IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") WITHIN THE MEANING OF RULE 144A ("RULE 144A") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR (2) OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S ("REGULATION S") UNDER THE U.S. SECURITIES ACT.

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum following this notice, whether received by email or otherwise received as a result of electronic communication. You are therefore advised to read this carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them anytime you receive any information from the Issuer as a result of such access.

The offering memorandum has been prepared in connection with the proposed offer and sale of the securities described herein. The offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

Confirmation of your representation. In order to be eligible to view the offering memorandum or make an investment decision with respect to the securities, investors must be either (1) QIBs or (2) outside the United States. The offering memorandum is being sent at your request. By accepting the e-mail and accessing the offering memorandum, you shall be deemed to have represented to the Issuer that:

(1) you consent to delivery of such offering memorandum by electronic transmission; and

(2) either you and any customers you represent are:

  (a) QIBs; or

  (b) outside the United States and the e-mail address that you gave the Issuer and to which the e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia.

Prospective purchasers that are QIBs are hereby notified that the seller of the securities will be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act pursuant to Rule 144A.

You are reminded that the offering memorandum has been delivered to you on the basis that you are a person into whose possession the offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located, and you may not, nor are you authorized to, deliver the offering memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of us in such jurisdiction.

Under no circumstances shall the offering memorandum constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

This offering memorandum has been prepared on the basis that any offer of the securities referred to herein in any Member State of the European Economic Area ("EEA") will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the securities referred to herein. Accordingly any person making or intending to make an offer in a Member State of Notes which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for the Issuer or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, in each case, in relation to such offer. Neither the Issuer nor the initial purchasers have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the initial purchasers to publish a prospectus for such offer. The expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

Prohibition of Sales to EEA Retail Investors: The Notes described in the offering memorandum are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering, selling or distributing the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering, selling or distributing the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

Professional Investors and ECPs Only Target Market: Solely for the purposes of the product approval process of the manufacturers, the target market assessment in respect of the Notes described in the attached offering memorandum has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

The offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently none of the initial purchasers, or any person who controls any of the initial purchasers, or any of their directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the initial purchasers.

OFFERING MEMORANDUM **NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES**

Jerrold FinCo plc

Guaranteed on a senior basis by Together Financial Services Limited and certain of its subsidiaries

£435,000,000 4⅞% Senior Secured Notes due 2026

Jerrold FinCo plc, a public limited company incorporated under the laws of England and Wales (the "Issuer"), is hereby offering £435.0 million aggregate principal amount of its 4⅞% Senior Secured Notes due 2026 (the "Notes"). Interest will be paid on the Notes semi-annually in arrears on January 15 and July 15 of each year, commencing July 15, 2020. The Notes will mature on January 15, 2026.

The Issuer may redeem some or all of the Notes on or after January 15, 2022 at the redemption prices set forth in this offering memorandum. Prior to January 15, 2022, the Issuer may redeem, at its option, some or all of the Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus the applicable "make-whole" premium, as described in this offering memorandum. Prior to January 15, 2022, the Issuer may also redeem up to 40% of the aggregate principal amount of the Notes using the net proceeds of certain equity offerings at the redemption price set forth in this offering memorandum, if at least 50% of the originally issued aggregate principal amount of the Notes remains outstanding. Additionally, the Issuer may redeem all, but not less than all, of the Notes in the event of certain developments affecting taxation. Upon the occurrence of certain events constituting a change of control, the Issuer may be required to make an offer to repurchase all the Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any. In addition, in connection with any tender offer or other offer to purchase all of the Notes, if holders of not less than 90% of the aggregate principal amount of the then outstanding Notes validly tender and do not validly withdraw such Notes in such tender offer or offer to purchase, all of the holders of the Notes that remain outstanding will be deemed to have consented to a redemption of the Notes and, accordingly, the Issuer will have the right to redeem all Notes that remain outstanding at a price equivalent to the price offered to each holder of the Notes in such tender offer or offer to purchase (excluding any early tender fee) plus accrued and unpaid interest, if any, thereon.

The Notes will be general obligations of the Issuer and will rank *pari passu* in right of payment with all existing and future indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes (including the 2024 Notes and the Revolving Credit Facility), will rank senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes, will be guaranteed by the Guarantors, will be effectively subordinated to any existing and future indebtedness of the Issuer that is secured by property or assets that do not secure the Notes, will be effectively senior to all existing and future obligations of the Issuer that are unsecured or secured by liens junior to the liens securing the Notes to the extent of the value of the property and assets securing such indebtedness and will be effectively subordinated to all obligations of the subsidiaries of the Company that do not guarantee the Notes.

The proceeds of the Notes will be on-lent to Together Financial Services Limited (the "Company"). The Notes will be guaranteed on a senior secured basis by the Company and all subsidiaries of the Company (other than the Issuer, the subsidiaries comprising the Securitizations (as defined herein) and certain dormant and non-material subsidiaries) (the "Subsidiary Guarantors", and, together with the Company, the "Guarantors") (the "Guarantees"). The Notes will be secured by first-priority fixed and floating security interests granted on an equal and ratable first-priority basis over the same assets that secure the 2024 Notes, the Revolving Credit Facility and any hedging commitments. Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of certain indebtedness incurred under the Revolving Credit Facility and certain hedging obligations that are secured by assets that also secure the Issuer's or the Guarantors' obligations under the Notes or the Guarantees, as applicable, will receive priority with respect to any proceeds received upon any enforcement action over any such assets. See "*Summary—The Offering—Security*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*." The guarantee of each Guarantor will be a general obligation of such Guarantor, will be, together with such Guarantor's respective obligations under the 2024 Notes and the Revolving Credit Facility and certain hedging obligations, secured by first-priority liens over the assets securing the Notes, will rank *pari passu* in right of payment with all existing and future indebtedness of such Guarantor that is not expressly subordinated in right of payment to such guarantee, including our obligations under the 2024 Notes, the Revolving Credit Facility and certain hedging obligations, will rank senior in right of payment to all future indebtedness of such Guarantor that is subordinated in right of payment to such guarantee, will rank effectively senior to all existing and future obligations of such Guarantor that are unsecured or secured by liens junior to the liens securing the guarantees to the extent of the value of the assets securing the Notes, will be effectively subordinated to all existing and future indebtedness of any such Guarantor's subsidiaries that do not guarantee the Notes and will be effectively subordinated to all existing and future qualified securitization financings. See "*Summary—The Offering—Ranking of the Guarantees*." The Notes, the guarantees and the assets securing the Notes will be subject to restrictions on enforcement and other intercreditor arrangements. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The Company has in place certain Securitizations (as defined herein) pursuant to which certain mortgage loans originated by certain of its operating subsidiaries are sold either on an ongoing basis or permanently to the Securitization Vehicles (as defined herein). The Securitization Vehicles are bankruptcy remote special purpose vehicles and do not guarantee the Notes. See "*Description of Certain Financing Arrangements—Securitizations*."

There is currently no public market for the Notes. Application will be made to admit the Notes to the Official List of Euronext Dublin and to trading on the Global Exchange Market thereof. There is no assurance that the Notes will be listed and admitted to trade on the Global Exchange Market.

Investing in the Notes involves a high degree of risk. Please see "Risk Factors" beginning on page 36.

Price: 100% plus accrued interest, if any, from the Issue Date

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the laws of any other jurisdiction, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. In the United States, the offering is being made only to qualified institutional buyers ("QIBs") within the meaning of Rule 144A ("Rule 144A") under the U.S. Securities Act in compliance with Rule 144A under the U.S. Securities Act. You are hereby notified that the initial purchasers of the Notes may be relying on the exemption from certain provisions of the U.S. Securities Act provided by Rule 144A thereunder. Outside the United States, the offering is being made in reliance on Regulation S ("Regulation S") under the U.S. Securities Act. For additional information about eligible offerees and transfer restrictions, see "*Notice to Investors*."

The Notes will initially be issued in the form of global notes in registered form. *See* "*Book-Entry, Delivery and Form*." We expect the Notes to be delivered to investors in book-entry form through Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, S.A. ("Clearstream"), on or about February 10, 2020 (the "Issue Date").

Global Coordinators and Joint Bookrunners

Credit Suisse **Barclays**

Joint Bookrunners

Citigroup **Goldman Sachs International** **HSBC** **J.P. Morgan**

The date of this offering memorandum is January 30, 2020.

You should rely only on the information contained in this offering memorandum. We have not, and the initial purchasers have not, authorized anyone to provide you with information that is different from the information contained herein. We are not, and the initial purchasers are not, making an offer of these securities in any jurisdiction where such offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum.

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In this offering memorandum, "**Issuer**" refers to Jerrold FinCo plc and "**Company**" refers only to Together Financial Services Limited and not any of its subsidiaries. In this offering memorandum, "**Together Financial Services**," "**group**," "**we**," "**us**" and "**our**" refer to the Company and its subsidiaries, except where the context otherwise requires or it is otherwise indicated. Our registered office is located at Lake View, Lakeside, Cheadle, Cheshire SK8 3GW, United Kingdom. Our telephone number is +44-161-956-3200 and our website is *www.togethermoney.co.uk*. The information contained on our website is not part of this offering memorandum.

IMPORTANT INFORMATION

This offering memorandum is confidential and has been prepared by us solely for use in connection with the offering. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. Distribution of this offering memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to the purchase of the Notes is unauthorized, and any disclosure of any of the contents of this offering memorandum, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and to make no photocopies of this offering memorandum or any documents referred to in this offering memorandum.

In making an investment decision, prospective investors must rely on their own examination of our company and the terms of the offering, including the merits and risks involved. In addition, neither we nor any initial purchaser nor any of our or their respective representatives is making any representation to you regarding the legality of an investment in the Notes, and you should not construe anything in this offering memorandum as legal, business or tax advice. You should consult your own advisors as to legal, tax, business, financial and related aspects of an investment in the Notes. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Notes or possess or distribute this offering memorandum, and you must obtain all applicable consents and approvals; neither we nor the initial purchasers shall have any responsibility for any of the foregoing legal requirements.

We accept responsibility for the information contained in this offering memorandum. Having taken all reasonable care to ensure that such is the case, to the best of our knowledge and belief, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. The information contained in this offering memorandum is as of the date hereof. Neither the delivery of this offering memorandum at any time after the date of publication nor any subsequent commitment to purchase Notes shall, under any circumstances, create an implication that there has been no change in the information set forth in this offering memorandum or in our business since the date of this offering memorandum.

The initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future.

In connection with the offering, none of Credit Suisse Securities (Europe) Limited, Barclays Bank PLC, Citigroup Global Markets Limited, Goldman Sachs International, HSBC Bank plc or J.P. Morgan Securities plc (each an "initial purchaser" and, collectively, the "initial purchasers") are acting for anyone other than the Issuer and will not be responsible to anyone other than the Issuer for providing the protections offered to their clients nor for providing advice in relation to the offering.

The Issuer intends to prepare listing particulars for the Notes and to seek a listing of the Notes on the Global Exchange Market of Euronext Dublin. Such listing particulars are likely to contain similar information to that contained in this offering memorandum. However, it is possible that the Issuer may be required (under applicable law, rules, regulations or guidance applicable to the listing of securities or otherwise) to make certain changes or additions to or deletions from the description of its business, financial statements and other information contained herein. Furthermore, certain events might occur or circumstances might arise between publication of this document and of any listing particulars that would require additional or different disclosure to be made in the listing particulars.

The information set out in relation to sections of this offering memorandum describing clearing arrangements, including the section entitled "*Book-Entry, Delivery and Form*," is subject to any change in, or reinterpretation of, the rules, regulations and procedures of Euroclear and Clearstream currently in effect. Although we accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream, we accept no further responsibility in respect of such information. Euroclear and Clearstream are not under any obligation to perform or continue to perform under such clearing arrangements and such arrangements may be modified or discontinued by any of them at any time. We will not, nor will any of our agents, have responsibility for the performance of the respective obligations of Euroclear or Clearstream or their respective participants. Investors wishing to use these clearing systems are advised to confirm the continued applicability of these arrangements.

By receiving this offering memorandum, you acknowledge that you have had an opportunity to request from us for review, and that you have received, all additional information you deem necessary to verify the accuracy and completeness of the information contained in this offering memorandum. You also acknowledge that you have not relied on the initial purchasers in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes.

None of the U.S. Securities and Exchange Commission (the "SEC"), any state securities commission or any other regulatory authority has approved or disapproved of the Notes, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary could be a criminal offence in certain countries.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold, except as permitted under the U.S. Securities Act and the applicable state securities laws, pursuant to registration or exemption therefrom. As a prospective investor, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Please refer to the sections in this offering memorandum entitled "*Plan of Distribution*" and "*Notice to Investors*."

We cannot guarantee that its application to Euronext Dublin for the Notes to be admitted to trading on the Global Exchange Market thereof will be approved as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this admission to trading.

We and the initial purchasers reserve the right to reject all or a part of any offer to purchase the Notes, for any reason. We and the initial purchasers also reserve the right to sell less than all the Notes offered by this offering memorandum or to sell to any purchaser less than the amount of Notes it has offered to purchase.

The Notes will be available in book-entry form only. We expect that the Notes sold pursuant to this offering memorandum will be issued in the form of two or more global notes. The global notes will be deposited with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream. Beneficial interests in the global notes will be shown on, and transfers of interests in the global notes will be effected only through, records maintained by Euroclear and Clearstream and their direct and indirect participants. After the initial issuance of the global notes, the Notes in certificated form will be issued in exchange for the global notes only as set forth in the Indenture. *See* "*Book-Entry, Delivery and Form.*"

IN CONNECTION WITH THE OFFERING OF THE NOTES CREDIT SUISSE SECURITIES (EUROPE) LIMITED (OR PERSONS ACTING ON ITS BEHALF) OR ONE OF ITS AFFILIATES (THE "STABILIZING MANAGER") MAY OVER-ALLOT THE NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES DURING THE STABILIZATION PERIOD AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILIZATION ACTION MAY NOT NECESSARILY OCCUR. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFERING OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN 30 DAYS AFTER THE DATE ON WHICH THE ISSUER RECEIVED THE PROCEEDS OF THE ISSUE, OR NO LATER THAN 60 DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES, WHICHEVER IS THE EARLIER. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES AND WILL BE UNDERTAKEN AT THE OFFICES OF THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) AND ON THE GLOBAL EXCHANGE MARKET OF EURONEXT DUBLIN.

NOTICE TO INVESTORS IN THE UNITED STATES

Each purchaser of the Notes will be deemed to have made the representations, warranties, and acknowledgements that are described in this offering memorandum under the "*Notice to Investors*" section of this offering memorandum.

The Notes have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered or sold in the United States, except to QIBs within the meaning of Rule 144A, in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A. Prospective investors are hereby notified that sellers of the Notes may be relying on the exemption from the registration requirements of Section 5 of the U.S. Securities Act provided by Rule 144A. The Notes may be offered and sold outside the United States in reliance on Regulation S. For a description of certain restrictions on transfers of the Notes, see "*Notice to Investors*."

The securities offered hereby have not been reviewed or recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not passed upon the merits of the offering or confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense under the laws of the United States.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

This offering memorandum has been prepared on the basis that any offer of the securities referred to herein in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in a Member State of Notes which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for the Issuer or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, in each case, in relation to such offer. Neither the Issuer nor the initial purchasers have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the joint bookrunners to publish a prospectus for such offer. The expression "Prospectus Regulation" means Regulation (EU) 2017/1129. This paragraph is subject to the limitations under the caption "*Prohibition of Sales to EEA Retail Investors*" below.

Prohibition of Sales to EEA Retail Investors

The Notes are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering, selling or distributing the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering, selling or distributing the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

Professional Investors and ECPs Only Target Market

Solely for the purposes of the product approval process of the manufacturers, the target market assessment in respect of the Notes described in this offering memorandum has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

NOTICE TO PROSPECTIVE INVESTORS IN CANADA

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), or section 1.1 of National Instrument 45-106 *Prospectus Exemptions* and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

INDUSTRY AND MARKET DATA

In this offering memorandum, we rely on and refer to information regarding our business and the markets in which we operate and compete. Unless otherwise indicated, we have generally obtained all information regarding market, market size, growth rate, development, trends and competitive position and other industry data pertaining to our business contained in this offering memorandum from industry publications, surveys or studies conducted by third-party sources, including the Bank of England, UK Finance (previously the Council of Mortgage Lenders), HM Land Registry, Halifax, Nationwide Building Society, Intermediate Mortgage Lenders Association, Coutts London Prime Property Index, Finance and Leasing Association, the West One Bridging Index, City University of London, certain consultancy firms and other sources mentioned in "Industry Overview," internal surveys and estimates and publicly available information. The various data sources referred to in this industry section may not calculate the same or similar measures in a consistent manner or use the same data for such calculations. Accordingly, figures obtained from different industry sources may not be directly comparable with each other, including data in charts and graphs that have been obtained from more than one source.

All of the information set forth in this offering memorandum relating to the operations, financial results or market share of our competitors has been obtained from information made available to the public in such companies' publicly available reports and independent research, as well as from our experience, internal studies, estimates and investigation of market conditions.

Industry and consultant publications and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. While we believe that each of the studies and publications we have used is reliable, neither we nor the initial purchasers have independently verified the data that were extracted or derived from these industry and consultant publications or reports and cannot guarantee their accuracy or completeness. Market data and statistics are inherently uncertain and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

In addition, in many cases, we have made statements in this offering memorandum regarding our industry and our position in the industry based on our experience and our own investigation of market conditions. We cannot assure you that any of these assumptions are accurate or correctly reflect our position in the industry, and none of our internal surveys or information have or has been verified by any independent sources. While we are not aware of any misstatements regarding the industry or similar data presented herein, such data involve risks and uncertainties and are subject to change based on various factors, including those discussed under "*Risk Factors*." As far as we are aware and have been able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Neither we nor the initial purchasers make any representation as to the accuracy or completeness of any such information in this offering memorandum.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains statements under the captions "*Summary*," "*Risk Factors*," "*Industry Overview*," "*Business*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and in other sections 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 offering memorandum. These factors include, *inter alia*:

- the impact of economic conditions on our results of operations and financial condition;
- the impact of the United Kingdom's contemplated exit from the European Union;
- the impact of a downturn in the property market;
- our ability to accurately identify the credit profile and behaviors of our customers;
- our ability to accurately value properties;
- our ability to act proactively with customers to minimize the risk of repossession and potential losses in the event of repossession;
- our ability to detect and prevent fraud during the loan underwriting process;
- the impact of the changing financial circumstances of our customers;
- 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;
- our exposure to costs of redress, potential regulatory sanctions and fines;
- the impact of fluctuations in interest rates and our ability to obtain financing;
- changes to the ways in which the United Kingdom regulates the loan industry and other regulatory changes;
- 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 of litigation;
- our ability to retain our senior management and our underwriters, account executives, sales personnel and other client-facing employees;
- 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 (including as a result of cyber-attacks);
- technological changes and failure to adequately anticipate or respond to these changes;
- the accuracy of our systems, data and models to correctly report our financial condition and forecasts;
- our substantial debt and our ability to operate within financial covenants;
- access to debt markets and our ability to refinance our debt and raise new debt at acceptable cost;
- imbalances in maturity between our total loan assets and our sources of funds affecting the capacity to expand our business;
- our ability to benefit from special corporation tax regimes for securitization companies;
- the potential for conflicting interests between the shareholder and third party funding providers;
- exclusion of US GAAP financial information;
- changes in accounting standards; and
- the other factors discussed in more detail under "*Risk Factors*."

These risks and others described under "*Risk Factors*" are not exhaustive. Other sections of this offering memorandum 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 offering memorandum, and we do not intend, and do not assume any obligation, to update forward-looking statements set forth in this offering memorandum. 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 offering memorandum. As a result, you should not place undue reliance on these forward-looking statements.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Issuer

Jerrold FinCo plc, the Issuer, is a direct, wholly-owned subsidiary of the Company. The Issuer was formed under the laws of England and Wales as a private limited company on October 31, 2003 and re-registered under the laws of England and Wales as a public limited company on March 13, 2013 and is a finance company that has not engaged in activities other than those related to the issue of capital markets indebtedness in the form of notes and the making of certain intercompany loans.

The Company

The Company was formed under the laws of England and Wales as a limited liability company on June 15, 1994. The Company's name was changed on January 9, 2017 from Jerrold Holdings Limited to Together Financial Services Limited, which is its current name. In this offering memorandum, we refer to, and present consolidated financial information for, the Company and its subsidiaries. All of the Company's voting shares are owned by Midco2. See "*Shareholders*." Certain members of the Company's management and the employee benefit trust (the "EB Trust") own 70,000 non-voting D shares of the Company pursuant to the Management Incentive Plan (the "D Shares"). The 70,000 D Shares represented approximately 3% of the economic value of the share capital of the Company as of November 2, 2016, which was the last date for which an estimate of the value of such shares was calculated. The economic value of the D Shares is subject to change based on certain parameters tied to the valuation of the Company.

Charles Street ABS, Lakeside ABS, Delta ABS 2, Together ABS 1, Together ABS 2 and Highfield ABS, the bankruptcy-remote special purpose vehicles established for purposes of our Securitizations, are consolidated into the consolidated financial statements of the Company under International Financial Reporting Standards as adopted by the European Union ("IFRS"). Together ABS 3, which is the bankruptcy-remote special purpose vehicle we established in connection with TABS 3, will be consolidated into the consolidated financial statements of the Company following October 10, 2019. For additional information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Accounting Treatment of the Securitizations*."

Financial Statements

This offering memorandum includes audited consolidated financial statements of the Company as of and for the years ended June 30, 2017, 2018 and 2019. Our audited consolidated financial statements were prepared in accordance with IFRS.

The independent auditor's reports for Together Financial Services for the years ended June 30, 2017, 2018 and 2019 were unqualified. The independent auditor's reports for Together Financial Services for the years ended June 30, 2017, 2018 and 2019 are included on pages F-150, F-106 and F-48, respectively, of this offering memorandum.

This offering memorandum also includes the unaudited consolidated interim financial statements of Together Financial Services as of and for the three months ended September 30, 2019, which include comparative financial information as of and for the three months ended September 30, 2018, prepared in accordance with the International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union.

Financial information included in this offering memorandum for the twelve months ended September 30, 2019 has been calculated by adding together (1) the audited consolidated financial information for the full year ended June 30, 2019, and (2) the unaudited consolidated interim financial information for the three months ended September 30, 2019 and then subtracting (3) the unaudited consolidated interim financial information for the three months ended September 30, 2018. The results of operations for prior years or periods are not necessarily indicative of results to be expected for the full year or any future period.

The information contained on pages F-33 through F-47, F-94 through F-105 and F-142 through F-149 herein is given as of the date of such document. Such information shall be deemed part of this offering memorandum, save that any statement contained on pages F-33 through F-47, F-94 through F-105 and F-142 through F-149 herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained in this offering memorandum herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this offering memorandum. For the purposes of the audited consolidated financial statements of the Company and Deloitte LLP's audit reports, the information contained on pages F-33 through F-47, F-94 through F-105 and F-142 through F-149 is not deemed to have been amended.

We have not included financial information prepared in accordance with U.S. GAAP in this offering memorandum. We prepare our consolidated financial statements in accordance with IFRS, which differs in certain significant respects from U.S. GAAP. In making an investment decision, you should rely upon your own examination of the terms of the Offering (as defined herein) and the financial information contained in this offering memorandum. You should consult your own professional advisors for an understanding of the differences between IFRS and U.S. GAAP, and how those differences could affect the financial information contained in this offering memorandum. See "*Risk Factors—Risks Relating to Our Business—We have not included any US GAAP financial information in this offering memorandum*."

We have adopted IFRS 9 in our consolidated financial statements for the annual period beginning on July 1, 2018, which changed the way we classify and measure financial assets and the impairment of such assets. As a result, our financial statements for the year ended June 30, 2019 may not be directly comparable with the financial statements for prior periods included in this offering memorandum as well as the portfolio data as of the corresponding date. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Future Comparability of our Results—IFRS 9*."

