant accounting policies (continued)

### Going concern (continued)

In the event that waivers or amendments are required but not agreed, and existing headroom in covenants is utilised causing a breach, and the breach is not rectified by using headroom in other facilities within a defined cure period, then the noteholders of the private securitisation facilities have the option to call a default of the facility. If a facility defaults, then the cash inflows from the securitised asset pool for each facility are used to repay the interest and principal of the most senior loan notes with the deferred consideration and any interest payment of the subordinated notes due to the originators deferred until such time as all the liabilities ranking more senior are repaid in full. This would delay cash inflows ordinarily flowing to the Senior Borrower Group as excess spread from each of the securitisations. Whilst the Group was required to agree temporary waivers between June and September 2020, as a result of the pandemic and the offering of mortgage-payment deferrals, the Group is not currently reliant on any such waivers as at the year end.

The directors are satisfied that the Group have adequate resources to continue in operation for the going concern assessment period. The directors have a reasonable expectation that the Company will have the ability to continue for the going concern assessment period, which is 12 months from the signing of this report, on the basis that the Company has adequate funding and a letter of support from its parent company, upon review of its current performance, financial position, and based on a review of the going concern evaluation undertaken by the Group. Accordingly, the directors of the Company have adopted the going-concern basis in preparing the financial statements.

### Interest income and expense

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

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

### Fee and commission income and expense

Fees and commissions which are an integral part of the effective interest rate of a financial instrument e.g. procurement 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 year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable profit for the year. Taxable profit differs from profit before tax as reported in the 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.

## Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

### 2. Significant accounting policies (continued)

#### 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.

#### 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, with allowance already made for impairment. Any modification gain or loss is included in interest income.

##### 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, are recognised immediately in the income statement. The Company may also consider qualitative factors in determining whether a modification is substantial. The Company's policy for such modifications was to defer related transaction costs as adjustments to the carrying value of the instrument, amortised over its remaining expected life.

##### 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 cash flows expected to be received.

## Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

### 2. Significant accounting policies (continued)

#### Impairment of financial instruments (continued)

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.

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. 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. Provisions are measured at the directors' best estimate of the expenditure 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.

## Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

### 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

##### 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.

Further detail on the judgements in respect of the measurement of ECL and sensitivities thereon is set out in Note 9 to the accounts.

#### Key sources of estimation uncertainty

##### a) Loan impairment allowance

In the prior period, the Company used an increased number of significantly changed macroeconomic forecasts due to the onset of the Covid-19 pandemic. These forecasts, and the other assumptions and estimates necessary for the calculation of ECL, contained a greater level of estimation uncertainty than in prior reporting periods reflecting the instability resulting from the pandemic.

The macroeconomic forecasts utilised have gradually improved in the current period, reflecting the changes in market consensus, however there remains a high degree of estimation uncertainty. In addition, other inputs into the ECL calculation, such as probabilities of default and calculation of loss given default, remain subject to elevated levels of estimation uncertainty as Government interventions advanced during the pandemic are unwound. Further detail on these estimates and assumptions and the sensitivities thereon is set out in Note 9 to the accounts.

##### b) Interest income recognition

The effective interest rate method applies a rate that discounts estimated future cash payments or receipts relating to a financial instrument to its net carrying amount. The estimated future cash flows take into account all contractual terms of the financial instrument including transaction costs and all other premiums or discounts but not future credit losses. Models are used to assess expected behavioural lives of groups of assets based upon actual repayment profiles.

### 4. Interest receivable and similar income

	2021	2020
Interest on loans and advances to customers	271.2	274.2

Included within interest on loans and advances to customers is £10.0m (2020: £11.2m) relating to impaired loans.

### 5. Interest payable and similar charges

	2021	2020
On borrowings	90.3	95.9

Included within interest on borrowings is interest payable on amounts owed to the parent company, Together Financial Services Limited of £49.1m (2020: £45.2m).

## Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

### 6. Other income

	2021	2020
<b>Other income</b>	<b>1.0</b>	<b>0.9</b>

Other income includes grant income received from the government in respect of employees who were furloughed under the Job Retention Scheme. The grant income was received by a fellow subsidiary company of Together Financial Services Limited, Blemain Finance Limited and was allocated to companies within the Group based on operational drivers in a similar way to the corresponding administrative expenses for staff costs.

### 7. Administrative expenses

	2021	2020
<b>Administrative costs</b>	<b>40.9</b>	<b>34.9</b>

Company overheads, including directors' emoluments, wages and salaries, office administration costs, and auditor remuneration were borne by a fellow subsidiary company of Together Financial Services Limited, Blemain Finance Limited, and were recharged to companies within the Group based on operational and financial drivers. On 15 March 2021, employees were transferred to Together Financial Services Limited pursuant to TUPE regulations with costs then recharged within the Group based on operational and financial drivers. On 31 March 2021, certain specified assets and liabilities were transferred to Together Financial Services Limited from Blemain Finance Limited. From the date of the transfer, all administrative expenses are borne and recharged by Together Financial Services Limited.

The audit fee borne by Blemain Finance Limited (a separate group company) and Together Financial Services Limited in respect of the Company in 2021 was £42,000 (2020: £35,000).

### 8. Income tax

	2021	2020
<b>Current tax</b>		
Corporation tax	21.0	9.4
Adjustment in respect of previous years	0.5	0.2
<b>Total current tax</b>	<b>21.5</b>	<b>9.6</b>
	<b>2021</b>	<b>2020</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	0.7	0.8
Effect of changes in tax rate	(1.0)	(0.6)
<b>Total deferred tax</b>	<b>(0.3)</b>	<b>0.2</b>
<b>Total tax on profit</b>	<b>21.2</b>	<b>9.8</b>

Corporation tax is calculated at 19.00% (2020: 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:

	2021	2020
<b>Profit before tax</b>	<b>125.9</b>	<b>89.4</b>
Tax on profit at standard UK corporation tax rate of 19.00% (2020: 19.00%)	23.9	17.0
<b>Effects of:</b>		
Income not taxable	(0.1)	-
Expenses not deductible for tax purposes	0.1	0.4
Group relief*	(2.2)	(7.2)
Adjustment in respect of prior years	0.5	0.2
Changes in tax rate	(1.0)	(0.6)
<b>Tax charge for year</b>	<b>21.2</b>	<b>9.8</b>

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 2021 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences (2020: 19%), which led to a £1.0m increase in the value of the deferred tax.

\* The group referred to is the tax group headed by Redhill Famco Limited, the ultimate parent of the Company, as described in Note 17.

## Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

### 9. Loans and advances to customers

30 June 2021				
	Stage 1	Stage 2	Stage 3 and POCI	Total
Gross loans and advances	1,669.0	914.0	327.9	2,910.9
Loss allowance	(3.5)	(28.0)	(61.8)	(93.3)
	<b>1,665.5</b>	<b>886</b>	<b>266.1</b>	<b>2,817.6</b>
ECL coverage (%)	0.2	3.1	18.8	3.2

30 June 2020				
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances	1,900.3	585.1	346.3	2,831.7
Loss allowance	(8.5)	(19.1)	(71.6)	(99.2)
	<b>1,891.8</b>	<b>566.0</b>	<b>274.7</b>	<b>2,732.5</b>
ECL coverage (%)	0.4	3.3	20.7	3.5

The Company had no material financial assets that were credit impaired on purchase or origination.

Loans and advances to customers include total gross amounts of £5.0m (2020: £9.7m), equivalent to £1.0m net of impairment allowances (2020: £5.5m), loaned to companies in which a Director of this Company is also director and shareholder. Further detail on related party transactions is set out in note 15.

#### 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 credit risk and are in receipt of a mortgage payment deferral

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.

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.

## Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

### 9. Loans and advances to customers (continued)

#### *Significant increases in credit risk, forbearance and contract modifications*

The Company monitors all financial instruments that are subject to credit risk to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase then the Company measures the loss allowance based on a lifetime rather than a 12-month ECL.

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;
- 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 credit risk and are in receipt of a mortgage-payment deferral.

The Company offers forbearance to assist customers who are experiencing financial distress and considers an account as forborne at the time a customer in financial difficulty is granted a concession. For accounting purposes, any gains or losses arising upon granting forbearance are usually not material because losses are already included in ECLs. Subsequently, the 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.

#### *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 decreased by £5.9m to £93.3m (2020: £99.2m).

<b>Allowance for impairment losses</b>	<b>2021</b>	<b>2020</b>
At beginning of the year	(99.2)	(53.7)
Charges to the income statement	(19.4)	(57.8)
Unwind of discount	10.0	11.2
Write-offs net of recoveries	11.5	1.1
Changes on refinancing of impaired loans	3.8	-
<b>At end of year</b>	<b>(93.3)</b>	<b>(99.2)</b>

<b>Impairment losses for the year</b>	<b>2021</b>	<b>2020</b>
Movements in ECL, charged to income	(19.4)	(57.8)
Amounts released from deferred income	(0.1)	(0.7)
Write-offs net of recoveries	-	1.2
Gains on derecognition of assets held at amortised cost as a result of refinancing impaired loans	2.3	-
<b>Charge to income statement</b>	<b>(17.2)</b>	<b>(57.3)</b>

#### **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.



## Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

### 9. Loans and advances to customers (continued)

#### Macroeconomic scenarios

The Group 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 2021 and 30 June 2020.

Scenarios	2021		2020	
	Probability of the scenario	Unweighted ECL	Probability of the scenario	Unweighted ECL
Upside	10%	44.7	10%	49.1
Mild upside	10%	50.4	10%	56.9
Base case	50%	68.0	50%	75.1
Stagnation	10%	123.9	10%	125.9
Downside	10%	156.4	10%	159.3
Severe downside	10%	217.6	10%	225.1
<b>Weighted average</b>		<b>93.3</b>		<b>99.2</b>

#### 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 (ie a 10% haircut applied to the index), applied in each scenario, would result in an increase in the impairment allowance of £17.6m at 30 June 2021 (30 June 2020: £18.6m); conversely, a 10% increase would result in a decrease in the impairment allowance of £13.8m at 30 June 2021 (30 June 2020: £14.5m).

#### Probability of default and probability of repossession given default

A 10% relative worsening of both PDs and PPGDs simultaneously (eg a 1.0% PD increasing to 1.1%) would increase the total impairment allowance by £6.4m at 30 June 2021 (30 June 2020: £5.7m). A 10% relative improvement of both PDs and PPGDs simultaneously (eg a 1.0% PD decreasing to 0.9%) would result in a decrease in the impairment allowance by £6.1m at 30 June 2021 (30 June 2020: £5.5m).

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

Sensitivities	2021	2020
Measure all loans in Stage 1 using a lifetime ECL – increase in allowance	12.3	11.9

### 10. Other assets

	2021	2020
Amounts owed by related parties	-	0.1
Other debtors	0.3	0.4
	<b>0.3</b>	<b>0.5</b>

Amounts owed by related parties are repayable on demand.

## Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

### 11. Deferred tax asset

	2021	2020
At beginning of the year	5.2	5.3
Charge to income statement	(0.7)	(0.7)
Effect of changes in tax rate	1.0	0.6
	<b>5.5</b>	<b>5.2</b>

All figures relate to short term timing differences.

