Together Financial Services Limited
Q3 2021/22 Results

Company Registration No. 02939389

Contents

Highlights

Together Financial Services Limited ('Together' or 'the Group'), one of the UK's leading specialist mortgage and secured loan providers, is pleased to announce its results for the quarter ended March 31, 2022.

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

"Together maintained its strong momentum into Q3, with new lending up 17.4% on the previous quarter and the loan book ending the period at a record high of £4.8bn, while maintaining a very conservative LTV of 51.7%. The group remains robustly profitable and cash generative, with underlying profit before tax of £41.3m and cash receipts of £456m during the quarter.

"We continued to shape our business for the future, delivering further improvements to our systems and to the experience for our customers and intermediaries, and we were very proud to receive a Business Moneyfacts award for Innovation in SME Finance to recognise our support for the development of social housing in the UK. We have also successfully increased the scale, diversity and maturity of our funding to support our growth plans. Since January we have raised or refinanced over £2.3bn, including refinancing our £1.25bn AA rated CABS securitisation, refinancing our LABS facility including upsizing it by £200m to £700m whilst we recently also priced our £349m inaugural second charge only RMBS.

"The UK's economic outlook has become more uncertain as global supply chain disruption and increasing energy and non-energy inflation, intensified by the war in Ukraine, have led to a tightening of monetary policy and rising interest rates. Despite the economic uncertainty, with a multi-cycle track record, a clear purpose and strong diversified funding, Together remains well placed to help increasing numbers of customers realise their ambitions and to play our part in supporting the UK economy."

Financial performance: Quarter ended March 31, 2022

- Group loan book of £4.8bn, up 21.5% compared with £3.9bn at March 31, 2021, and up 8.0% compared with £4.4bn at December 31, 2021
- Weighted average indexed LTV remaining very conservative at 51.7% (Q3'21: 52.6%; Q2'22: 51.6%)
- Average monthly loan originations of £234.7m, up 87.1% compared with £125.4m in Q3'21 and up 17.4% when compared with £199.9m in Q2'22 as the Group continued to increase lending volumes
    - February and March 2022 saw consecutive record monthly loan originations of £237m and £263m respectively
    - Weighted average origination LTVs remain conservative at 60.3% (Q3'21: 59.7%; Q2'22: 61.4%)
- Interest receivable and similar income of £98.7m, up 9.8% compared with £89.9m in Q3'21, and up 3.5% compared with £95.3m in Q2'22 reflecting a growing loan book
- Underlying net interest margin[1] at 5.4%, compared with 6.3% in Q3'21 and 5.8% in Q2'22 reflecting certain non-recurring debt facility refinancing costs incurred in the current quarter and moreover, increases in reference rates on variable rate borrowings during the period with increases in customer rates to be realised in the next period
- Annualised cost of risk remains low at 0.05% compared with 0.00% in Q3'21 and 0.03% in Q2'22, primarily as a result of strong performance in our loan book and continued growth in property values, offset in part by a deterioration in macroeconomic forecasts
- Underlying profit before tax[2] down 6.1% to £41.3m compared with £44.0m in Q3'21 and down 4.0% compared with £43.0m in Q2'22 owing primarily to the movement in underlying net interest margin
- Cash generation remains robust, with cash receipts of £456.0m, up 8.7% compared with £419.4m in Q3'21 and down 10.1% compared with £507.4m in Q2'22
    - The decrease in cash generation compared with Q2'22 is due primarily to some specific, higher redemptions in the prior quarter in our bridging loan book

1 There are no exceptional items impacting upon net interest income recorded in the current quarter however in Q3'21, net interest income excluded £5.9m costs associated with the refinancing of 2024 SSN.

2 March 31, 2022 excluded £0.1m share-based payment costs and £3.7m strategic review costs. Q3'21 excluded the effects of £0.1m redundancy costs along with £1.8m customer redress release and £5.9m costs associated with the refinancing of 2024 SSN whilst Q2'22 excluded £4.2m share-based payment costs and releases of £1.3m customer redress provisions

Highlights

Key metrics	Q3 2022	Q3 2021	Q2 2022
Interest receivable and similar income (£m)	98.7	89.9	95.3
Underlying interest cover ratio**[3]	2.2:1	2.6:1	2.4:1
Interest cover ratio*	2.1:1	2.2:1	2.3:1
Underlying net interest margin**[4] (%)	5.4	6.3	5.8
Net interest margin** (%)	5.4	5.7	5.8
Underlying cost-to-income ratio*[3] (%)	33.6	29.9	31.9
Cost-to-income ratio* (%)	39.6	30.0	36.5
Cost of risk** (%)	0.05	0.00	0.03
Underlying profit before taxation[3] (£m)	41.3	44.0	43.0
Profit before taxation (£m)	37.5	39.8	40.1
Underlying EBITDA*[3]	78.8	73.4	76.5
Loans and advances to customers (£m)	4,774.7	3,930.1	4,421.5
Net debt gearing (%)	78.1	75.8	76.9
Shareholder funds[5] (£m)	1,020.4	900.8	984.4
Underlying return on equity**[3] (%)	13.7	16.7	15.6
Return on equity** (%)	12.5	15.2	14.6

*Calculation based on a 3 month period

** Calculation based on a 3 month period and annualised

Continued to shape business for an exciting future

- Progressing our technological change and transformation journey, to enhance our customer experience, drive agility and flexibility and set the business up for the next phase of its development.
- Continued to work with our advisors and our shareholder to explore a range of strategic options in relation to our ownership structure.
- Won Business Moneyfacts Award 2022 for Innovation in SME Finance Sector for Social Housing Funding.

Further increased scale, diversity and maturity of funding

- £2.3bn raised or refinanced across 3 transactions since Jan'22:
    - Mar'22: £1.25bn CABS facility successfully refinanced as CABS 2, extending its maturity from September 2023 to March 2027 with significantly improved commercial terms;
    - Apr'22: after the period end, successfully refinanced LABS securitisation, upsizing facility from £500m to £700m with improved commercial terms and maturity extended from October 2023 to April 2026;
    - May'22: after the period end, priced our £349m inaugural second charge-only RMBS at a weighted average cost of 1.96% with an advance rate of 91.6%.
- Facility Headroom of £1,147.5m at March 31, 2022 (March 31, 2021: £1,304.3m) and accessible liquidity of £427.1m at March 31, 2022 (March 31, 2021: £403.8m).
- Weighted average maturity of the Group's funding profile was 3.9 years as at March 31, 2022 based on amounts drawn.

3 March 31, 2022 excluded £0.1m Share-based payment costs and £3.7m strategic review costs. Q3'21 excluded the effects of £0.1m redundancy costs along with £1.8m customer redress release and £5.9m costs associated with the refinancing of 2024 SSN whilst Q2'22 excluded £4.2m Share-based payment costs and releases of £1.3m customer redress provisions.

4 There are no exceptional items impacting upon net interest income recorded in the current quarter however in Q3'21, net interest income excluded £5.9m costs associated with the refinancing of 2024 SSN.

5 Includes subordinated shareholder loans of £30.8m (Q3'21: £28.8m, Q2'22: £30.4m).

Highlights

Ratings Update

In January 2022, S&P revised the corporate rating outlook from Stable to Positive on Together Financial Services Limited whilst affirming their 'BB-' long-term issuer credit rating.

In March 2022, Fitch also affirmed the 'BB-' long-term issuer credit ratings of Together, along with their 'Stable' corporate rating outlook.

An introduction to Together Financial Services Limited

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

We focus on conservative loan-to-value ("LTV") lending and offer retail and commercial purpose mortgage loans to market segments in which customers are generally underserved by mainstream lenders. Our loans include secured first and second-lien loans, of which, as of March 31, 2022, 63.0% were secured by residential properties, with the balance secured by commercial and semi-commercial properties, all within the United Kingdom. We differentiate ourselves by offering flexible lending criteria, responding quickly to our customers' needs and underwriting each application on its individual merits, supported by an effective service proposition, thereby minimising the effect of competition. We offer our loans through one, consistent brand - 'Together' - and distribute them primarily through mortgage intermediaries, our professional network, auction houses, and through our direct sales channels, each across mainland United Kingdom. We underwrite and service all our mortgage loans directly.

As of March 31, 2022, 25.1% of our loan portfolio was classified as retail purpose and 74.9% as commercial purpose (which included 27.8% of buy to let + and 3.7% of development loans), calculated by value. We classify mortgages as retail purpose lending when the mortgage is regulated by the Financial Conduct Authority ("FCA"). Retail purpose loans include loans for purchasing a new home, making home improvements, debt consolidation, large personal purchases and since March 2016 also includes "consumer buy-to-let" loans ("CBTL"). Our retail purpose loans also include regulated bridging loans, which can be used for 'chain breaks' and which are loans used by customers to purchase a new home ahead of completing the sale of their existing home, amongst other things. We classify mortgages as "commercial purpose" where a loan is not defined as retail purpose. Commercial-purpose loans include loans on which the proceeds of the loan or the property securing the loan are used for business purposes. Our classification of a mortgage as either retail or commercial purpose is unrelated to the collateral securing it.

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

Loan origination volumes have continued to increase over successive quarters since September 2020 and are now at record levels.

The LTVs of our loan portfolio on a weighted average indexed basis as of March 31, 2022, was 51.7% and the LTV on a weighted-average basis of new loans underwritten in the quarter ended March 31, 2022 was 60.3%. As of March 31, 2022, 98.4% of the total loan portfolio and 95.5% of the Borrower Group[6] loan portfolio, calculated by value, consisted of loans with indexed LTVs equal to or less than 80%. This fundamental, long-standing principle of lending at conservative LTV levels, has provided us with significant protection in times of falling property prices and economic downturns, thereby mitigating our levels of credit risk.

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

Presentation of financial and other information

Financial statements

This quarterly report presents the unaudited condensed consolidated financial statements of Together Financial Services Limited as of and for the three months ended March 31, 2022 with comparatives to March 31, 2021 and December 31, 2021. The interim unaudited condensed consolidated financial statements of Together Financial Services Limited have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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

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

Other financial information (Non-IFRS)

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

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

In this quarterly report and related presentation, references to EBITDA for the quarter ended March 31, 2021 and 2022 and for the quarter ended December 31, 2021 for Together Financial Services Limited, can be extracted from the unaudited interim condensed consolidated financial statements of Together Financial Services Limited, by taking profit after taxation and adding back income tax, depreciation and amortisation and interest payable and similar charges.

In this quarterly report references to "Underlying EBITDA", "Underlying Profit Before Tax", "Underlying net interest margin", Underlying return on equity and "Underlying cost-to-income ratio" exclude the effects of certain non-recurring items. For the quarter ended March 31, 2022, this excluded a £0.1m share-based payment charge and a £3.7m charge in relation to costs incurred as part of the ongoing review of strategic options for the business. Q3'21 excluded the effects of £0.1m redundancy costs along with £1.8m customer redress release and £5.9m costs associated with the refinance of 2024 SSN, whilst Q2'22 excluded a £4.2m share-based payment charge, and releases of £1.3m customer redress provisions.

Presentation of financial and other information (continued)

Other financial information (Non-IFRS) (continued)

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

In this quarterly report references to "Underlying EBITDA margin" reflects Underlying EBITDA margin for Together Financial Services. Underlying EBITDA margin is Underlying EBITDA divided by the sum of interest receivable and similar income and fee and commission income (derived from the Company's unaudited condensed consolidated financial statements excluding the effects of exceptional items[7]).

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

In this quarterly report references to "Underlying net interest margin" reflects the Underlying net interest margin for Together Financial Services. Underlying net interest margin is calculated by dividing annualised underlying net interest income (derived from the Company's unaudited condensed consolidated financial statements excluding exceptional items[8]) for the period, divided by the average total loan assets.

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

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

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

In this quarterly report references to "Underlying cost-to-income ratio" reflects the Underlying cost-to-income ratio for Together Financial Services. Underlying cost-to-income ratio is calculated by dividing underlying administration expenses (derived from the Company's unaudited condensed consolidated financial statements excluding the effects of exceptional items[7]) for the period over underlying net operating income (derived from the Company's unaudited condensed consolidated financial statements) for the period.

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

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

7 March 31, 2022 excluded £0.1m share-based payment costs and £3.7m strategic review costs. Q3'21 excluded the effects of £0.1m redundancy costs along with £1.8m customer redress provisions release whilst Q2'22 excluded £4.2m share-based payment costs and releases of £1.3m customer redress provisions.

8 There are no exceptional items impacting upon net interest income recorded in the current quarter however in Q3'21, net interest income excluded £5.9m costs associated with the refinancing

Terms relating to our loan analysis

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

The mortgage-payment deferral scheme introduced pursuant to FCA guidance relating to the Covid-19 pandemic has now ended. The Group continues in its actions to serve its customers by continuing to support those customers through using our wider forbearance toolkit.

Customers who did utilise mortgage-payment deferrals were provided with options of how to pay the missed instalments and any additional interest that has accrued in the payment deferral period upon exit of the aforementioned period including; (i) increase the contractual monthly instalment for the remainder of the loan, (ii) increase the contractual monthly instalment for an agreed period of time before returning to the previous contractual monthly instalment, (iii) the customer makes a specific one-off payment at the end of the mortgage-payment deferral period that ensures the remaining contractual monthly instalments are not adjusted, and (iv) extend the term of the loan while keeping the contractual monthly instalment the same throughout the remaining period.

We continue to support customers, including those who have transitioned out of mortgage-payment deferral periods and we aim to work with them to understand their circumstances and identify the most appropriate options to support them as needed. Where customers continue to experience financial difficulty following the end of a mortgage-payment deferral arrangement, we continue to work with the customer using our existing forbearance options. Where the contractual monthly instalment has been amended by any of the options referred to above, this has been reflected in the respective monthly arrears position, which is calculated off the most recent agreed monthly instalment for that period.

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

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

Development loans are commercial-purpose loans that we extend to finance the development of land or property, primarily into residential units, with repayments typically being made out of the sale or refinance of property units. We underwrite relatively few new development loans each quarter. Development loans are reported as a separate category of loans within our analysis.

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

Terms relating to our loan analysis (continued)

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

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

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

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

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

In this quarterly report and related presentation, the average LTV on originations is calculated on a "weighted average basis," by multiplying each LTV by the respective principal loan amount and then dividing the sum of the weighted LTVs by the total amount of principal loans.

In respect to our loan portfolio the LTV ratio is a ratio (reflected as a percentage) of the aggregate of (i) the principal amount of a mortgage loan, (ii) any higher ranking charge mortgage loans secured on the same property, (iii) the accrued interest and fees thereon, (iv) net of allowances for impairments and v) certain other accounting adjustments (including adjustments to recognise income at the effective interest rate), compared to the appraised value (typically the assessed value of real property in the opinion of a qualified appraiser or valuer or from an automated valuation model during the mortgage origination process or the revised valuation of the property if a later valuation has been undertaken) of the property securing the loan.

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

Terms relating to our loan analysis (continued)

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

Key performance indicators

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

	3 months ended or as at March 31		3 months ended or as at December 31
(£m, except for percentages and ratios or unless otherwise noted)	**2022**	**2021**	**2022**
Group			
Interest receivable and similar income	98.7	89.9	95.3
Fee and Commission income	1.2	0.9	1.0
Income	99.9	90.8	96.3
NIM	5.4%	5.7%	5.8%
Underlying NIM**	5.4%	6.3%	5.8%
Cost-to-income	39.6%	30.0%	36.5%
Underlying cost-to-income*	33.6%	29.9%	31.9%
Impairment charge[9]	0.6	0.0	0.3
EBITDA	75.0	75.1	73.6
Underlying EBITDA*	78.8	73.4	76.5
EBITDA margin	75.1%	82.7%	76.4%
Underlying EBITDA margin*	78.9%	80.8%	79.4%
Profit on ordinary activities before tax	37.5	39.8	40.1
Underlying profit on ordinary activities before tax*	41.3	44.0	43.0
Return on equity	12.5%	15.2%	14.6%
Underlying return on equity*	13.7%	16.7%	15.6%
Supplemental cash flow information:			
Cash receipts	456.0	419.4	507.4
New advances	704.0	376.2	599.7
LTV of loan originations (on a weighted average basis, based on LTV of loans at origination) [10]	60.3%	59.7%	61.4%
LTV of loan portfolio (on a weighted average indexed basis) [10]	51.7%	52.6%	51.6%

* Q3'22 excluded £0.1m share-based payment costs and £3.7m strategic review costs. Q3'21 excluded the effects of £0.1m redundancy costs along with £1.8m customer redress release and £5.9m costs associated with the refinancing of 2024 SSN whilst Q2'22 excluded £4.2m share-based payment costs and releases of £1.3m customer redress provisions.