We have adopted IFRS 16 Leases starting from the annual period beginning on July 1, 2019, which applies to all leasing arrangements and thereby provides a single lessee accounting model. By eliminating the distinction between operating and finance leases for lessees, IFRS 16 impacts how lease expenses are recognized in our statement of comprehensive income. Prior to adoption of IFRS 16, lease expenses in respect of our operating leases constituted an operating expense. Under IFRS 16's single lease accounting model, expenses related to leases are recorded as interest payable or depreciation of a right-of-use asset recorded in respect of the relevant lease. Therefore, the results of operation used to calculate financial information presented herein for the twelve months ended September 30, 2019 was not prepared on a consistent basis as these figures were calculated by adding the results of operations for the three months ended September 30, 2019 (under which IFRS 16 has been adopted) to the difference between the results of operations for the full year ended June 30, 2019 and the three months ended September 30, 2018 (under which IFRS 16 did not apply). The financial information for the twelve months ended September 30, 2019 has been prepared for illustrative purposes only and is not necessarily representative of our results of operations for any future period or our financial condition at any future date and is not prepared in the ordinary course of our financial reporting. See "*Risks Relating to Our Business—Changes to accounting standards could materially affect our reporting of financial results*."

General

Certain figures in this document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances (i) the sum or percentage change of such numbers may not conform exactly to the total figure given; and (ii) the sum of the numbers in a column or row in certain tables may not conform exactly to the total figure given for that column or row. Rounding adjustments in this offering memorandum may also differ from rounding adjustments made in our other publicly available materials.

Other Financial Information (Non-IFRS)

We have included in this offering memorandum certain financial measures and ratios, including EBITDA, Adjusted EBITDA, Underlying EBITDA, Underlying Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin, Underlying EBITDA margin, Underlying Adjusted EBITDA margin, Underlying profit before taxation and certain leverage and coverage ratios, that are not presented in accordance with IFRS.

In this offering memorandum, references to "EBITDA" reflect profit after taxation before income tax, depreciation and amortization and interest payable and similar charges.

In this offering memorandum, references to "Adjusted EBITDA" reflect EBITDA for Together Financial Services, excluding the interest costs associated with the Securitizations (as defined herein). Adjusted EBITDA is calculated as EBITDA after the deduction of interest payable and similar charges attributable to the Securitizations.

In this offering memorandum, references to "Underlying EBITDA" and "Underlying Adjusted EBITDA," in respect of the year ended June 30, 2017, reflect EBITDA for Together Financial Services and the Adjusted EBITDA for the Borrower Group for that financial year, respectively, excluding, in each case, the effects of exceptional items related to the Exit Transactions (as defined under "*Shareholders—The Exit Transactions*") and, in respect of the three months and twelve months ended September 30, 2019, reflect EBITDA for Together Financial Services and the Adjusted EBITDA for the Borrower Group for such periods, respectively, excluding, in each case, the effects of exceptional provisions made in respect to forbearance (see "*Business–Regulatory Proceedings*" and note 15 to our unaudited consolidated interim financial statements for the three months ended September 30, 2019).

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

In this offering memorandum, references to "Adjusted EBITDA margin" reflect Adjusted EBITDA margin for Together Financial Services. Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by the sum of interest receivable and similar income plus fee and commission income (derived from the Company's consolidated financial statements) less interest payable and similar charges of each Securitization.

In this offering memorandum, references to "Underlying EBITDA margin" reflect Underlying EBITDA margin for Together Financial Services. Underlying EBITDA margin is Underlying EBITDA divided by the sum of interest receivable and similar income and fee and commission income (derived from the Company's consolidated financial statements, in each of the preceding two cases).

In this offering memorandum, references to "Underlying Adjusted EBITDA margin" reflect Underlying Adjusted EBITDA margin for Together Financial Services. Underlying Adjusted EBITDA margin is Underlying Adjusted EBITDA divided by the sum of interest receivable and similar income and fee and commission income (derived from the Company's consolidated financial statements, in each of the preceding two cases) less interest payable and similar charges of each Securitization.

In this offering memorandum, references to "Underlying profit before taxation," in respect of the year ended June 30, 2017, reflect profit before tax for Together Financial Services for such year adjusted to exclude the effects of exceptional items related to the 2016 Refinancing (as defined under "*Certain Definitions*") and the Exit Transactions (as defined under "*Shareholders—The Exit Transactions*"), and, in respect of the three months and twelve months ended September 30, 2019, reflect profit before tax for Together Financial Services for such periods, adjusted to exclude the effects of exceptional provisions made in respect to forbearance (see "*Business–Regulatory Proceedings*" and note 15 to our unaudited consolidated interim financial statements for the three months ended September 30, 2019).

In this offering memorandum, references to "Shareholders' Funds" reflect shareholders' funds for Together Financial Services. Shareholders' Funds is comprised of Total Equity (derived from the Company's consolidated financial statements) plus the carrying value of the Subordinated Shareholder Funding (based on the Company's consolidated financial statements). In this offering memorandum, references to the term "costs of third-party borrowing" reflect a measure of our average interest costs and similar expenses of third-party debt. We calculate "costs of third-party borrowing" for a period as interest payable and similar charges (derived from the Company's consolidated financial statements but excluding interest payable and similar charges in respect of Original Subordinated Shareholder Loan Notes and Subordinated Shareholder Funding), divided by the sum of the opening and closing gross debt balances (excluding Original Subordinated Shareholder Loan Notes and Subordinated Shareholder Funding) for the period divided by two.

In this offering memorandum, references to "cash available for debt service and originating new advances" reflect Cash Receipts less overheads and expenses (as defined below), tax and capital expenditures. In this offering memorandum, references to "capital expenditures" represents acquisition of property, plant and equipment, investment in intangible assets, and capital repayments on finance leases, net of proceeds from disposal of property, plant and equipment, adjusted by the change in the accounts payable related to capital expenditures and excluding the grossing up of additional finance lease liabilities.

In this offering memorandum, references to "cash available for debt repayments and originating new advances" reflect "cash available for debt service and originating new advances" less cash interest payable and the payment of dividends to service the cash interest on the PIK Notes.

As presented herein, references to EBITDA margin, Underlying EBITDA margin, Adjusted EBITDA margin and Underlying Adjusted EBITDA margin do not include "other income" in the denominator for all periods presented. Therefore, the measures presented herein are no longer comparable to the EBITDA margin, the Underlying EBITDA margin, the Adjusted EBITDA margin and the Underlying Adjusted EBITDA margin made publicly available prior to 2018.

In this offering memorandum, we present non-IFRS measures because our management believes that non-IFRS measures, such as EBITDA and similar measures, are helpful to investors, securities analysts and other interested parties as supplemental measures of our operating performance and ability to service debt. EBITDA-based measures have important limitations as an analytical tool, and you should not consider them in isolation or as substitutes for analysis of our results of operations. Our EBITDA-based measures may not be comparable to similarly titled measures used by other companies.

EBITDA, Adjusted EBITDA, Underlying EBITDA, Underlying Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin, Underlying EBITDA margin, Underlying Adjusted EBITDA margin, net interest margin and leverage and coverage ratios are not measurements of financial performance pursuant to IFRS and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS.

We have included in this offering memorandum certain supplemental cash flow information for the purpose of analyzing the cash available for debt service and originating new advances (the "Supplemental Cash Flow Information"). The Supplemental Cash Flow Information has not been prepared and is not presented in accordance with IFRS and should not be considered as an alternative cash flow measure. Management uses this information to monitor the cash flow of the business and believes that such information is useful to investors in assessing the funds available to write new loans.

As such term is used in the Supplemental Cash Flow information section (or in reference to any information presented therein), "overheads and expenses" means administrative expenses, bank charges and other expenses paid by the Company relating to commissions, fees and other costs incurred on new loan originations and "Cash Receipts" means cash received in respect of interest and fees, payments of principal and, when applicable, securitization surplus income. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Supplemental Cash Flow Information."

In this offering memorandum, the term "average total loan assets" means the total loan assets (after allowances for impairment) as of the first date of the relevant period as per our statement of financial position plus the total loan assets (after allowances for impairment) as of the last date of the relevant period as per our statement of financial position divided by two.

In this offering memorandum, the term "Cash Receipts divided by average total loan assets" is calculated as Cash Receipts (annualized, where applicable, by multiplying by four in respect of interim periods) divided by the average total loan assets.

In this offering memorandum, the term "net interest margin" is calculated as interest receivable and similar income less interest payable and similar charges (both annualized, where applicable, by multiplying by four in respect of interim periods) divided by the average total loan assets.

In this offering memorandum, the term "interest yield" is calculated as interest receivable and similar income (annualized, where applicable, by multiplying by four in respect of interim periods) divided by average total loan assets.

Pro Forma Financial Information (Non-IFRS)

This offering memorandum contains certain unaudited pro forma consolidated financial information of the group and the Borrower Group to give pro forma effect to the offering of the Notes and the use of proceeds therefrom (the "Offering") as if it had occurred on October 1, 2018 or September 30, 2019, as applicable. This pro forma financial information does not reflect the effects of the establishment of the TABS 3 Securitization and the most recent amendments to the LABS Securitization. The unaudited pro forma consolidated financial information is for informational purposes only and is not intended to represent or to be indicative of the consolidated results of operations or financial position that the group or the Borrower Group would have reported had the Offering been completed as of (i) October 1, 2018 for purposes of the calculation of interest payable and other metrics derived from the group's profit and loss account data and cash flow data or (ii) September 30, 2019 for purposes of the calculation of net borrowings and other metrics derived from the group's balance sheet data and should not be taken as indicative of the group's or the Borrower Group's future results of operations or financial position.

The unaudited *pro forma* consolidated financial data has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the Prospectus Regulation or any generally accepted accounting standards. Neither the assumptions underlying the *pro forma* adjustments nor the resulting *pro forma* consolidated financial information have been audited or reviewed in accordance with any generally accepted auditing standards.

Terms Relating to Our Loan Analysis

With the exception of the application of certain forbearance measures, we do not reschedule our loans by capitalizing arrears. In this offering memorandum, arrears data are based on the contractual position and do not take into account either payment plans or agreed changes to payment dates. Arrears data is further subdivided into performing and non-performing arrears loans as described below.

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

Repossessed properties are properties in respect of which a court order has been actioned by a charge holder to the security or in respect of which the borrower has surrendered ownership of the property. An LPA receivership is typically used to exercise security over property that is used for commercial purposes and 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 his 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 year. Development loans are reported as a separate category.

In this offering memorandum, data referring to our loan portfolio analysis is in reference to our core operating subsidiaries (which includes certain subsidiaries that no longer originate new advances to customers): Blemain Finance Limited, Bridging Finance Limited, Together Personal Finance Limited, Together Commercial Finance Limited, Auction Finance Limited and Harpmanor Limited, which in aggregate represent 99.9% of our total loan book balances by value as of September 30, 2019 (before adjustments for fee spreading). Data referring to the Borrower Group loan portfolio analysis is in reference to the Borrower Group (as defined herein). References to Borrower Group loan portfolio are to Together Financial Services excluding Charles Street ABS, Delta ABS 2, Lakeside ABS, Together ABS 1, Together ABS 2, Together ABS 3 and Highfield ABS (as applicable). Data referring to our loan portfolio analysis is presented after allowances for impairment. For periods after July 1, 2018 such allowances for impairment have been prepared on the basis of IFRS 9. IFRS 9 has changed the way we measure impairment of financial assets and this has affected our loan portfolio analysis data. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Future Comparability of our Results—IFRS 9.*"

In this offering memorandum, a loan is considered performing (a "performing loan") if (i) it has nil arrears or arrears less than or equal to one month's contractual instalment or where no contractual monthly installment is due or (ii) it falls into the category of "performing arrears loans," being loans with arrears greater than one month's but less than or equal to three months' contractual instalments or where cash receipts collected in the prior three months are equal to or greater than 90% of the contractual instalments due. The balance of loans are classified as (i) non-performing arrears loans, where such loans have arrears of greater than three months' contractual instalments due and where receipts collected in the prior three months are less than 90% of contractual instalments due, past contractual term or subject to LPA receivership in rental status, (ii) 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 and (iii) development loans. The loan categorization definitions used in this offering memorandum (as set out above) differ to the categorizations applied in determining if a loan is classified as Stage 1, Stage 2 and Stage 3 under IFRS 9 (and as reflected in our consolidated financial statements).

In this offering memorandum, 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) for periods as of or after June 30, 2019, certain other accounting adjustments (including adjustments to recognize income at the effective interest rate), as of the date presented. The term "related to 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) for periods as of or after June 30, 2019, certain other accounting adjustments (including adjustments to recognize income at the effective interest rate), as of the date presented. For balances as of and from July 1, 2018, financial instruments, including the impairment of loans and advances to customers, are measured on an IFRS 9 basis. For the periods from July 1, 2015 to June 30, 2018, financial instruments were measured on an IAS 39 basis. See "*Risk Factors—Risks Relating to our Business—Changes to accounting standards could materially affect our reporting of financial results*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Future Comparability of our Results—IFRS 9*."

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 or development loans, all of which are reported as separate categories and are also calculated based on the principal amount plus accrued interest and fees net of any allowances for impairment in respect of such loans. Loans in LPA receivership under rental status are considered non-performing. Our loan analysis excludes loans for which loans the carrying values after impairment is nil. Our provisions analysis also excludes allowances for impairment in respect of loans for which the carrying values is nil after impairment.

In this offering memorandum references to contractual arrears greater than one month's contractual instalment as a percentage of our loan book or contractual arrears greater than three month's contractual instalment as a percentage of our loan book are calculated by reference to loans with arrears greater than one month or three months respectively (whether classed as performing arrears loans or non performing arrears loans but excluding loans past contractual term, loans subject to an LPA Sale (as defined herein) or repossession order and development loans) divided by the total loan portfolio balances (excluding loans past contractual term, subject to an LPA Sale or repossession order, development loans and loans for which no contractual monthly instalment is due).

In this offering memorandum, annual vintage delinquency rates for a cohort as of a given date refers to the total amount of loans originated within that cohort that are experiencing arrears greater that three months contractual instalment at such date divided by the total amount of loans originated within that cohort that remain outstanding as of that same date. To determine total loan amounts for this calculation, we use the original advance amounts of the constituent loans rather than the amounts currently outstanding, and we exclude development loans.

In this offering memorandum, the term "principal losses" refers to the amount to which the sum of all cash receipts from the customer, including redemption proceeds (net of any third party costs incurred) and contractual monthly installments (including both interest and capital repayments), is less than the cash amount advanced to such customer.

In this offering memorandum, 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 offering memorandum, the term "second lien loans" includes second lien loans and also subsequent lien loans. As of September 30, 2019, subsequent lien loans amounted to £33.9 million after allowances for impairment, representing 0.9% of our total loan assets.

The following table provides a reconciliation, as of September 30, 2019, of (i) our loan portfolio balances as presented in the loan portfolio analysis to our total loan assets and (ii) our total loan assets to the total loan assets of the Borrower Group:

	As of September 30, 2019
	(*£ in millions*)
Loan portfolio balances of our core operating subsidiaries	3,949.5
Less allowances for impairment on our core operating subsidiaries	(51.7)
Add part month adjustment for accrued interest(1)	11.1
Add product accrued income(2)	0.6
Less fee spreading(3)	(28.5)
Total loan portfolio balances	**3,880.9**
Add: loan portfolio balance of our non-core operating subsidiaries(4)	0.2
Less: allowances for impairment on our non-core operating subsidiaries	(0.2)
Add: loan portfolio balances of shortfalls(5)	14.1
Less: allowances for impairment on our shortfalls(5)	(16.7)
Total loan assets (as shown as "Loans and Advances to Customers" on statement of financial position)	**3,878.4**
Less: principal balances of loans attributable to Securitizations(6)	(2,695.4)
Borrower Group's total loan assets	**1,182.9**

(1) Adjustment for accrued interest represents a part month adjustment for the interest accrued on loan accounts and included in our total loan assets as of September 30, 2019 in respect of those loans for which the monthly funding anniversary date in the month of September 30, 2019 was not September 30, 2019.

(2) Adjustment for product accrued income relates to accrued interest and is included within total loan assets in connection with the accounting treatment of products offered with discounted or holiday periods.

(3) Adjustment for fee spreading relates primarily to arrangement fees and commission costs which are recognized over the expected life of such loan. Loans and advances to customers are presented net of deferred income in our consolidated financial statements.

(4) Our non-core operating subsidiaries include Spot Finance Limited which was until December 2016 underwriting a small amount of motor finance loans as part of a pilot program that has now ceased underwriting new loans but continues to hold loans previously underwritten as part of the pilot program.

(5) Our loan portfolio analysis excludes loans for which the security has been subsequently disposed of (typically as part of a repossession process or LPA Sale) and from which a shortfall against outstanding amounts due arose. Such loans have full allowances for impairment.

(6) Comprises the principal loan balance of assets held within the Securitization Vehicles.

With respect to originations, loan-to-value ratio ("LTV") in the case of a first lien mortgage, is a ratio (reflected as a percentage) of the principal amount of a mortgage loan on origination 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 or, in the case of a second lien mortgage the aggregate of (i) the principal amount of such mortgage on origination and (ii) the prior lien mortgages also secured by 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 offering memorandum, the average LTV on originations is calculated on a "weighted average basis," pursuant to which LTV is calculated 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.

With respect to data related to LTV, we present herein the LTV statistics 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.

In respect of our loan portfolio, loan-to-value ratio, prepared in accordance with IFRS, in the case of a first lien mortgage, is a ratio (reflected as a percentage) of the aggregate of (i) the principal amount of a mortgage loan and (ii) the accrued interest and fees thereon and (iii) net of allowances for impairment and (iv) as of June 30, 2019 and/or September 30, 2019, as applicable, certain other accounting adjustments (including adjustments to recognize income at the effective interest rate) as of the date presented, 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 or, in the case of a second lien mortgage, the aggregate of (i) the principal amount of such mortgage, (ii) the accrued interest and fees thereon, (iii) the prior lien mortgages also secured by the same property, (iv) net of any allowances for impairment and (v) as of June 30, 2019 and/or September 30, 2019, as applicable, certain other accounting adjustments (including adjustments to recognize income at the effective interest rate), as of the date presented, 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 respect of allowances for impairments, as of and from July 1, 2018, financial instruments, including the impairment of loans and advances to customers are measured on an IFRS 9 basis. For the periods from July 1, 2015 to June 30, 2018, financial instruments were measured on an IAS 39 basis. See "*Risk Factors—Risks Relating to our Business—Changes to accounting standards could materially affect our reporting of financial results*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Future Comparability of our Results—IFRS 9*."

In this offering memorandum, the average LTV of our loan portfolio is calculated on a "weighted average basis," pursuant to which LTV is calculated 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 based on the Halifax House Price Index (as defined herein). The LTV bands of our loan portfolio are also presented on an indexed basis.

CERTAIN DEFINITIONS

Except as otherwise specified, as used in this offering memorandum:

- "2016 Refinancing" means the issuance of the 2021 Notes on October 13, 2016 and the use of proceeds therefrom to satisfy and discharge of the indenture relating to the 2018 Notes (including the drawn and outstanding repurchase of certain 2018 Notes through a tender offer) and to repay all amounts under the Revolving Credit Facility as of that date.
- "2018 Notes" means the £300,000,000 aggregate principal amount of the Issuer's 9 $^{3}/_{4}$% Senior Secured Notes due 2018 issued on September 27, 2013 and April 24, 2015.
- "2021 Notes" means the £375,000,000 aggregate principal amount of the Issuer's 6 $^{1}/_{4}$% Senior Secured Notes due 2021 issued on October 13, 2016. The 2021 Notes are expected to the repaid with the proceeds of the Offering.
- "2021 Notes Indenture" means the indenture governing the 2021 Notes, among, *inter alios*, the Issuer, Deutsche Trustee Company Limited as trustee, Deutsche Bank AG, London Branch as paying agent, Deutsche Bank Luxembourg S.A. as registrar and transfer agent and The Royal Bank of Scotland plc as security agent entered into on October 13, 2016.
- "2021 PIK Notes" means the £220.0 million aggregate principal amount of the PIK Notes Issuer's 10½%/ 11¼% Senior PIK Toggle Notes due 2021 issued on November 2, 2016 and redeemed using the proceeds of the PIK Notes.
- "2024 Additional Notes" means the £150,000,000 of additional aggregate principal amount of the Issuer's 6 $^{1}/_{8}$% Senior Secured Notes due 2024 issued on January 31, 2018.
- "2024 Additional Notes Offering" means the issuance of the 2024 Additional Notes and the use of proceeds therefrom.
- "2024 Notes" means the 2024 Original Notes and the 2024 Additional Notes.
- "2024 Notes Indenture" means the indenture governing the 2024 Notes, among, *inter alios*, the Issuer, the Guarantors, Deutsche Trustee Company Limited as trustee, Deutsche Bank AG, London Branch as paying agent, Deutsche Bank Luxembourg S.A. as registrar and transfer agent and The Royal Bank of Scotland plc as security agent entered into on February 22, 2017.
- "2024 Notes Proceeds Loan" means the loan agreement entered into between the Issuer, as lender, and the Company, as borrower, pursuant to which the Issuer lent the gross proceeds from the offering of the 2024 Notes to the Company on February 22, 2017.
- "2024 Original Notes" means the £200,000,000 aggregate principal amount of the Issuer's 6 $^{1}/_{8}$% Senior Secured Notes due 2024 issued on February 22, 2017.
- "Borrower Group" means the Company and its subsidiaries and does not include Charles Street ABS, Lakeside ABS, Delta ABS 2, Together ABS 1, Together ABS 2, Together ABS 3 or Highfield ABS.
- "CABS Securitization" means the series of agreements, dated November 12, 2007, as amended and restated from time to time (recently on September 13, 2018 and again on July 12, 2019 principally in connection with the interest rate swap entered into at that time), among, *inter alios*, the Company, certain of the Company's subsidiaries and Charles Street ABS, respectively, establishing a conduit securitization program of certain of our mortgage loans.
- "Charles Street ABS" means Charles Street Conduit Asset Backed Securitization 1 Limited, a special purpose vehicle that purchases certain of our mortgage loans pursuant to the CABS Securitization.
- "Company" means Together Financial Services Limited (formerly Jerrold Holdings Limited).
- "Conduit Securitizations" means the CABS Securitization, the LABS Securitization, the DABS 1 Securitization, DABS 2 Securitization and the HABS Securitization, as appropriate.
- "Conduit Securitization SPVs" means Charles Street ABS, Delta ABS 1, Delta ABS 2, Highfield ABS and Lakeside ABS, as applicable.
- "DABS 1 Securitization" means the series of agreements, dated January 26, 2017, as amended and restated from time to time among, *inter alios*, the Company, certain of the Company's subsidiaries and Delta ABS 1, establishing a conduit securitization program of certain of our bridging loans, which was refinanced and replaced by the DABS 2 Securitization.
- "DABS 2 Securitization" means the series of agreements, dated March 29, 2019, as amended and restated from time to time, among *inter alios*, the Company, certain of the Company's subsidiaries and Delta ABS 2, establishing a conduit securitization program of certain of our bridging loans.