### 12. Borrowings

	2021	2020
Amounts owed to Charles Street ABS	395.3	638.4
Amounts owed to Delta ABS 2	112.8	169.5
Amounts owed to Highfield ABS	81.1	382.8
Amounts owed to Lakeside ABS	145.5	216.6
Amounts owed to Together ABS 1	31.2	40.2
Amounts owed to Together ABS 2	18.5	20.6
Amounts owed to Together ABS 3	78.4	92.4
Amounts owed to Together ABS 4	122.3	-
Amounts owed to Together CRE 1	180.7	-
Amounts owed to Together CRE 2	231.0	-
Debt issue costs	(8.1)	(5.0)
<b>Total borrowings</b>	<b>1,388.7</b>	<b>1,555.5</b>

The loan notes are provided through revolving securitisation vehicles provided by Charles Street ABS, Delta ABS 2, Lakeside ABS and Highfield ABS<sup>2</sup>, amortising RMBS provided by Together ABS 1, Together ABS 2, Together ABS 3 and Together ABS 4 and commercial-real-estate mortgages provided by Together CRE 1 and Together CRE 2, in which the Company and a number of fellow Group subsidiaries participate. Under these facilities, the participants 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 represents the Company's net liability. Charles Street ABS has an expiry date of September 2023, Delta ABS 2 has an expiry date of March 2023, Highfield ABS has an expiry date of June 2022, Lakeside ABS has an expiry date of November 2023, Together ABS 1, 2, 3 and 4 have expiry dates of September 2021, November 2022, September 2023 and June 2024 respectively while Together CRE 1 has an expiry date of February 2025 and Together CRE 2 has an expiry date of February 2026.

In the case of the amortising facilities<sup>3</sup>, the expiry date is the date of the option to call the facilities. The expiry date for Charles Street ABS, Delta ABS 2 and Highfield ABS include an amortisation period of one year.

### 13. Other liabilities

	2021	2020
Amounts owed to related parties	1,099.0	947.8
Trade creditors	0.3	-
Other creditors	0.4	0.2
Other taxation and social security	0.1	0.1
Accruals and deferred income	1.7	3.4
	<b>1,101.5</b>	<b>951.5</b>

Amounts owed to Group undertakings are repayable on demand.

<sup>2</sup> Highfield ABS was revolving up until June 2021 at which point it became an amortising facility. For further details, please see Note 18.

<sup>3</sup> The amortising facilities are Together ABS 1, Together ABS 2, Together ABS 3, Together ABS 4, Together CRE 1 and Together CRE 2.

## Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

### 14. Share capital

All amounts are stated in pounds.

Authorised	2021	2020
1,000 ordinary shares of £1 each	1,000	1,000
<b>Called up, allotted and fully paid</b>	<b>2021</b>	<b>2020</b>
2 ordinary shares of £1 each	2	2

### 15. 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 is reimbursed.
Sterling Property Co. Limited	Sterling Property Co. Limited provides property management services for properties repossessed or placed into LPA receivership by the Company.
August Blake Developments Limited, Edgworth Developments Limited, Sunnywood Estates Limited	The Company provides loans with interest charged at 5% per annum, secured on certain assets of these companies.

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 10 and 13. The Company had the following transactions with related parties during the year:

	2021		2020	
	Charge/ (credit) to income or equity	Paid	Charge/ (credit) to income or equity	Paid
Interest on related party loans	(0.2)	-	(0.6)	-
Impairment of related party loans	0.1	-	1.9	-
	(0.1)	-	1.3	-

### 16. Commitments and contingencies

#### Fixed and floating charges

As at 30 June 2021, 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 £935.0m senior secured notes (30 June 2020: £785.0m) and £nil in respect of bank borrowings (30 June 2020: £10.0m).

#### 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 2021, the Company had undrawn commitments to lend of £63.4m (30 June 2020: £85.3m) relating to future drawdowns on existing facilities granted to customers. The ECL on these commitments is included within the ECL recognised in Note 9 Loans and advances to customers.

## Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

### 17. 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.

### 18. Events after the reporting date

#### Funding activity

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

In September 2021 the Group refinanced its £525m Highfield ABS facility, extending its maturity date from June 2022 to September 2025 and reducing the coupon. As part of the refinance, the Highfield ABS became a revolving facility having become amortising in June 2021 as referenced in note 12.

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

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