** There are no exceptional items impacting upon net interest income recorded in the current quarter however in Q3'21, net interest income excluded £5.9m costs associated with the refinancing of 2024 SSN.

The key performance indicators above for the quarter ended March 31, 2022 have been derived from unaudited condensed consolidated financial statements, which have has been prepared in accordance with IFRS, and management information. In the opinion of management, such financial data reflects all adjustments necessary for a fair presentation of the results for those periods. The financial information should be read in conjunction with the audited annual report and consolidated financial statements of Together Financial Services Limited and the accounting policies described therein as at June 30, 2021.

9 Impairment charge for the quarter March 31, 2021 of £27,309, rounded to £0.0m

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

Operating review

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

Continued focus on LTVs

During the period to March 31, 2022 the Group has continued to focus on prudent underwriting policies and LTVs. The Group continues to target an average of origination LTVs of between 55% and 65% for new loans and continues to focus principally on residential security. The Group has continued to use affordability and repayment assessments to ensure customers are able to service and repay their loans.

An analysis of the loan portfolio as at March 31, 2022, and March 31, 2021 by arrears banding, for the Group and Borrower Group is set out below:

	Group Loan Portfolio Arrears Analysis		**Borrower Group Loan Portfolio Arrears Analysis**	
	March 31, 2022	**March 31, 2021**	**March 31, 2022**	**March 31, 2021**
Nil Arrears & Arrears ≤ 1 month	**90.5%**	**85.3%**	**78.5%**	**67.6%**
Performing Arrears				
1-3 months	1.7%	3.1%	2.0%	3.5%
3-6 months	0.2%	0.4%	0.3%	0.7%
>6 months	0.4%	0.3%	0.5%	0.8%
Total Performing Arrears	**2.3%**	**3.8%**	**2.8%**	**5.0%**
Development loans	**3.7%**	**4.8%**	**11.4%**	**13.4%**
Total performing Loans & Development Loans	**96.5%**	**93.9%**	**92.7%**	**86.0%**
Non-Performing Arrears				
3-6 months	0.4%	1.1%	0.5%	1.6%
>6 months	1.1%	1.7%	2.1%	4.3%
Past due*	0.6%	1.6%	1.4%	3.4%
Total Non-Performing Arrears	**2.1%**	**4.4%**	**4.0%**	**9.3%**
Repossessions & LPA Sales	**1.4%**	**1.7%**	**3.3%**	**4.7%**
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

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

An analysis of our loan portfolio as at March 31, 2022 by indexed and origination LTV banding, for the Group and Borrower Group is as follows:

Group Loan Portfolio Indexed LTV Analysis (£m)	Performing Loans	Non - Performing Loans	Development Loans	Repossessions & LPA Sales	Total Loan Portfolio
<=60%	3,135.0	79.3	105.9	53.6	3,373.8
>60% <=80%	1,248.0	19.2	47.3	9.3	1,323.8
>80% <=100%	33.2	1.3	23.3	5.4	63.2
>100%	11.5	0.2	2.4	0.0	14.1
Total	**4,427.7**	**100.0**	**178.9**	**68.3**	**4,774.9**

Borrower Group Loan Portfolio Indexed LTV Analysis (£m)	Performing Loans	Non - Performing Loans	Development Loans	Repossessions & LPA Sales	Total Loan Portfolio
<=60%	744.4	47.9	105.9	40.0	938.2
>60% <=80%	490.3	14.3	47.3	6.8	558.7
>80% <=100%	30.4	0.5	23.3	5.4	59.6
>100%	8.7	0.2	2.4	0.0	11.3
Total	**1,273.8**	**62.9**	**178.9**	**52.2**	**1,567.8**

Group Loan Portfolio Origination LTV Analysis (£m)	Performing Loans	Non - Performing Loans	Development Loans	Repossessions & LPA Sales	Total Loan Portfolio
<=60%	2,021.3	44.1	108.2	25.6	2,199.2
>60%<=80%	2,309.4	52.2	45.6	36.4	2,443.6
>80%<=100%	65.1	1.2	10.2	6.3	82.8
>100%	31.9	2.5	14.9	0.0	49.3
Total	**4,427.7**	**100.0**	**178.9**	**68.3**	**4,774.9**

Borrower Group Loan Portfolio Origination LTV Analysis (£m)	Performing Loans	Non - Performing Loans	Development Loans	Repossessions & LPA Sales	Total Loan Portfolio
<=60%	542.3	27.8	108.2	16.6	694.9
>60%<=80%	648.4	31.5	45.6	29.3	754.8
>80%<=100%	52.2	1.1	10.2	6.3	69.8
>100%	30.9	2.5	14.9	0.0	48.3
Total	**1,273.8**	**62.9**	**178.9**	**52.2**	**1,567.8**

The indexed weighted-average LTV of the loan portfolio for the total Group at March 31, 2022 is 51.7% compared with the prior year comparable quarter of 52.6% (March 31, 2021) and prior quarter of 51.6% (December 31, 2021).
The indexed weighted-average LTV of the loan portfolio for the Borrower Group at March 31, 2022 is 55.4%, compared with the prior year comparable quarter of 54.8% as at March 31, 2021 and prior quarter of 55.9% (December 31, 2021).

Operating review (continued)

Maintenance of loan portfolio mix and continued differentiation of our offerings

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

As of March 31, 2022, 25.1% of our loan portfolio was classified as retail purpose and 74.9% as commercial purpose (which included 27.8% of buy to let + and 3.7% of development loans), calculated by value. At March 31, 2021, 30.5% of our loan portfolio was classified as retail purpose, 69.5% of our loan portfolio was classified as commercial purpose (which included 24.4% of buy to let + and 4.9% of development loans).

The proportion of our loan portfolio secured by residential security by value has reduced to 63.0% as at March 31, 2022 when compared with 63.5% at March 31, 2021.

The proportion of our loan portfolio secured on first charges has increased to 79.8% as at March 31, 2022, when compared with 74.2% as at March 31, 2021.

Continued growth in originations

In the quarter to March 31, 2022, including further advances, we have originated an average of £234.7m per month, an increase compared with £125.4m per month in the quarter to March 31, 2021 and £199.9m per month when compared to the quarter to December 31, 2021. This steady increase in originations post-Covid-19 remains in line with our strategic aims to grow new lending responsibly, having now reached record origination levels in the period.

Our loans and advances to customers stands at £4,774.7m as at March 31, 2022, compared with £3,930.1m as at March 31, 2021 and £4,421.5m as at December 31, 2021.

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

Financial review

Interest receivable and similar income grew by 9.8% to £98.7m for the quarter to March 31, 2022 compared with £89.9m in the quarter to March 31, 2021 and was 3.5% higher when compared with £95.3m for the quarter ended December 31, 2021 primarily due to the growth in the loan book.

Interest payable and similar charges have increased to £36.2m for the quarter to March 31, 2022 when compared with £34.1m for the quarter ended March 31, 2021 and £32.2m for the quarter ended December 31, 2021 primarily due to increased level of borrowings and increases in cost of funds following base rate rises.

There has been a decrease in net interest margin from 6.3% in the prior year comparable quarter to March 31, 2021, to 5.4% in the quarter ended March 31, 2022 and from 5.8% in the quarter to December 31, 2021. The reduction in NIM from the prior quarter is primarily due to £1.1m of certain refinancing costs on our debt facilities in the quarter and moreover, the rising interest rate environment impacting certain of our floating rate liabilities and their associated cost in the period with increases in customer rates realised in the following period.

Impairment losses for the quarter to March 31, 2022 were £0.6m, an increase compared to the charge of £0.0m reported in the quarter ended March 31, 2021, and an increase of 76.9% compared to the charge of £0.3m during the quarter to December 31, 2021.

As a result of the impairment charge, annualised cost of risk for the quarter has risen to 0.05% from 0.00% in the prior year comparable quarter to March 31, 2021, and from 0.03% in the prior quarter to December 31, 2021 although remains low. The increase owes in part to a deterioration in macroeconomic forecasts.

Underlying EBITDA[11] was £78.8m, up 7.4% compared with £73.4m in the prior year comparable quarter (March 31, 2021) and up 3.0% compared with £76.5m in the prior quarter (December 31, 2021).

Underlying EBITDA margin[11] was 78.9% for the quarter to March 31, 2022 compared with 80.8% in the prior year comparable quarter (March 31, 2021) and 79.4% for the prior quarter (December 31, 2021).

The impairment coverage ratio was 1.8% as at March 31, 2022, lower than the prior year comparable quarter (March 31, 2021) of 2.8% and also lower than 2.0% as at December 31, 2021.

Underlying profit before tax[11] decreased by 6.1% to £41.3m when compared with £44.0m for the quarter to March 31, 2021 and decreased by 4.0% when compared with £43.0m for the quarter ended December 31, 2021. This reduction was mainly driven by the movement in our net interest margin, as already discussed.

The Group's highly cash generative business model proved robust, with cash receipts of £456.0m for the quarter ended March 31, 2022 (March 31, 2021: £419.4m, December 31, 2021: £507.4m). The reduction from the previous quarter was the result of increased redemptions on a number of larger customer accounts in the prior quarter.

New advances were £704.0m for the quarter to March 31, 2022, an increase of 87.1% compared with £376.2m in the prior year comparable quarter (March 31, 2021) and an increase of 17.4% when compared with £599.7m in the prior quarter (December 31, 2021) as the Group continued to increase lending volumes.

Loans and advances to customers have increased by 21.5% to £4,774.7m compared with £3,930.1m as at March 31, 2021 and increased by 8.0% when compared with £4,421.5m as at December 31, 2021. This reflects the Group's increased lending activity.

Shareholder funds have increased by 13.3% to £1,020.4m compared with £900.8m at March 31, 2021 and 3.7% when compared with £984.4m at December 31, 2021.

11 March 31, 2022 excluded £0.1m share-based payment costs and £3.7m strategic review costs. Q3'21 excluded the effects of £0.1m redundancy costs along with £1.8m customer redress provisions release whilst Q2'22 excluded £4.2m share-based payment costs and releases of £1.3m customer redress provisions.

Recent developments

Trading update

Monthly cash receipts of principal and interest in April were £169.0m, compared to a monthly average of c.£152m between January and March 2022 reflecting the larger loan book.

Facility Headroom stood at £1,075.0m at April 30, 2022 (April 30, 2021: £1,269.0m) and accessible liquidity was £390.2m at April 30, 2022 (April 30, 2021: £383.0m).

Following the period end, in April 2022 the Group successfully refinanced its Lakeside ABS facility, extending its maturity from October 2023 to April 2026, and with an increase in size from £500m to £700m and the addition of a new funding partner.

Additionally, in May'22 we successfully priced our £349m inaugural second lien-only securitisation RMBS at a weighted average cost of 1.96% with an advance rate of 91.6%.

New originations

Monthly mortgage originations in April 2022 were £277.1m (April 2021: £104.1m), compared to a monthly average of c.£234.7m between January and March 2022.

Significant factors which may affect results of operations

Macroeconomic conditions

Since 30 June 2021, the UK's economic performance has been greatly impacted by external factors. Broadly speaking the economy has been on an upward trajectory of recovery from the worst initial impacts of the coronavirus, though set back slightly by the spread of the Omicron variants over the winter. To this was added the global impact of the Russian attack on Ukraine during the latest quarter which has increased commodity prices, particularly oil and gas, and disrupted trade and business confidence. However, by the end of March 2022 GDP had reached its pre-pandemic level in real terms and most economic commentators expect some continuing growth though at a slower rate.

In this context, unemployment, having risen in the early stages of the pandemic, has now fallen to 3.7% at March 2022, below pre-pandemic levels and the lowest since 1974. However, the bounce back in consumer demand, combined with price increases caused by the disruption of global supply chains, particularly in energy, has led to escalating inflation with CPI reaching 7.0% in March 2022 (and rising further to 9.0% in April). Wages, though rising significantly in nominal terms, have fallen in real terms and the increase in the cost of living for low-income households has become a major issue for policymakers. In response, the Bank of England has progressively raised Base Rate, from 0.1% at the beginning of the financial year to 0.75% at the end of March 2022 and subsequently to 1.00%.

UK house-price inflation continued to increase during the quarter, to stand at an annual rate of 14.3% according to the Nationwide and 11.0% according to the Halifax, reflecting the continuing imbalance of demand over supply. However, the increasing cost of living and rises in Base Rate are widely expected to lead to at least some cooling in house prices.

The economy generally having proven robust over much of the year to date, the accelerating inflation and its consequences for living standards and interest rates have led to concern among forecasters about the economy's prospects. The Group's exposure to credit risk is particularly affected by unemployment, Bank of England Bank Rate and movements in house prices. Note 8 to the interim financial statements sets out the macroeconomic assumptions the Group has made in calculating expected credit losses (ECLs) at the reporting date.

The Group benefits from all its lending being secured on property or land within the UK at prudent average LTVs. It also benefits from its specialist through-the-cycle expertise and strong, diversified funding base. Management believes these factors continue to provide the Group with a level of resilience in uncertain times.

Loan assets performance

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

Our underwriting criteria, processes, controls and systems have been developed and refined based upon many years of experience. For each loan application, a detailed assessment is made of the customer circumstances including an assessment of the financial position of the customer to ensure that the loan is both affordable and sustainable, along with an assessment of the repayment strategy. In addition, an assessment of the underlying security and its value is undertaken. In addition, the performance of our total loan assets is impacted by our continued investment in our collections infrastructure, which impacts our ability to collect expected loan instalments.

The recent macroeconomic pressures on customer affordability, driven by high inflation, global supply chain issues, ongoing global pandemic lockdowns, Brexit and other issues have led us to evaluate our affordability approach further. Our latest enhancements have adapted the model to increase anticipated customer expenditure to take into account forecasted inflation over the next 12 months. These changes will keep our approach to lending responsible and ensure our loans are affordable for customers.

Significant factors which may affect results of operations (continued)

Property market

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

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

House and property price inflation is expected to decrease from the record levels observed in recent years, to more modest levels in 2022.

The Group lends at prudent LTVs at origination to provide protection from falls in property prices. Average origination LTV was 60.3% for the quarter to March, 2022 compared to 59.7% for the quarter to March 31, 2021.

Together is a national lender and has a loan portfolio which is diversified across the UK, with less than 20% concentrated in the London region where property prices have tended to fluctuate to a greater extent. Our London portfolio is not focused on 'Prime'[12] central London properties and, with weighted average loan-to-value ratios in line with the average of our portfolio for the rest of the country, we consider this provides a level of mitigation against moderate house price falls in such areas.

Competition

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

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

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

The Group continues to offer a broad product range to underserved segments of the market and benefits from a rich pool of experienced and skilled underwriters. The Group has continued to progress a number of key modernisation and transformation initiatives to optimise application journeys, improve user experiences for our customers and intermediaries and increase operational efficiency.

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

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

This has encouraged a number of new entrants, or re-entrants in recent years into the market in the form of non-bank lenders or newly formed challenger banks and has resulted in or may further result in increased competition in certain segments of the market where we operate and in turn result in lower yields.

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

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

Significant factors which may affect results of operations (continued)

Liquidity and funding

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

A key driver of liquidity risk within the Group arises from a number of private securitisation facilities being subject to portfolio covenants and eligibility restrictions including concentration limits and performance measures. Amongst other requirements, such covenants limit the proportion of loans in arrears and on an individual loan basis the level of arrears determine eligibility for such facilities. In certain circumstances assets can be exchanged, repurchased or additional capital can be injected into the facilities to support compliance with facility terms thereby maintaining access to liquidity provided by such facilities. Failure to comply with facility terms or breach of non-curable performance covenants will cause such facilities to go into early amortisation, with removal of undrawn facility headroom and deferral of cashflows to the Senior Borrower Group (as defined in the group structure on page 22). Increasing arrears, as a result of a wider economic downturn, increases the risk that insufficient eligible assets will be available to ensure facilities remain in compliance with covenants, and thus able to provide a source of liquidity and funding for the Group. The Group monitors such covenants and carries a level of cash and eligible assets to support the private revolving securitisation facilities in a stress event in line with set risk appetites.

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

The liquidity and funding risks arising from reducing levels of eligible assets and/or the risk of lower levels of cash inflows from redemptions can be mitigated by increasing the amount of liquidity resources held as cash. A key management action to generate net cash inflows is the ability to control levels of new lending. As at March 31, 2022 cash balances remained strong at £265.4m (March 31, 2021: £227.9m), of which £95.1m is unrestricted cash (March 31, 2021: £97.1m) as shown in Note 6.

The Group has a strong track record of successful refinancing and raising new facilities, and has continued to increase its bank and investor base during recent transactions ensuring that existing facilities are refinanced sufficiently ahead of their maturity dates to allow for any market disruption. Future uncertainty or negative economic data however may restrict the ability of the Group to complete further funding transactions, at least in the short term, or may change the commercial terms available.