- "Delta ABS 1" means Delta Asset Backed Securitisation 1 Limited, a special purpose vehicle that purchases certain of our bridging loans pursuant to the DABS 1 Securitization.
- "Delta ABS 2" means Delta Asset Backed Securitisation 2 Limited, a special purpose vehicle that purchases certain of our bridging loans pursuant to the DABS 2 Securitization.
- "Enterprise Risk Management Framework" or "ERMF" has the meaning given to it under "*Business—Risk Management.*"
- "Exit Transactions" means the actions described under "*Shareholders—The Exit Transactions*."
- "Famco" means Redhill Famco Limited, the parent company of Topco.
- "FSMA" means the Financial Services and Markets Act 2000.
- "HABS Securitization" means the series of agreements, dated June 27, 2018, among, *inter alios*, the Company, certain of the Company's subsidiaries and Highfield ABS, as applicable, establishing a conduit securitization program of certain of our medium and long-term commercial purpose loans.
- "Highfield ABS" means Highfield Asset Backed Securitization 1 Limited, a special purpose vehicle that purchases certain of our medium and long-term commercial purpose loans pursuant to the HABS Securitization.
- "Holdco Refinancing" means the actions as described under "*Shareholders—Holdco Refinancing*".
- "Indenture" means the indenture governing the Notes, among, *inter alios*, the Issuer and Deutsche Trustee Company Limited as trustee, Deutsche Bank Luxembourg S.A. as registrar and transfer agent, and Deutsche Bank AG, London Branch as paying agent, and The Royal Bank of Scotland plc as security agent.
- "Intercreditor Agreement" means the intercreditor agreement dated November 9, 2007, as amended and restated from time to time and most recently on October 13, 2016, among, *inter alios*, the Issuer, the Company, the Subsidiary Guarantors and certain lenders and creditors, and to which the Trustee will accede on or about the Issue Date.
- "Issuer" means Jerrold FinCo plc.
- "LABS Securitization" means the series of agreements, dated August 13, 2015, as amended and restated from time to time and most recently on October 30, 2019, among, *inter alios*, the Company, certain of the Company's subsidiaries and Lakeside ABS, respectively, establishing a conduit securitizations program of certain of our mortgage loans.
- "Lakeside ABS" means Lakeside Asset Backed Securitisation 1 Limited, a special purpose vehicle that purchases certain of our mortgage loans pursuant to the LABS Securitization.
- "Management Incentive Plan" means the plan, introduced in January 2015, consisting of: (i) the senior management share incentive plan relating to Class D shares of the Company and (ii) the senior management share option plan relating to Class E shares of the Company. See "*Management—Management Incentive Plan*."
- "Midco2" means Bracken Midco2 Limited, a wholly owned subsidiary of the PIK Notes Issuer.
- "Moser Family Shareholders" means Henry Moser and the D.L. Moser 1995 Family Settlement No 1 Trust.
- "Notes" means the £435,000,000 aggregate principal amount of the Issuer's 4⅞% Senior Secured Notes due 2026 offered hereby.
- "Notes Proceeds Loans" means the loan agreement to be entered into between the Issuer, as lender, and the Company, as borrower, pursuant to which the Issuer will lend the gross proceeds from the offering of the Notes to the Company on or following the Issue Date.
- "Novated Shareholder Loan Notes" means the shareholder loan notes in an aggregate principal amount of £43.0 million issued by the Company to the Moser Family Shareholders, novated on November 2, 2016 through a series of transactions resulting in Famco as the issuer of the Novated Shareholder Loan Notes. See "*Shareholders—The Exit Transactions*."
- "Offering" means the offering of the Notes and the use of proceeds therefrom.
- "Original Subordinated Shareholder Loan Notes" means the subordinated shareholder loan notes of an aggregate principal amount of £60.0 million issued by the Company to the Moser Family Shareholders and the Funds (as defined herein), of which £17.0 million were repaid as part of the Exit Transactions and the remaining £43.0 million was replaced by the Novated Shareholder Loan Notes. See "*Shareholders—The Exit Transaction*."

- "Other Shareholder Indebtedness Intercompany Loan" means the deeply subordinated loan of £8.1 million in principal amount lent by Midco2 to the Company in connection with the Staff Incentive Plan and certain Exit Transaction costs incurred by the Company on November 2, 2016. See "*Shareholders—The Exit Transactions*" and "*Related Party Transactions—Subordinated Shareholder Funding*."
- "PIK Notes" means the £350.0 million aggregate principal amount of the PIK Note Issuer's $8^7/_8$%/$10^3/_8$% Senior PIK Toggle Notes issued on September 28, 2018.
- "PIK Notes Indenture" means the indenture governing the PIK Notes, among, *inter alios*, the PIK Notes Issuer and Deutsche Trustee Company Limited, as trustee, Deutsche Bank Luxembourg S.A. as registrar and transfer agent and Deutsche Bank AG, London Branch as principal paying agent and as security agent.
- "PIK Notes Issuer" means Bracken Midco1 plc.
- "Proceeds Loan" means the loan agreement to be entered into between the Issuer, as lender, and the Company, as borrower, pursuant to which the Issuer will lend the gross proceeds of the Offering to the Company on or about the Issue Date. See "*Use of Proceeds*."
- "Rated Notes" means the Rated TABS 1 Notes, the Rated TABS 2 Notes and the Rated TABS 3 Notes, as applicable.
- "Rated TABS 1 Notes" means the rated Class A notes, the Class B notes, the Class C notes, the Class D notes and the Class E notes issued by Together Asset Backed Securitisation 1 plc pursuant to the TABS 1 Securitization and listed on Euronext Dublin.
- "Rated TABS 2 Notes" means the rated Class A notes, the Class B notes, the Class C notes, the Class D notes and the Class E notes issued by Together ABS 2 pursuant to the TABS 2 Securitization and listed in Euronext Dublin.
- "Rated TABS 3 Notes" means the rated Class A notes, the Class B notes, the Class C notes, the Class D notes and the Class E notes issued by Together ABS 3 pursuant to the TABS 3 Securitization and listed in Euronext Dublin.
- "Revolving Credit Facility" means the £71.9 million, syndicated revolving credit loan facility (of which £55.0 million was outstanding as of September 30, 2019), dated November 9, 2007, as amended and restated from time to time, between, *inter alios*, the Company, the Senior Secured Notes subsidiary guarantors and certain lenders. Following the application of proceeds from the Offering as described in "*Use of Proceeds,*" we expect the Revolving Credit Facility to be undrawn.
- "Securitization Vehicles" means Charles Street ABS, Lakeside ABS, Delta ABS 1, Delta ABS 2, Together ABS 1, Together ABS 2, Together ABS 3 and Highfield ABS, as appropriate.
- "Securitizations" means the Conduit Securitizations and the Term Securitizations.
- "Security Agent" means The Royal Bank of Scotland plc as security agent for the Revolving Credit Facility, the Senior Secured Notes and certain hedging arrangements.
- "Security Documents" means (1) the fixed and floating charge to be dated on or around the Issue Date between, inter alios, the Issuer, the Guarantors and the Security Agent, (2) the fixed and floating debenture dated November 15, 2007 between, inter alios, the Issuer, the Guarantors and the Security Agent, (3) the declaration of trust dated on or about November 9, 2007 made by certain of the Issuer and the Guarantors in favor of, inter alios, the Security Agent and (4) any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time and pursuant to which the collateral is pledged, assigned or granted to or on behalf of the Security Agent for the benefit of the holders of the Notes and the Trustee or notice of such pledge, assignment or grant is given.
- "Senior Secured Notes" means the 2021 Notes, the 2024 Notes and the Notes, as applicable.
- "Senior Secured Notes Indentures" means, collectively, the 2021 Notes Indenture, the 2024 Notes Indenture and the Indenture, as applicable.
- "Shareholder Loan Notes Novation Intercompany Loan" means the £43.0 million in principal amount loan Midco2 lent to the Company incurred in connection with the novation of the obligations under the Novated Shareholder Loan Notes from the Company to Famco on November 2, 2016. See "*Shareholders—The Exit Transactions*" and "*Related Party Transactions—Subordinated Shareholder Funding*."
- "Shareholder Loan Notes Repayment Intercompany Loan" means the £17.0 million in principal amount deeply subordinated loan Midco2 lent to the Company in connection with the partial repayment of the Original Subordinated Shareholder Loan Notes on November 2, 2016. See "*Shareholders—The Exit Transactions*" and "*Related Party Transactions—Subordinated Shareholder Funding*."

- "Staff Incentive Plan" means the plan introduced in July 2014 related to cash payments to qualifying employees upon the occurrence of the Exit Transactions. See "*Management—Staff Incentive Plan*."
- "Subordinated Shareholder Funding" means the Shareholder Loan Notes Novation Intercompany Loan, the Shareholder Loan Notes Repayment Intercompany Loan and the Other Shareholder Indebtedness Intercompany Loan. See "*Related Party Transactions*."
- "Subsidiary Guarantors" means the Guarantors other than the Company.
- "TABS 1 Securitization" means the series of agreements, dated September 29, 2017, among, *inter alios*, the Company, certain of the Company's subsidiaries and Together ABS 1, as applicable, establishing a term securitization program of certain of our mortgage loans.
- "TABS 2 Securitization" means the series of agreements, dated November 8, 2018 among, *inter alios*, the Company, certain of the Company's subsidiaries and Together ABS 2, as applicable, establishing an asset backed securitization program for certain of our mortgage loans.
- "TABS 3 Securitization" means the series of agreements, dated October 10, 2019 among, *inter alios*, the Company, certain of the Company's subsidiaries and Together ABS 3, as applicable, establishing an asset backed securitization program for certain of our mortgage loans.
- "TCFL" means Together Commercial Finance Limited (formerly Lancashire Mortgage Corporation Limited).
- "Term Securitizations" means the TABS 1 Securitization, the TABS 2 Securitization and the TABS 3 Securitization.
- "Term Securitization SPVs" means Together ABS 1, Together ABS 2 and Together ABS 3.
- "Together ABS 1" means Together Asset Backed Securitisation 1 plc, a special purpose vehicle that purchased certain of our mortgage loans pursuant to the TABS 1 Securitization.
- "Together ABS 2" means Together Asset Backed Securitisation 2 plc, a special purpose vehicle that purchased certain of our mortgage loans pursuant to the TABS 2 Securitization.
- "Together ABS 3" means Together Asset Backed Securitisation 2019-1 plc, a special purpose vehicle that purchased certain of our mortgage loans pursuant to the TABS 3 Securitization.
- "Together Financial Services," "Together," "group," "we," "us" and "our" mean the Company and its consolidated subsidiaries, except where the context otherwise requires.
- "Topco" means Bracken Topco Limited, a wholly owned subsidiary of Famco and the direct parent company of the PIK Notes Issuer.
- "TPFL" means Together Personal Finance Limited (formerly Cheshire Mortgage Corporation Limited).
- "Vendor Notes" means the deferred interest payment-in-kind notes in an aggregate principal amount of £100.0 million originally issued by Midco2 to Equistone and Standard Life Investments on November 2, 2016 and rolled-up to TopCo, which were fully repaid with the proceeds of the PIK Notes.

CURRENCY PRESENTATION

In this offering memorandum, unless otherwise indicated, all references to "pounds sterling," "sterling" and "£" are to the lawful currency of the United Kingdom.

SUMMARY

This summary highlights information contained elsewhere in this offering memorandum. The summary below does not contain all the information that you should consider before investing in the Notes. The following summary should be read in conjunction with and is qualified in its entirety by the more detailed information included elsewhere in this offering memorandum. You should carefully read the entire offering memorandum to understand our business, the nature and terms of the Notes and the tax and other considerations which are important to your decision to invest in the Notes, including the more detailed information in the consolidated financial statements and the related notes included elsewhere in this offering memorandum, before making an investment decision. Please see the section entitled "Risk Factors" for factors that you should consider before investing in the Notes and the section entitled "Forward-looking statements" for information relating to the statements contained in this offering memorandum that are not historical facts.

Overview

We are one of UK's leading specialist mortgage and secured loans providers by loan book size, established in 1974, and have successfully operated throughout our 45 year history. We pride ourselves on bringing common sense to lending by helping individuals, families and businesses achieve their ambitions in a world that has changed when traditional lending has not.

We focus on low loan-to-value 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 September 30, 2019, 66.0% are secured by residential properties, with the balance secured by commercial and semi-commercial properties, all within the United Kingdom. We specialize in offering individually underwritten loans supported by an effective service proposition, thereby minimizing competition from mainstream lenders (including high street banks) and other lenders. We offer our loans through one consistent brand, "Together", and distribute them primarily through mortgage intermediaries, our professional network and auction houses, each across the United Kingdom, and through our direct sales teams. We underwrite and service all our loans in-house, primarily incorporating manual underwriting to determine the credit decisions supported by automated processing tools with well-developed loan administration and collection processes. In the twelve months ended September 30, 2019, we had Underlying profit before taxation of £134.4 million and generated Underlying EBITDA of £259.4 million. In the twelve months ended September 30, 2019, we advanced £2,098.7 million of new lending, and as of September 30, 2019, we had Shareholders' Funds of £814.9 million. As of September 30, 2019, our total loan assets were £3,878.4 million. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Loan Analysis*."

As of September 30, 2019, 32.0% of our loan portfolio was classified as retail purpose, 62.8% of our loan portfolio was classified as commercial purpose and 5.2% of our loan portfolio was classified as development funding, calculated by value. We classify mortgages as retail purpose lending when the mortgage is regulated by the Financial Conduct Authority ("FCA") as well as certain loans written prior to the introduction of the relevant regulation which we consider would have been subject to regulation if underwritten under the current regulatory framework. Retail purpose loans include loans for purchasing a new home (including "chain breaks," which are loans used by customers looking to purchase a new home ahead of completing the sale of their existing home), making home improvements, debt consolidation and large personal purchases and since March 2016 also includes "consumer buy-to-let" loans ("CBTL") written after this date. Our retail purpose loans also include regulated bridging loans. 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. Such loans could include, in order to lease a property ("buy-to-let" but excluding CBTL), raising capital against a property including for general business use or to renovate a property, or to bridge a transaction against a property (but excluding regulated bridging loans). Commercial purpose loans are currently unregulated. Our classification of a mortgage as either retail or commercial purpose is unrelated to the collateral securing it. 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. As of September 30, 2019, 100% of our retail purpose loans and 50.0% of our commercial purpose loans (including development loans) were secured by residential property.

Our underwriting process consists of a detailed and individualized credit, affordability and/or repayment assessment, as well as a security assessment which typically includes an independent valuation, which we believe provides us with a thorough understanding of each loan application. In the underwriting process, we primarily focus on affordability, being the ability of the loan applicant to make loan payments in line with agreed terms ("affordability"), the repayment strategy where the loan will not be repaid from installments 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 authorization controls, a staff training and competency program and quality assurance sampling procedures. This is supported by a formal Enterprise Risk Management Framework, which includes conducting internal, risk and compliance audits as well as a formal committee structure to agree on policy decisions, setting risk appetites and monitoring credit quality. Additionally, external loan asset audits have been conducted annually, pursuant to the terms of certain of our financing arrangements.

Our key underwriting metrics remained fairly consistent as of and for the twelve months ended September 30, 2019, with the LTVs of our loan portfolio on a weighted average indexed basis as of September 30, 2019 at 55.0% (compared with 54.3% as of June 30, 2019, 55.3% as of June 30, 2018 and 53.4% as of June 30, 2017), and the origination LTV on a weighted average basis of new loans underwritten by us for the twelve months ended September 30, 2019 at 58.0% (compared with 58.0% for the year ended June 30, 2019, 58.0% for the year ended June 30, 2018 and 57.1% for the year ended June 30, 2017). As of September 30, 2019, 97.1% of our total loan portfolio and 91.7% of the Borrower Group loan portfolio, calculated by value, consisted of loans with LTVs at origination equal to or less than 80.0%. This fundamental, long-standing principle of our group has provided us with significant protection in times of falling property prices and economic downturns, thereby minimizing our levels of provisions and losses. For the years ended June 30, 2017 and 2018 impairment losses under IAS39 amounted to £7.4 million and £11.4 million respectively, and for the year ended June 30, 2019 and twelve months ended September 30, 2019, impairment losses under IFRS 9 amounted to £15.4 million and £16.6 million respectively, representing on an annualized basis only 0.37%, 0.44%, 0.46% and 0.48%, respectively, of our average total loan assets for each period.

We have historically generally reinvested our profits in our business (other than dividends used to service the interest on the PIK Notes), increasing our reserves and providing a separate equity buffer to our lenders in addition to the protection afforded by the low weighted averaged indexed LTV of our loan portfolio. The ratio of our net senior secured borrowings (including our Securitizations) to total loan assets was 78.6% as of September 30, 2019. The ratio of net senior secured borrowings to value of total underlying security, which is calculated as the LTV of our loan portfolio on a weighted average indexed basis multiplied by the ratio of net senior secured borrowings to total loan assets, was 43.2% as of September 30, 2019.

Retail Purpose Lending

As of September 30, 2019, retail purpose loans comprised 32.0% of our loan portfolio, calculated by value, with a weighted average indexed LTV of 50.1% and a weighted average nominal rate of 7.5%, substantially all of which were secured by residential property. We lend to customers with a wide range of residential properties which can also include non-standard property types, such as timber-framed properties, thatched cottages and high-rise flats. Our retail purpose loans consist of first lien loans, which are secured by first priority liens on the collateral property, the proceeds from which are typically used by borrowers to purchase the property or to refinance an existing loan that is secured by a first priority lien on the property but can also be used for a variety of other purposes, and second lien loans, which are secured by liens on the collateral property that are junior in priority of payment to first lien loans, the proceeds from which are used by borrowers for a variety of purposes. We offer retail purpose loans under the "Together" brand through our subsidiary, Together Personal Finance Limited ("TPFL," formerly Cheshire Mortgage Corporation Limited), which has full regulatory permissions to offer first charge and second charge mortgages to retail customers. Until March 21, 2016, we also offered second lien mortgages through our subsidiary Blemain Finance Limited ("BFL"), which will continue managing its existing loan portfolio. From March 21, 2016, any new CBTL mortgages are classified as retail purpose loans (included within retail first lien and second lien loan categories, as applicable). As of September 30, 2019, CBTL mortgages represented £75.0 million, being 6.0% of our retail purpose loans or 1.9% of our total loan portfolio. Our retail purpose loans also include regulated bridging loans (included within retail first lien and second lien loan categories, as applicable) which were introduced in February 2016 and which have steadily grown in volume over recent periods to represent £168.1 million, 13.6% of our retail purpose loans or 4.3% of our total loan portfolio as of September 30, 2019. First lien and second lien loans (including CBTL and regulated bridging loans as applicable) represented 52.4% and 47.6% of our retail purpose loans, respectively, calculated by value as of September 30, 2019. Our retail purpose loans are distributed primarily through an established network of mortgage intermediaries, with a small portion sold directly to customers. In the year ended June 30, 2019, we distributed 92.1% of our retail purpose loans through our established network of mortgage intermediaries, with the remainder being distributed through direct channels. The assets securing our retail purpose loans are located across England, Scotland, Wales and, to a small extent (for loans originated prior to April 2009), Northern Ireland.

Commercial Purpose Lending

As of September 30, 2019, commercial purpose loans comprised 62.8% of our loan portfolio, calculated by value, with a weighted average indexed LTV of 56.3% and a weighted average nominal rate of 8.9%, 35.7% of which are BTL+ loans, 25.6% of which are commercial term loans and 38.7% of which are unregulated bridging loans, calculated by value of the total loan portfolio. Our unregulated bridging loans, defined as having original maturities of up to 24 months, are secured by property, of which 44.5% is residential and 55.5% is commercial and semi-commercial property. BTL+ loans are secured on residential property, which includes our buy-to-let lending activity (excluding CBTL but including loans underwritten prior to March 2016 that could have been categorized as CBTL had they been originated after March 2016), but including first-time landlords and portfolio landlords, as well as certain other types of lending, which is unregulated by virtue of certain business exemptions being applicable. Our commercial term loans are 100% secured on commercial and semi-commercial property. Our Commercial purpose loans primarily consist of first and second lien loans, which represented 65.4% and 34.6% of our BTL+ loans, respectively, 94.6% and 5.4% of our commercial term loans, respectively, and 86.7% and 13.3% of our unregulated bridging loans, respectively, calculated by value as of September 30, 2019. We offer commercial purpose loans under the “Together” brand through our subsidiary Together Commercial Finance Limited (“TCFL,” formerly Lancashire Mortgage Corporation Limited). Historically, we also offered commercial purposes loans through our subsidiaries, Auction Finance Limited (“AFL”), Bridging Finance Limited (“BDFL”) and Harpmanor Limited (“HARPL”). In April 2017, we consolidated the distribution of commercial purpose loans into TCFL. Each of AFL, BDFL and HARPL will continue to manage their respective existing loan portfolios, although such entities will no longer distribute commercial purpose loans.

In the year ended June 30, 2019, we distributed 53.3% of our unregulated bridging loans through direct channels which consist of, *inter alios*, our network of professionals (including lawyers, accountants, bankers, surveyors and wealth managers), our repeat customer base and our direct sales teams and we distributed 46.7% of our unregulated bridging loans through our established network of mortgage intermediaries. In the year ended June 30, 2019, we distributed 76.4% of our BTL+ loans, and 68.9% of our commercial term loans through our established network of mortgage intermediaries, respectively, with the remainder being distributed through direct channels. The assets securing our commercial purpose loans are located across England, Scotland, Wales and, to a small extent (for loans originated prior to April 2009), Northern Ireland.

Development Loans

As of September 30, 2019, development loans comprised 5.2% of our loan portfolio. Development loans are loans that we extend to finance the development of land or property primarily into residential units with repayments typically being made out of the sale or refinance of the units. Of our development loans, 17.1% were originated prior to December 31, 2009 (including any further advances advanced post 2010). Loans originated since January 1, 2010 and subsequently redeemed prior to September 30, 2019 had a weighted average elapsed term of 17 months. Loans originated since January 1, 2010 that had not been subsequently redeemed as of September 30, 2019 have a weighted average elapsed term of 14 months. For the twelve months ended September 30, 2019, we extended £47.9 million in further advances on loans originated prior to September 30, 2018 (of which £0.1 million related to loans originated prior to 2010) and have underwritten £120.4 million in new development loans comprised of £54.6 million of initial advances and £65.8 million of further advances.

Loan Portfolio Characteristics

The table below provides certain characteristics of our retail purpose, commercial purpose and development lending as of September 30, 2019 and for the twelve months ended September 30, 2019, as applicable.

	Retail Purpose 32.0%	**Commercial Purpose[(1)] 62.8%**			**Development 5.2%**
		BTL+ 22.4%	**Commercial Term 16.1%**	**Unregulated Bridging 24.3%**	
Specialty	• Loans to individuals	• Loans to small and medium-sized enterprises, property investors and high net-worth and other individuals	• Loans to small and medium-sized enterprises, property investors and high net-worth and other individuals	• Loans to small and medium-sized enterprises, property investors and high net-worth and other individuals	• Loans to small and medium-sized enterprises, property investors and high net-worth individuals
Regulator	• FCA	• Unregulated	• Unregulated	• Unregulated	• Unregulated
Distribution	• Mortgage intermediaries • Direct sales	• Mortgage intermediaries • Direct sales • Professional referrals • Auction houses	• Mortgage intermediaries • Direct sales • Professional referrals • Auction houses	• Mortgage intermediaries • Direct sales • Professional referrals • Auction houses	• Mortgage intermediaries • Direct sales • Professional referrals
Security	• Residential property	• Residential property	• Commercial and semi-commercial property	• Residential property • Commercial and semi-commercial property	• Residential property • Commercial and semi-commercial property
Terms	• 1 to 40 years	• 2 to 30 years	• 2 to 30 years	• Up to 24 months	• Through to completion and sale of units
Total Loan Portfolio					
Loan Portfolio Value	• £1,240.3 million	• £870.9 million	• £624.5 million	• £943.7 million	• £201.5 million
Number of Loans	• 21,212	• 8,228	• 3,363	• 3,061	• 243
Average Inception Loan Size[(2)]	• £62.7 thousand	• £109.7 thousand	• £193.3 thousand	• £319.8 thousand	• £441.5 thousand
Weighted Average Indexed LTV	• 50.1%	• 58.3%	• 52.5%	• 57.1%	• 70.1%
Weighted Average Nominal Rate	• 7.5%	• 7.6%	• 8.2%	• 10.6%	• 10.8%
% of which are Fixed Rate	• 46.4%	• 5.6%	• 0.8%	• —	• —
% with initial term less than 24 months Loan Portfolio Value	• 13.5%	• —	• —	• 100.0%	• 98.7%
Comprising first lien and second lien split as follows:					
First Lien Loan Portfolio					
Loan Portfolio Value	• £650.3 million	• £569.4 million	• £591.1 million	• £818.4 million	• £167.4 million
Number of Loans	• 6,273	• 4,415	• 3,061	• 2,604	• 169
Average Inception Loan Size[(2)]	• £107.3 thousand	• £133.8 thousand	• £201.0 thousand	• £327.6 thousand	• £566.7 thousand
Weighted Average Indexed LTV	• 47.6%	• 58.2%	• 52.7%	• 56.6%	• 70.5%
Weighted Average Nominal Rate	• 6.4%	• 7.4%	• 8.2%	• 10.5%	• 10.9%
% of which are Fixed Rate	• 67.7%	• 5.4%	• 0.6%	• —	• —

	Retail Purpose 32.0%	Commercial Purpose[1] 62.8%			Development 5.2%
		BTL+ 22.4%	Commercial Term 16.1%	Unregulated Bridging 24.3%	
% with initial term less than 24 months Loan Portfolio Value	• 25.4%	• —	• —	• 100.0%	• 99.4%
Second Lien Loan Portfolio					
Loan Portfolio Value	• £590.1 million	• £301.5 million	• £33.4million	• £125.2 million	• £34.2 million
Number of Loans	• 14,939	• 3,813	• 302	• 457	• 74
Average Inception Loan Size[2]	• £44.0 thousand	• £81.9 thousand	• £115.5 thousand	• £275.2 thousand	• £155.6 thousand
Weighted Average Indexed LTV	• 52.8%	• 58.4%	• 49.0%	• 60.0%	• 68.2%
Weighted Average Nominal Rate	• 8.6%	• 8.0%	• 8.7%	• 11.6%	• 10.6%
% of which are Fixed Rate	• 22.9%	• 5.9%	• 4.1%	• —	• 0.2%
% with Term less than 24 months Loan Portfolio Value	• 0.4%	• —	• —	• 100.0%	• 95.4%
Total Loans underwritten in last 12 months					
Loan Portfolio Value (excluding further advances of £151.5 million)	• £614.4 million	• £367.1 million	• £259.2 million	• £651.9 million	• £54.6 million
Number of Loans	• 5,353	• 2,846	• 982	• 2,368	• 114
Average Inception Loan Size[2]	• £114.8 thousand	• £129.0 thousand	• £263.9 thousand	• £275.3 thousand	• £478.7 thousand
Weighted Average Indexed LTV	• 51.6%	• 64.3%	• 59.3%	• 59.8%	• 61.7%
Weighted Average Nominal Rate	• 6.0%	• 6.7%	• 7.2%	• 10.2%	• 10.9%
% of which are Fixed Rate	• 75.5%	• 10.7%	• 1.3%	• —	• —
% with initial term less than 24 months Loan Portfolio Value	• 30.4%	• —	• —	• 100.0%	• 99.6%
Comprising first lien and second lien split as follows:					
First Lien Loans underwritten in last 12 months					
Loan Portfolio Value (excluding further advances of £112.3 million)	• £472.9 million	• £260.9 million	• £249.7 million	• £578.4 million	• £45.3 million
Number of Loans	• 3,251	• 1,694	• 907	• 2,141	• 87
Average Inception Loan Size[2]	• £145.5 thousand	• £154.0 thousand	• £275.3 thousand	• £270.1 thousand	• £520.6 thousand
Weighted Average Indexed LTV	• 49.3%	• 64.4%	• 59.5%	• 60.0%	• 63.3%
Weighted Average Nominal Rate	• 5.8%	• 6.5%	• 7.2%	• 10.1%	• 11.0%
% of which are Fixed Rate	• 86.6%	• 10.3%	• 1.3%	• —	• —
% with initial term less than 24 months Loan Portfolio Value	• 39.0%	• —	• —	• 100.0%	• 99.7%
Second Lien Loans underwritten in last 12 months					
Loan Portfolio Value (excluding further advances of £39.2 million)	• £141.6 million	• £106.2 million	• £9.5 million	• £73.6 million	• £9.3 million
Number of Loans	• 2,102	• 1,152	• 75	• 227	• 27

	Retail Purpose 32.0%	Commercial Purpose[1] 62.8%			Development 5.2%
		BTL+ 22.4%	Commercial Term 16.1%	Unregulated Bridging 24.3%	
Average Inception Loan Size[2]	• £67.3 thousand	• £92.2 thousand	• £126.7 thousand	• £324.2 thousand	• £343.5 thousand
Weighted Average Indexed LTV	• 59.2%	• 64.0%	• 53.6%	• 58.1%	• 53.9%
Weighted Average Nominal Rate	• 6.7%	• 7.0%	• 7.5%	• 11.0%	• 10.3%
% of which are Fixed Rate	• 38.1%	• 11.8%	• 1.8%	• —	• —
% with initial term less than 24 months Loan Portfolio Value	• 1.7%	• —	• —	• 100.0%	• 98.9%

Note: LTVs were calculated per each loan on a standalone basis. In certain cases, the LTVs presented herein would differ if calculated on a per borrower basis. See "*Presentation of Financial and Other Information—Terms Relating to Our Loan Analysis.*"

(1) The aggregate average inception loan size of commercial loans is £215.7 thousand.

(2) The aggregate average inception loan size of retail, commercial purpose and development loans is £109.9 thousand.

(3) AFL, BFL, BDFL and HARPL are managing their existing respective loan portfolios and are not underwriting additional loans.

(4) Retail purpose loans underwritten in the twelve months ended September 30, 2019 of £614.4 million includes £36.2 million of CBTL loans and £187.0 million of regulated bridging loans. Such loans are segmented into first and second lien as appropriate.

(5) The retail loan portfolio value of £1,240.3 million as of September 30, 2019 includes £75.0 million of CBTL loans and £168.1 million regulated bridging loans. Such loans are segmented into first and second lien loans, as appropriate.

Our Sources of Funding

Historically, our principal sources of funds have been cash provided by operations, our Shareholders' Funds, including through subordinated shareholder indebtedness, the Revolving Credit Facility, capital markets indebtedness represented by senior secured notes and the Securitizations.

As of September 30, 2019, our Shareholders' Funds were £814.9 million, including Subordinated Shareholder Funding with a carrying value of £27.7 million. As of September 30, 2019, our total commitments under the Conduit Securitizations was £2,234.5 million (increasing to £2,479.5 million following the recent amendment of the LABS Securitization on October 30, 2019), of which £1,996.6 million was outstanding. As of September 30, 2019, we had £354.1 million of Rated Notes outstanding under the Term Securitizations. In addition, the total commitments under the Revolving Credit Facility were £71.9 million (£55.0 million outstanding) as of September 30, 2019.

On September 29, 2017, we entered into TABS 1 Securitization pursuant to which we sold residential mortgages with aggregate principal balance amounts of £275.0 million through the issuance of £261.3 million Rated TABS 1 Notes to qualified institutional investors. On November 8, 2018, we entered into TABS 2 Securitization pursuant to which we sold residential mortgages with aggregate principal balance amounts of £286.9 million through the issuance of £272.6 million Rated TABS 2 Notes to qualified institutional investors. On October 10, 2019, we established the TABS 3 Securitization pursuant to which we sold residential mortgages with aggregate principal balance amounts of £332.0 million through the issuance of £315.4 million Rated TABS 3 Notes to qualified institutional investors. In addition, in respect of each of the Term Securitizations, Class Z notes were issued to the Originators and Class R notes were issued to the Company. The Class Z notes issued in connection with each of the Term Securitizations represent an interest that is subordinate to that of the relevant Rated TABS Notes. The Class R notes were issued to provide initial liquidity to the Term Securitizations. The assets purchased by the Term Securitization SPVs from the Originators had been re-purchased by the Originators from Charles Street ABS in connection with the establishment of each of the Term Securitizations. Unlike the Conduit Securitizations which are revolving facilities, the Term Securitizations do not buy additional mortgages from the Originators on an ongoing basis.

Pursuant to the Conduit Securitizations, certain of our operating subsidiaries (the "Originators") sell on a random basis, subject to meeting certain eligibility criteria and complying with certain portfolio covenants, certain of our qualifying mortgage loans to Charles Street ABS, Lakeside ABS, Delta ABS 2 (previously, under the now-refinanced DABS 1 Securitization, to Delta ABS 1) and Highfield ABS, respectively, each a bankruptcy-remote special purpose vehicle established for purposes of the Conduit Securitizations. Each of the special purpose vehicles finances these purchases from borrowings funded through the issuance of notes to certain note purchasers with the balance of any funding requirements provided through the issuance of subordinated notes to the Originators. While each of the vehicles established for the purposes of the Securitizations and the transaction documentation for such Securitizations may share similar terms and conditions, each Securitization is independent from each other. For example, a default under one of the Securitizations will not automatically trigger a default under any of the other Securitizations.

The assets of the special purpose vehicles related to the Securitizations are included within our consolidated accounts presented herein. Loans, once sold, must continue to meet certain criteria to remain eligible as collateral for the purposes of calculating the borrowing level under each Conduit Securitization. In order to maximize the borrowing level, as well as to prevent a default from occurring in each of the Conduit Securitizations, the Originators are obliged to either substitute loans that become ineligible loans (including loans defaulted such as a result of reaching a certain level of arrears) with eligible loans or purchase additional subordinated notes issued by the relevant Conduit Securitization, as applicable, to fund the ineligible loans. To date, we have chosen to substitute ineligible loans with eligible loans. In the twelve months ended September 30, 2019, £88.8 million of defaulted loans were repurchased from the Conduit Securitizations. We estimate principal losses recognized on defaulted loans repurchased from the CABS Securitization were, on average, less than £0.1 million per year between January 1, 2013 and September 30, 2019. Principal losses recognized on defaulted loans repurchased from the LABS Securitization have been less than £0.1 million since its inception in August 2015 until September 30, 2019. Principal losses recognized on defaulted loans repurchased from the HABS Securitization have been £nil since its inception in April 2018 until September 30, 2019. Principal losses recognized on defaulted loans repurchased from the DABS 1 Securitization have been £0.7 million since its inception in January 2017 to March 29, 2019. Principal losses recognized on defaulted loans repurchased from the DABS 2 Securitization has been £nil since its inception on March 29, 2019 until September 30, 2019.

Surplus income of each of the Securitization Vehicles, after paying interest and fees in connection with the applicable Securitization, is paid to the Originators on a monthly basis, except during a default or full amortization period, as applicable. Surplus income paid back to the Originators in the twelve months ended September 30, 2019 amounted to £150.5 million.

The table below provides certain characteristics of our Term Securitizations as of September 30, 2019, unless stated otherwise. For additional information in respect of the Securitizations, see "*Description of Certain Financing Arrangements—Securitizations.*"

	Together ABS 1	**Together ABS 2**	**Total Term Securitizations**
As of Issuance date	• £275.0 million principal balance • £261.3 million Rated TABS 1 Notes • £13.8 million Class Z Notes • £5.2 million Class R Notes	• £286.9 million principal balance • £272.6 million Rated TABS 2 Notes • £14.3 million Class Z Notes • £7.2 million Class R Notes	• £561.9 million principal balance • £533.9 million Rated Notes • £28.1 million Class Z Notes • £12.4 million Class R Notes
As of September 30, 2019	• £160.5 million principal balance • £142.5 million Rated TABS 1 Notes • £15.0 million Class Z Notes • £3.0 million Cash Reserve owed to originators(2)	• £225.9 million principal balance • £211.6 million Rated TABS 2 Notes • £14.3 million Class Z Notes • £6.8 million Cash Reserve owed to originators(2)	• £386.4 million principal balance • £354.1 million Rated Notes(1) • £29.3 million Class Z Notes • £9.8 million Cash Reserve owed to originations(2)
Surplus income paid back to the Originators, for the twelve months ended September 30, 2019	• £12.6 million	• £4.4 million(2)	• £17.0 million

(1) Stated after the allocation of £8.3 million of principal receipts, received during the month of September 2019, for which such receipts are only formally applied to reduce the rated notes in the subsequent month. £3.3 million in relation to Together ABS 1, and £5.1 million in relation to Together ABS 2, respectively.

(2) As the Initial cash reserve has been repaid (Class R Notes), cash reserve consists of funds withheld by originators from surplus consideration reducing surplus income back to the Originators in the initial period.

On October 10, 2019, we established the TABS 3 Securitization, under which Together ABS 3 purchased £332.0 million principal balance of loans, which purchased certain assets previously forming part of the CABS Securitization, and issued £315.4 million Rated Notes, £16.6 million Class Z notes and £8.2 million Class R notes.

The table below provides certain characteristics of our Conduit Securitizations as of September 30, 2019, unless stated otherwise. For additional information in respect of the Securitizations, See "*Description of Certain Financing Arrangements—Conduit Securitizations*."

	Charles Street ABS	Lakeside ABS	Delta ABS 2	Highfield ABS	Total Conduit Securitizations
Total commitments as of September 30, 2019	• £1,254.5 million	• £255.0 million	• £200.0 million	• £525.0 million	• £2,234.5 million
Total notes outstanding as of September 30, 2019	• £1,247.2 million	• £199.4 million	• £175.0 million	• £375.0 million	• £1,996.6 million
Principal balance as of September 30, 2019	• £1,386.9 million	• £265.5 million	• £210.2 million	• £451.6 million	• £2,314.3 million
Cash balance as of September 30, 2019	• £28.8 million	• £5.3 million	• £4.5 million	• £14.0 million	• £52.6 million
Net creditor balance as of September 30, 2019	• £1.5 million	• £0.1 million	• £2.1 million	• £2.4 million	• £6.1 million
Total subordinated subscription notes outstanding as of September 30, 2019	• £167.0 million	• £71.4 million	• £37.6 million	• £88.2 million	• £364.1 million
Surplus income paid back to the Originators for the twelve months ended September 30, 2019	• £64.5 million	• £33.5 million	• £14.5 million	• £21.1 million	• £133.5 million

On October 30, 2019, the LABS Securitization was amended, resulting in, amongst other things, an increase in total commitments from £255 million to £500 million.

On the establishment of the TABS 3 Securitization and the purchase by Together ABS 3 of assets previously held in Charles Street ABS, the principal balance of loans in Charles Street ABS was reduced by £332.0 million, with total notes outstanding under the CABS Securitization reduced by £298.8 million and subordinated subscription notes reduced by £33.2 million.

Supplemental Cash Flow Information for the Group and Borrower Group

The group is highly cash generative with growing levels of cash generation over the past years. The group generated £1,000.9 million, £1,248.3 million, £1,570.1 million and £437.6 million of Cash Receipts in the years ended June 30, 2017, 2018 and 2019, and the three months ended September 30, 2019, comprising of £227.6 million, £258.8 million, £309.0 million and £82.3 million of interest and fees, respectively, and £773.3 million, £989.5 million, £1,261.1 million and £355.3 million of principal receipts, respectively. Cash Receipts expressed as a percentage of total average loan assets were 49.5%, 48.0% and 47.2% in the years ended June 30, 2017, 2018 and 2019. Annualized Cash Receipts divided by the total average loan assets for the three months ended September 30 2019 were 46.2%.

The Borrower Group generated £495.2 million, £610.8 million, £779.5 million and £221.3 million of Cash Receipts in the years ended June 30, 2017, 2018 and 2019 and the three months ended September 30, 2019, comprising of £68.1 million, £77.6 million, £90.3 million and £22.5 million of interest and fees, respectively, £302.4 million, £403.8 million, £540.4 million and £155.9 of principal receipts, respectively, and £124.7 million, £129.4 million, £148.8 million and £42.9 million surplus income from the Securitizations, respectively. See "*—Overview—Our sources of funding*." Cash Receipts expressed as a percentage of total average loan assets of the Borrower Group were 66.7%,62.5% and 68.8% in the years ended June 30, 2017, 2018 and 2019, respectively. Annualized Cash Receipts divided by the total average loan assets for the three months ended September 30, 2019 were 75.2%, respectively.

The group had cash outflows relating to overheads and expenses, tax and capital expenditure of £89.8 million, £108.8 million and £116.9 million in the years ended June 30, 2017, 2018 and 2019, respectively, resulting in cash available for debt service and originating new advances of £911.2 million, £1,139.5 million and £1,453.2 million, respectively. The group had cash outflows relating to overheads and expenses, tax and capital expenditure of £34.0 million in three months ended September 30, 2019, resulting in cash available for debt service and originating new advances of £403.6 million.

The Borrower Group had cash outflows relating to overheads and expenses, tax and capital expenditure of £89.8 million, £108.8 million and £111.8 million in the years ended June 30, 2017, 2018 and 2019, respectively, resulting in cash available for debt service and originating new advances of £405.4 million, £502.0 million and £667.7 million, respectively. The Borrower Group had cash outflows relating to overheads and expenses, tax and capital expenditure of £34.0 million in the three month ended September 30, 2019, resulting in cash available for debt service and originating new advances of £187.3 million.

The group paid interest costs of £78.6 million, £78.0 million and £105.1 million, respectively, and debt issuance costs of £11.5 million, £8.4 million and £9.1 million in the years ended June 30, 2017, 2018 and 2019, respectively. The group paid interest costs of £40.7 million and debt issuance costs of £0.8 million in the three months ended September 30, 2019.

The Borrower Group paid interest costs of £43.4 million, £34.1 million and £45.7 million, respectively, and debt issuance costs of £11.5 million, £8.4 million and £9.1 million in the years ended June 30, 2017, 2018 and 2019, respectively. The Borrower Group paid interest costs of £22.9 million and debt issuance costs of £0.8 million in the three months ended September 30, 2019.

In addition, the group (and the Borrower Group) paid dividends to its parent company principally to allow the PIK Notes Issuer to service the PIK Notes interest (or, prior to the issuance of the PIK Notes, the interest due on the 2021 PIK Notes, which were repurchased using the proceeds of the PIK Notes) of £12.5 million, £22.9 million, £29.9 million and £nil in the years ended June 30, 2017, 2018 and 2019 and the three months ended September 30, 2019 (during which no dividend related to the PIK Notes was made as no interest payment on the PIK Notes was due), respectively. Annual interest due on the PIK Notes, if paid in cash, is £31.1 million.

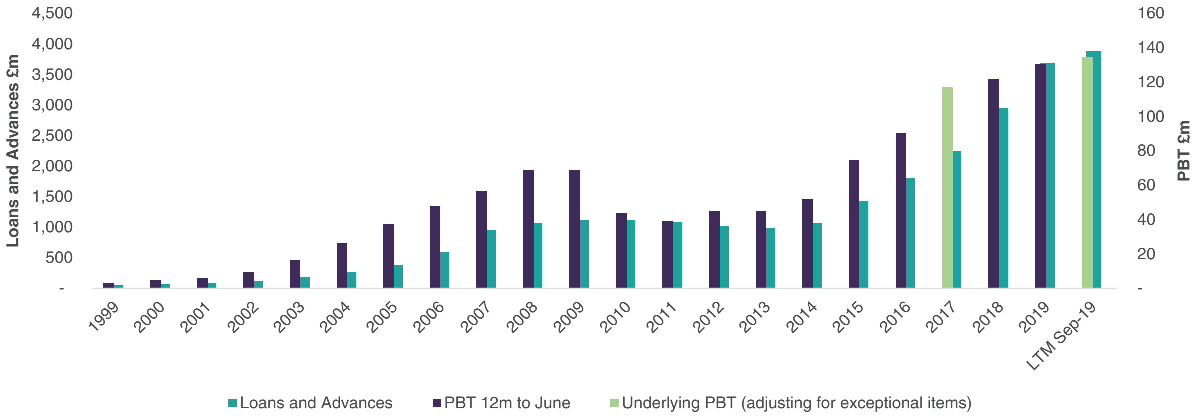
See "*Overview—Our Sources of Funding*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Supplemental Cash Flow Information*."

Our Competitive Strengths

Track record of continuous profitability through multiple business cycles. We have been profitable since our establishment over 45 years ago, including throughout the most recent financial crisis and economic downturn, during which many of our competitors and financial institutions in general suffered significant losses, with a number of our competitors discontinuing originating loans or, in certain instances, ceasing trading. We remained profitable throughout this period and experienced only relatively modest reductions in the aggregate amount of our loan portfolio.

In the years ended June 30, 2017, 2018 and 2019 and in the twelve months ended September 30, 2019, we had profit before taxation of £117.1 million (on an underlying basis), £121.7 million, £130.3, and £134.4 million (on an underlying basis), respectively. Historically, we have generally reinvested our profits in our business (other than dividends used to service interest on the PIK Notes), which has supported the growth in our balance sheet and resulted in Shareholders' Funds as of September 30, 2019, of £814.9 million. In the years ended June 30, 2017, 2018 and 2019 and in the twelve months ended September 30, 2019, we advanced £1,185.4 million, £1,660.1 million, £1,982.9 million and £2,098.7 million of new loans, respectively.

The chart below demonstrates the growth of our loan book and our profit before taxation in the period from the year ended June 1999 to the year ended June 30, 2019 (and, with respect to the year ended June 30, 2017, Underlying profit before taxation), and our loan book and Underlying profit before taxation as of and for the twelve months ended September 30, 2019. Information for the period from June 30, 1999 to June 30, 2014 is presented in accordance with UK GAAP, while information for the years ended June 30, 2015 to June 30, 2019 and for the twelve months ended September 30, 2019 is presented in accordance with IFRS.



For the years ended June 30, 2017, 2018 and 2019, our EBITDA was £185.2 million (£193.4 million of Underlying EBITDA), £219.2 million and £251.5 million, respectively. In the twelve months ended September 30, 2019, our EBITDA was £256.4 million and our Underlying EBITDA was £259.4 million.

Unique and proven business model focused on building long-term value by helping underserved customers in attractive and growing markets. We offer a wide range of individually underwritten secured loans for both retail and commercial purposes, secured on both residential and commercial property, at low LTVs, to owner occupiers, small and medium-sized enterprises ("SMEs"), landlords, property investors, entrepreneurs, developers and high net worth individuals. According to UK Finance (previously the Council of Mortgage Lenders) and the Bank of England, the total United Kingdom mortgage market has grown from the twelve months ended June 2011 to the twelve months ended June 2019 in terms of value of the annual mortgage originations at a compound annual rate of 8.0%, with increasing levels of available homeowners' and property investors' equity. While growth in property prices has been more modest over the last 2 years, with some regional variation, according to the UK Finance and the Bank of England, in the twelve months ended June 2019, annual mortgage originations were £268 billion, representing a 1.2% increase compared to the prior twelve-month period.

In addition to the growth in the overall UK mortgage market, the way people live and work is evolving rapidly and, as lifestyles change, so do customer's lending needs. Our own research (YouGov survey for Together – 2,003 people who had enquired about a mortgage but not received an offer) indicates that over half (54%) of people turned down for a mortgage had an application rejected for reasons such as self-employment, multiple income streams or non-standard property types. As a result of economic and regulatory trends that have affected mainstream lenders, these underserved borrowers are increasingly seeking financing from alternative lenders. We identify and operate in targeted segments of the broader UK mortgage market, differentiating ourselves from our competitors by our specialist underwriting skills, speed of execution, customer access to the decision makers that can approve a mortgage, distribution network, service delivery and product range. As indicated in CACI customer segments research (August 2018), more than 75% of our loan book consists of customer segments that typically have higher incomes, equity in their homes and strong levels of disposable income.

Mainstream lenders often automate the underwriting process, which can lead to rejection of large numbers of creditworthy customers with non-standard loan applications. Our customers are often unable to secure funding from mainstream lenders, in a timely fashion, or at all, due to the complexity of the customers' income streams, their historical or current circumstances, the nature of the property to be financed (including, for example, non-standard construction), the borrowing purpose or the speed in which the funds are required. Many of these non-standard factors are becoming much more normal and we believe the lending criteria of mainstream lenders have struggled to keep up with the pace of change in society.

Customers, mortgage intermediaries, introducers and our other distribution partners come to Together because of our broad product offering and lending criteria combined with our speed of response and flexible, customized approach to lending that allows us to meet the needs of customers that mainstream lenders cannot serve effectively, if at all. Our underwriting process is based on the principles of affordability, sustainability and recoverability, and takes into consideration customer history and financial position, in-depth security reviews with valuations comparison, legal reviews, understanding of the repayment strategy, default minimums and stress buffers. By incorporating manual underwriting processes, informed by our extensive experience lending to the types of customers, the nature of security and the situations we support, we are able to carefully assess the customer and the security on their individual merits, as opposed to making our decision purely using a general credit score approach, and thereby gain a greater understanding of the nature and level of the credit risk.