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

Interest rate environment

In response to recent rising inflation the Bank of England has continued to increase the Bank Base Rate in the period. In January 2022, the Bank of England raised Bank Base Rate to 0.5% and in March 2022, the Rate was raised to 0.75%, subsequently raised to 1.0% in April 2022. If interest rates increase further, the loan servicing costs for our customers are likely to increase, which could cause an increase in arrears and credit losses.

An increase in prevailing interest rates increases the cost of servicing for some of our borrowings. Although our total loan assets mainly consist of variable rate mortgage loans and we have the right in respect of such loans to increase pricing if our own funding costs increase, this may have adverse effects as described above. Therefore, it is possible that interest rate rises may not be fully reflected in the rates charged to certain customer segments, which could impact upon margins achieved.

We have also seen continuing demand for fixed rate products in recent years. The Group raises funding using a mix of fixed and variable funding which provides some natural offset in movements in interest rates on assets and liabilities.

Significant factors which may affect results of operations (continued)

Interest rate environment (continued)

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

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

Regulatory considerations

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

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

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

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

Within the regulated division, a process is underway to assess the way that customer rates, and certain charges, are set and reviewed, and consider those that have historically been charged to certain customers, which includes continued engagement with the regulator following their thematic review in this area.

The Group is also in the process of developing a framework aimed at ensuring consistency of customer outcomes, which seeks to build upon and enhance existing practices, policies and procedures. Upon development of the framework, the Group may make payments to certain customer populations or process reductions to loan balances. The development of the scope and definition of the parameters of the framework remains in progress with completion of agreed aspects expected by July 2022, with further development of areas following if required. As this is still under development, there is a high degree of uncertainty pertaining to any estimated financial impact upon the Group.

Disclosures in respect of these considerations can be found in Note 14 to the unaudited condensed consolidated financial statements.

Significant factors which may affect results of operations (continued)

Risk factors

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

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

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

Significant factors which may affect results of operations (continued)

Risk factors (continued)

- our ability to retain our senior management and our underwriters, account executives, sales personnel, client facing employees and key individuals;
- loss of a material number of employees being available due to a health crisis including Covid-19 and changes in working practices following Covid-19;
- failure to operate effectively and in line with regulations and legal requirements, including in compliance with health and safety regulations in a Covid-19 secure workplace;
- interruption or loss of our information processing systems or third party systems we use or failure to maintain secure information systems (including as a result of cyber-attacks) and technological changes;
- technological changes and failure to adequately anticipate or respond to these changes;
- the accuracy of our systems, data and models to correctly report our financial condition and forecasts;
- our substantial debt obligations and our ability to operate within financial covenants;
- access to debt markets and our ability to refinance our debt and raise new debt at acceptable cost;
- imbalances in maturity between our total loan assets and our funding facilities;
- our ability to benefit from special corporation tax regimes for securitisation companies;
- the potential for conflicting interests between the shareholder and third-party funding providers;
- the impact of climate change;
- the impact of compliance with new regulation or taxes levied in respect of environmental matters
- exclusion of US GAAP financial information; and
- changes in accounting standards.

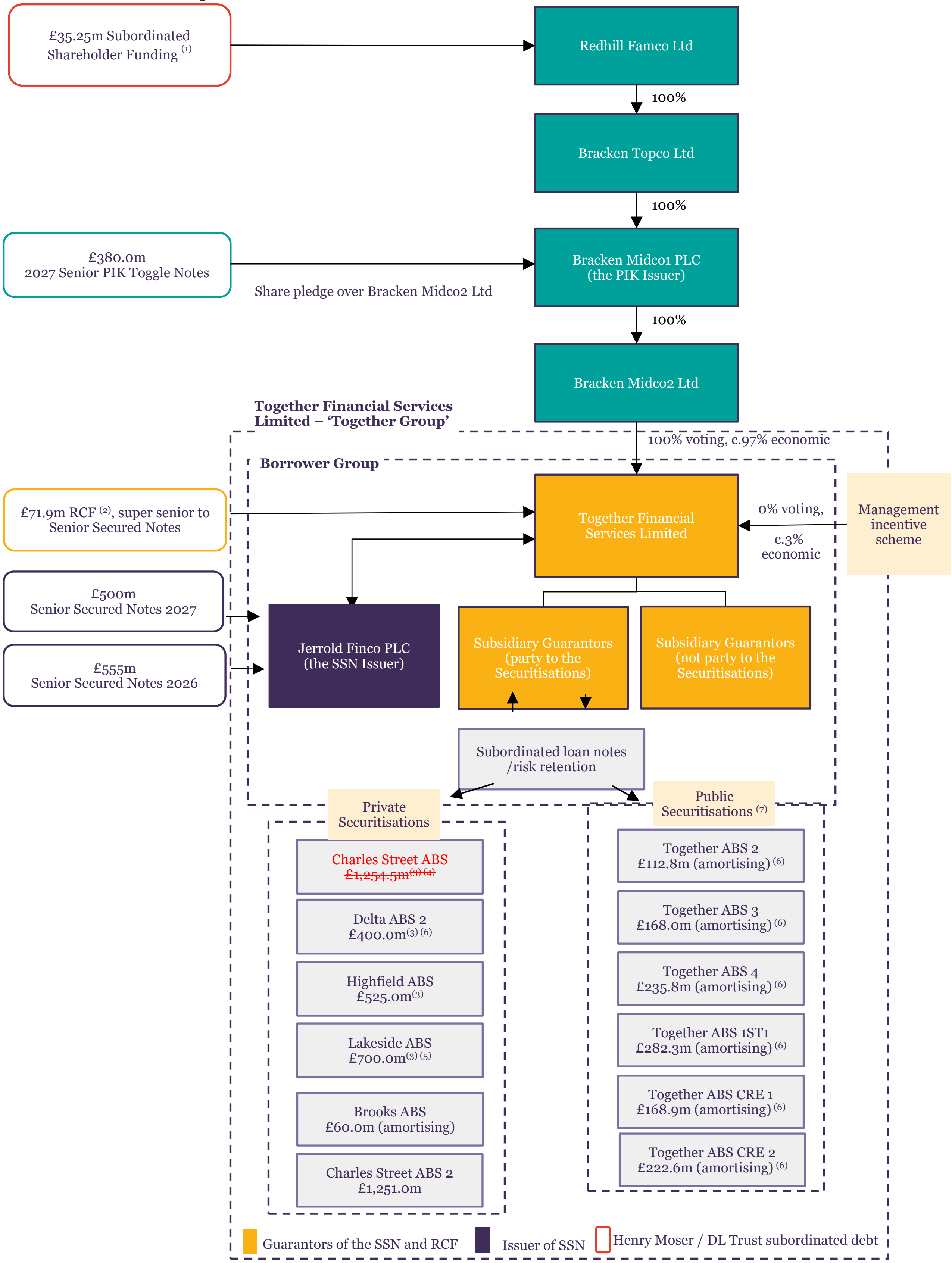
These risks are not exhaustive. Other sections of this report describe additional factors that could adversely affect our results of operations, financial condition, liquidity and the development of the industries in which we operate. New risks can emerge from time to time, and it is not possible for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

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

Summary corporate and financing structure

The diagram below provides a simplified overview of our corporate and financing structure on a consolidated basis as at April 30, 2022.

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



(1) Subordinated shareholder funding based upon nominal value
(2) Total facility size, undrawn at April 30, 2022
(3) Total facility size
(4) In March 2022, the Group successfully refinanced its Charles Street ABS facility, extending its maturity from September 2023 to March 2027. The Group has taken the opportunity to close down the original CABS facility and re-issue it as a new facility, Charles Street ABS 2 ('CABS 2').
(5) In April 2022, after the period end, the Group successfully refinanced its Lakeside ABS facility, extending its maturity from October 2023 to April 2026 with an increase in size from £500m to £700m and the addition of a new funding partner.
(6) Outstanding Principle balance
(7) Together ABS 2ND1 £349m (amortising) securitization that priced in May 2022 not included

Summary results and financial position of Bracken Midco1 PLC

The tables below set out the unaudited interim condensed consolidated results and financial position of Bracken Midco1 PLC, the issuer of 2027 Senior PIK Toggle Notes and its subsidiaries, compared to the unaudited condensed consolidated results and financial position of Together Financial Services Limited and its subsidiaries, for and as of the quarter ended March 31, 2022.

	Quarter ended March 31, 2022		
	Together Financial Services Ltd £m	**Adjustments £m**	**Bracken Midco1 PLC £m**
Profit before tax (1)	**37.5**	**(6.3)**	**31.2**

	As at March 31, 2022		
	Together Financial Services Ltd £m	**Adjustments £m**	**Bracken Midco1 PLC £m**
Assets			
Cash and balances at bank	265.4	1.6 (2)	267.0
Loans and advances to customers	4,774.7	-	4,774.7
Derivative assets held for risk management	7.0	-	7.0
Other assets	9.1	-	9.1
Property, plant and equipment	30.9	-	30.9
Intangible assets	6.8	-	6.8
Current tax asset	-	-	-
Deferred tax asset	9.7	-	9.7
Total assets	**5,103.6**	**1.6**	**5,105.2**
Liabilities			
Loan notes	2,937.1	-	2,937.1
Senior secured notes	1,055.5	-	1,055.5
Senior PIK toggle notes	-	380.0 (3)	380.0
Obligations under finance leases	29.6	-	29.6
Debt issue costs	(20.2)	(3.2) (4)	(23.4)
Total borrowings (excluding subordinated shareholder funding)	**4,002.0**	**376.8**	**4,378.8**
Other liabilities	59.0	11.0 (5)	70.0
Derivative liabilities held for risk management	-	-	-
Provisions for liabilities and charges	21.4	-	21.4
Current tax liabilities	0.8	-	0.8
Total liabilities	**4,083.2**	**387.8**	**4,471.0**
Equity			
Subordinated shareholding funding	30.8	(22.6)	8.2(6)
Shareholder's equity	989.6	(363.6)	626.0
Total equity	**1,020.4**	**(386.2)**	**634.2**
Total equity and liabilities	**5,103.6**	**1.6**	**5,105.2**

(1) Presented to reflect the full quarterly interim consolidated profit of Together Financial Services Limited and Bracken Midco1 PLC (also incorporating Bracken Midco2 Limited) respectively

(2) Represents cash and cash equivalents held within Bracken Midco1 PLC and Bracken Midco2 Limited

(3) Represents the additional borrowings in the form of £380.0m 2027 Senior PIK Toggle Notes

(4) Represents unamortised debt issue costs associated with the issuance of the 2027 Senior PIK Toggle Notes

(5) Includes interest accrued on the 2027 Senior PIK Toggle Notes

(6) Represents the carrying value of shareholder funding owed to Bracken Topco Limited by Bracken Midco1 PLC

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

For the three month period to March 31, 2022, interest payable and similar charges for Bracken Midco1 PLC was, on a consolidated basis £42.5m compared to £36.2m for Together Financial Services Limited. The £6.3m variance comprises £6.6m of interest payable and debt issue amortisation on the Senior PIK Toggle, £0.3m being the unwind of the fair value adjustment in respect of intercompany loan amounts owed to Bracken Topco Limited, and the elimination on consolidation of £0.6m of fair value unwind at Together Financial Services Limited on intercompany loans owed to Bracken Midco2 Limited.

Unaudited condensed consolidated interim financial statements

The unaudited condensed consolidated financial statements attached show the financial performance for the quarter and nine months to March 31, 2022.

Comparatives for these unaudited condensed consolidated financial statements are as follows:

- Consolidated Statement of Comprehensive Income and Consolidated Statement of Cash Flows have comparatives for the quarter and nine months to March 31, 2021;
- Consolidated Statement of Changes in Equity have comparatives for the nine months to March 31, 2021; and
- Consolidated Statement of Financial Position have comparatives as at March 31, 2021 and June 30, 2021.

Unaudited condensed consolidated statement of comprehensive income
Nine months ended 31 March 2022
Unless otherwise indicated, all amounts are stated in £m

Income statement	Note	Three months ended 31 Mar 2022	Three months ended 31 Mar 2021	Nine months ended 31 Mar 2022	Nine months ended 31 Mar 2021
Interest receivable and similar income		98.7	89.9	287.1	278.1
Interest payable and similar charges	4	(36.2)	(34.1)	(99.0)	(93.4)
Net interest income		**62.5**	**55.8**	**188.1**	**184.7**
Fee and commission income		1.2	0.9	3.5	2.4
Fee and commission expense		(0.6)	(0.3)	(2.1)	(0.7)
Net fair-value gains on derivatives	7	(0.2)	0.4	-	0.8
Other income		0.3	-	0.4	1.2
Operating income		**63.2**	**56.8**	**189.9**	**188.4**
Administrative expenses		(25.1)	(17.0)	(71.7)	(57.4)
Operating profit		**38.1**	**39.8**	**118.2**	**131.0**
Impairment losses	8	(0.6)	-	(2.0)	(19.5)
Profit before taxation		**37.5**	**39.8**	**116.2**	**111.5**
Income tax	5	(6.5)	(5.3)	(19.1)	(16.0)
Profit after taxation		**31.0**	**34.5**	**97.1**	**95.5**
Other comprehensive expense					
Items that may be reclassified to the income statement					
Movement in the cashflow hedging reserve:					
Effective portion of changes in fair value of derivatives	7	3.9	1.1	7.0	1.2
Amounts reclassified to income statement		0.5	0.1	0.7	0.2
		4.4	**1.2**	**7.7**	**1.4**
Movement in the cost-of-hedging reserve:					
Effective portion of changes in fair value of derivatives	7	-	(0.1)	0.3	(0.3)
Amounts reclassified to income statement		0.1	-	0.1	0.1
		0.1	**(0.1)**	**0.4**	**(0.2)**
Other comprehensive income for the period, net of tax		**4.5**	**1.1**	**8.1**	**1.2**
Total comprehensive income for the period		**35.5**	**35.6**	**105.2**	**96.7**

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

Unaudited condensed consolidated statement of financial position
As at 31 March 2022
Unless otherwise indicated, all amounts are stated in £m

	Note	31 March 2022	31 March 2021	30 June 2021
Assets				
Cash and cash equivalents	6	265.4	227.9	228.6
Derivative assets held for risk management	7	7.0	0.6	0.6
Loans and advances to customers	8	4,774.7	3,930.1	4,011.9
Other assets	9	9.1	6.2	6.3
Property, plant and equipment	10	30.9	13.5	31.6
Intangible assets	11	6.8	7.2	7.0
Deferred tax asset	12	9.7	7.5	11.0
Total assets		**5,103.6**	**4,193.0**	**4,297.0**
Liabilities				
Derivative liabilities held for risk management	7	-	1.3	1.2
Current tax liabilities		0.8	0.3	1.9
Borrowings	13	4,032.8	3,231.2	3,304.0
Provisions for liabilities and charges	14	21.4	20.8	25.1
Other liabilities	15	59.0	67.4	57.1
Total liabilities		**4,114.0**	**3,321.0**	**3,389.3**
Equity				
Share capital		9.8	9.8	9.8
Subordinated shareholder-funding reserve		37.2	39.3	38.7
Cashflow-hedging reserve		6.6	(1.3)	(1.1)
Cost-of-hedging reserve		-	(0.3)	(0.4)
Other reserves		14.9	10.6	10.6
Retained earnings		921.1	813.9	850.1
Total equity		**989.6**	**872.0**	**907.7**
Total equity and liabilities		**5,103.6**	**4,193.0**	**4,297.0**

Unaudited condensed consolidated statement of changes in equity
Nine months ended 31 March 2022
Unless otherwise indicated, all amounts are stated in £m

Nine months to 31 March 2022	**Called-up share capital**	**Subordinated shareholder-funding reserve**	**Cashflow-hedging reserve**	**Cost-of-hedging reserve**	**Other reserves**	**Retained earnings**	**Total**
At beginning of the period	9.8	38.7	(1.1)	(0.4)	10.6	850.1	907.7
Total comprehensive income	-	-	7.7	0.4	-	97.1	105.2
Dividend paid	-	-	-	-	-	(27.6)	(27.6)
Transfer between reserves	-	(1.5)	-	-	-	1.5	-
Share-based payment	-	-	-	-	4.3	-	4.3
At end of the period	**9.8**	**37.2**	**6.6**	**-**	**14.9**	**921.1**	**989.6**

Nine months to 31 March 2021	**Called-up share capital**	**Subordinated shareholder funding reserve**	**Cashflow-hedging reserve**	**Cost-of-hedging reserve**	**Other reserves**	**Retained earnings**	**Total**
At beginning of the period	9.8	39.7	(2.7)	(0.1)	10.6	770.7	828.0
Total comprehensive income	-	-	1.4	(0.2)	-	95.5	96.7
Dividend to parent	-	-	-	-	-	(52.7)	(52.7)
Transfer of gain on modification of subordinated debt	-	1.0	-	-	-	(1.0)	-
Transfer between reserves	-	(1.4)	-	-	-	1.4	-
At end of the period	**9.8**	**39.3**	**(1.3)**	**(0.3)**	**10.6**	**813.9**	**872.0**

Other reserves consist of the following:

	Share premium account	**Merger reserve**	**Capital redemption reserve**	**Share-based payment reserve**	**Total**
As at 31 March 2022	17.5	(9.6)	1.1	5.9	14.9
As at 31 March 2021	17.5	(9.6)	1.1	1.6	10.6
As at 30 June 2021	17.5	(9.6)	1.1	1.6	10.6

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

The capital redemption reserve is stated net of a £0.2m debit reserve for treasury shares.

Unaudited condensed consolidated statement of cash flows
Nine months ended 31 March 2022
Unless otherwise indicated, all amounts are stated in £m

	Note	Three months ended 31 Mar 2022	Three months ended 31 Mar 2021	Nine months ended 31 Mar 2022	Nine months ended 31 Mar 2021
Cash flows from operating activities					
Profit after tax		31.0	34.5	97.1	95.5
Adjustment for non-cash items included in profit after tax	17	(55.9)	(50.0)	(158.0)	(140.2)
Changes in operating assets and liabilities	17	(355.1)	(53.6)	(755.9)	203.1
Interest income		98.7	89.9	287.1	278.1
Income tax paid		(4.7)	(4.6)	(18.9)	(12.4)
Net cash inflow/(outflow) from operating activities		**(286.0)**	**16.2**	**(548.6)**	**424.1**
Cash flows from investing activities					
Cash paid on purchase of property, plant and equipment		(0.3)	(0.2)	(1.0)	(0.2)
Investment in intangible assets		(0.8)	(0.3)	(2.1)	(1.4)
Proceeds on disposal of property, plant and equipment		-	-	-	0.2
Net cash outflow from investing activities		**(1.1)**	**(0.5)**	**(3.1)**	**(1.4)**
Cash flows from financing activities					
Net cash outflows from bank facilities		-	-	-	(10.0)
Repayment on loan facilities		(481.9)	(354.2)	(577.5)	(1,011.2)
Proceeds from issuance of loan notes		813.7	193.8	1,187.0	554.3
Proceeds from issuance of Senior Secured Notes		-	-	120.0	-
Repayment of Senior Secured Notes			(350.0)	-	(350.0)
Proceeds from refinancing of Senior Secured Notes		-	500.0	-	500.0
Interest paid		(38.9)	(46.6)	(111.1)	(101.9)
Dividends paid		-	-	(27.6)	(26.4)
Purchase and cancellation of derivatives		0.2	-	(0.3)	(0.6)
Principal elements of lease liability payments		(0.3)	(0.2)	(0.9)	(1.0)
Interest paid on lease liabilities		(0.4)	(0.2)	(1.1)	(0.5)
Net cash inflow/(outflow) from financing activities		**292.4**	**(57.4)**	**588.5**	**(447.3)**
Net increase/(decrease) in cash and cash equivalents		5.3	(41.7)	36.8	(24.6)
Cash and cash equivalents at beginning of period		260.1	269.6	228.6	252.5
Cash and cash equivalents at end of period		**265.4**	**227.9**	**265.4**	**227.9**

At 31 March 2022 cash and cash equivalents included £170.3m (31 March 2021: £130.8m) of restricted cash (see Note 6).

1. Reporting entity and general information

Together Financial Services Limited (the Company) is incorporated and domiciled in the UK. The Company is a private company, limited by shares and registered in England (company number: 02939389). The registered address of the Company is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW. The unaudited interim condensed consolidated financial statements (interim financial statements) comprise Together Financial Services Limited and its subsidiaries (the Group). The Group is primarily involved in financial services.

2. Significant accounting policies

Basis of preparation

The unaudited interim financial statements have been prepared in accordance with the UK-adopted International Accounting Standard (IAS) 34 *Interim Financial Reporting*. They do not include all the information required by the International Accounting Standards in full annual financial statements and should be read in conjunction with the annual report and consolidated financial statements for the year ended 30 June 2021 which were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The information within this interim report relating to the year ended 30 June 2021 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report, and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

Accounting policies and judgements

The accounting policies, presentation and methods of computation are consistent with those applied by the Group in its latest audited annual financial statements.

Accounting policies: Adoption of new and revised IFRSs

The International Accounting Standards Board has issued amendments to IFRS 9 *Financial instruments* and IFRS 7 *Financial instruments disclosures* relating to market reforms of benchmark interest rates. The reforms will result in transitioning from interbank offered rates (IBORs) such as Libor to alternative benchmark interest rates (also referred to as near-risk-free rates or RFRs). In the UK, the Bank of England has determined that the reformed sterling overnight index average (Sonia) is the RFR that generally replaces sterling Libor.

Phase 1 ('*Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7'*) of the IASB's amendments was mandatory for annual reporting periods beginning on or after 1 January 2020 and adopted in the Group's results for the year ended 30 June 2021.

Phase 2 ('*Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39, IFRS 4, IFRS 7 and IFRS 16'*) of the amendments is effective for reporting periods beginning on or after 1 January 2021 and are adopted by the Group for the current year ended 30 June 2022. Phase 2 enables entities to reflect the effects of transitioning to RFRs without giving rise to accounting impacts that would not provide useful information to users of financial statements.

The application of the Phase 2 amendments impacts the Group's accounting as follows:

- Changes to the basis for determining contractual cash flows as a result of the reforms are required, as a practical expedient, to be treated prospectively as changes to a floating interest rate, rather than as a contractual modification. This applies only provided that, for the financial instrument, the transition from the IBOR benchmark rate to the new RFR takes place on an economically equivalent basis.
- Phase 2 provides temporary reliefs that allow the Group's hedging relationships to continue upon the replacement of an existing interest-rate benchmark with a new RFR. The reliefs require the Group to amend hedge designations and hedge documentation to reference the new rate and amend the method for assessing hedge effectiveness. Updates to hedge documentation must be made by the end of the reporting period in which a replacement takes place.
- If the hedged item is modified due to the reforms, the cumulative gain or loss in the cashflow hedging and cost-of-hedging reserves for designated cashflow hedges and for discontinued hedging relationships is deemed to be based on the new RFR.

The amendments also require further new disclosures of the nature and extent of the risks arising from the reforms, how the entity is managing the risks and transition, and progress made.

Note 21 sets out the financial disclosures.

2. Significant accounting policies (continued)

Presentation of risk disclosures

Disclosures under IFRS 7 *Financial Instruments: Disclosures* concerning the nature and extent of principal risks have been presented within the interim management report. Unless otherwise indicated, these disclosures are consistent with the Group's latest audited annual financial statements.

Share-based payments

The Group has granted options to senior management under an equity settled scheme.

In accordance with IFRS 2, management considers that during the period, the likelihood of the occurrence of the conditions required for the scheme to vest has increased. As a result, a charge of £4.3m has been recognised in the income statement, with a corresponding increase in the share-based payment reserve within equity.

Going concern

In preparing these interim financial statements, the directors have assessed the Group's ability to continue as a going concern. As part of the Group's ongoing monitoring and reforecasting, specific consideration, including both the residual impacts of the coronavirus pandemic and also the more recent geopolitical tensions, has been given to the following:

- changes in customer-repayment behaviour;
- changes in credit risk;
- potential for declining or stagnating property values;
- potential for access to wholesale-funding markets;
- changes in market rates of interest;
- potential reduction in new mortgage-origination volumes; and
- changes to operating costs.

The Group's business model, being one which is ordinarily highly cash generative, operating in profitable market segments and lending at low average loan-to-value (LTV) ratios, has helped to provide mitigation to many downside risks throughout the Coronavirus pandemic and therefore many of the potential challenges included above have either not emerged during the period or not emerged to a significant extent. It is the expectation that this, along with the limited direct exposure to the current geopolitical tensions, will continue to limit downside risk to the Group going forward.

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. Alongside the shareholder funding and profit which has been retained in the business, to fund lending the Group is reliant on the wholesale-funding markets, 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 depth of maturity in the Group's existing debt facilities provides significant mitigation in respect of refinancing risk. Following the refinancing of the Lakeside Asset Backed Securitisation facility, the earliest maturity of wholesale funding is the Brooks Asset Backed Securitisation facility (the amount drawn at the reporting date representing 1% of the Group's borrowings) in July 2025 and the earliest call date on our public securitisation is the Together Asset Backed Securitisation 2 facility (representing 2% of the Group's borrowings) in November 2022. Further detail is set out in Note 13.

In response to the pandemic, the directors and Group management have undertaken a number of actions in order to mitigate potential risks.

2. Significant accounting policies (continued)

Going concern (continued)

To mitigate refinancing risk, the Group has demonstrated an ability to access the wholesale funding markets on multiple occasions during the period:

- In July 2021, 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.
- Also in September 2021, the Group redeemed the loans notes in its first residential-mortgage-backed securitisation, TABS 1, and subsequently issued TABS 1ST1 PLC RMBS (‘TABS 5’), which raised £302.1m of external funding.
- In November 2021, the Group issued an additional £120m of its 4 7/8% Senior Secured Notes due 2026 through its wholly owned subsidiary Jerrold Finco plc at an offering price of 100.5%.
- In December 2021, the Group completed the successful refinancing of its Delta ABS 2 (‘DABS 2’) private securitisation, increasing the size from £200m to £400m, as well as extending the maturity from 2022 to 2025.
- In March 2022, the Group successfully refinanced its Charles Street ABS (‘CABS’) private securitisation, extending maturity from September 2023 to March 2027. As part of the refinancing, the Group has taken the opportunity to close down the original facility and re-issue it as a new facility, Charles Street ABS 2 (‘CABS 2’).
- Following the period end, in April 2022 the Group successfully refinanced its Lakeside ABS facility, extending its maturity from October 2023 to April 2026, and with an increase in size from £500m to £700m and the addition of a new funding partner.

In respect of the private securitisations which are subject to eligibility criteria and covenants, the Group may, in certain circumstances, seek waivers and/or amendments within the going-concern assessment period. This could include, but is not limited to, impacts on covenants as a result of a deterioration in loan-book performance due to adverse economic conditions or reductions in property values.

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 or through other remedies within a defined cure period, then the noteholders of the private securitisation facilities have the option to call a default of the facility. If a facility defaults, then the cash inflows from the securitised asset pool for each facility are used to repay the interest and principal of the most senior loan notes with 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 and potentially reduce cash inflows ordinarily flowing to the Senior Borrower Group as excess spread from each of the securitisations.

The risk of lower levels of cash inflows from redemptions can be mitigated by increasing the amount of liquid resources held as cash. In order to increase cash held, the directors controlled levels of new lending following the pandemic which, in combination with other management actions, increased total cash balances and which remain at elevated levels compared with before the pandemic, at £265.4m at 31 March 2022 (31 March 2021: £227.9m, 30 June 2021: £228.6m), of which £95.1m is unrestricted cash (31 March 2021: £97.1m, 30 June 2021: £79.9m) as shown in Note 6.

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 below.

Stress testing

Aside from the private securitisations, the facilities within the Senior Borrower Group, being the Senior Secured Notes and the Revolving Credit Facility (‘RCF’), also include certain financial covenants including tests on gearing and minimum levels of interest cover in respect of the former and maintenance tests on gearing in respect of the latter.

To evaluate the Group’s resilience in meeting these tests, reverse-stress testing scenarios have been developed and were considered as part of the going-concern assessment.

2. Significant accounting policies (continued)

Stress testing (continued)

The scenario is one which assumes no cash flows are received from the securitisations, there is no access to drawdown funding from the private securitisations, and no access to the wholesale funding markets is possible, and therefore loan-origination volumes are limited to meeting pipeline commitments. This is considered by the directors to be an extreme outcome. However due to the bankruptcy-remote nature of securitisations, the default of one or more private securitisation facilities would not mean that the Group could not continue to operate as a going concern. The Group could continue in such a scenario by servicing the loans funded by the Senior Borrower Group. Stresses were applied to cash inflows to assess the ability to continue to service and repay borrowings as they fall due, and stresses on profitability were separately considered to assess the ability to comply with gearing covenants.

The results of the reverse-stress test showed that unrealistic reductions in expected cash inflows within the Senior Borrower Group would be required for the Senior Borrower Group not to be able meets its liabilities as they fall due, within the going-concern assessment period. Even in the event that actual experience approached the level of reductions judged unrealistic, further management actions could be taken to mitigate the impact. The Group has periodically repeated the reverse-stress testing, which continues to show significant headroom.

In addition, the potential impact of reductions in the level of profitability were assessed, using increases in expected credit losses as the primary driver, in order to determine the reduction which would result in the Group’s gearing breaching the RCF covenant. The testing showed that profitability would have to fall by a substantial amount with the probability of such a severe outcome considered remote.

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

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

Critical judgements in applying the Group’s accounting policies

a) Loan impairment allowance

The calculation of the Group’s expected credit losses under IFRS 9 draws 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 8 to the accounts.

b) Provisions and contingent liabilities

There is considerable judgement required to estimate provisions and to provide useful information concerning the nature of the uncertainty contained within these estimates, including the disclosure of a range of possible impacts. There can also be judgement required in determining whether contingent liability disclosures are required. Further disclosures in respect of these can be found in Notes 14.

Unless otherwise indicated, all amounts are stated in £m

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

a) Loan impairment allowance

The Group utilises macroeconomic forecasts and the other assumptions and estimates necessary for the calculation of ECL. Further detail on these estimates and assumptions and the sensitivities thereon is set out in Note 8.

b) Provisions and contingent liabilities

The calculation of the Group's provisions contain significant estimation uncertainty. Further disclosures in respect of this can be found in Note 14.

c) Interest income recognition

Interest income is recognised using the effective interest rate ('EIR') method. The EIR of a financial instrument is the rate which exactly discounts the estimated future cash flows of the instrument to its carrying amount. In calculating the EIR, all contractual terms of the financial instrument are taken into account, including transaction costs and other premiums or discounts, but not expected credit losses.

The estimation of future cash flows requires the Group to estimate the expected behavioural lives of groups of assets. The Group utilises models which draw upon the Group's actual historical experience; however there is estimation uncertainty to the extent that future performance may not mirror that of the past.

There have been no other significant changes to estimation uncertainties disclosed in the Group's annual report and accounts for the year ended 30 June 2021.

4. Interest payable and similar charges

	Three months ended		**Nine months ended**	
	31 Mar 2022	**31 Mar 2021**	**31 Mar 2022**	**31 Mar 2021**
On borrowings	35.7	33.6	97.3	91.9
On lease liabilities	0.4	0.2	1.1	0.5
On derivatives in qualifying and discontinued hedging relationships	0.1	0.3	0.6	1.0
	36.2	**34.1**	**99.0**	**93.4**

Unless otherwise indicated, all amounts are stated in £m

5. Income tax

	Three months ended		Nine months ended	
	31 Mar 2022	31 Mar 2021	31 Mar 2022	31 Mar 2021
Current tax				
Corporation tax	5.3	5.2	17.8	15.9
	5.3	**5.2**	**17.8**	**15.9**
Deferred tax				
Origination and reversal of temporary differences	1.3	0.1	1.5	0.1
Effect of changes in tax rates	(0.1)	-	(0.2)	-
Total deferred tax	**1.2**	**0.1**	**1.3**	**0.1**
Total tax on profit	**6.5**	**5.3**	**19.1**	**16.0**

Corporation tax is calculated at 19% (31 March 2021: 19%) of the estimated taxable profit for the period. The differences between the total tax charge for the period and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	Three months ended		Nine months ended	
	31 Mar 2022	31 Mar 2021	31 Mar 2022	31 Mar 2021
Profit before tax	37.5	39.8	116.2	111.5
Tax on profit at standard UK corporation tax rate of 19% (March 2021: 19%)	7.1	7.6	22.1	21.2
Effects of:				
Expenses not deductible for tax purposes	0.6	-	1.5	-
Income not taxable	-	(0.1)	-	(0.2)
Group relief *	(1.1)	(2.2)	(4.3)	(5.0)
Effect of changes in tax rates	(0.1)	-	(0.2)	-
Tax charge for period	**6.5**	**5.3**	**19.1**	**16.0**

*The Group referred to is a tax group headed by Redhill Famco Limited, the ultimate parent company of Together Financial Services Limited.

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Company's future current tax charge accordingly.