In addition, mortgage intermediaries turn to Together because of our broad and flexible product offering, our experience and strong reputation, built over 45 years, and our levels of service. Our capabilities are supported by our in-house platform, from origination through to servicing and collections, all located within our head offices in Cheadle. We continually seek to extend awareness of our products and to identify new opportunities to develop our loan offerings. Our product development team works closely with mortgage intermediaries and other stakeholders in our distribution channels to refine and improve our product range and to identify new market segments where customers are underserved. By operating in markets with less competition and only lending at low LTVs, we are able to achieve an attractive appropriate risk-adjusted returns on our total loan assets. The weighted average nominal rate of new loans underwritten by us for the twelve months ended September 30, 2019 was 8.0%. Our net interest margin for the twelve months ended September 30, 2019 was 6.8%.

Broad, established and growing distribution network, supported by long-standing relationships with mortgage intermediaries and our direct routes to market. Our broad and diversified distribution channels consist of our established network of mortgage intermediaries and our direct channels. We have established long-standing and stable relationships with a wide range of mortgage intermediaries. These relationships were further strengthened during the global financial crisis as we continued to lend while management believes many of our competitors reduced their lending or exited the market altogether. Since the global financial crisis, we have continued to expand our relationships with mortgage intermediaries and have widened our reach into mortgage clubs and networks. Our aim is to identify and create mortgage relationships with the intermediaries affiliated within these clubs and networks that have the greatest specialist lending needs. In January 2019, we launched Together+, an offering that recognizes our closest mortgage intermediary relationships, based both on quality and volume, with preferential rates and increased support through marketing, products, sales and service. Our direct channels include originations through our own direct marketing channel and sales team, our professional network of lawyers, accountants, bankers, surveyors, wealth managers and other introducers and our relationships with auction houses. Our direct channels also include originations through our repeat customer base, with many customers who repeatedly return to us to support their activities.

Of the loans (by value) we extended in the year ended June 30, 2019, 68.5% were sourced from mortgage intermediaries and 31.5% were sourced from our direct channels. During the year, we originated loans through approximately 901 mortgage intermediaries (an increase from 205 mortgage intermediaries following the financial crisis in the year ended June 30, 2012 and an increase from 550 in the year ended June 30, 2018), 238 of which each generated new advances in excess of £0.5 million (an increase from 40 such mortgage intermediaries following the financial crisis in the year ended June 30, 2012 and an increase from 212 in the year ended June 30, 2018). For the year ended June 30, 2019, our largest individual mortgage intermediary accounted for 9.9% of aggregate mortgage intermediary advances and our top ten and top twenty mortgage intermediaries accounted for 35.1% and 50.5% of aggregate mortgage intermediary advances, respectively. In the year ended June 30, 2019, our largest mortgage intermediary in commercial purpose and retail purpose lending accounted for 14.3% of total commercial purpose mortgage intermediary advances and 5.3% of total retail purpose mortgage intermediary advances, respectively.

Although we are evolving our distribution to include emerging channels (including online mortgage brokers, aggregators and digital distribution), we remain committed to growing and strengthening our existing long-standing relationships with customers and mortgage intermediaries. We also recently launched our Corporate Team, which seeks to work with high net worth individuals, property investors, entrepreneurs, SMEs and developers. These customers typically have a larger minimum borrowing requirement, and often require shorter-term funding solutions with rapid turnaround to secure opportunities, and typically want a longer-term relationship with a lender that they trust to understand their requirements and can move to their timescales.

High quality, balanced and growing loan book with strong asset backing and robust credit performance. Together has a growing, well-balanced loan portfolio of £3.9 billion as of September 30, 2019, diversified across retail purpose loans (owner occupier mortgages, CBTL and regulated bridge loans) and commercial purpose loans (unregulated bridging loans, commercial term loans, buy-to-let + and development), as well as being across customer types, property types, maturity lengths, geographical spread and differing underserved markets. We have refined our underwriting process based on over 45 years of experience, including through various economic and property cycles, remaining profitable throughout. As of September 30, 2019, 66.0% of our loans are secured on residential properties and the balance are secured on commercial and semi-commercial properties. A long standing, fundamental principle of our group has been lending at low LTVs, which mitigates our risk of loss in the event of repossession and, we believe, provides our customers with an incentive to engage with us to find appropriate solutions in the event they face difficulties meeting their financial obligations. Moreover, this policy of lending at low LTVs provides us with significant protection from falling property prices, as shown by our modest levels of bad and doubtful debts charges throughout the 2008-2011 period. Despite significant growth in the loan portfolio since June 30, 2013, the weighted average indexed LTV of our loan portfolio as of September 30, 2019 was 55.0% and the weighted average indexed LTV of the Borrower Group's loan portfolio, was 58.0%. As of September 30, 2019, 97.1% of our loan portfolio and 91.7% our Borrower Group's loan portfolio had a weighted average indexed LTV less than 80.0%. For additional information in respect of the Borrower Group's loan portfolio, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Borrower Group Loan Analysis*." The weighted average LTV of new loans underwritten for the twelve months ended June 30, 2017, 2018 and 2019 and for the twelve months ended September 30, 2019 was 56.9%, 58.0%, 58.0% and 58.0%, respectively, with 2.0%, 1.6%, 3.3% and 2.9% of new loans underwritten having an LTV in excess of 80.0%, respectively, and for the three months ended September 30, 2018 and September 30, 2019, the weighted average origination LTV of new loans underwritten for such period was 58.1% and 58.1%, respectively with 4.4% and 2.8% of new loans underwritten having an LTV in excess of 80%. This compares to the weighted average origination LTV of new loans underwritten in the years ended June 30, 2006 and June 30, 2007 (immediately prior to the recent global financial crisis) of 65.6% and 65.8%, respectively.

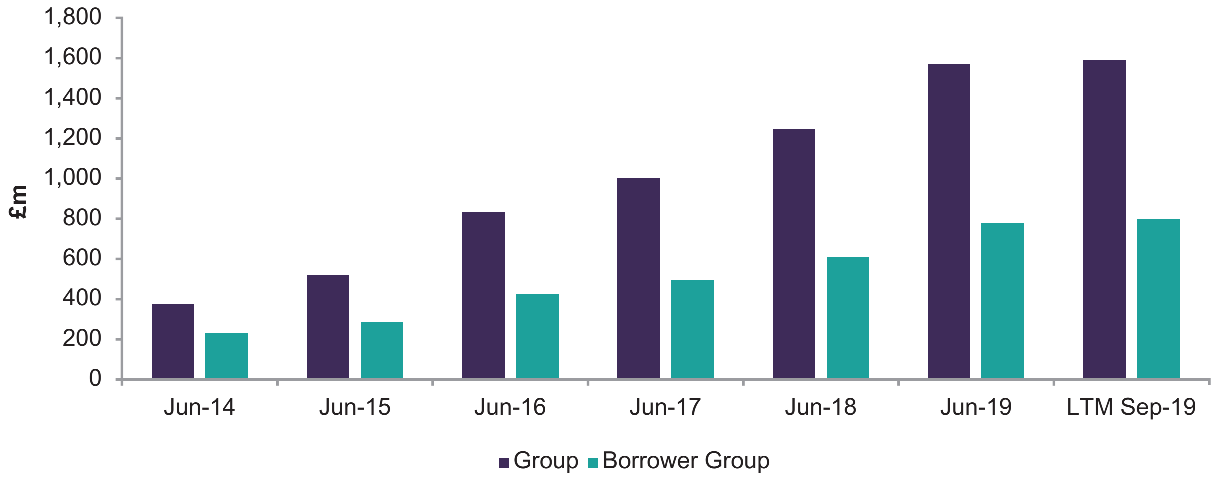
In stress testing our loan portfolio and the Borrower Group's loan portfolio, as of September 30, 2019, when comparing our loan balances, prior to the netting of allowances for impairment, to the respective indexed valuations of the properties, an assumed 20% decline to indexed valuations on a loan by loan basis would result in an additional negative equity exposure of £24.4 million and £22.5 million, respectively. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Loss Sensitivities*."

Strong and diversified sources of funding. Our business model is supported by a diversified and flexible funding structure consisting of cash from operations, the Conduit Securitizations, the Term Securitizations, the Revolving Credit Facility, the 2024 Notes and subordinated shareholder funding. In the case of the Conduit Securitizations and the Revolving Credit Facility, our lenders consist of financial institutions, including a number with whom we have long-standing relationships, and additional institutional investors which have recently joined certain of these facilities. In the past three years, we have increased the amounts committed under our Conduit Securitizations from £1,255.0 million as of June 30, 2016 to £2,234.5 million as of September 30, 2019 (increasing to £2,479.5 million following the most recent amendment of the LABS Securitization on October 30, 2019), and generally improved the terms of our Conduit Securitizations. We have also successfully issued three public residential mortgage backed securitizations in the form of TABS 1 Securitization in September 2017, the TABS 2 Securitization in November 2018 and the TABS 3 Securitization in October 2019, issuing £261.3 million, £272.6 million and £315.4 million of Rated Notes, respectively. In addition, since June 30, 2016, we have grown our committed Revolving Credit Facility from £29.0 million to £71.9 million and increased the aggregate principal amount outstanding under our Senior Secured Notes from £300 million to £725 million.

We have a track record of successfully extending maturity, increasing the size and enhancing the terms of our financing arrangements in line with our growth. Our maximum exposure to any single lending counterparty under the Conduit Securitizations and the Revolving Credit Facility as a percentage of such drawn balances as of September 30, 2019 was 21.0%. We adopt a policy of regularly extending the Conduit Securitizations and Revolving Credit Facility, and we believe that the weighted average maturity profile of such facilities would provide for a level of continuity through short economically challenging periods. Our weighted average maturity profile of our drawn facilities was 3.2 years (3.4 years after giving effect to the most recent amendment of the LABS Securitization on October 30, 2019 and the establishment of the TABS 3 Securitization on October 10, 2019 as if these events had taken place on September 30, 2019). Our diversified funding structure has allowed us to reduce our all in costs of third-party borrowing from 6.5% for the year ended June 30, 2015 to 4.4% for the twelve months ended September 30, 2019.

Highly cash generative. The group is highly cash generative and had £1,593.0 million of Cash Receipts for the twelve months ended September 30, 2019, comprising £318.1 million of interest and fees and £1,274.9 million of principal receipts. As of September 30, 2019, our total loan assets were £3,878.4 million. Cash generation has been increasing over the past years, reflecting the high growth of our loan book in the same period. Cash Receipts expressed as a percentage of total average loan assets were 48.0%, 47.2% and 46.2% in the years ended June 30, 2018 and 2019 and the twelve months ended September 30, 2019, respectively. The Borrower Group generated £799.1 million of Cash Receipts in the twelve months ended September 30, 2019, comprised of £91.8 million in interest and fees, £556.8 million in principal receipts and £150.5 million surplus income from the Securitizations. See "*—Overview—Our Sources of Funding*." Cash Receipts for the Borrower Group expressed as a percentage of average loan assets of the Borrower Group were 62.5%, 68.8% and 68.5% in the years ended June 30, 2018 and 2019 and the twelve months ended September 30, 2019. The group and Borrower Group had cash outflow related to overheads and expenses, tax, and capital expenditure of £122.5 million and £119.6 million, respectively, in the twelve months ended September 30, 2019, resulting in cash available for debt service and originating new advances of £1,470.5 million for the group and £679.5 million for the Borrower Group. We are able to effectively support our forecast liquidity positions by controlling the amount of new loans we underwrite in any given period. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Supplemental Cash Flow Information*."

The table below sets forth Cash Receipts by the group and the Borrower Group for the years ended June 30, 2015 to 2019 and for the twelve months ended September 30, 2019.



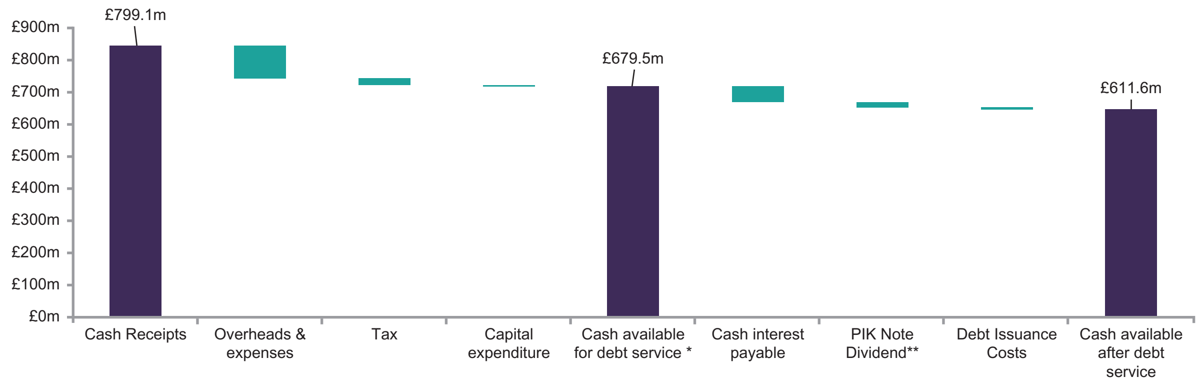
The tables below set forth the paid interest costs and debt issuance costs for the group and the Borrower Group for the twelve months ended September 30, 2019.

Group Cash Flow

* Cash available for debt service is cash available for debt service of the group and originating new advances as well as servicing cash interest payments in relation to the PIK Notes by way of dividends from the group.

** PIK Note dividend is the dividend paid by the group to Midco2 and in turn the PIK Notes Issuer to service cash interest on the PIK Notes.

Borrower Group Cash Flow



* Cash available for debt service is cash available for debt service of the group and originating new advances as well as servicing cash interest payments in relation to the PIK Notes by way of dividends from the group.

** PIK Note dividend is the dividend paid by the group to Midco2 and in turn the PIK Notes Issuer to service cash interest on the PIK Notes.

For the twelve months ended September 30, 2019, cash available for debt repayments and originating new advances were £1,344.9 million (representing cash available for debt service and originating new advances of £1,470.5 million less cash interest payable of £110.6 million and payment of a dividend related to the servicing of cash interest on the PIK Notes of £15.0 million but before debt issuance costs of £6.9 million). For a reconciliation of cash available for debt service and originating new advances to the nearest IFRS measure, see "*Supplemental Cash Flow Information*." Cash available for debt repayments and originating new advances are equivalent to 84.4% of total Cash Receipts of £1,593.0 million. For the twelve months ended September 30, 2019, loan advances required to maintain the size of the loan book equivalent to the size of the loan book as of September 30, 2018 are estimated to be approximately £1,231.7 million with associated debt issuance costs of approximately £4.0 million, assuming a ratio of 0.3% debt issuance costs to loan advances.

For the twelve months ended September 30, 2019, cash flows available for debt repayments and originating new advances were 5.2 times EBITDA.

Active and effective in-house arrears and collections management. We actively manage our level of arrears by employing a variety of collection strategies based on the particular circumstances of each customer, where we seek to act fairly and appropriately. Due to our active management of arrears, in addition to our strong underwriting and the conservative LTV profile of our loan assets, we had virtually no principal losses prior to 2008 and our provisions for bad and doubtful debts expensed to our profit and loss account in respect of potential loan principal losses in each of the years between 2008 and 2013 amounted to only 1% of our average total loan assets, pursuant to UK GAAP, and for the years ended June 30, 2017, and 2018 the impairment losses pursuant to IAS 39, amounted to 0.37% and 0.44% respectively, and for the year ended June 30, 2019 and the twelve months ended September 30, 2019, impairment losses pursuant to IFRS 9 amounted to 0.46% and 0.48%, of our total average total loan assets. We proactively work with our customers who are experiencing a reduced ability to pay their mortgage loans, conducting revised income and expenditure reviews and offering forbearance measures, including, for example, payment plans and assisted sale schemes. We continuously invest in developing our customer relationship management information technology ("IT") platform in our collections area, which we use to improve the effectiveness and efficiency of our collection process. This platform helps us to record and track detailed information about our customers and their circumstances including their financial position and associated affordability, enabling us to identify a way forward to work with the customer to make sustainable and affordable payments. This is facilitated through supportive and open customer dialogue. As a result of our proactive approach with our customers and an improvement in the credit quality of the customers to whom we have lent since 2008, combined with a relatively stable UK economy, annual vintage delinquency rates decreased from 4.4% for loans funded in the year ended December 31, 2009 to 0.6% for loans funded in the year ended December 31, 2018. We believe that our close management of accounts in arrears results in many customers making regular payments in line with agreed payment plans. As of September 30, 2019, of our contractual arrears greater than one month's contractual instalment, which represented 6.9% of our loan portfolio and 19.2% of the Borrower Group's loan portfolio (of which both are excluding loans past contractual term, subject to an LPA Sale or repossession order, development loans and loans for which no contractual monthly instalment is due), calculated by value, of which 67.1% and 54.0% of the group and the Borrower Group, respectively, were classified as performing arrears loans, in respect of which either arrears were less than or equal to three monthly contractual instalments or within the last three months 90% or more of contractual instalments had been received.

Strong governance structure, risk and compliance control. Together has a unique culture that has been shaped by our 45 year history and experience. Our culture and colleagues' values are deeply embedded within our senior management team and the wider organization. We aim to put our customers at the heart of what we do endeavoring to understand their situations and to design products that meet their specific needs. We seek to help customers who are in financial difficulty, or those that may be vulnerable, through pre-emptive collection strategies and the application of forbearance tools. We also undertake root cause analysis of complaints received in order to help us to improve our customers' journeys.

We have invested significantly in our governance and management structure, as we firmly believe this promotes effective risk management, supports decision making and provides strong oversight over all of our business activities. We also we believe that our focus on risk and compliance is essential to our reputation and represents good business practice in an increasingly regulated market. Our commitment to strong governance and risk and compliance control is also evidenced by our continued investment in people and our staff selection, training and retention policies, which include extensive referencing, continuous training and competency programs and performance management strategies based on qualitative appraisals and remuneration plans. Over recent years, we have continued to invest in our Enterprise Risk Management Framework and three lines of defense, most notably our second line, where we have made a number of additional appointments, including the creation of the role of Group Chief Risk Officer in the last twelve months.

Experienced and proven senior management team, combining long-serving colleagues and distinguished recent hires. Our business was co-founded by our current Chief Executive Officer, Henry Moser, in 1974. Three out of six executive members of the group's Board have served on the Board of Directors for over 18 years, each with over 25 years' service with the group. Our consistent profitability since our establishment demonstrates both our senior management team's depth of knowledge of the UK mortgage lending industry, as well as their ability to adapt to the volatile environment of several economic downturns. As part of enhancing our governance to support future growth objectives, we have significantly expanded the senior management team over the last few years, including a number of distinguished additions to the Boards of the group, the Personal Finance division and the Commercial Finance division and a number of non-executive directors who have extensive industry experience, and we will continue to consider further appointments of experienced professionals to support the long-term success of the business.

Our Strategy

Increase secured lending to underserved customers in attractive growing market segments. The UK retail and commercial purposes mortgage markets have continued to grow in recent years, in line with an overall upward movement in UK property prices along with record low unemployment. In addition, there has been a reduction in the number of products offered by mainstream lenders since the start of the financial crisis, in response to regulatory and economic trends, and certain customer segments are no longer serviced by these lenders. Combined with the increasing scale and depth of our funding facilities, enhancements to our product range, and extension to our distribution and service capabilities, we have been able to increase our lending volumes, widen our customer base and improve the credit quality of the loans in our loan portfolio. In total, our loan assets represent less than 1% of the total United Kingdom mortgage market, providing significant potential for future growth. While the UK's economic outlook currently appear less certain with Brexit imminent, we are continuing to see strong demand for our products from customers. We intend to continue to grow our loan portfolio by expanding demand for our product offerings, and supporting this by reinvesting our reserves and further increasing and diversifying our sources of funding.

In addition, we will continue to seek to identify evolving market trends and emerging market segments where we believe we are well placed to help underserved customers and build successful market positions. By listening to the feedback that our customers and mortgage intermediaries provide, we will continue to enhance our propositions, differentiate our loan offerings and seek to provide excellent service to our customers. We firmly believe that this will continue to make us an attractive partner to our customers, our mortgage intermediaries and others who introduce business to us, allowing us to secure margins that are more attractive than those available in mainstream market segments.

We have recently extended our intermediary distribution reach by successfully on-boarding 20 of the largest UK mortgage clubs and networks. This extends our reach to these important intermediaries to approximately 90% and increases significantly our potential coverage of the UK mortgage market. We have also launched "Together+", which offers exclusive access to preferential rates and increased support through marketing, products, sales and service for our particularly strategically important mortgage intermediaries. By segmenting our key relationships both within the clubs and networks, and among our long standing packager community, we are deepening our connections with those intermediaries best placed to introduce underserved customers with needs that can be satisfied by our proposition. While we will remain committed to growing our existing distribution relationships, we are also evolving our distribution to include emerging channels such as online mortgage brokers, aggregators and digital distribution, to further extend our reach to underserved customers.

Deliver positive customer outcomes by putting the customers at the heart of our business and providing them with flexible products, experienced underwriters and high levels of service. We aim to deliver positive outcomes by applying a common sense approach to lending in order to help our customers to achieve their financial ambitions. Key to this is our focus on long-term value rather than short-term gain. We will continue our past successful practices, such as looking beyond mainstream lending criteria to understand each individual customer's circumstances so as to deliver personalized lending solutions.

We offer a wide range of secured lending products and regularly review this offering against the market and in light of feedback from our customers, thus ensuring that we continue to meet their changing needs. As new technologies emerge which can help to further improve the customer journey, we are committed to investing in the right technologies to help evolve and enhance our business, while retaining a focus on the things that have made us successful. Consequently, we will look to integrate new technologies through incremental change, focusing on where we can enhance the customer and introducer journey and experience, and where we can develop or extend our IT architecture and utilization of data to improve processes and deliver increased operational efficiency. Throughout this process we will continue to learn from our customers, taking monthly 'Voice of Customer' feedback at key touchpoints throughout the loan lifecycle, carefully monitoring our Net Promoter Scores and responding to and, where appropriate, remedying and learning from any complaints.

In addition, we have established governance and oversight processes including conducting proactive internal reviews in order to help provide further assurance that products and services meet customers' expectations and are in line with regulatory requirements. Where instances are identified of activities that may have fallen short of the standards expected, a detailed assessment is carried out to understand the cause, impact and appropriate resolution which, in some cases, includes remediation.

We recognize the importance of our colleagues to the group's ongoing success and in delivering positive customer outcomes. We were first listed among the Sunday Times 100 Best Companies to Work For in 2018, placing 34th overall, and we are very proud that we featured in this list for the second year in succession in 2019. We believe this reflects our wider culture, which is supportive of positive engagement with our customers. We continue to invest in developing our people, with numerous formalized programs in place across all levels of the organization, with the intention to provide our people with the opportunity to maximize their potential within and contribution to the organization.

Maintain high asset quality with prudent underwriting based on security, low LTVs, affordability and appropriate risk-adjusted margins. Maintaining a high asset quality of our loan book remains a key focus for the group. We will continue to provide secured loans, focusing on prudent underwriting policies and low loan-to-value ratios, with appropriate affordability assessment and delivering appropriate risk adjusted margins, thereby enabling us to achieve efficient and sustainable returns. Over the past nine years, we have implemented more stringent affordability metrics to ensure our customers are able to service their loans. This increased focus on affordability correlates with a significant decline in annual vintage delinquency rates decreased from 4.4% for loans funded in the twelve months ended December 31, 2009 to 0.6% for loans funded in the twelve months ended December 31, 2018, and we maintain a continued focus on such policies which are further supported by the introduction of the Mortgage Market Review ("MMR") in April 2014 and Mortgage Credit Directive ("MCD") in March 2016 which prescribe certain minimum requirements in assessing affordability on regulated mortgage contracts. We intend to target an average origination LTV of between 55% and 65% for new loans secured primarily on properties in England, Wales and Scotland.