6. Cash and cash equivalents

	31 March 2022	31 March 2021	30 June 2021
Unrestricted cash	95.1	97.1	79.9
Restricted cash	170.3	130.8	148.7
	265.4	**227.9**	**228.6**

Restricted cash is ring fenced and held in securitisation vehicles for use in managing the Group's securitisation facilities under the terms of the agreements. Within restricted cash £35.6m (31 March 2021: £39.2m, 30 June 2021: £39.7m) represents amounts that can be accessed by the Group, for example by allocating additional eligible assets into the private securitisations, but which are not considered readily available. The balance of restricted cash is not readily available and represents amounts which are held within the securitisations for other purposes and may be accessible in future, such as cash reserves or amounts to be paid over as deferred consideration at future dates.

Unless otherwise indicated, all amounts are stated in £m

7. Derivatives held for risk management

The Group applies hedge accounting for its strategy of cashflow hedging the interest-rate risk on floating-rate liabilities in certain of its securitisation vehicles. These liabilities fund portfolios of mortgage assets, some of which pay fixed rates of interest, and to address the resultant risk the securitisation vehicles may purchase interest-rate caps, or enter into interest-rate swaps which may include floors. The notional amounts of these derivatives are designated against a proportion of floating-rate notes funding fixed-rate mortgages, and decline over time in line with the expected repayment of the mortgages.

The effectiveness of this strategy is assessed by comparing the changes in fair value of the interest-rate derivatives with changes in the fair value of the hedged floating-rate notes and uses the hypothetical-derivative method.

The Group establishes the hedging ratio by matching the notional amount of the derivative with the corresponding floating-rate notes. In these hedging relationships, the main potential sources of ineffectiveness are:

- Repayment of the notes faster than the decline in the notional amount of the derivative
- For interest-rate swaps, the inclusion of a transaction cost in the fixed-rate leg
- Changes in the credit risk of either party
- Differences in the expected maturity of the hedged item and the hedging instrument

The following table analyses derivatives held for risk-management purposes by type of instrument:

	31 March 2022		**31 March 2021**		**30 June 2021**	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest-rate swaps and floors	6.8	-	0.6	(1.3)	0.6	(1.2)
Interest-rate caps	0.2	-	-	-	-	-
Derivatives designated in cashflow hedges	**7.0**	**-**	**0.6**	**(1.3)**	**0.6**	**(1.2)**

All derivatives mature in under five years. The average fixed interest rate on swaps is 0.67%. The average strike rate on caps is 2.5%.

Unless otherwise indicated, all amounts are stated in £m

7. Derivatives held for risk management (continued)

The following tables set out details of the exposures hedged by the Group:

	31 March 2022		
	Carrying amount of liabilities	**Changes in fair value for calculating hedge ineffectiveness**	**Cashflow-hedging reserve**
Hedged by interest-rate swaps and floors			
Borrowings	278.2	5.8	6.6
Discontinued hedges	-	1.4	-
	278.2	**7.2**	**6.6**
Hedged by interest-rate caps			
Borrowings	**87.4**	**0.1**	**-**

	31 March 2021		
	Carrying amount of liabilities	**Changes in fair value for calculating hedge ineffectiveness**	**Cashflow-hedging reserve**
Hedged by interest-rate swaps and floors			
Borrowings	312.2	0.9	0.9
Discontinued hedges	-	-	(2.2)
	312.2	**0.9**	**(1.3)**
Hedged by interest-rate caps			
Borrowings	**173.4**	**-**	**-**

	30 June 2021		
	Carrying amount of liabilities	**Changes in fair value for calculating hedge ineffectiveness**	**Cashflow-hedging reserve**
Hedged by interest-rate swaps and floors			
Borrowings	298.6	0.8	1.0
Discontinued hedges	-	-	(2.1)
	298.6	**0.8**	**(1.1)**
Hedged by interest-rate caps			
Borrowings	**128.6**	**-**	**-**

Unless otherwise indicated, all amounts are stated in £m

7. Derivatives held for risk management (continued)

The following table sets out details of the hedging instruments used by the Group and their effectiveness:

	Carrying amounts			Changes in fair value				
	Notional amount	Derivative assets	Derivative liabilities	For calculating hedge ineffective-ness	Recognised through other comprehensive income	Outside the hedging relationship recognised in fair value gains on derivatives	Hedge ineffective-ness recognised in fair value gains on derivatives	Reclassified from cashflow-hedging reserve to interest payable
Nine months ended 31 March 2022								
Interest-rate swaps and floors								
Borrowings	278.2	6.8	-	6.0	5.8	-	0.2	0.2
Discontinued hedges	-	-	-	1.4	1.4	0.3	-	-
	278.2	**6.8**	**-**	**7.4**	**7.2**	**0.3**	**0.2**	**0.2**
Interest-rate caps								
Borrowings	**87.4**	**0.2**	**-**	**0.1**	**0.1**	**0.1**	**-**	**-**
Nine months ended 31 March 2021								
Interest-rate swaps and floors								
Borrowings	312.2	0.6	(1.3)	1.0	0.9	0.7	0.1	-
Discontinued hedges	-	-	-	-	-	-	-	0.2
	312.2	**0.6**	**(1.3)**	**1.0**	**0.9**	**0.7**	**0.1**	**0.2**
Interest-rate caps								
Borrowings	**173.4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Year ended 30 June 2021								
Interest-rate swaps and floors								
Borrowings	298.6	0.6	(1.2)	0.9	0.8	1.0	0.1	-
Discontinued hedges	-	-	-	-	-	-	-	0.3
	298.6	0.6	(1.2)	0.9	0.8	1.0	0.1	0.3
Interest-rate caps								
Borrowings	**128.6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Unless otherwise indicated, all amounts are stated in £m

7. Derivatives held for risk management (continued)

Movements in hedging instruments gave rise to fair-value gains/(losses) through the income statement as follows:

	Nine months ended	
	31 March 2022	**31 March 2021**
Outside hedging relationship recognised in fair value gains & losses on derivatives:		
Interest-rate swaps and floors	0.3	0.7
Interest-rate caps	0.1	-
Hedge ineffectiveness recognised in fair value gains & losses on derivatives	0.2	0.1
Released from cashflow-hedging reserve on discontinued relationship	(0.5)	-
Released from on cost-of-hedging reserve discontinued relationship	(0.1)	-
	-	**0.8**

The amount reclassified from the hedging reserves to the income statement was analysed as follows:

	Nine months ended	
	31 March 2022	**31 March 2021**
Reclassified from the cashflow-hedging reserve to interest payable	0.2	0.2
Reclassified from the cost-of-hedging reserve to interest payable	-	0.1
Released from cashflow-hedging reserve to fair-value gains & losses on derivatives	0.5	-
Released from to cost-of-hedging reserve fair-value gains & losses on derivatives	0.1	-
	0.8	**0.3**

Unless otherwise indicated, all amounts are stated in £m

8. Loans and advances to customers

	31 March 2022			
	Stage 1	**Stage 2**	**Stage 3 and POCI**	**Total**
Gross loans and advances	3,751.4	711.0	401.9	4,864.3
Loss allowance	(10.9)	(21.2)	(57.5)	(89.6)
	3,740.5	**689.8**	**344.4**	**4,774.7**
ECL coverage (%)	0.3	3.0	14.3	1.8

	31 March 2021			
	Stage 1	**Stage 2**	**Stage 3 and POCI**	**Total**
Gross loans and advances	2,603.5	899.7	538.6	4,041.8
Loss allowance	(4.0)	(26.6)	(81.1)	(111.7)
	2,599.5	**873.1**	**457.5**	**3,930.1**
ECL coverage (%)	0.2	3.0	15.1	2.8

	30 June 2021			
	Stage 1	**Stage 2**	**Stage 3 and POCI**	**Total**
Gross loans and advances	2,541.3	1,089.9	485.1	4,116.3
Loss allowance	(4.0)	(28.7)	(71.7)	(104.4)
	2,537.3	**1,061.2**	**413.4**	**4,011.9**
ECL coverage (%)	0.2	2.6	14.8	2.5

Loans and advances to customers include total gross amounts of £4.3m (31 March 2021: £6.5m; 30 June 2021: £5.0m), equivalent to £0.3m net of allowances (31 March 2021: £2.4m; 30 June 2021: £1.0m) loaned to August Blake Developments Limited, Sunnywood Estates Limited and Edgworth Developments Limited, companies of which HN Moser is a director and shareholder. Further details of these loans are given in Note 18.

Group gross balances of credit impaired loans include £14.6m (31 March 2021: £9.0m) of purchased or originated credit impaired (POCI) loans, which are presented net of impairment provisions for lifetime expected credit losses of £1.9m (31 March 2021: £1.2m).

Measurement of expected credit losses (ECL)

ECL model

The Group's general approach to the measurement of ECL and forbearance is unchanged from the annual report and accounts for the year ended 30 June 2021, other than in respect of the incorporation of forward looking macroeconomic information within the ECL models.

8. Loans and advances to customers (continued)

Incorporation of forward-looking information

The Group uses forward-looking information in its measurement of ECL and in identifying significant increases in credit risk (discussed in the next section). The Group's statistical analysis of historical data has confirmed that the key economic variables that drive credit risk, and the ECL for the Group's financial instruments, are unemployment, Bank Rate, and changes in house prices.

During the period, further developments have been implemented within the Group's Economic Response Models (ERM) which model the relationship between macroeconomic data and default rates. During the Covid-19 pandemic, the relationship between annual GDP growth and defaults did not behave as expected when the models were developed prior to the pandemic, and required manual intervention and utilisation of post model adjustments within the ECL calculation.

A revised ERM has been developed and implemented, which removes GDP from the modelling for default rates. The Group's models continue to utilise unemployment, Bank of England base rate, and for certain loan types, forecast house prices in the modelling of default rates projected and used in the calculation of ECLs. The revised models have a greater degree of correlation to historic default rates, and therefore are judged to be the most appropriate approach to prediction of future account behaviour, based on the economic scnearios adopted. Forecast house prices continue to be incorporated into the calculation of loss given default.

The Group has developed a range of future economic scenarios of these variables, drawing on external forecasts where appropriate. The uncertainty over the current macroeconomic forecasts has reduced compared with those utilised during the height of the pandemic, however economic uncertainty persists and whilst the economy has recovered better than previously predicted, it is only now returning to pre-pandemic levels.

With the onset of the coronavirus pandemic, the Group's approach to developing economic scenarios for the purposes of measuring ECLs has been to increase the number of scenarios from three to six to reflect the wider range of economic outcomes that are now considered possible around any base case. The base case is weighted at 50% and each of the other five scenarios is weighted at 10%. Of the five additional scenarios, two are more optimistic than the base case with a combined weighting of 20% and three are more pessimistic with a combined weighting of 30%.

Judgement is required to set the scenario weightings, informed by an external provider of economic forecasts, to consider the interaction between the severity of the scenarios and the weightings applied. Management has sought to assess the reasonableness of the probabilities by comparing the weighted average of each economic indicator with other available macroeconomic forecasts, in addition to benchmarking the base-case scenario.

The later section of this note on critical accounting estimates shows the unweighted ECL for each scenario and provides information about the sensitivity of ECL to changes in scenario weightings.

Unless otherwise indicated, all amounts are stated in £m

8. Loans and advances to customers (continued)

Incorporation of forward-looking information (continued)

The most significant assumptions used for the ECL estimate as at 31 March 2022 by scenario until March 2026 are as follows:

Annual GDP change (annual %)*		**Weighting**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**Mar-24**	**Mar-25**	**Mar-26**
Upside		10%	6.6	6.1	5.7	5.1	4.1	2.7	2.1
Mild Upside		10%	6.4	5.5	4.8	3.7	3.5	2.5	2.1
Base		50%	6.1	5.0	3.8	2.0	2.0	2.1	2.1
Stagnation		10%	5.5	3.6	1.7	(0.8)	1.7	1.9	2.0
Downside		10%	5.3	3.1	0.9	(0.2)	1.4	1.8	2.0
Severe downside		10%	4.9	2.2	(0.5)	(3.9)	0.8	1.5	2.0
Weighted average			**5.9**	**4.5**	**3.1**	**1.2**	**2.1**	**2.1**	**2.1**
Annual quarterly GDP change (%)**			**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**Mar-24**	**Mar-25**	**Mar-26**
Upside		10%	4.5	4.9	5.0	6.0	3.0	2.5	1.9
Mild Upside		10%	3.5	3.6	3.5	4.1	2.8	2.4	1.9
Base		50%	2.7	2.2	1.7	1.5	2.0	2.1	2.0
Stagnation		10%	0.1	(0.6)	(1.2)	(1.5)	1.9	1.9	2.1
Downside		10%	(0.9)	(1.7)	(2.5)	(2.8)	1.7	1.8	2.1
Severe downside		10%	(2.5)	(3.5)	(4.5)	(5.0)	1.4	1.6	2.2
Weighted average			**1.8**	**1.4**	**0.9**	**0.9**	**2.1**	**2.1**	**2.0**

Bank rate			**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**Mar-24**	**Mar-25**	**Mar-26**
Upside		10%	1.0	1.5	1.8	2.0	2.5	2.5	2.5
Mild Upside		10%	1.0	1.3	1.5	1.8	2.3	2.3	2.3
Base		50%	1.0	1.3	1.3	1.5	1.8	2.0	2.0
Stagnation		10%	0.8	0.8	0.8	0.9	1.0	1.0	1.3
Downside		10%	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Severe downside		10%	0.8	0.6	0.4	0.3	0.3	0.3	0.3
Weighted average			**0.9**	**1.1**	**1.1**	**1.3**	**1.6**	**1.7**	**1.7**

Unemployment rate	**% peak**		**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**Mar-24**	**Mar-25**	**Mar-26**
Upside	n/a***	10%	3.6	3.4	3.4	3.3	3.3	3.3	3.3
Mild Upside	n/a***	10%	3.8	3.6	3.6	3.5	3.6	3.7	3.7
Base	n/a***	50%	3.8	3.8	3.8	3.8	3.7	3.7	3.7
Stagnation	6.1%	10%	5.6	5.7	5.8	5.8	6.1	6.1	6.0
Downside	6.3%	10%	5.7	5.9	5.9	6.0	6.3	6.3	6.1
Severe downside	6.6%	10%	5.9	6.2	6.2	6.3	6.6	6.6	6.4
Weighted average			**4.4**	**4.4**	**4.4**	**4.4**	**4.5**	**4.5**	**4.4**

Annual change in house-price index (%)	**Start to trough % change**		**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**	**Mar-24**	**Mar-25**	**Mar-26**
Upside	n/a****	10%	13.8	15.1	13.0	11.8	3.7	4.8	1.7
Mild Upside	n/a****	10%	12.1	12.8	10.0	8.1	1.4	2.6	1.9
Base	n/a****	50%	7.9	7.0	3.3	1.0	1.0	1.0	2.5
Stagnation	(17.0%)	10%	7.0	5.7	0.7	(3.3)	(7.6)	(7.1)	2.5
Downside	(24.6%)	10%	5.9	4.0	(1.5)	(6.1)	(10.4)	(10.4)	2.8
Severe downside	(37.4%)	10%	3.9	1.2	(5.2)	(10.8)	(15.4)	(17.1)	3.3
Weighted average			**8.2**	**7.4**	**3.4**	**0.5**	**(2.3)**	**(2.2)**	**2.5**

*Annual GDP growth represents the average annual change in GDP up to the date shown.
**Annual quarterly GDP change represents the change in quarterly GDP compared with the corresponding quarter in the previous year.
*** In this scenario, unemployment is not forecast to increase in any future period.
**** House price index (HPI) is forecast to increase in all future periods in this scenario.

Unless otherwise indicated, all amounts are stated in £m

8. Loans and advances to customers (continued)

Incorporation of forward-looking information (continued)

The most significant assumptions used for the ECL estimate as at 31 March 2021 by scenario until March 2025 were as follows:

Annual GDP change (annual %)*	Weighting	Jun 2021	Sep 2021	Dec 2021	Mar 2022	Mar 2023	Mar 2024	Mar 2025
Upside	10%	(1.1)	2.6	7.5	13.3	8.0	2.2	1.6
Mild Upside	10%	(1.5)	1.5	5.0	9.4	9.6	2.0	1.6
Base	50%	(1.6)	1.3	4.2	7.8	7.5	1.9	1.6
Stagnation	10%	(1.6)	1.2	3.5	6.4	5.4	1.9	1.5
Downside	10%	(1.9)	0.5	2.3	4.6	5.2	2.4	1.5
Severe downside	10%	(2.1)	(0.2)	1.1	2.8	4.4	2.2	1.5
Weighted average		(1.6)	1.2	4.0	7.5	7.0	2.0	1.6
Annual quarterly GDP change (%)**	**Weighting**	**Jun 2021**	**Sep 2021**	**Dec 2021**	**Mar 2022**	**Mar 2023**	**Mar 2024**	**Mar 2025**
Upside	10%	19.1	6.0	12.0	16.1	3.5	1.8	1.5
Mild Upside	10%	17.4	3.2	6.3	10.6	6.4	1.6	1.6
Base	50%	17.1	2.9	3.6	7.4	5.9	1.4	1.7
Stagnation	10%	16.8	2.6	1.6	4.8	5.3	1.2	1.7
Downside	10%	15.9	0.8	(0.5)	2.1	6.4	1.1	1.7
Severe downside	10%	15.0	(1.0)	(2.5)	(0.2)	6.1	0.9	1.8
Weighted average		17.0	2.6	3.5	7.1	5.7	1.3	1.7

Bank rate	Weighting	Jun 2021	Sep 2021	Dec 2021	Mar 2022	Mar 2023	Mar 2024	Mar 2025
Upside	10%	0.2	0.4	0.5	0.6	1.5	1.8	2.0
Mild Upside	10%	0.2	0.3	0.4	0.5	1.1	1.3	1.5
Base	50%	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Stagnation	10%	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Downside	10%	0.1	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Severe downside	10%	(0.1)	(0.3)	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)
Weighted average		0.1	0.1	0.1	0.1	0.2	0.3	0.4

Unemployment rate	% peak	Weighting	Jun 2021	Sep 2021	Dec 2021	Mar 2022	Mar 2023	Mar 2024	Mar 2025
Upside	5.8%	10%	5.8	5.5	5.0	4.8	4.0	4.0	4.0
Mild Upside	6.0%	10%	5.8	5.6	6.0	5.5	4.5	4.3	4.3
Base	7.0%	50%	5.8	5.8	7.0	6.2	5.1	4.5	4.5
Stagnation	7.5%	10%	6.0	6.3	7.5	7.2	6.6	6.3	5.9
Downside	8.0%	10%	6.3	6.5	8.0	7.7	6.8	6.6	6.2
Severe downside	8.7%	10%	6.5	6.8	8.7	8.7	7.2	6.9	6.5
Weighted average			5.9	5.9	7.0	6.5	5.4	5.1	4.9

Annual change in house-price index (%)	Start to trough % change	Weighting	Jun 2021	Sep 2021	Dec 2021	Mar 2022	Mar 2023	Mar 2024	Mar 2025
Upside	n/a***	10%	11.6	10.6	5.9	4.2	1.6	9.0	3.1
Mild Upside	(0.9%)	10%	9.9	8.4	3.1	0.9	(0.8)	6.4	3.2
Base	(7.0%)	50%	7.4	5.2	(0.6)	(3.4)	(3.7)	1.1	3.5
Stagnation	(21.1%)	10%	4.9	1.6	(5.6)	(9.8)	(9.7)	(3.2)	3.8
Downside	(27.7%)	10%	3.8	(0.0)	(7.7)	(12.4)	(12.3)	(5.9)	4.1
Severe downside	(38.8%)	10%	1.9	(2.7)	(11.2)	(16.9)	(17.0)	(11.2)	4.5
Weighted average			6.9	4.4	(1.8)	(5.1)	(5.7)	0.0	3.6

* Annual GDP growth represents the average annual change in GDP up to the date shown.
**Annual quarterly GDP change represents the change in quarterly GDP compared with the corresponding quarter in the previous year.
*** House price index (HPI) is forecast to increase in all future periods in this scenario.

Unless otherwise indicated, all amounts are stated in £m

8. Loans and advances to customers (continued)

Incorporation of forward-looking information (continued)

The most significant assumptions used for the ECL estimate as at 30 June 2021, by scenario, until June 2025 are as follows:

Annual GDP change (annual %)*	**Weighting**	**Sep 2021**	**Dec 2021**	**Mar 2022**	**Jun 2022**	**Jun 2023**	**Jun 2024**	**Jun 2025**
Upside	10%	5.1	9.9	15.3	12.4	5.1	2.3	1.6
Mild Upside	10%	4.8	9.3	14.2	10.8	4.4	2.0	1.6
Base	50%	4.5	8.5	12.9	8.7	3.1	1.6	1.5
Stagnation	10%	3.8	6.7	10.1	5.2	3.2	1.3	1.5
Downside	10%	3.6	6.2	9.0	3.4	3.3	1.2	1.4
Severe downside	10%	3.2	5.4	7.7	1.4	2.4	1.1	1.4
Weighted average		**4.3**	**8.0**	**12.1**	**7.7**	**3.4**	**1.6**	**1.5**
Annual quarterly GDP change (%)**	**Weighting**	**Sep 2021**	**Dec 2021**	**Mar 2022**	**Jun 2022**	**Jun 2023**	**Jun 2024**	**Jun 2025**
Upside	10%	10.7	12.0	15.5	11.5	3.2	2.0	1.4
Mild Upside	10%	9.5	10.6	13.8	9.5	2.9	1.8	1.5
Base	50%	8.2	8.7	11.5	6.5	2.2	1.5	1.5
Stagnation	10%	5.6	4.3	7.5	3.3	1.9	1.2	1.6
Downside	10%	4.6	3.3	4.9	0.9	2.7	1.1	1.7
Severe downside	10%	3.0	1.7	3.2	(2.2)	3.0	0.9	1.7
Weighted average		**7.4**	**7.6**	**10.2**	**5.5**	**2.5**	**1.4**	**1.6**

Bank rate	**Weighting**	**Sep 2021**	**Dec 2021**	**Mar 2022**	**Jun 2022**	**Jun 2023**	**Jun 2024**	**Jun 2025**
Upside	10%	0.2	0.4	0.6	0.9	1.8	2.0	2.1
Mild Upside	10%	0.2	0.3	0.4	0.5	1.3	1.5	1.5
Base	50%	0.1	0.1	0.1	0.1	0.3	0.5	0.8
Stagnation	10%	0.1	0.1	0.1	0.1	0.1	0.1	0.3
Downside	10%	0.1	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)	0.0
Severe downside	10%	(0.1)	(0.3)	(0.4)	(0.5)	(0.5)	(0.5)	(0.3)
Weighted average		**0.1**	**0.1**	**0.1**	**0.1**	**0.4**	**0.5**	**0.7**

Unemployment rate	**% peak**	**Weighting**	**Sep 2021**	**Dec 2021**	**Mar 2022**	**Jun 2022**	**Jun 2023**	**Jun 2024**	**Jun 2025**
Upside	4.4%	10%	4.4	4.2	4.0	4.0	4.0	4.0	4.0
Mild Upside	4.5%	10%	4.5	4.4	4.3	4.3	4.3	4.3	4.3
Base	5.5%	50%	5.1	5.5	5.1	4.8	4.5	4.5	4.5
Stagnation	6.4%	10%	5.7	6.0	6.0	6.1	6.4	6.3	6.0
Downside	6.6%	10%	5.9	6.3	6.3	6.4	6.6	6.5	6.2
Severe downside	6.9%	10%	6.4	6.8	6.8	6.8	6.9	6.8	6.5
Weighted average			**5.2**	**5.5**	**5.3**	**5.1**	**5.1**	**5.0**	**4.9**

Annual change in house-price index (%)	**Start to trough % change**	**Weighting**	**Sep 2021**	**Dec 2021**	**Mar 2022**	**Jun 2022**	**Jun 2023**	**Jun 2024**	**Jun 2025**
Upside	N/a***	10%	11.6	8.2	5.7	6.2	5.0	11.2	3.1
Mild Upside	N/a***	10%	10.0	6.1	2.9	2.8	2.5	8.4	3.2
Base	(2.3%)	50%	7.4	3.0	(0.8)	(1.6)	(0.5)	3.0	3.4
Stagnation	(15.3%)	10%	5.0	(0.6)	(5.7)	(8.1)	(6.6)	(1.3)	3.8
Downside	(22.4%)	10%	3.8	(2.2)	(7.8)	(10.8)	(9.3)	(4.1)	4.1
Severe downside	(34.3%)	10%	1.9	(4.8)	(11.4)	(15.3)	(14.3)	(9.5)	4.5
Weighted average			**6.9**	**2.2**	**(2.0)**	**(3.3)**	**(2.5)**	**2.0**	**3.6**

* House price index (HPI) is forecast to increase in all future periods in this scenario.
**Annual quarterly GDP change represents the change in quarterly GDP compared with the corresponding quarter in the previous year.
*** House price index (HPI) is forecast to increase in all future periods in this scenario.

Unless otherwise indicated, all amounts are stated in £m

8. Loans and advances to customers (continued)

Contract modifications, forbearance and significant increases in credit risk

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

The Group uses qualitative and quantitative criteria including:

- A loan becoming 30 days or more past due,
- Certain qualitative indicators, such as those used in the servicing of the loan, which indicate increased credit risk,
- There is an increase in the lifetime PD of the loan since origination which is judged to be significant, and
- Loans which exhibit certain indicators of credit risk and have previously been in receipt of a mortgage-payment deferral.

The Group offers forbearance to assist customers who are experiencing financial distress and considers an account as forborne at the time a customer in financial difficulty is granted a concession. For accounting purposes, any gains or losses arising upon granting forbearance are usually not material because losses are already included in ECLs. Subsequently, the Group may determine after a probationary period that a restructuring has significantly improved credit risk such that the asset is moved back to stage 1.

Loss allowance

The loss allowance has decreased by £14.8m from £104.4m at 30 June 2021 to £89.6m at 31 March 2022 (31 March 2021: £111.7m). The following tables analyse the movement of the loss allowance during the nine months ended 31 March 2022 and 31 March 2021.

	Nine months ended 31 March 2022			
Loss allowance	**Stage 1**	**Stage 2**	**Stage 3 and POCI**	**Total**
Balance at beginning of period	**(4.0)**	**(28.7)**	**(71.7)**	**(104.4)**
Transfer to a 12-month ECL	(0.8)	5.4	-	4.6
Transfer to a lifetime ECL not credit impaired	2.4	(9.2)	4.0	(2.8)
Transfer to a lifetime ECL credit impaired	0.2	16.9	(21.2)	(4.1)
Other changes in credit risk during the period	(4.2)	(6.2)	3.5	(6.9)
Impairment of interest income on stage 3 loans	-	-	(8.6)	(8.6)
New financial assets originated	(2.9)	(1.1)	(1.2)	(5.2)
Financial assets derecognised	2.6	6.4	15.7	24.7
Changes in models and risk parameters	(4.2)	(4.7)	1.7	(7.2)
Impairment losses for the period charged to income statement	**(6.9)**	**7.5**	**(6.1)**	**(5.5)**
Unwind of discount	-	-	8.6	8.6
Write-offs net of recoveries	-	(0.1)	11.3	11.2
Changes on refinancing of impaired loans	-	-	0.5	0.5
Balance at end of period	**(10.9)**	**(21.3)**	**(57.4)**	**(89.6)**

Unless otherwise indicated, all amounts are stated in £m

8. Loans and advances to customers (continued)

Loss allowance (continued)

Loss allowance	Nine months ended 31 March 2021 Stage 1	Stage 2	Stage 3 and POCI	Total
Balance at beginning of period	**(12.4)**	**(21.0)**	**(85.4)**	**(118.8)**
Transfer to a 12-month ECL	(1.6)	4.3	-	2.7
Transfer to a lifetime ECL not credit impaired	5.7	(19.4)	12.7	(1.0)
Transfer to a lifetime ECL credit impaired	0.8	18.4	(33.4)	(14.2)
Other changes in credit risk during the period	(1.3)	(12.1)	(5.3)	(18.7)
Impairment of interest income on stage 3 loans	-	-	(9.0)	(9.0)
New financial assets originated	(1.3)	(2.1)	-	(3.4)
Financial assets derecognised	2.5	7.4	16.4	26.3
Changes in models and risk parameters	3.6	(2.1)	(5.5)	(4.0)
Impairment losses for the period charged to income statement	**8.4**	**(5.6)**	**(24.1)**	**(21.3)**
Unwind of discount	-	-	9.0	9.0
Write-offs net of recoveries	-	-	16.2	16.2
Changes on refinancing of impaired loans	-	-	3.2	3.2
Balance at end of period	**(4.0)**	**(26.6)**	**(81.1)**	**(111.7)**

Other changes in credit risk include the development or cure of loan arrears and other changes in status. The loss allowance on new financial assets originated represents the ECL on initial recognition. Subsequent changes in ECL are reflected in other movements in the above tables.

Changes in models and risk parameters resulted in a charge of £7.2m (31 March 2021: £4.0m). The main drivers of this change were updates to macroeconomic data.

The impact of loans transferring between stages has increased ECL by £2.3m during the period (31 March 2021: £12.6m increase) and other changes in credit risk have increased ECL by £6.9m (31 March 2021: £18.7m). There are a number of drivers of the net increase of £9.2m observed in these line items in the period to 31 March 2022, the principal ones being:

- £4.7m due to increases in arrears levels. These and other qualitative and quantitative factors are used to assess the allocated stages of loans and can therefore result in the recognition of allowances based on lifetime losses on loans which were previously measured using a 12-month loss. Arrears levels also affect the probability of default assigned to loans;
- £3.6m due to qualitative criteria to assess whether a loan has experienced a significant increase in credit risk. The criteria include: customers who are not in arrears, but may have suffered a certain level of income shock based on credit-bureau data, and; loans which are not in arrears or otherwise exhibiting signs of an increase in credit risk but are secured on certain property types which may be most affected by the current macroeconomic environment.

The impairment of interest income recognised on stage 3 loans of £8.6m (31 March 2021: £9.0m) offsets the unwinding of discounting on expected cash flows of the same amount. New originations increased ECL by £5.2m (31 March 2021: £3.4m), reflecting new lending undertaken during the period and the requirement to measure all loans using a forward-looking ECL. Increases in ECL were offset by releases of £24.7m (31 March 2021: £26.3m) on loans which have redeemed during the period. ECL has reduced by £0.5m (31 March 2021: £3.2m) due to refinancing of credit impaired assets where the new loans have been classified as POCI. The gross balances of the new POCI assets included £0.5m (31 March 2021: £3.2m) of ECLs on initial recognition.

Unless otherwise indicated, all amounts are stated in £m

8. Loans and advances to customers (continued)

Loss allowance (continued)

Write-offs net of recoveries of £11.2m (31 March 2021: £16.2m) mainly consisted of £8.3m relating to shortfall accounts. These arise where the property has been repossessed and sold but an outstanding balance remains and is fully provided for. Substantially all the accounts subject to write-off 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 remaining £1.9m arose during the normal performance of the loan book.

Impairment losses for the period

	Nine months ended	
	31 March 2022	**31 March 2021**
Movements in impairment allowance, charged to income	5.5	21.3
Amounts released from deferred income	(0.3)	0.4
Write-offs net of recoveries	(3.2)	-
Gains on derecognition of assets held at amortised cost as a result of refinancing impaired loans	-	(2.3)
	2.0	**19.5**

Movements in gross carrying amounts

The following tables set out changes in the gross carrying amount of financial instruments that contributed to the changes in the loss allowance:

	Nine months ended 31 March 2022			
	Stage 1	**Stage 2**	**Stage 3 and POCI**	**Total**
Loans and advances to customers at amortised cost				
Balance at beginning of period	2,541.3	1,089.9	485.1	4,116.3
Transfer to a 12-month ECL	660.0	(660.0)	-	-
Transfer to a lifetime ECL not credit impaired	(438.9)	510.7	(71.8)	-
Transfer to a lifetime ECL credit impaired	(6.5)	(153.9)	160.4	-
New financial assets originated	1,673.5	50.6	2.9	1,727.0
Financial assets derecognised including write-offs	(678.0)	(126.3)	(174.7)	(979.0)
Balance at end of period	**3,751.4**	**711.0**	**401.9**	**4,864.3**

	Nine months ended 31 March 2021			
	Stage 1	**Stage 2**	**Stage 3 and POCI**	**Total**
Loans and advances to customers at amortised cost				
Balance at beginning of period	3,061.3	721.2	498.5	4,281.0
Transfer to a 12-month ECL	454.0	(452.4)	(1.6)	-
Transfer to a lifetime ECL not credit impaired	(938.0)	1,106.2	(168.2)	-
Transfer to a lifetime ECL credit impaired	(29.1)	(364.7)	393.8	-
New financial assets originated	588.0	70.4	-	658.4
Financial assets derecognised including write-offs	(532.7)	(181.0)	(183.2)	(896.9)
Changes on refinancing of impaired loans	-	-	(0.7)	(0.7)
Balance at end of period	**2,603.5**	**899.7**	**538.6**	**4,041.8**

Unless otherwise indicated, all amounts are stated in £m

8. Loans and advances to customers (continued)

Stage 2 disaggregation

Days past due	31 March 2022		30 June 2021	
	Gross exposure	Impairment allowance	Gross exposure	Impairment allowance
> 30 days past due	71.6	1.8	76.6	2.2
< 30 days past due	639.5	19.3	1,013.3	26.5
Total	**711.0**	**21.1**	**1,089.9**	**28.7**

The reduction in total stage 2 loans since June 2021 is mainly because, during the period to 31 March 2022 the Group removed certain judgmental qualitative criteria which had been applied to the staging methodology within the ECL calculation during the pandemic. These overrides had moved accounts through the stages based upon risk factors, and the progression of the economy's recovery and emergence from the pandemic means that certain cohorts of accounts have not been impacted to the degree initially expected. The removal of these criteria has resulted in the transfer of £240m of gross loans and advances from stage 2 to stage 1, and £23m of gross loans and advances from stage 3 to stage 2, since June 2021.