Our business model is based on creating long-term sustainable value. Over recent years we have delivered significant growth, building and consolidating strong positions in our key market segments and diversifying the mix of our loan book. We intend to maintain a balanced loan portfolio mix between retail and commercial purpose lending, security types and first and second lien mortgages over the medium term. Although throughout the economic cycle the Personal Finance division and the Commercial Finance division may grow at different rates, we intend to maintain focus on both divisions.

Increase scale and diversity of funding and reinvest profits to support future growth ambitions. Together's business model is underpinned by an established and flexible funding structure, comprised of our Senior Secured Notes, Revolving Credit Facilities, Conduit Securitizations, Term Securitizations and Shareholder Funds.

Our funding strategy largely centers upon the development of diversified funding sources to ensure a balanced, cost-efficient funding base that can support the planned growth of our loan book and the products we offer, providing a deep maturity profile and strong levels of liquidity. Having diverse funding sources enhances our funding flexibility, limits dependence on any one source or counterparty, mitigates refinancing risks and results in a more cost-effective strategy over the long term. We continually seek to extend both the diversity of, and the depth of maturity within, our sources of funding, something which is particularly important in more uncertain market environments. We also recognize the importance of the financial institutions and institutional investors that support these structures and we place great emphasis on developing and maintaining these strategic relationships.

We increasingly seek to match fund our broad range of products to those funding sources which best suit such product characteristics. Having multiple funding facilities permits us to compare relative funding terms, supporting our negotiation of terms, including pricing and structure efficiency, on both refinancing and raising of new facilities. During recent years, we have increased the size and depth of experience in our treasury functions to support increased activity. In line with the development of our business, we seek to provide further flexibility and diversity to our funding structure and, from time to time, amending the terms of our existing sources of funding as well as actively exploring alternative sources of funding to support our growth ambitions. We will continue to extend and refinance our existing funding channels, while also exploring alternative sources of funding to ensure that our structure is robust and supports sustainable planned growth in our lending products.

Trading Update

We originated a monthly average of £205.8 million of loans in the three months ended December 31, 2019, compared to a monthly average of £176.2 million for the three months ended September 30, 2019 and a monthly average of £171.7 million for the three months ended December 31, 2018.

After September 30, 2019, we drew an additional £366.9 million under the Conduit Securitizations to support initial and future lending, which included £206.9 million, £105.0 million, £15.0 million and £40.0 million under the CABS Securitization (excluding the reduction in the CABS Securitization of £298.8 million on the establishment of the TABS 3 Securitization on October 10, 2019), the LABS Securitization (excluding the £20.6 million additional drawn following the most recent amendment to the LABS Securitization on October 30, 2019), the DABS 2 Securitization and the HABS Securitization, respectively. We also expect to draw a further £20.0 million under the CABS Securitization on or around January 30, 2020. In addition, prior to the Issue Date, in the ordinary course of our business to support initial and future lending, we expect to draw a further additional £20.0 million to £40.0 million from our Conduit Securitizations.

The preliminary financial results presented above are derived from our accounting records and internal management accounts. This information has not been audited or reviewed, nor have any procedures been performed by our independent auditors with respect thereto. Accordingly, you should not place undue reliance on it, and no opinion or any other form of assurance is provided with respect thereto. Our preliminary financial results are based upon a number of assumptions and judgments that are subject to inherent uncertainties and are subject to change, and are not intended to be a comprehensive statement of our financial or operational results. Accordingly, the preliminary financial results presented above may change and those changes may be material. See "Risk Factors" and "Forward-Looking Statements."

The Refinancing

The Issuer intends to issue a notice of redemption to holders of the 2021 Notes for the entire principal amount of the 2021 Notes and intends to use a portion of the proceeds from the Offering to redeem the 2021 Notes on the

Issue Date (the "Refinancing"). See "*Use of Proceeds*." As of the date of this offering memorandum, £375.0 million aggregate principal amount of the 2021 Notes remain outstanding.

Recent Developments

On October 10, 2019, the TABS 3 Securitization, our third public residential mortgage-backed securitization, was established. Additionally, on October 30, 2019, the LABS Securitization was amended, pursuant to which, among other things, the committed amount under the facility was increased from £255 million to £500 million, the maturity was extended from January 2021 to October 2023 and certain other commercial terms were improved. See "*Description of Certain Financing Arrangements—Securitizations*."

On October 14, 2019, the Company paid a dividend to its shareholder, Midco2, of £15.6 million relating to the servicing of cash interest on the PIK Notes.

On October 31, 2019, we announced the appointment of John Hooper as a non-executive director or our subsidiary, Together Personal Finance, with effect from January 2020. It is intended that Mr. Hooper will be appointed Chair of the Risk Committee of Together Personal Finance following receipt of regulatory approval. See "*Management*."

On January 23, 2020 we announced that Gerald Grimes has been appointed as CEO Designate and member of the Board of Directors of the Company as executive director starting on April 6, 2020. Gerald has over 30 years of financial services experience, covering senior roles at a number of organizations, including Barclays, GE Capital, The Funding Corporation, Hitachi Credit and PCF Bank. In addition, until recently he has served as a board director of the Financial Leasing Association (previously as chairman) and as a member of the Bank of England Advisory Board. He also serves as an advisor to the FCA Small Business Practitioner Board. We anticipate that Gerald will support Henry Moser, founder and Group CEO, for a period of 12 to 18 months prior to assuming the role of Group CEO. At the end of such transitional period, Henry Moser is expected to step down as Group CEO while remaining an executive director of the Board of Directors of the group.

The Issuer

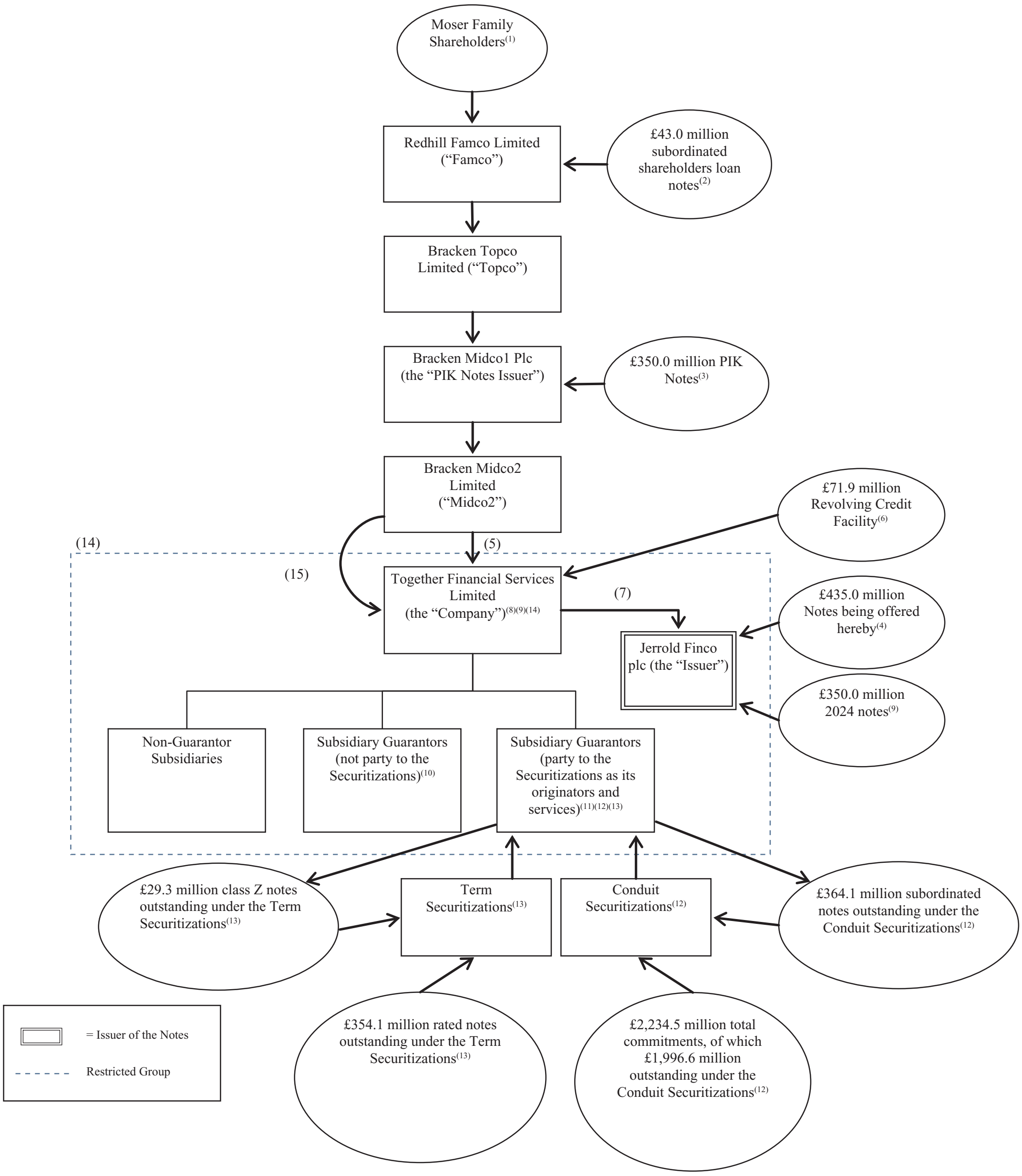
The Issuer, Jerrold FinCo plc, registration number 04949914, was formed on October 31, 2003 under the laws of England and Wales as a private limited company and was re-registered on March 13, 2013 as a public limited company under the laws of England and Wales. The Issuer's registered office is located at Lake View, Lakeside, Cheadle, Cheshire SK8 3GW, United Kingdom and its telephone number is +44-161-956-3200. The members of the Board of Directors of the Issuer may be reached at the registered address of the Issuer.

The Company

The Company, Together Financial Services Limited, was founded in 1974. The Company was formed on June 15, 1994 as a private limited company incorporated under the laws of England and Wales, with registered number 02939389. Our executive offices are located at Lake View, Lakeside, Cheadle, Cheshire SK8 3GW, United Kingdom. Our telephone number is +44-161-956-3200.

SUMMARY CORPORATE AND FINANCING STRUCTURE

The diagram below provides a simplified overview of our corporate and financing structure on a consolidated basis as of September 30, 2019, after giving *pro forma* effect to the Offering. The diagram does not reflect the establishment of the TABS 3 Securitization and the most recent amendments to the LABS Securitization, each of which occurred after September 30, 2019, and the related effects thereof. See "*Summary—Recent Developments.*" The diagram does not include all entities in our group, nor does it show all liabilities in our group. For a summary of the material financing arrangements identified in the diagram, see "*Description of Certain Financing Arrangements*" and "*Description of Notes*."



(1) The Moser Family Shareholders indirectly hold (through wholly-owned holding companies) 100.0% of the voting shares of the Company. See "*Shareholders*."

(2) The £43.0 million aggregate principal amount of subordinated shareholder loan notes were issued to the Moser Family Shareholders by the Company and novated to Redhill Famco Limited as part of the Exit Transactions. See "*Shareholders—The Exit Transactions*."

(3) On September 28, 2018, the PIK Notes Issuer issued £350,000,000 Senior PIK Toggle Notes due 2023. Interest in respect of the PIK Notes must be paid in cash unless certain conditions are met, in which case payments of interest may be paid in kind by increasing the principal amount of the PIK Notes. Neither the Company nor any of its subsidiaries, including the Issuer, provide any credit support for the PIK Notes. See "*Description of Certain Financing Arrangements—Senior PIK Toggle Notes.*"

(4) The Issuer is hereby offering £435.0 million aggregate principal amount of Notes, which will be guaranteed on a senior secured basis by the Guarantors and will be secured by first priority security interests in the collateral, which will also secure our obligations under the 2024 Notes, the Revolving Credit Facility and certain hedging obligations. Pursuant to the terms of the Intercreditor Agreement, certain

liabilities in respect of indebtedness incurred under the Revolving Credit Facility and certain hedging obligations that are secured by assets that also secure, or will secure, the Issuer's or the Guarantors' obligations under the 2024 Notes or the Notes, as applicable, will receive priority with respect to any proceeds received upon any enforcement action over any such assets. See "*The Offering—Security*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*." The security interests over the collateral may be released under certain circumstances. See "*Risk Factors—Risks Relating to the Notes—The liens over the collateral securing the Notes could be released in certain circumstances without the consent of the holders of the Notes*," "*Description of Notes—Security*," and "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

(5) Midco2 owns 100.0% of the voting shares of the Company. Certain members of the Company's management and the employee benefit trust ("EB Trust") own 70,000 D Shares of the Company pursuant to the Management Incentive Plan. As of November 2, 2016, which was the latest estimation date, the 70,000 D Shares represented approximately 3% of the economic value of the share capital of the Company. The economic value of the D Shares is subject to change based on certain parameters tied to the valuation of the Company. See "*Shareholders*."

(6) The total commitments available under the Revolving Credit Facility are £71.9 million. As of September 30, 2019, £55.0 million was drawn and outstanding under the Revolving Credit Facility. Following September 30, 2019, the Company repaid £20.0 million of the £55.0 million outstanding under the Revolving Credit Facility as of such date. We intend to use a portion of the proceeds from the Offering to repay an additional £35.0 million of outstanding indebtedness under our Revolving Credit Facility. As a result, we expect the Revolving Credit Facility to be undrawn after this repayment on or about the Issue Date. No commitments under our Revolving Credit Facility will be cancelled in connection with this repayment. The Revolving Credit Facility is guaranteed on a senior basis by the Guarantors and is secured on a senior basis by the same collateral as will secure the Notes. Under the terms of the Intercreditor Agreement, the holders of the Notes and the 2024 Notes will only receive proceeds from the enforcement of the collateral after the lenders under the Revolving Credit Facility and counterparties in respect of certain hedging obligations have been paid in full. See "*Description of Certain Financing Arrangements—Intercreditor Agreement.*"

(7) The proceeds of the Offering will be on-lent by the Issuer to the Company pursuant to the Proceeds Loan in the amount equal to the gross proceeds from the Offering. See "*Use of Proceeds*." The rights of the Issuer in the Proceeds Loan will be assigned by way of security to the Security Agent, and the rights of the Issuer under the Proceeds Loan will comprise part of the collateral securing the Notes.

(8) All the Company's subsidiaries are direct wholly-owned subsidiaries other than Spot Finance, which is a wholly owned subsidiary of Blemain Finance Limited.

(9) On February 22, 2017, the Issuer issued £200.0 million aggregate principal amount of 2024 Original Notes. On January 31, 2018, the Issuer issued £150.0 million aggregate principal amount of 2024 Additional Notes. The £350.0 million aggregate principal amount of the 2024 Notes are guaranteed on a senior basis by the Guarantors and secured on a senior basis by the same collateral as will secure the Notes.

(10) All of the Company's subsidiaries other than the Issuer and certain dormant and non-material subsidiaries guarantee the 2024 Notes and will guarantee the Notes. As of September 30, 2019, the EBITDA (excluding interest paid on the indebtedness issued under each Conduit Securitization and on the Rated Notes on each Term Securitization) and Shareholders' Funds (excluding subordinated subscription notes or residual certificates, as applicable, in the Securitizations) for the Issuer and Guarantors were £191.1 million and £411.6 million, respectively, representing 74.5% and 50.5% of our EBITDA and Shareholders' Funds, respectively. As of and for the twelve months ended September 30, 2019, the Issuer, the Guarantors, and the Securitization Vehicles represented 100% of our consolidated EBITDA and 100% of Shareholders' Funds (excluding amounts due to or due from non-guarantors), respectively. The Securitization Vehicles are bankruptcy-remote special purpose vehicles established for the purposes of the Securitizations and are, or will be, consolidated into out audited consolidated financial statements in accordance with IFRS. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Accounting Treatment of the Securitizations.*" The Securitization Vehicles do not guarantee the 2024 Notes and will not guarantee the Notes.

(11) Most of our operating subsidiaries sell certain of their mortgage loans to Charles Street ABS, Lakeside ABS, Delta ABS 2 and Highfield ABS in connection with each of the Conduit Securitizations and continue to service such mortgage loans after they have been sold. These subsidiaries are, however, not guarantors of any agreement forming part of the Conduit Securitizations. Certain of our operating subsidiaries sold certain of their mortgage loans to the Term Securitization SPVs as part of the Term Securitizations and continue to service such mortgage after they have been sold. These subsidiaries are, however, not guarantors of any agreement forming part of the Term Securitizations. The assets purchased by the Term Securitization SPVs had been re-purchased by the Originators from Charles Street ABS in connection with the establishment of the Term Securitizations. See "*Description of Certain Financing Arrangements—Securitizations.*"

(12) In connection with the Conduit Securitizations, the bankruptcy-remote special purpose vehicles established for purposes of the Conduit Securitizations purchase certain of our mortgage loans from certain operating subsidiaries, which is funded through the issuance of notes under note issuance facilities. As of September 30, 2019, under the CABS Securitization note issuance facility, total commitments were £1,254.5 million, total notes outstanding were £1,247.2 million, and £167.0 million in subordinated shareholder subscription notes were outstanding. On October 10, 2019 we established the TABS 3 Securitization for which certain assets were purchased from the CABS Securitization. Giving net effect to the establishment of the TABS 3 Securitization as if it had taken place on September 30, 2019 total notes outstanding under the CABS Securitization would have reduced to £948.3 million and subordinated shareholder subscription notes outstanding would have been £133.8 million. As of September 30, 2019, under the LABS Securitization note issuance facility, total commitments were £255.0 million (which was increased to £500.0 million following the most recent amendments to the LABS Securitization on October 30, 2019), total notes outstanding were £199.4 million and £71.4 million in subordinated shareholder subscription notes were outstanding. On October 30, 2019, the LABS Securitization was amended. Giving net effect to the most recent amendments to the LABS Securitization as if it had taken place on September 30, 2019, total commitments would have been £500.0 million, total notes outstanding would have increased to £220.0 million and subordinated subscription notes outstanding would have reduced to £51.4 million. As of September 30, 2019, under the DABS 2 Securitization note issuance facility, total commitments were £200.0 million, total loan amount outstanding was £175.0 million and £37.6 million in subordinated shareholder subscription notes were outstanding. As of September 30, 2019, under the HABS Securitization note issuance facility, total commitments were £525.0 million, total notes outstanding were £375.0 million and £88.2 million in subordinated shareholder subscription notes were outstanding. See "*Description of Certain Financing Arrangements—Securitizations.*"

(13) In connection with the Term Securitizations, Together ABS 1 and Together ABS 2, the bankruptcy-remote special purpose vehicle established for purposes of the Term Securitizations, purchased an aggregate principal balance of £275.0 million mortgage loans on September 29, 2017, and an aggregate principal balance of £286.9 million mortgage loans on November 8, 2018, respectively, from certain of our operating subsidiaries. Together ABS 1 and Together ABS 2 financed the purchase of the portfolio from borrowings funded through the issuance of several series of Rated Notes to qualified investors and we subscribed for certain unrated series of notes, Class R and Class Z. Together ABS 1 and Together ABS 2 do not have recourse to the assets of the subsidiaries of the Company within Borrower Group. As of September 30, 2019, total Rated TABS 1 Notes outstanding were £142.5 million (after the allocation of £3.3 million of principal receipts received in September 2019), and total Rated TABS 2 Notes outstanding were £211.6 million (after the allocation of £5.1 million of principal receipts received in September 2019), respectively. In addition, on October 10, 2019, the TABS 3 Securitization was established, whereby Together ABS 3 purchased an aggregate principal balance of £332.0 million mortgage loans from certain of our operating subsidiaries, funded through the issuance of Rated TABS 3 Notes of £315.4 million to qualified investors and certain unrated Class R and Class Z notes, for which we subscribed. See footnote (12) above for a description of the net effect of the establishment of the TABS 3 Securitization on the CABS Securitization. See "*Description of Certain Financing Arrangements—Securitizations—Term Securitizations*."

(14) As of September 30, 2019, as adjusted to give effect to the Offering, the Company and its subsidiaries would have had gross senior secured borrowings of £3,164.0 million (and, giving net effect to the establishment of the TABS 3 Securitization and the more recent amendments to the LABS Securitization, each of which occurred after September 30, 2019, £3,201.2), £805.0 million of which was secured indebtedness under the Notes, the 2024 Notes and the Revolving Credit Facility. See "*Summary—Trading Update*" and "*Use of Proceeds*"

(15) On November 2, 2016, Midco2 lent the Company £43.0 million in connection with the novation of the Original Subordinated Shareholder Loan Notes (the "Shareholder Loan Notes Novation Intercompany Loan"), £17.0 million in connection with the partial repayment of the Original Subordinated Shareholder Loan Notes (the "Shareholder Loan Notes Repayment Intercompany Loan") and £8.1 million of certain other subordinated shareholder indebtedness related to the Staff Incentive Plan and other expenses of the Company related to the Exit Transactions (the "Other Shareholder Indebtedness Intercompany Loan" and, together with the Shareholder Loan Notes Novation Intercompany Loan and the Shareholder Loan Notes Repayment Intercompany Loan, the "Subordinated Shareholder Funding"). The Subordinated Shareholder Funding constitutes "deeply subordinated shareholder indebtedness" for the purposes of the Indentures. See "*Related Party Transactions—Subordinated Shareholder Funding*."

THE OFFERING

The following summary of the offering contains basic information about the Notes, the guarantees and the security. It is not intended to be complete, and it is subject to important limitations and exceptions. For a more complete understanding of the Notes and the related guarantees, including certain definitions of terms used in this summary, see "*Description of Notes*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

Issuer . . . . Jerrold FinCo plc.

Notes Offered . . . . £435,000,000 aggregate principal amount 4⅞% Senior Secured Notes due 2026.

Issue Date . . . . The Notes will be issued on February 10, 2020.

Issue Price . . . . 100% plus accrued interest, if any, from the Issue Date.

Maturity Date . . . . January 15, 2026.

Interest Rate . . . . Interest will accrue at a rate of 4.875% per annum.

Interest Payment Dates . . . . Semi-annually in arrears on each January 15 and July 15, commencing July 15, 2020.

Denominations . . . . The Notes will have minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof. Notes in denominations of less than £100,000 will not be available.

Ranking of the Notes . . . . The Notes will:

- together with certain obligations under the 2024 Notes, the Revolving Credit Facility and certain hedging obligations, be the general senior obligations of the Issuer;
- be secured on a first-priority basis by the collateral, along with obligations under the 2024 Notes, the Revolving Credit Facility and certain hedging obligations, although certain liabilities in respect of obligations under the Revolving Credit Facility and certain hedging obligations that are secured by the collateral will receive priority over the holders of the Notes with respect to any proceeds received upon any enforcement action over the collateral;
- rank pari passu in right of payment with all existing and future indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes, including the 2024 Notes, the Revolving Credit Facility and certain hedging obligations;
- rank senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes;
- be guaranteed by the Guarantors;
- be effectively subordinated to all existing and future indebtedness that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness;
- be effectively senior to all existing and future obligations of the Issuer that are unsecured or secured by liens junior to the liens securing the Notes to the extent of the value of the collateral; and

- be effectively subordinated to all obligations of the Company's subsidiaries that are not Guarantors and all existing and future qualified securitization financings, including the Securitizations.

Guarantees . . . . The obligations of the Issuer under the Notes and under the Indenture will be guaranteed by the Company and all of its subsidiaries other than the Issuer and certain dormant and non-material subsidiaries (the "**Subsidiary Guarantors**" and, together with the Company, the "**Guarantors**"). The Securitization Vehicles will not guarantee the Notes. See "*Description of Notes—Note Guarantees*."