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

Macroeconomic scenarios

The following table shows the unweighted ECL for each of the scenarios modelled as at 31 March 2022, 31 March 2021 and 30 June 2021 and the probabilities that were applied in the calculation of ECL.

	31 March 2022		31 March 2021		30 June 2021	
Scenarios	**Probability of the scenario**	**Unweighted ECL**	**Probability of the scenario**	**Unweighted ECL**	**Probability of the scenario**	**Unweighted ECL**
Upside	10%	34.6	10%	48.8	10%	49.8
Mild upside	10%	41.4	10%	57.7	10%	56.0
Base case	50%	61.5	50%	82.7	50%	75.4
Stagnation	10%	119.2	10%	149.5	10%	137.5
Downside	10%	157.8	10%	187.8	10%	174.9
Severe downside	10%	235.5	10%	259.6	10%	248.9
Weighted average		**89.6**		**111.7**		**104.4**

Sensitivities can be derived from this table by applying different combinations of probabilities to the unweighted ECLs and comparing these to the weighted average which is the amount recorded within the statement of financial position.

Loss given default (LGD)

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% reduction applied to the index in each forecast future period), applied in each scenario, would result in an increase in the impairment allowance of £15.0m at 31 March 2022 (31 March 2021: £20.7m); conversely, a 10% increase would result in a decrease in the impairment allowance of £11.5m at 31 March 2022 (31 March 2021: £17.5m).

Probability of default (PD) and probability of repossession given default (PPGD)

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 £5.8m at 31 March 2022 (31 March 2021: £7.4m). 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 £7.2m at 31 March 2022 (31 March 2021: £7.1m).

Unless otherwise indicated, all amounts are stated in £m

8. Loans and advances to customers (continued)

Critical accounting judgements

Key areas of judgement in the ECL models include 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	**31 March 2022**	**31 March 2021**	**30 June 2021**
Measure all loans in Stage 1 using a Stage 2 lifetime ECL – increase in allowance	36.3	16.7	16.6

9. Other assets

	31 March 2022	**31 March 2021**	**30 June 2021**
Amounts owed by related parties	0.9	0.3	0.4
Amounts owed by parent company	0.1	-	-
Other debtors	1.9	1.1	0.7
Prepayments and accrued income	5.5	4.1	4.5
Inventories	0.6	0.6	0.6
Investments	0.1	0.1	0.1
	9.1	**6.2**	**6.3**

Amounts owed by related parties of the Group are mainly in respect of companies in which HN Moser is a director and shareholder. Also included within amounts owed by related parties is £0.3m (31 March 2021: £0.2m; 30 June 2021: £0.3m) in relation to a director's loan. The loan is interest free and repayable on demand.

10. Property, plant and equipment

Nine months ended 31 March 2022	**Fixtures, fittings and equipment**	**Motor vehicles**	**Right-of-use assets – leasehold property**	**Total**
Cost				
At beginning of period	8.1	1.6	35.5	45.2
Additions	0.6	0.5	-	1.1
At end of period	**8.7**	**2.1**	**35.5**	**46.3**
Depreciation				
At beginning of period	5.0	0.8	7.8	13.6
Charge for the period	0.7	0.3	0.8	1.8
At end of period	**5.7**	**1.1**	**8.6**	**15.4**
Net book value				
At end of period	**3.0**	**1.0**	**26.9**	**30.9**
At beginning of period	3.1	0.8	27.7	31.6

Unless otherwise indicated, all amounts are stated in £m

10. Property, plant and equipment (continued)

Nine months ended 31 March 2021	Fixtures, fittings and equipment	Motor vehicles	Right-of-use assets – leasehold property	Total
Cost				
At beginning of period	8.3	1.9	16.0	26.2
Additions	0.2	-	1.2	1.4
Disposals	(0.7)	(0.4)	-	(1.1)
At end of period	**7.8**	**1.5**	**17.2**	**26.5**
Depreciation				
At beginning of period	4.7	0.8	6.8	12.3
Charge for the period	0.8	0.2	0.7	1.7
Disposals	(0.7)	(0.3)	-	(1.0)
At end of period	**4.8**	**0.7**	**7.5**	**13.0**
Net book value				
At end of period	**3.0**	**0.8**	**9.7**	**13.5**
At beginning of period	3.6	1.1	9.2	13.9

Year ended 30 June 2021	Fixtures, fittings and equipment	Motor vehicles	Right-of-use assets – leasehold property	Total
Cost				
At beginning of year	8.3	1.9	16.0	26.2
Additions	0.5	0.1	5.3	5.9
Lease modifications	-	-	14.4	14.4
Disposals	(0.7)	(0.4)	-	(1.1)
Impairments	-	-	(0.2)	(0.2)
At end of year	**8.1**	**1.6**	**35.5**	**45.2**
Depreciation				
At beginning of year	4.7	0.8	6.8	12.3
Charge for the year	1.0	0.2	1.0	2.2
Disposals	(0.7)	(0.2)	-	(0.9)
At end of year	**5.0**	**0.8**	**7.8**	**13.6**
Net book value				
At end of year	**3.1**	**0.8**	**27.7**	**31.6**
At beginning of year	3.6	1.1	9.2	13.9

Unless otherwise indicated, all amounts are stated in £m

11. Intangible assets

Computer software	Nine months ended 31 March 2022	Nine months ended 31 March 2021	Year ended 30 June 2021
Cost			
At beginning of period	20.0	18.0	18.0
Additions	2.1	1.4	2.0
At end of period	**22.1**	**19.4**	**20.0**
Amortisation			
At beginning of period	13.0	9.9	9.9
Charge for the period	2.3	2.3	3.1
At end of period	**15.3**	**12.2**	**13.0**
Net book value			
At end of period	**6.8**	**7.2**	**7.0**
At beginning of period	7.0	8.1	8.1

12. Deferred tax asset

	Nine months ended 31 March 2022	Nine months ended 31 March 2021	Year ended 30 June 2021
At beginning of period	11.0	7.6	7.6
Charge to income statement	(1.5)	-	0.4
Adjustment in respect of prior years	-	(0.1)	1.3
Effect of changes in tax rates	0.2	-	1.7
At end of period	**9.7**	**7.5**	**11.0**

The deferred tax asset consisted of the following:

	31 March 2022	31 March 2021	30 June 2021
Accelerated capital allowances	(0.5)	(0.9)	(0.4)
Short-term timing differences	10.2	8.4	11.4
	9.7	**7.5**	**11.0**

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Company's future current tax charge accordingly. The deferred tax asset at 31 March 2022 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences which led to a £0.2m increase in the value of the deferred tax asset.

13. Borrowings

	31 March 2022	31 March 2021	30 June 2021
Loan notes	2,937.1	2,272.9	2,327.7
Senior secured notes	1,055.5	935.0	935.0
Subordinated shareholder loans	30.8	28.8	29.3
Lease liabilities	29.6	11.7	29.9
	4,053.0	**3,248.4**	**3,321.9**
Debt-issue costs	(20.2)	(17.2)	(17.9)
	4,032.8	**3,231.2**	**3,304.0**
Of which:			
Due for settlement within 12 months	279.1	138.2	345.8
Due for settlement after 12 months	3,753.7	3,093.0	2,958.2
	4,032.8	**3,231.2**	**3,304.0**

Loan notes at 31 March 2022 consisted of the following facilities:

	Established	Facility type	Facility size (£m)	Expiry
Brooks ABS	2021	Amortising	71.2	July 2025
Charles Street ABS 2*	2022	Revolving	1,251.5	Mar 2027
Delta ABS 2	2019	Revolving	400.0	Dec 2025
Highfield ABS	2018	Revolving	525.0	Sep 2025
Lakeside ABS**	2015	Revolving	500.0	Oct 2023
Together ABS 2	2018	Amortising	134.3	Nov 2022
Together ABS 3	2019	Amortising	207.4	Sept 2023
Together ABS 4	2020	Amortising	286.0	Jun 2024
Together ABS 5	2021	Amortising	313.2	Oct 2025
Together CRE 1	2021	Amortising	184.0	Feb 2025
Together CRE 2	2021	Amortising	232.9	Feb 2026

*CABS 2 was issued as part of the CABS refinancing. Please see below for further information.
** LABS was refinanced after period end. Please see below and note 22 for further information.

In the case of the amortising facilities, the expiry date shown is the date of the option to call the facility and the facility size is shown as the amortised position at the balance sheet date. The expiry date for revolving facilities include an amortisation period of one year except for Lakeside ABS which at the period end was in its amortisation period.

The maturity date on the undrawn £71.9m RCF facility is June 2023.

Subordinated shareholder loans were originally issued on 2 November 2016. They are interest-free loans totalling £68.1m, which comprised £25.1m due in 2027, after maturity extensions, and £43.0m due in 2036. The difference between the total nominal value of £68.1m and the initial fair values on origination or extension of £22.2m represents a cumulative non-distributable capital contribution of £47.9m, £10.3m of which has amortised by 31 March 2022 (31 March 2021: £8.6m; 30 June 2021: £9.2m). The remainder of the reserve will be released over the life of the instruments.

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

In September 2021, the Group refinanced its £525m Highfield ABS facility, extending its maturity date from June 2022 to September 2025 and reducing the coupon. As part of the refinance, the Highfield ABS became a revolving facility having become amortising in June 2021. The refinancing of the Highfield ABS facility has been judged to constitute a non-substantial modification, as neither the present value of the cash flows nor the qualitative changes arising on the refinanced facility are substantially different from the facility prior to refinancing.

The Group has assessed that there is no material modification gain or loss arising on the transaction, based upon the cash flows arising under the average forecast utilisation levels of the facility. The estimation of modification gains and losses on revolving facilities used to hold mortgages before transfer to other facilities is subject to a high degree of judgement and uncertainty. If utilisation were to be 10% greater than that which results in a modification gain or loss of nil, the Group would have incurred a modification gain of £1.8m, whilst if utilisation were 10% lower, the Group would have incurred a modification loss of £1.8m.

Unless otherwise indicated, all amounts are stated in £m

13. Borrowings (continued)

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

Also in September 2021, the Group announced the pricing of its inaugural first-charge-only RMBS, Together Asset Backed Securitisation 2021 – 1ST1 PLC (TABS 5). The issuance raised £302m of external funding.

The Group has two senior secured notes in issue. The senior secured note of £435m is due to mature by 2026, and the senior secured note of £500m is due to mature by 2027. In November 2021, the Group announced the issuance of an additional £120m of its 4 7/8% Senior Secured Notes due 2026 through its wholly owned subsidiary Jerrold Finco PLC at an offering price of 100.5%.

In December 2021 the Group announced the successful refinancing of its Delta ABS 2 facility, from £200m to £400m. The maturity of DABS 2, which supports the Group's unregulated bridging lending, has also been extended to December 2025.

In March 2022 the Group successfully refinanced its Charles Street ABS facility, significantly improving commercial terms and extending its maturity from September 2023 to March 2027. As part of the refinancing, the Group has taken the opportunity to close down the original facility and re-issue it as a new facility, Charles Street ABS 2 ('CABS 2').

Following the period end, in April 2022 the Group successfully refinanced its Lakeside ABS facility, extending its maturity from October 2023 to April 2026, and with an increase in size from £500m to £700m and the addition of a new funding partner.

Refer to Note 19 for more details in relation to the lease liabilities.

Debt-issue costs, which consist of the prepaid fees in relation to the bank loan, loan notes and the senior secured notes, are deducted from the loan carrying amounts and charged to interest expense over the expected duration or term of the facility or notes as appropriate.

Borrowings have the following maturities using the expiry dates defined above:

As at 31 March 2022	**<1 year**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Loan notes	279.8	507.9	2,149.4	-	2,937.1
Senior secured notes	-	-	1,055.5	-	1,055.5
Subordinated shareholder loans	-	-	-	30.8	30.8
Lease liabilities	0.8	1.0	2.2	25.6	29.6
	280.6	**508.9**	**3,207.1**	**56.4**	**4,053.0**
Debt-issue costs	(1.4)	(1.7)	(17.1)	-	(20.2)
	279.2	**507.2**	**3,190.0**	**56.4**	**4,032.8**

As at 31 March 2021	**<1 year**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Loan notes	137.8	562.3	1,572.8	-	2,272.9
Senior secured notes	-	-	435.0	500.0	935.0
Subordinated shareholder loans	-	-	-	28.8	28.8
Lease liabilities	1.3	1.3	3.3	5.8	11.7
	139.1	**563.6**	**2,011.1**	**534.6**	**3,248.4**
Debt-issue costs	(0.9)	(1.9)	(10.6)	(3.8)	(17.2)
	138.2	**561.7**	**2,000.5**	**530.8**	**3,231.2**

As at 30 June 2021	**<1 year**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Loan notes	346.1	349.9	1,631.7	-	2,327.7
Senior secured notes	-	-	435.0	500.0	935.0
Subordinated shareholder loans	-	-	-	29.3	29.3
Lease liabilities	0.9	0.8	2.1	26.1	29.9
	347.0	**350.7**	**2,068.8**	**555.4**	**3,321.9**
Debt-issue costs	(1.2)	(2.1)	(8.2)	(6.4)	(17.9)
	345.8	**348.6**	**2,060.6**	**549.0**	**3,304.0**

Unless otherwise indicated, all amounts are stated in £m

14. Provisions and contingent liabilities

Provisions

	Customer provisions	Other provisions	Total
As at 1 July 2021	13.3	11.8	25.1
Charge/(release) for the period	3.6	(2.9)	0.7
Provisions utilised	(2.4)	(2.0)	(4.4)
As at 31 March 2022	**14.5**	**6.9**	**21.4**

As at 31 March 2022, the Group has recognised provisions of £21.4m (31 March 2021: £20.8m). Estimating the amount of provisions requires the exercising of significant levels of judgement, with the amounts representing the best estimate of the amount required to settle or transfer the obligation at the reporting date. It is possible that the ultimate outcome could differ from amounts currently provided.

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

During the period the Group has progressed with the evaluation of these matters, however uncertainty remains in respect of certain factors assessed in calculating these provisions including the scope and population, the amounts which may be ultimately payable and the timing of such payments.

The current best estimate is that the Group may incur costs of £13.0m presented within customer provisions. This represents management’s best estimate at the reporting date, derived by considering potential scenarios which could impact upon live and redeemed loans and also comprises £1.5m which relates to estimated operational expenditure associated with these activities. However, this estimate is subject to considerable judgement and it is possible that the ultimate outcome could be materially different for the Group due to the sensitivity of the selection of certain judgements and assumptions. One scenario which was considered in deriving the overall estimate includes a larger population of customers and higher assumed levels of payments and could result in an estimated financial impact of £18.0m, which is an increase of £5.0m from the estimated provision. However, the financial impact could also be below the current best estimate and it is also possible that the final outcome may fall outside this range contemplated by the scenarios.

As a financial services company, the Group is required to comply with relevant legislation, and has processes in place to meet these standards and to manage any legal claims against the Group. Where such claims are received, the Group will investigate the facts and circumstances and will defend claims without merit.

Other provisions substantially represents a provision for such legal claims, which includes both legal claims already received but not yet concluded, and an expectation for future claims which are yet to be received, but relate to events which are judged to have already occurred, and the anticipated costs of undertaking these processes for claims which are received by the Group. An increase in the time period we are forecasting to receive claims over of 50% would result in an increase in the provision of £1.1m (50% decrease: reduction of £1.1m).

Unless otherwise indicated, all amounts are stated in £m

14. Provisions and contingent liabilities (continued)

Contingent liabilities – fixed and floating charges

As at 31 March 2022, the Group's assets were subject to a fixed and floating charge in respect of £1,055m senior secured notes (31 March 2021: £935m; 30 June 2021: £935m) and £nil in respect of bank borrowings (31 March 2021: £nil; 30 June 2021: £nil).

15. Other liabilities

	31 March 2022	31 March 2021	30 June 2021
Dividends payable to parent company, Bracken Midco2 Limited	-	26.3	-
Amounts owed to related parties	0.1	1.6	1.4
Trade creditors	1.3	0.6	1.1
Other creditors	0.8	1.6	1.9
Other taxation and social security	5.7	0.6	0.7
Accruals and deferred income	51.1	36.7	52.0
	59.0	**67.4**	**57.1**

Amounts owed to related parties of the Group are in respect of companies in which HN Moser is a director and shareholder.