Ranking of the Guarantees . . . . The guarantee of each Guarantor will:

- together with such Guarantor's guarantee of the 2024 Notes and obligations under the Revolving Credit Facility, be general senior obligation of such Guarantor;
- be secured on a first-priority basis by the collateral, along with obligations under the 2024 Notes, the Revolving Credit Facility, although certain liabilities in respect of obligations under the Revolving Credit Facility and certain hedging obligations that are secured by the collateral will receive priority over the holders of the Notes with respect to any proceeds received upon any enforcement action over the collateral;
- rank pari passu in right of payment with all existing and future indebtedness of such Guarantor that is not expressly subordinated in right of payment to such guarantee, including the obligations under the 2024 Notes, the Revolving Credit Facility and certain hedging obligations;
- rank senior in right of payment to all future indebtedness of such Guarantor that is subordinated in right of payment to such guarantee, if any;
- be effectively senior to all existing and future obligations of such Guarantor that are unsecured or secured by liens junior to the liens securing the guarantees to the extent of the value of the collateral;
- be effectively subordinated to all existing and future indebtedness of any Guarantor's subsidiaries that do not guarantee the Notes; and
- be effectively subordinated to all existing and future qualified securitization financings, including the Securitizations.

Security . . . . The Notes and the guarantees of the Notes will be secured by first-priority fixed and floating security interests in:

- all of the issued capital stock in the Issuer and each Guarantor (other than the Company);
- substantially all of the existing and future property and assets of the Issuer and the Guarantors, including all real property, book debts, bank accounts, investments, uncalled capital and goodwill, intellectual property, plants and machinery and insurances and all related proceeds, claims of any kind, returns of premium and other benefits, other than assets held in collection accounts that are assets of the Securitizations (but excluding securitization assets);
- an assignment of the Proceeds Loan and the Existing Proceeds Loan; and

- any additional security interests that may in the future be pledged to secure obligations under the Notes, the guarantees and the Indenture.

Any security granted by the Issuer and certain Guarantors will be limited as described under "*Risk Factors—Risks Relating to the Notes—English insolvency laws may not be as favorable to you as U.S. and other insolvency laws. Insolvency laws and limitations on the guarantees of the Notes or the security interests of the Notes, may adversely affect the validity and enforceability of the guarantees and the security interests and may limit the amount that can be recovered under the guarantees and the security interests granted by the Company and its Subsidiaries.*"

The assets securing the Notes and the guarantees of the Notes will also secure the 2024 Notes, the Revolving Credit Facility and certain hedging obligations. Pursuant to the terms of the Intercreditor Agreement, certain liabilities in respect of indebtedness incurred under the Revolving Credit Facility and certain hedging obligations that are secured by assets that also secure the Issuer's or the Guarantors' obligations under the Notes or the Guarantees, as applicable, will receive priority with respect to any proceeds received upon any enforcement action over any such assets. See "*Description of Certain Financing Arrangements—Intercreditor Agreement.*" The assets securing the Notes and the guarantees of the Notes may be released under certain circumstances. See "*Risk Factors—Risks Relating to the Notes—The liens over the collateral securing the Notes could be released in certain circumstances without the consent of the holders of the Notes*," "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of Notes—Security.*"

Use of Proceeds .... The gross proceeds from the offering of the Notes is expected to be £435.0 million. The Issuer intends to use the proceeds from the offering of the Notes (i) to redeem, in full, the outstanding principal amount of the 2021 Notes, (ii) to repay amounts drawn under the Revolving Credit Facility, (iii) for general corporate purposes, (iv) to pay costs related to the redemption of the 2021 Notes (including accrued and unpaid interest to their redemption date and call premia payable in respect of the redemption) and (v) to pay expenses in connection with the offering.

Optional Redemption .... At any time prior to January 15, 2022, the Issuer, at its option, may redeem all or part of the Notes at 100% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, up to the redemption date, plus the applicable make-whole premium as described under "*Description of Notes—Optional Redemption*."

The Issuer, at its option, may redeem all or part of the Notes on or after January 15, 2022, at the redemption prices described under "*Description of Notes—Optional Redemption*."

Prior to January 15, 2022, the Issuer, at its option, may on one or more occasions use the net proceeds of specified equity offerings to redeem up to 40% of the principal amount of each of the Notes at a redemption price equal to 104.875% of the principal amount of such

	Notes, plus accrued and unpaid interest and additional amounts, if any, up to the redemption date, provided that at least 50% of the original principal amount of the Notes remains outstanding after the redemption and each such redemption occurs within 180 days of the date of the relevant equity offering. In connection with any tender offer or other offer to purchase all of the Notes, if holders of not less than 90% of the aggregate principal amount of the then outstanding Notes validly tender and do not validly withdraw such Notes in such tender offer or offer to purchase, all of the holders of the Notes that remain outstanding will be deemed to have consented to a redemption of the Notes and, accordingly, the Issuer will have the right to redeem all Notes that remain outstanding at a price equivalent to the price offered to each holder of the Notes in such tender offer or offer to purchase (excluding any early tender fee) plus accrued and unpaid interest, if any, thereon. See "*Description of Notes—Offer Optional Redemption*."
Additional Amounts; Tax Redemption	All payments under or with respect to the Notes will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction for or on account of tax imposed or levied by or on behalf of a Tax Jurisdiction is required by law, subject to certain exceptions, the Issuer will pay additional amounts so that the net amount received is no less than that which would have been received in the absence of such withholding or deduction. See "*Description of Notes—Additional Amounts*." The Issuer may redeem the Notes in whole, but not in part, at any time, upon giving prior notice, if certain changes in tax law impose certain withholding taxes on amounts payable on the Notes, and, as a result, the Issuer is required to pay additional amounts with respect to such withholding taxes. If the Issuer decides to exercise such redemption right, it must pay each holder of the Notes a price equal to the principal amount of the Notes plus accrued and unpaid interest and additional amounts, if any, to the date of redemption. See "*Description of Notes—Redemption for Changes in Taxes*."
Change of Control	Upon the occurrence of certain events constituting a change of control, the Issuer will be required to offer to repurchase the Notes at 101% of their principal amount plus accrued and unpaid interest and additional amounts, if any, to the date of such repurchase. See "*Description of Notes—Repurchase at the Option of Holders—Change of Control*."
Certain Covenants	The Indenture limits, among other things, the ability of the Issuer and its restricted subsidiaries to: • incur or guarantee additional indebtedness and issue certain preferred stock; • pay dividends on, or redeem or repurchase, capital stock and make certain other restricted payments; • make certain investments; • create or permit to exist certain liens; • agree to restrictions on dividends by restricted subsidiaries; • transfer, lease or sell certain assets including subsidiary stock;

- enter into certain transactions with affiliates;
- merge or consolidate with other entities;
- amend certain documents;
- engage in certain activities (with respect to the Issuer); and
- impair the security interests for the benefit of the holders of the Notes.

Each of these covenants is subject to a number of significant exceptions and qualifications. See "*Description of Notes—Certain Covenants*" and the related definitions.

Certain of the covenants will be suspended if and for as long as the Notes achieve investment-grade ratings. See "*Description of Notes—Certain covenants—Suspension of covenants on achievement of investment grade status*."

Notice to Investors	The Notes and the guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transfer and may only be offered or sold in transactions that are exempt from or not subject to the registration requirements of the U.S. Securities Act and any other applicable law. See "*Notice to Investors*" and "*Plan of Distribution*." We have not agreed, or otherwise undertaken, to register the Notes (including by way of an exchange offer).
Listing	Application will be made in respect of the Notes for listing particulars to be approved by Euronext Dublin and for the Notes to be admitted to the Official List of Euronext Dublin and admitted to trading on its Global Exchange Market.
Trustee	Deutsche Trustee Company Limited.
Security Agent	The Royal Bank of Scotland plc.
Registrar and Transfer Agent	Deutsche Bank Luxembourg S.A.
Paying Agent	Deutsche Bank AG, London Branch.
Euronext Dublin Listing Agent	Dillon Eustace Solicitors.
Governing Law	The Indenture is governed by the laws of the State of New York. The Intercreditor Agreement is governed, and the Notes Proceeds Loan and each of the security documents, will be governed by the laws of the England and Wales.

RISK FACTORS

Please see the "*Risk Factors*" section for a description of certain of the risks you should carefully consider before investing in the Notes.

SUMMARY HISTORICAL FINANCIAL INFORMATION AND OTHER DATA

The summary financial data presented below as of and for the years ended June 30, 2017, 2018 and 2019 has been derived from the audited annual consolidated financial statements of the Company, prepared in accordance with IFRS and included elsewhere in this offering memorandum. The statement of financial position data as of June 30, 2018 was derived from the comparative financial information presented in the annual consolidated financial statements of the Company as of and for the year ended June 30, 2019, restated therein to reflect a change of reclassification of restricted cash (cash held by the Securitization Vehicles) from borrowings to cash and cash equivalents.

The summary financial data presented below as of and for the three months ended September 30, 2018 and 2019 have been derived from the unaudited consolidated interim financial statements of Together Financial Services as of and for the three months ended September 30, 2019, which in each case were prepared in accordance with the International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union, and are included elsewhere in this offering memorandum. The summary financial data presented as of and for the three months ended September 30, 2019 (but not the summary financial data presented as of and for the three months ended September 30, 2018) includes the impact of adopting IFRS 16, which came into effect on July 1, 2019 for the Company.

The summary financial information for Together Financial Services for the twelve months ended September 30, 2019 has been calculated by adding together (1) the audited consolidated financial information for the full year ended June 30, 2019, and (2) the unaudited consolidated interim financial information for the three months ended September 30, 2019, and then subtracting (3) the unaudited consolidated interim financial information for the three months ended September 30, 2018.

The financial information for the twelve months ended September 30, 2019 has been prepared for illustrative purposes only and is not necessarily representative of our results of operations for any future period or our financial condition at any future date and is not prepared in the ordinary course of our financial reporting. In particular, the results of operations for the three months ended September 30, 2019 include the impact of IFRS 16, which amounted to a positive impact to EBITDA and Adjusted EBITDA of £0.3 million respectively for the three months ended September 30, 2019.

Financial information presented herein for periods prior to July 1, 2019 has not been adjusted to reflect the estimated impact of IFRS 16 as if such standard had applied during such prior periods. As a result, the financial information as of and for the three months ended September 30, 2019 is not directly comparable to the financial information for prior periods. Accordingly, financial information for the twelve months ended September 30, 2019 has been calculated by using financial information that has not been prepared on a consistent basis.

We have included in this offering memorandum certain unaudited *pro forma* consolidated financial information of Together Financial Services as of and for the twelve months ended September 30, 2019 to give *pro forma* effect to the Offering as it would have been reflected in the consolidated statement of comprehensive income and the statement of financial position of Together Financial Services. This pro forma analysis does not reflect the effects of the establishment of the TABS 3 Securitization and the most recent amendments to the LABS Securitization. The unaudited *pro forma* consolidated financial information is for informational purposes only and is not intended to represent or to be indicative of the consolidated results of operations or financial position that the Issuer would have reported had the Offering been completed as of (i) October 1, 2018 for purpose of the calculation of interest payable and other metrics derived from Together Financial Service's statement of comprehensive income data and cash flow statement data and (ii) September 30, 2019 for purposes of the calculation of net borrowings and other metrics derived from Together Financial Service's financial position data and should not be taken as indicative of Together Financial Service's future consolidated results of operations or financial position.

For purposes of metrics related to calculation of the *pro forma* cash interest payable derived from our statement of comprehensive income data, we have given effect to (i) the interest that would have been payable on the Notes offered hereby and (ii) exclusion of the interest that would no longer have been payable on the 2021 Notes if the Offering had each taken place on October 1, 2018. For purposes of metrics related to *pro forma* borrowings, and other metrics derived from our consolidated statement of financial position data, we have given effect to the Offering as if it had taken place on September 30, 2019. The unaudited *pro forma* consolidated financial information should not be taken as indicative of Together Financial Service's future results of operations or financial position. The historical results may not be indicative of Together Financial Service's future results following completion of the Offering. The unaudited *pro forma* consolidated financial data has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the Prospectus Regulation or any generally accepted accounting standards. Neither the assumptions underlying the *pro forma* adjustments nor the resulting *pro forma* consolidated financial information have been audited or reviewed in accordance with any generally accepted auditing standards.

The unaudited *pro forma* consolidated financial information for Together Financial Service's should be read in conjunction with the information contained in "*Use of Proceeds*," "*Capitalization*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations,*" and the historical financial statements of Together Financial Services included elsewhere in this offering memorandum.

The financial data below also includes certain non-IFRS measures used to evaluate our economic and financial performance. These measures are not identified as accounting measures pursuant to IFRS and therefore should not be considered as alternative measures to evaluate our performance. See "*Presentation of Financial and Other Information—Other Financial Information (Non-IFRS)*."

The results of operations for prior years are not necessarily indicative of the results to be expected for any future period. The following table should be read in conjunction with, and is qualified in its entirety by reference to, the audited consolidated financial statements and the notes thereto for Together Financial Services as of and for the years ended June 30, 2017, 2018 and 2019 included in this offering memorandum and the unaudited consolidated interim financial statements as of and for the three months ended September 30, 2019, included in this offering memorandum. The table should also be read together with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*." For an explanation of certain terms used in the table below, please see "*Presentation of Financial and Other Information—Other Financial Information (Non-IFRS)*" and "*Presentation of Financial and Other Information—Terms Relating to Our Loan Analysis*."

	For the year ended June 30,			For the three months ended September 30,		For the twelve months ended September 30,
	2017	2018	2019	2018	2019	2019
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)	(unaudited)
				(£ in millions)		
Statement of comprehensive income:						
Continuing operations:						
Interest receivable and similar income	246.5	292.2	343.1	82.2	92.5	353.4
Interest payable and similar charges	(88.8)	(92.8)	(116.8)	(28.4)	(31.8)	(120.2)
Net interest income	**157.7**	**199.4**	**226.3**	**53.8**	**60.7**	**233.3**
Fees and commission income	4.2	4.7	4.4	1.0	1.1	4.5
Fees and commission expense	(2.1)	(2.1)	(2.3)	(0.4)	(0.6)	(2.4)
Other income	0.1	0.4	0.1	0.0	(0.3)	(0.2)
Operating Income	**159.9**	**202.4**	**228.5**	**54.4**	**60.9**	**235.1**
Administrative expenses (excluding depreciation and amortization)	(56.2)	(64.6)	(78.4)	(18.7)	(22.6)	(82.3)
Depreciation and amortization	(2.2)	(4.7)	(4.4)	(1.0)	(1.3)	(4.8)
Operating profit	**101.5**	**133.1**	**145.7**	**34.7**	**37.0**	**148.0**
Impairment losses	(7.4)	(11.4)	(15.4)	(4.3)	(5.5)	(16.6)
Profit before taxation	**94.1**	**121.7**	**130.3**	**30.4**	**31.5**	**131.4**
Income tax	(15.9)	(15.3)	(18.6)	(3.4)	(4.4)	(19.7)
Profit after taxation	**78.2**	**106.4**	**111.7**	**27.0**	**27.1**	**111.7**

	As of June 30,			As of September 30,	
	2017	2018	2019	2018	2019
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
			(£ in millions)		
Statement of financial position:					
***Assets*:**					
Cash and cash equivalents[(1)]	17.3	74.3	120.2	87.1	91.6
Loans and advances to customers	2,240.9	2,958.2	3,694.5	3,011.4	3,878.4
Derivative assets held for risk management	—	—	0.1	—	—
Inventories	0.9	0.6	0.6	0.6	0.6
Other assets	4.4	4.3	4.8	4.1	4.9
Investments	0.1	0.1	0.1	0.1	0.1
Property, plant and equipment	4.4	6.3	5.4	6.4	13.6
Intangible assets	5.7	8.3	8.8	8.6	9.1
Deferred tax asset	2.4	1.4	7.5	7.6	7.8
Total assets	**2,276.1**	**3,053.5**	**3,842.0**	**3,125.9**	**4,006.1**
Liabilities					
Borrowings	1,602.9	2,291.1	3,015.7	2,388.2	3,164.8
Derivative liabilities held for risk management	—	—	—	—	1.6
Other liabilities[(2)]	37.5	44.2	54.8	35.4	40.9
Provisions for liabilities and charges[(2)]	—	—	—	3.6	8.9
Current tax liabilities	7.3	6.3	8.7	5.5	2.6
Total liabilities	**1,647.7**	**2,341.6**	**3,079.2**	**2,432.7**	**3,218.8**
Equity:					
Share capital	9.8	9.8	9.8	9.8	9.8
Share premium account	17.5	17.5	17.5	17.5	17.5
Merger reserve	(9.6)	(9.6)	(9.6)	(9.6)	(9.6)
Capital redemption reserve	1.3	1.3	1.3	1.3	1.3
Subordinated Shareholder Funding reserve	44.9	43.0	41.0	42.5	40.5
Share-based payment reserve	1.6	1.6	1.6	1.6	1.6
Cashflow-hedging reserve	—	—	—	—	(1.3)
Cost of hedging reserve	—	—	(0.2)	—	(0.2)
Retained earnings	562.9	648.3	701.4	630.1	727.7
Total equity	**628.4**	**711.9**	**762.8**	**693.2**	**787.3**
Total equity and liabilities	**2,276.1**	**3,053.5**	**3,842.0**	**3,125.9**	**4,006.1**

	For the year ended June 30,			For the three months ended September 30,		For the twelve months ended September 30,
	2017	2018	2019	2018	2019	2019
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)	
				(£ in millions)		
Statement of cash flows:						
Net cash outflow from operating activities	(356.2)	(598.4)	(633.3)	(57.5)	(164.3)	(740.1)
Net cash outflow from investing activities	(3.3)	(9.1)	(4.1)	(1.4)	(1.3)	(4.0)
Net cash inflow from financing activities[(3)]	376.3	590.2	683.3	71.7	137.0	748.6
Net (decrease) / increase in cash and cash equivalents[(3)]	**16.8**	**(17.3)**	**45.9**	**12.8**	**(28.6)**	**4.5**

	For the year ended June 30,			For the three months ended September 30,		For the twelve months ended September 30,
	2017	2018	2019	2018	2019	2019
	(£ in millions except percentages and ratios)					
Statistical and other financial data of Together Financial Services:						
Total loan assets[(4)]	2,240.9	2,958.2	3,694.5	3,011.4	3,878.4	3,878.4
Interest payable and similar charges	88.8	92.8	116.8	28.4	31.8	120.2
Interest payable and similar charges (adjusted for exceptional items related to the 2016 Refinancing)[(5)]	74.1	N/A	N/A	N/A	N/A	N/A
Net interest margin[(6)]	8.5%	7.7%	6.8%	7.2%	6.4%	6.8%
LTV of loan portfolio (on a weighted average basis, based on LTV of loans at origination)[(7)(22)]	57.1%	57.4%	58.0%	57.7%	58.2%	58.2%
LTV of loan portfolio (on a weighted average indexed basis)[(22)]	53.4%	55.3%	54.3%	54.4%	55.0%	55.0%
EBITDA[(8)]	185.2	219.2	251.5	59.8	64.6	256.4
EBITDA margin[(9)]	73.9%	73.8%	72.4%	71.9%	69.0%	71.6%
Ratio of EBITDA to interest payable and similar charges[(8)]	2.1x	2.4x	2.2x	2.1x	2.0x	2.1x
Underlying EBITDA[(8)]	193.4	N/A	N/A	N/A	67.6	259.4
Underlying EBITDA margin[(9)]	77.1%	N/A	N/A	N/A	72.2%	72.5%
Ratio of underlying EBITDA to interest payable and similar charges (adjusted for exceptional items related to the 2016 Refinancing)[(5)(8)]	2.6x	N/A	N/A	N/A	2.1x	2.2x
Underlying profit before taxation[(10)]	117.1	N/A	N/A	N/A	34.5	134.4
Senior secured borrowings[(11)]	1,670.0	2,282.4	3,001.7	2,374.9	3,139.0	3,139.0
Net senior secured borrowings[(11)]	1,580.5	2,208.1	2,881.4	2,287.7	3,047.4	3,047.4
Ratio of net senior secured borrowings to total loan assets[(4)(11)]	70.5%	74.6%	78.0%	76.0%	78.6%	78.6%
Ratio of net senior secured borrowings to value of total underlying security[(12)]	37.6%	41.3%	42.3%	41.3%	43.2%	43.2%
Tangible equity[(13)]	645.9	728.7	781.1	710.3	805.8	805.8
Tangible assets[(13)]	2,270.1	2,971.0	3,833.2	3,117.3	3,997.0	3,997.0
Ratio of tangible equity to tangible assets[(13)]	28.4%	24.5%	20.4%	22.8%	20.2%	20.2%

	As of and for the year ended June 30,			As of and for the three months ended September 30,		As of and for the twelve months ended September 30,
	2017	2018	2019	2018	2019	2019
	(£ in millions except percentages and ratios)					
Statistical and other financial data of the Borrower Group:						
Total loan assets[14]	877.4	1,077.2	1,189.3	1,151.1	1,182.9	1,182.9
LTV of loan portfolio (on a weighted average basis, based on LTV of loans at origination)[7][22]	58.3%	58.7%	58.3%	59.1%	59.9%	59.9%
LTV of loan portfolio (on a weighted average indexed basis)[6][22]	57.1%	58.8%	55.9%	56.8%	58.0%	58.0%
Cash interest payable[15]	30.0	40.2	46.3	11.5	11.8	46.5
Adjusted EBITDA[8]	149.8	175.8	189.7	45.5	46.9	191.1
Adjusted EBITDA margin[9]	69.6%	69.4%	66.4%	66.1%	61.8%	65.3%
Underlying Adjusted EBITDA[8]	158.0	N/A	N/A	N/A	49.9	194.1
Underlying Adjusted EBITDA margin[9]	73.4%	N/A	N/A	N/A	65.7%	66.3%
Ratio of Adjusted EBITDA to cash interest payable[8][15]	5.0x	4.4x	4.1x	4.0x	4.0x	4.1x
Ratio of Underlying Adjusted EBITDA to cash interest payable[8][15]	5.3x	N/A	N/A	N/A	4.2x	4.2x
Senior secured borrowings[16]	575.0	755.7	780.0	750.0	780.0	780.0
Net senior secured borrowings[16]	557.7	755.7	757.3	725.9	763.1	763.1
Ratio of senior secured borrowings to total loan assets[14][16]	65.5%	70.2%	65.6%	65.2%	65.9%	65.9%
Ratio of net senior secured borrowings to total loan assets[14][16]	63.6%	70.2%	63.7%	63.1%	64.5%	64.5%
Ratio of net senior secured borrowings to value of total underlying security[17]	36.3%	41.2%	35.6%	35.8%	37.4%	37.4%

	As of and for the twelve months ended September 30, 2019
	(unaudited) *(£ in millions, except percentage ratios)*
***Pro forma* financial data:**	
Pro forma cash interest payable[18]	108.8
Pro forma senior secured borrowings[19]	3,164.0
Pro forma net senior secured borrowings[19]	3,066.7
Ratio of Underlying EBITDA to *pro forma* cash interest payable[8][18]	2.4x
Ratio of *pro forma* net senior secured borrowings to total loan assets[1][19]	79.1%
Ratio of *pro forma* net senior secured borrowings to the value of total underlying security[12][19][22]	43.5%
***Pro forma* financial data of the Borrower Group:**	
Pro forma cash interest payable[20]	43.6
Pro forma senior secured borrowings[21]	805.0
Pro forma net senior secured borrowings[21]	782.4
Ratio of Underlying Adjusted EBITDA to pro forma cash interest payable[8][19]	4.5x
Ratio of *pro forma* senior secured borrowings to total loan assets[14][21]	68.1%
Ratio of *pro forma* net senior secured borrowings to total loan assets[14][21]	66.1%
Ratio of *pro forma* net senior secured borrowings to the value of total underlying security[17][21][22]	38.4%
Ratio of *pro forma* net senior secured borrowings to Underlying Adjusted EBITDA[8][21]	4.0x

(1) Cash and cash equivalents have increased due to a reclassification pursuant to which we include cash held by the Securitization Vehicles as part of cash and cash equivalents within our consolidated statement of financial position as of June 30, 2019 with the prior year as of June 30, 2018 also adjusted within our annual consolidated financial statements as of and for the year ended June 30, 2019 and presented within this offering memorandum. Such reclassification is also reflected in our consolidated statement of financial position as of September 30, 2019, with the prior year comparable as of September 30, 2018, also adjusted within our unaudited consolidated interim financial statements as of and for the three months ended September 30, 2019. As of June 30, 2017, such cash held by Securitization Vehicles of £72.1 million is net against borrowings within our consolidated statement of financial position. As of June 30, 2018, the restricted cash, which is cash held by the Securitization Vehicles, was £74.3 million and unrestricted cash was £nil. As of June 30, 2019 and as of September 30, 2018 and 2019, the restricted cash, which is cash held by the Securitization Vehicles was £97.6 million, £63.0 million and £74.7 million, respectively, and unrestricted cash was £22.6 million, £24.1 million and £16.9 million, respectively. As such, the presentation of such data as of June 30, 2017 within our consolidated statement of financial position is not presented on a consistent basis to, and is not comparable with, that as of June 30, 2018 and June 30, 2019 and as of September 30, 2018 and September 30, 2019. Cash and cash equivalents as of June 30, 2017 would have been £89.4 million if they had been reclassified and presented on a consistent basis with such subsequent periods.