16. Financial instruments and fair values

The Group measures fair values using the following hierarchy, which reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices in active markets for identical assets or liabilities;
Level 2: Measurements derived from observable data, such as market prices or rates;
Level 3: Measurements that rely on significant inputs not based on observable market data.

Financial instruments measured at fair value

The following table summarises the fair values as at the period end of financial instruments measured at fair value, analysed into different levels according to the degree to which they are based on observable inputs:

Derivative assets/(liabilities) held for risk management	Level 1	Level 2	Level 3	Fair value	Carrying value
31 March 2022					
Interest-rate risk					
Derivative assets	-	7.0	-	**7.0**	**7.0**
Derivative liabilities	-	-	-	**-**	**-**
31 March 2021					
Interest-rate risk					
Derivative assets	-	0.6	-	**0.6**	**0.6**
Derivative liabilities	-	(1.3)	-	**(1.3)**	**(1.3)**
30 June 2021					
Interest-rate risk					
Derivative assets	-	0.6	-	**0.6**	**0.6**
Derivative liabilities	-	(1.2)	-	**(1.2)**	**(1.2)**

Unless otherwise indicated, all amounts are stated in £m

16. Financial instruments and fair values (continued)

The Group's derivative instruments are interest-rate swaps, caps and a floor. The valuations of these instruments are level 2, being derived from generally accepted valuation models that use forecast future interest-rate curves derived from market data. At 31 March 2021, derivatives assets consisted only of interest-rate caps, the value of which was not material and therefore not presented in the table above due to rounding.

Financial instruments not measured at fair value

All the Group's other financial assets and liabilities are held at amortised cost. The carrying value is a reasonable approximation of fair value for all financial instruments other than for loans and advances to customers and for borrowings. For loans and advances to customers and for borrowings, fair value is calculated based upon the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

The following table analyses the fair values of loans and advances and of borrowings into different levels according to the degree to which the fair values are based on observable inputs:

31 March 2022	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets					
Loans and advances to customers	-	-	4,756.1	**4,756.1**	**4,774.7**
Financial liabilities					
Borrowings	1,015.8	1,264.3	1,727.8	**4,007.8**	**4,032.8**

31 March 2021	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets					
Loans and advances to customers	-	-	3,895.6	**3,895.6**	**3,930.1**
Financial liabilities					
Borrowings	947.9	1,025.2	1,290.5	**3,263.6**	**3,231.2**

30 June 2021	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets					
Loans and advances to customers	-	-	4,073.3	**4,073.3**	**4,011.9**
Financial liabilities					
Borrowings	963.9	1,210.7	1,180.7	**3,355.3**	**3,304.0**

The fair value of loans and advances to customers is based on future interest cash flows (at current customer rates) and principal cash flows discounted using the rate at which we most recently advanced similar loans (a market rate). This rate is assumed to encompass the time value of money, plus a risk premium to account for the inherent uncertainty in the timing and amount of future cash flows arising from mortgage assets. Forecast principal repayments are based on redemption at maturity with an overlay for historical behavioural experience to take account of expected prepayment. The eventual timing of future cash flows may be different from the forecast due to unpredictable customer behaviour. A further adjustment is made to reflect expected credit losses over the life of each loan.

Unless otherwise indicated, all amounts are stated in £m

16. Financial instruments and fair values (continued)

For borrowings, the fair value of senior secured notes is considered to be level 1, reflecting quoted prices. The fair value is lower than the carrying value as the notes are trading at a discount to their par value as at 31 March 2022.

The fair value of loan notes issued by private securitisations is estimated to be the carrying value because the notes track a floating rate of interest but where the margins payable are observable inputs only when they are issued or refinanced. These notes are classified as level 3 with public residential mortgage-backed securities classified as level 2.

Other borrowings stated at fair value in level 3 almost entirely represent subordinated shareholder loans and lease liabilities. Market prices are not available for these loans and so fair value has been estimated by discounting the related expected future cash flows. As market rates are not observable for these loans, management has derived discount rates by reference to other arm’s length transactions with investors, making allowance for the tenor and seniority of the loans.

17. Notes to the statement of cash flows

	Three months ended		Nine months ended	
	31 Mar 2022	**31 Mar 2021**	**31 Mar 2022**	**31 Mar 2021**
Adjustments for non-cash items in profit after tax:				
Net interest income	(62.5)	(55.8)	(188.1)	(184.7)
Changes in expected credit losses charged to income statement	(1.3)	(0.9)	2.0	21.3
Taxation	6.5	5.3	19.1	16.0
Provisions for liabilities and charges	(0.2)	0.8	0.7	4.1
Depreciation and amortisation	1.3	1.2	4.0	4.0
Share-based payment	0.1	-	4.3	-
Net (gains)/losses on financial instruments	0.2	(0.4)	-	(0.8)
Losses on disposal of fixed assets	-	(0.2)	-	(0.1)
	(55.9)	**(50.0)**	**(158.0)**	**(140.2)**
Change in operating assets and liabilities				
Decrease/(increase) in loans and advances to customers	(351.9)	(45.4)	(764.8)	210.8
(Increase)/decrease in other assets	0.9	(0.9)	(2.8)	0.8
(Decrease)/increase in other liabilities and provisions	(4.1)	(7.3)	11.7	(8.5)
	(355.1)	**(53.6)**	**(755.9)**	**203.1**

18. Related party transactions

Relationships

The Company has the following related parties:

a) Controlling party

All the voting shares of Together Financial Services Limited are controlled by Bracken Midco2 Limited, a company whose ultimate parent is Redhill Famco Limited, which is wholly controlled by HN Moser, a director of Together Financial Services Limited.

Besides the companies owned by Redhill Famco Limited, other entities controlled by HN Moser are deemed to be related parties and during the period transacted with the Company's subsidiaries as follows:

Entity	Nature of transactions
Bracken House Properties LLP	The Group pays operating lease and insurance costs to Bracken House Properties LLP for its provision of the Group's head office properties.
Centrestand Limited	The Group collects rents and pays service charges and costs on behalf of Centrestand Limited.
Charles Street Commercial Investments Limited	The Group refers borrowers outside its lending criteria to Charles Street Commercial Investments Limited. The Group performs underwriting, collection and arrears-management activities for these loans. The Group also manages accounts payable on behalf of the company and provides ancillary accounting and treasury services.
Sterling Property Company Limited	Sterling Property Co. Limited provides property management services for a small population of properties repossessed or placed into LPA receivership by the Group. These services solely relate to properties repossessed prior to the current year.
Edgworth Developments Limited & Sunnywood Estates Limited	The Group provides loans with interest charged at 5% per annum, secured on certain assets of these companies. The Group also manages accounts payable on behalf of these entities.
August Blake Developments Limited	The Group manages accounts payable on behalf of August Blake Developments Limited

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

b) Parent companies

The Group transacted with the following parent companies owned by HN Moser:

Entity	Nature of transactions
Bracken Midco2 Limited	During November 2016, the Company received subordinated funding from Bracken Midco2 Limited. The subordinated loans are interest-free and for fixed terms, as set out in Note 13. The difference between the loans' maturity amounts and their fair values represents a capital contribution to the Group which is being amortised over the life of the loan.

From time to time, the Group pays dividends to its parent company Bracken Midco2 Limited.

c) Subsidiaries

The Company utilises its bank and subordinated shareholder funding, and bonds raised by a subsidiary company, to provide treasury funding to its lending subsidiaries. Interest is recharged among Group companies based on the Group's external cost of borrowings and the risk of the assets funded. The cost of equity funding is not charged. All amounts are repayable on demand.

Unless otherwise indicated, all amounts are stated in £m

18. Related party transactions (continued)

Relationships (continued)

d) Key management personnel

Key management personnel comprise directors of the Group. There are no transactions during the period with directors other than the director's loan disclosed in Note 9 and remuneration in the ordinary course of business.

During a previous accounting period, the Group granted options to senior management under an equity settled share based payment scheme. During the current period, a charge of £4.3m has been recognised in the income statement. The majority of this charge represents the costs to the Group of services received from those individuals in previous accounting periods (rather than the entire amount relating to services received in the 9 month period ended 31 March 2022), however the threshold for recognition of the charge was not met in those periods.

Transactions

The amounts receivable from and payable to related parties by the Group are disclosed in Notes 9 and 15. The Group had the following transactions with related parties during the period:

	Nine months ended 31 March 2022		31 March 2021	
	Charge/ (credit) to income or equity	**Paid**	**Charge/ (credit) to income or equity**	**Paid/ (Received)**
Lease and insurance costs	2.2	2.2	1.2	0.8
Accounts payable transactions	-	0.7	-	0.8
Impairment of related party loans	(0.1)	-	(0.2)	-
Interest on related party loans	-	-	0.2	-
Net settlements of related party balances	-	1.3	-	(2.7)
Related parties of HN Moser	**2.1**	**4.2**	**1.2**	**(1.1)**
Interest expense	1.5	-	0.4	-
Dividend paid	27.6	27.6	52.7	26.4
Parent companies	**29.1**	**27.6**	**53.1**	**26.4**
Total related parties	**31.2**	**31.8**	**54.3**	**25.3**

The Group paid an interim dividend of £27.6m during the period ended 31 March 2022 (period ended 31 March 2021: £52.7m dividends declared, of which £26.4m were paid).

19. Leases

The Group occupies two head-office buildings which are subject to a lease for 25 years.

The Group also leases certain IT equipment with contract terms of one to three years. These leases are short-term and/or of low-value items and the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

The table below sets out the amounts recognised in the income statement in respect of the Group's right-of-use assets and lease liabilities during the three and nine months ended 31 March 2022 and 31 March 2021:

Three months ended 31 March 2022	**Administrative expenses £m**	**Interest expense £m**	**Total £m**
Depreciation expense of right-of-use assets	0.3	-	0.3
Interest expense on lease liabilities	-	0.4	0.4
Total recognised in the income statement	**0.3**	**0.4**	**0.7**

Three months ended 31 March 2021	**Administrative expenses £m**	**Interest expense £m**	**Total £m**
Depreciation expense of right-of-use assets	0.2	-	0.2
Interest expense on lease liabilities	-	0.2	0.2
Total recognised in the income statement	**0.2**	**0.2**	**0.4**

Nine months ended 31 March 2022	**Administrative expenses £m**	**Interest expense £m**	**Total £m**
Depreciation expense of right-of-use assets	0.8	-	0.8
Interest expense on lease liabilities	-	1.1	1.1
Total recognised in the income statement	**0.8**	**1.1**	**1.9**

Nine months ended 31 March 2021	**Administrative expenses £m**	**Interest expense £m**	**Total £m**
Depreciation expense of right-of-use assets	0.7	-	0.7
Interest expense on lease liabilities	-	0.5	0.5
Total recognised in the income statement	**0.7**	**0.5**	**1.2**

19. Leases (continued)

The below table sets out the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the nine months ended 31 March 2022 and 31 March 2021.

	Right-of-use assets – leasehold property £m	**Lease liabilities £m**
As at 1 July 2021	27.7	(29.9)
Additions	-	(0.5)
Depreciation expense	(0.8)	-
Interest expense on lease liabilities	-	(1.1)
Payments	-	2.0
As at 31 March 2022	**26.9**	**(29.5)**

	Right-of-use assets – leasehold property £m	**Lease liabilities £m**
As at 1 July 2020	9.2	(11.5)
Additions	1.2	(1.2)
Depreciation expense	(0.7)	-
Interest expense on lease liabilities	-	(0.5)
Payments	-	1.5
As at 31 March 2021	**9.7**	**(11.7)**

The lease liabilities analysis includes hire purchase obligations for motor vehicles. The Group had total cash outflows for leases of £2.0m in the nine months to 31 March 2022 (31 March 2021: £1.5m).

20. Commitments

The Group has commitments to extend credit which are not recorded on the balance sheet. This includes both undrawn elements of existing facilities, as well as new commitments to lend. 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 and should the customer default.

At 31 March 2022, the Group had undrawn commitments to lend of £217.6m (31 March 2021: £82.6m). These relate mostly to lines of credit granted to existing customers. The ECL on the undrawn elements of existing facilities is included within the total ECL held within net loans and advances to customers. The ECL on new lending commitments is immaterial at both 31 March 2022 and 31 March 2021 and is classified within other liabilities.

The increase in undrawn commitments to lend at 31 March 2022 compared with 31 March 2021 is driven by an increase in lending.

21. Reforms of benchmark interest rates

The Group's derivatives and non-derivative financial liabilities have been exposed to sterling Libor. Due to interest-rate benchmark reform, sterling Libor was discontinued on 31 December 2021 (other than for a 'synthetic' Libor available for instruments not transitioned from Libor by that date). It has therefore been necessary to transition to an alternative benchmark rate, also referred to as near-risk-free rates or RFRs. The Group's RFR for sterling Libor is the reformed sterling overnight index average (Sonia).

Implementation of alternative benchmark interest rates

The Group's mortgage loans do not directly reference Libor, and its only significant use has been as a reference rate for some of the Group's floating-rate borrowings and, in two cases, their related hedging arrangements. The Group's discontinuance of sterling Libor was closely managed by the treasury department to minimise the risk to the business's performance and activities and, subsequent to the year end, the Group has completed the transition arrangements for all its sterling-Libor facilities, as set out below.

Risks arising from the interest-rate benchmark reform

The key potential risks for the Group arising from the transition were:

- **Interest-rate basis risk:** this risk arises if negotiations with counterparties are not successfully concluded before the cessation of Libor, or if negotiations result in derivative and non-derivative instruments in a hedging relationship transitioning at different times, with different adjustment spreads or to different calculation methodologies.
- **Accounting**: if transition to Sonia is executed such that it does not permit the application of the reliefs in the Phase 2 amendments to IFRS 9, this could lead to volatility in the income statement as a result of the discontinuation of hedge-accounting relationships or if non-derivative financial instruments are modified or derecognised.
- **Operational risk**: the implementation of alternative benchmark rates will require changes which potentially give rise to operational risks.

Group management successfully worked with all counterparties to implement the changes and none of the risks has crystallised.

Interest-rate benchmark transition for non-derivative financial liabilities

The Group is already using Sonia as the reference rate for floating-rate notes and derivative contracts in its most recent securitisations. For its facilities referencing Libor, the Group actively managed the transition to Sonia. All facilities to be transitioned by specific contract amendments, rather than upon refinancing, required the agreement of spread adjustments to reduce or eliminate, to the extent reasonably practicable, any transfer of economic value from one party to another as a result of the transition to Sonia.

Unless otherwise indicated, all amounts are stated in £m

21. Reforms of benchmark interest rates (continued)

Interest-rate benchmark transition for non-derivative financial liabilities (continued)

The table below summarises the position at 31 March 2022 for the sterling-Libor financial liabilities that were in scope of the IFRS 9 amendments due to interest-rate benchmark reform. The amounts represent the total facility size and so include notes that pay interest at commercial-paper rates, as well as notes that reference Libor.

Non-derivative financial liability	Maturing in	Total facility	Hedge accounting	Transition progress
Revolving credit facility	June 2023	71.9	N/a	Transitioned to Sonia
Private securitisation loan notes				
Charles Street ABS	-	-	N/a	Facility extinguished
Lakeside ABS	October 2023	500.0	N/a	Transitioned to Sonia
Highfield ABS	September 2025	525.0	N/a	Transitioned to Sonia
Delta ABS	December 2025	400.0	N/a	Transitioned to Sonia
Public securitisation loan notes *				
Together ABS1	-	-	N/a	Facility extinguished
Together ABS2	November 2022	116.3	Partially designated in cashflow hedge	Transitioned to Sonia

* The stated maturity dates for the public securitisations are aligned to the maturity/call dates disclosed in Note 13. The stated nominal amounts represent the amounts outstanding at the end of the period.

Interest-rate benchmark transition for derivatives and hedging relationships

The Group used sterling-Libor derivatives for hedging purposes in only two of its securitisations, CABS and Together ABS2 (TABS 2). CABS used a combined interest-rate swap and floor and TABS 2 uses a cap, and all derivatives were subject to reform. TABS 2 was successfully transitioned to Sonia by the Libor cessation date while the CABS derivatives were transitioned to synthetic Libor as an interim measure before being cancelled as part of the termination of the CABS facility. The notional amount for the TABS 2 cap can be found within Note 7.

22. Events after the reporting date

In April 2022, the Group successfully refinanced its Lakeside ABS facility, extending its maturity from October 2023 to April 2026 and increasing its size from £500m to £700m, and with the addition of a new funding partner.

Also in April 2022, the Group declared an interim dividend of £21.2m payable to its parent company.