(2) For the years ended June 30, 2017, June 30, 2018 and June 30, 2019, Other liabilities included Provisions for liabilities and charges of £2.2 million, £3.4 million and £4.3 million, respectively. These provisions are reported as a separate category within the unaudited consolidated financial statements as of and for the three months ended September 30, 2019, including for the prior year comparable as of September 30, 2018 contained herein.

(3) Net (decrease) / increase in cash and cash equivalents for the year ended June 30, 2019, three months ended September 30, 2018 and September 2019 respectively, and twelve months ended September 30, 2019 presented above, are not directly comparable with Net (decrease) / increase in cash and cash equivalents for the years ended June 30, 2017 and June 30, 2018 as they also include movements in restricted cash being cash held by the Securitization Vehicles. For the years ended June 30, 2017 and June 30, 2018 such movements in restricted cash were included within Net cash inflow from financing activities. As a result in the change of reclassification, the prior year within the statement of cash flows presented within the annual audited consolidated financial statements as of and for the year ended June 30, 2019 of the Company therefore differs to both that within the audited consolidated financial statements of the Company as of and for year ended June 30, 2018 and as presented above.

(4) "Total loan assets" represent the value of the total loan assets (after allowances for impairment) on the last day of the period which is described as loans and advances to customers in our financial statements.

(5) "Interest payable and similar charges (adjusted for exceptional items related to the 2016 Refinancing)" represents interest payable and similar charges as adjusted to exclude £14.8 million in respect of the year ended June 30, 2017 related to the redemption cost of the 2018 Notes. The adjustments related to the 2016 Refinancing consist of £14.6 million call premium with respect to the early redemption of the 2018 Notes, £3.0 million related to the release of remaining debt issuance costs in relation to the 2018 Notes, £0.5 million related to the additional interest payable for the period between the issuance of the 2024 Original Notes and the redemption date of the 2018 Notes *less* the release of the remaining £3.3 million issue premium in relation to the 2018 Notes (specifically, with respect to the additional notes issued in April 2015).

(6) "Net interest margin" represents interest receivable and similar income *less* interest payable and similar charges divided by average total loan assets. For the year ended June 30, 2017, interest payable and similar charges has been adjusted to exclude exceptional interest payable and similar costs related to the 2016 Refinancing as set out in note (4) above.

(7) Figures based on the LTV of loans at origination use LTVs calculated with value of the mortgaged property at loan origination while LTVs presented on an indexed basis are calculated using property values that have been reviewed quarterly and adjusted for changes in the values of properties in the relevant regions based upon the Halifax House Price Index. See "*Presentation of Financial and Other Information—Terms Relating to Our Loan Analysis*" for a description of how we define and calculate LTV and the weighted average LTV.

(8) "EBITDA" represents profit after taxation before income tax, depreciation and amortization and interest payable and similar charges. The Securitization Vehicles, the bankruptcy-remote special purpose vehicles established for purposes of the Securitizations, are consolidated into our audited consolidated financial statements prepared in accordance with IFRS. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Accounting Treatment of the Securitizations*." "Adjusted EBITDA" is a measure which does not add back the interest costs associated with the Securitizations and is calculated as EBITDA after the deduction of interest payable in relation to third-party indebtedness of each Securitization. "Underlying EBITDA" and "Underlying Adjusted EBITDA" presented for the year ended June 30, 2017 are calculated as EBITDA for Together Financial Services and the Adjusted EBITDA for the Borrower Group, respectively, in each case excluding the effects of exceptional items related to the Exit Transactions in the amount of £8.2 million.

We adopted IFRS 16 for all financial periods ending on or after July 1, 2019. Consequently, our EBITDA, Underlying EBITDA, Adjusted EBITDA and Adjusted Underlying EBITDA for the three months ended September 30, 2019 reflect the effect of IFRS 16 on interest payable and similar charges (resulting in an increase of £0.1 million) and depreciation and amortization (resulting in an increase of £0.2 million). As a result, our EBITDA-based measures for the three months ended September 30, 2019 may not be directly comparable to those for the three months ended September 30, 2018 or any prior period. Furthermore, our EBITDA-based metrics for the twelve months ended September 30, 2019 are comprised, in part, of EBITDA, Underlying EBITDA, Adjusted EBITDA and Adjusted Underlying EBITDA for the three months ended September 30, 2019. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—IFRS 16."

EBITDA-based measures are not measurements of financial performance pursuant to IFRS and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. Our management believes that the presentation of EBITDA, Adjusted EBITDA, Underlying EBITDA and Underlying Adjusted EBITDA is helpful to investors, securities analysts and other parties to measure our operating performance and ability to service debt. Our EBITDA-based measures may not be comparable to similarly titled measures used by other companies. The calculation of EBITDA, Adjusted EBITDA, Underlying EBITDA and Underlying Adjusted EBITDA in this offering memorandum may be different than the calculation of EBITDA, Adjusted EBITDA, Underlying EBITDA and Underlying Adjusted EBITDA under the Indenture. See "*Presentation of Financial and Other Information—Other Financial Information (Non-IFRS)*."

The following table provides a reconciliation of EBITDA, Adjusted EBITDA, Underlying EBITDA and Underlying Adjusted EBITDA to profit after taxation:

	For the year ended June 30,			**For the three months ended September 30,**		**For the twelve months ended September 30,**
	2017	**2018**	**2019**	**2018**	**2019**	**2019**
				(£ in millions)		
Profit after taxation	78.2	106.4	111.7	27.0	27.1	111.7
Add back:						
Interest payable and similar charges[(a)]	88.8	92.8	116.8	28.4	31.8	120.2
Income tax	15.9	15.3	18.6	3.4	4.4	19.7
Depreciation and amortization[(a)]	2.2	4.7	4.4	1.0	1.3	4.8
EBITDA	**185.2**	**219.2**	**251.5**	**59.8**	**64.6**	**256.4**
Exceptional items[(b)]	8.2	N/A	N/A	N/A	3.0	3.0
Underlying EBITDA	**193.4**	**N/A**	**N/A**	**N/A**	**67.6**	**259.4**
EBITDA	185.2	219.2	251.5	59.8	64.6	256.4
Securitization interest[(c)]	(35.4)	(43.4)	(61.8)	(14.3)	(17.7)	(65.3)
Adjusted EBITDA	**149.8**	**175.8**	**189.7**	**45.5**	**46.9**	**191.1**
Exceptional items[(a)]	8.2	N/A	N/A	N/A	3.0	3.0
Underlying Adjusted EBITDA	**158.0**	**N/A**	**N/A**	**N/A**	**49.9**	**194.1**

(a) For the three months and twelve months ended September 30, 2019, interest payable and similar charges is £0.1 million higher and depreciation and amortization is £0.2 million higher as a result of the adoption of IFRS 16 on July 1, 2019.

(b) "Exceptional items" in respect of the year ended June 30, 2017 represents adjustments related to one-off costs in connection with the Exit Transactions of £8.2 million, substantially related to payments pursuant to a staff incentive plan. "Exceptional items" in respect of the three months and twelve months ended September 30, 2019 represents provisions in respect of forbearance (see "*Business—Regulatory Proceedings*" and note 15 to our unaudited consolidated interim financial statements for the three months ended September 30, 2019) of £3.0 million.

(c) "Securitization interest" represents interest paid on the indebtedness issued under each Conduit Securitization and on the Rated Notes on each Term Securitization. Interest on the indebtedness issued under each Securitization is paid monthly. Securitization interest does not include the amortization of fees related to the Securitizations. For further information on the indebtedness issued under each of the Securitization issuance facilities, see "*Description of Certain Financing Arrangements—The Securitizations.*"

(9) "EBITDA margin" is EBITDA divided by interest receivable and similar income *plus* fees and commission income. "Adjusted EBITDA margin" is calculated as Adjusted EBITDA divided by interest receivable and similar income *plus* fees and commission income *less* interest costs attributable to each Securitization. "Underlying EBITDA margin" is Underlying EBITDA divided by interest receivable and similar income *plus* fees and commission income. "Underlying Adjusted EBITDA margin" is Underlying Adjusted EBITDA divided by interest receivable and similar income *plus* fees and commission income *less* interest costs attributable to each Securitization.

(10) The following table provides a reconciliation of profit before taxation to Underlying profit before taxation. "Underlying profit before taxation" is profit before taxation as adjusted to exclude the effects of exceptional items related to the 2016 Refinancing and the Exit Transactions:

	For the year ended June 30,			For the three months ended September 30,		For the twelve months ended September 30,
	2017	2018	2019	2018	2019	2019
	(£ in millions)					
Profit before taxation	94.1	121.7	130.3	30.4	31.5	131.4
Exceptional items relating to the 2016 Refinancing[(a)]	14.8	—	—	—	—	—
Exceptional items relating to the Exit Transactions[(b)]	8.2	—	—	—	—	—
Exceptional items relating to provisions for forbearance[(c)]	—	—	—	—	3.0	3.0
Underlying profit before taxation	**117.1**	**121.7**	**130.3**	**30.4**	**34.5**	**134.4**

(a) Exceptional items relating to the 2016 Refinancing represents adjustments related to the redemption cost of the 2018 Notes, as detailed in (3) above.

(b) Exceptional items relating to the Exit Transactions represents adjustments related to one-off costs in connection with the Exit Transactions of £8.2 million, substantially related to payments pursuant to the Staff Incentive Plan.

(c) Exceptional items relating to provisions for forbearance represents the current estimated financial impact of forbearance related remediation activity. See "*Risk Factors—Risks relating to our business—We rely on our Enterprise Risk Management Framework, which includes compliance and internal audit functions, to identify and mitigate key risks faced by our business*," "*Business–Regulatory Proceedings*" and note 15 to our unaudited consolidated interim financial statements for the three months ended September 30, 2019.

(11) "Senior secured borrowings" represent total indebtedness, which is calculated as the amounts outstanding under the 2021 Notes and the 2024 Notes (excluding the unamortized element of the £1.6 million issue premium related to the 2024 Additional Notes), the Revolving Credit Facility, indebtedness issued under each Conduit Securitization and the Rated Notes of the Term Securitizations, as applicable on the relevant date. In respect of June 30, 2018, Senior secured borrowings includes cash overdrawn position of £5.7 million arising from unpresented checks. As of June 30, 2018 such checks were issued but not yet drawn. Senior secured borrowings differs from the borrowings balances in our consolidated statement of financial position which are presented net of unamortized debt issuance costs, include finance lease obligations (including as of September 30, 2019, such leases recognized within borrowing following the adoption of IFRS 16), include the carrying value of the Subordinated Shareholder Funding, as of June 30, 2017, are net of cash held by the Securitization Vehicles and as of June 30, 2018, June 30, 2019, September 30, 2018 and September 30, 2019, include the unamortized issue premium in relation to the 2024 Additional Notes. Senior secured borrowings excludes an additional net £384.1 million of borrowings drawn or issued under the facilities since September 30, 2019 consisting of £315.4 million of Rated TABS 3 Notes on establishment of the TABS 3 Securitization, net amount of £88.7 million of drawn under the Conduit Securitizations (which is net of the reduction in drawn amounts under the CABS Securitization of £298.8 million on establishment of the TABS 3 Securitization and £20.6 million additional notes issued in connection to the most recent amendments to the LABS Securitization) and which is net of £20.0 million in the drawn amount under the Revolving Credit Facility, which also occurred after September 30, 2019. In respect of June 30, 2018 and 2019 and September 30, 2018 and 2019, "Net senior secured borrowings" represent senior secured borrowings *less* cash and cash equivalents and in respect of June 30, 2017 represents senior secured borrowings *less* cash and cash equivalents and *less* cash held by the Securitization Vehicles.

(12) "Ratio of net senior secured borrowings to value of total underlying security" is calculated as the LTV of our loan portfolio on a weighted average indexed basis multiplied by the ratio of net senior secured borrowings to total loan assets. "Ratio of *pro forma* net senior secured borrowings to value of total underlying security" is calculated as the LTV of our loan portfolio on a weighted average indexed basis multiplied by the ratio of pro forma net senior secured borrowings to total loan assets.

(13) "Tangible equity" is calculated as Shareholders' Funds, which we define as including total equity and the carrying values of the Subordinated Shareholder Funding *less* intangible assets and goodwill. "Tangible assets" is calculated as total assets *less* intangible assets and goodwill. "Ratio of tangible equity to tangible assets" represents tangible equity divided by tangible assets.

(14) In the case of the Borrower Group, "total loan assets" is calculated as total loan assets excluding the principal balance of loans attributable to the Securitization Vehicles.

(15) In the case of the Borrower Group, "cash interest payable" is calculated as interest payable and similar charges (excluding exceptional items related to the 2016 Refinancing) *less* interest payable in relation to the Securitizations. Cash interest payable does not include the amortization of debt issuance costs and interest payable on finance leases (including in respect of three months and twelve months ended September 30, 2019, interest in respect of leases recognized as borrowings following adoption of IFRS 16). It also does not include any unwinding of the issue premium received on the issue of the 2018 Notes (specifically the additional notes issued under the 2018 Notes in April 2015), unwinding of the issue premium received on the issue of 2024 Additional Notes and the amortization of the fair value discount on the Subordinated Shareholder funding, as applicable to each relevant year.

(16) In the case of the Borrower Group, "senior secured borrowings" and "net senior secured borrowings" represent the senior secured borrowings and net senior secured borrowings of Together Financial Services without giving effect to Securitization borrowings and cash in each Securitization Vehicle.

(17) In the case of the Borrower Group, "ratio of net senior secured borrowings to value of total underlying security" is calculated as the LTV of the Borrower Group's loan portfolio on a weighted average indexed basis multiplied by the ratio of net senior secured borrowings to the total loan assets of the Borrower Group. In the case of the Borrower Group, "Ratio of pro forma net senior secured borrowings to value of total underlying security" is calculated as the LTV of the Borrower Group's loan portfolio on a weighted average indexed basis multiplied by the ratio of pro forma net senior secured borrowings to total loan assets of the Borrower Group.

(18) "*Pro forma* cash interest payable" is calculated as interest payable and similar charges as adjusted to give effect to the Offering as described under "*Use of Proceeds*," as though it had taken place on October 1, 2018, and includes pro forma interest based on the balances for the Notes, 2024 Notes, the Revolving Credit Facility and interest on notes issued by the Securitization Vehicles. Pro forma cash interest payable does not include the amortization of debt issuance costs (including those associated with the Offering) and interest payable on finance leases. It also does not include any unwinding of the issue premium received on the issue of 2024 Additional Notes and the amortization of the fair value discount on the Subordinated Shareholder funding. "*Pro forma* cash interest payable" does not give effect to the establishment of the TABS 3 Securitization or the most recent amendments to the LABS Securitization.

(19) "*Pro forma* senior secured borrowings" represent senior secured borrowings adjusted to give effect to the Offering as set forth in "*Use of Proceeds*." "*Pro forma* net senior secured borrowings" represent net senior secured borrowings as adjusted to give effect to the Offering as set forth in "*Use of Proceeds*." Neither "*Pro forma* senior secured borrowings" nor "*Pro forma* net senior secured borrowings" give effect to the establishment of the TABS 3 Securitization or the most recent amendments to the LABS Securitization, each of which occurred after September 30, 2019. See "*Summary—Recent Developments*" and the footnotes under "*Capitalization*."

(20) In the case of the Borrower Group, "*pro forma* cash interest payable" represents cash interest payable of the Borrower Group as adjusted to give effect to the Offering as described under "*Use of Proceeds*," as though it had taken place on October 1, 2018. *Pro forma* cash interest payable for the Borrower Group does not include the amortization of debt issuance costs (associated with the Offering).

(21) In the case of the Borrower Group, "*pro forma* senior secured borrowings" and "*pro forma* net senior secured borrowings" represent senior secured borrowings and the net senior secured borrowings of the Borrower Group, respectively, as adjusted to give effect to the Offering. "*Pro forma* senior secured borrowings and "*pro forma* net senior secured borrowings" have been calculated excluding the capitalization and amortization of debt issuance costs associated with the Offering and the use of proceeds therefrom, including financial advisory, professional and initial purchasers' fees and other transaction costs. Neither "*Pro forma* senior secured borrowings" nor "*Pro forma* net senior secured borrowings" of the borrower group give effect to the establishment of the TABS 3 Securitization or the most recent amendments to the LABS Securitization, each of which occurred after September 30, 2019. See "*Summary—Recent Developments*" and the footnotes under "*Capitalization*.

(22) LTVs were calculated per each loan on a standalone basis. In certain cases, the LTVs presented herein would differ if calculated on a per borrower basis. See "*Presentation of Financial and Other Information—Terms Relating to Our Loan Analysis*."

RISK FACTORS

You should carefully consider the following risk factors together with all the other information included in this offering memorandum before purchasing the Notes. The risks below are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently consider immaterial may also materially and adversely affect our business or operations. Any of the following risks could result in a material adverse effect on our business, financial condition, results of operations and our ability to service our debt, including the Notes.

RISKS RELATING TO OUR BUSINESS

A deterioration in the economic environment in the United Kingdom could have a material adverse effect on our business, results of operations and financial condition.

Our business is sensitive to general business and economic conditions in the United Kingdom. A deterioration in economic conditions, including as a result of Brexit (defined below), resulting in increased unemployment rates, increased short- and long-term interest rates, consumer and commercial bankruptcy filings, a decline in the strength of national and local economies, inflation and other results that negatively impact household incomes could decrease demand for our loans, decrease loan redemption levels, increase loan delinquency rates and increase loan losses. Adverse economic conditions could impact demand for both residential and commercial property, the cost of construction and other related factors that could adversely affect our profitability. See "*—The United Kingdom's planned exit from the European Union may adversely impact our business, results of operations and financial condition*."

In an economic downturn, customers may be less able to pay their debts as a result of a reduction in income, which could impact our level of arrears. Government actions taken in response to a downturn may include cuts in public benefits or public sector employment, or other austerity measures that may directly affect our customers by reducing or eliminating their disposable income, which could impact their ability to pay their debts. Private businesses may also reduce hiring or implement layoffs or reduce hours of work, which would potentially affect our customers. In addition, self-employed individuals may see a reduction in volume of work and/or income. An increase in interest rates could impair the financial viability of our mortgages for customers, particularly those who have other significant debt subject to variable interest rates including, in the case of our second lien mortgage customers, their first lien mortgages subject to variable interest rates with other lenders. A rise in interest rates could impact the ability of our customers to service their mortgage loans with us and thus our level of arrears and losses could increase.

Due to the credit or employment characteristics or sources of income of certain of our customers, who may fall outside the lending criteria process employed by mainstream lenders, our customers may be more vulnerable to an economic downturn and also may be more prone to insolvency than the customers of other lenders. Even if we are able to develop tailored payment plans, provide forbearance options or engage in other measures for those of our customers who are affected by a deterioration in economic conditions in order to try to reduce the number of defaults and losses under our loans, such measures may prove unsuccessful, or, if successful in avoiding some defaults and losses, total collections may be reduced or the timing of receipt of payments may be extended, any of which would adversely affect our profitability. In an economic downturn, demand for our loans may be reduced and our customers are also less likely to redeem their mortgage loans as a result of banks and other lenders having reduced levels of liquidity with which to make loans with which customers can refinance their mortgages, lenders tightening their lending criteria and customers being less likely to meet lending criteria. If our level of redemptions were to decrease, we would receive less cash inflows and therefore have less cash with which to underwrite new business. In addition, in the event of an economic downturn, it may become increasingly difficult to raise funding to fund additional loan origination.

We operate solely in the United Kingdom and, therefore, our business is impacted by general business and economic conditions in the United Kingdom. Our business is significantly affected by the fiscal and monetary policies of the UK government. We are particularly affected by the policies of the Bank of England, which regulates the supply of money and credit in the United Kingdom, including through the determination of the policy interest rate, taxation measures and lending caps. The policies of the Bank of England influence the size of the mortgage loan origination market, which impacts our business. Changes in these policies are beyond our control and difficult to predict and could have a material adverse effect on our business, results of operations, liquidity and financial condition. On August 2, 2018, the Bank of England raised its base rate by 0.25% (to 0.75%). Any further tightening of monetary policy could affect our sources of funding, many of which are linked to LIBOR. Conversely, any loosening of monetary policy could result in an expectation that lower costs of funding for the group should be passed on to our customers. In addition, to the extent our customers have outstanding indebtedness at variable rates, in the context of a tightening of monetary policy, their interest payments on such debts could go up and impact their ability to meet their obligations under their loans. Additionally, changes in the wider economic environment and monetary policy can impact our financial profile and can negatively impact the costs and availability of wholesale funding.

The United Kingdom's planned exit from the European Union may adversely impact our business, results of operations and financial condition.

In a non-binding referendum on the United Kingdom's membership in the European Union (the "EU") in June 2016, a majority of the United Kingdom's electorate voted for the United Kingdom's withdrawal from the EU (**"Brexit"**). The UK Government invoked article 50 of the Lisbon Treaty relating to withdrawal on March 29, 2017. Under article 50, the Treaty on the European Union and the Treaty on the Functioning of the European Union cease to apply in the relevant state from the date of entry into force of a withdrawal agreement or, failing that, two years after the notification of intention to withdraw, although this period may be extended in certain circumstances. This commenced the formal process of negotiations regarding the terms of the withdrawal and the framework of the future relationship between the UK and the EU. On November 14, 2018, the chief negotiators of the European Commission and the United Kingdom agreed to the terms of the "Draft Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the EU and the European Atomic Energy Community" ("**Withdrawal Agreement**").

The Withdrawal Agreement provides for a transition period until December 31, 2020, during which EU law would, in principle, continue to apply to the United Kingdom, and during which the United Kingdom would remain in the EU Customs Union in principle, with access to the European Single Market. Although the Withdrawal Agreement has already been ratified by the EU, the Parliament of the United Kingdom rejected its approval in three separate votes. On October 18, 2019 the EU and the government of the United Kingdom agreed on an amended Withdrawal Agreement, which the Parliament of the United Kingdom failed to ratify prior to October 31, 2019. As a result, the United Kingdom and the EU agreed to a new extension until January 31, 2020. Furthermore, a general election took place on December 12, 2019, as a result of which the Conservative Party gained a substantial majority in the House of Commons. As of the date of this offering memorandum, the United Kingdom's expected withdrawal from, and future relations with, the EU are uncertain. The Withdrawal Agreement successfully passed all stages in the Parliament of the United Kingdom and received royal assent on January 23, 2020. It has been signed by the heads of the European Commission and European Council on January 24, 2020 and is due to be voted on in the European Parliament on January 29, 2020. To enter into force, the Withdrawal Agreement needs to be approved by the European Parliament by a simple majority vote, following which it will need to be voted on in the European Council and passed by a qualified majority vote, foreseen for January 30, 2020. Following this process however, the future relationship between the United Kingdom and the EU will remain uncertain. When the United Kingdom ceases to be a member of the EU on January 31, 2020, the United Kingdom will remain in a transition period, which is currently set to last until the end of 2020. During the transition period, the United Kingdom and the EU will aim to negotiate the terms of their future relationship. As no member state of the EU has previously chosen to leave the EU, the legal and political process for doing so is untried and uncertain. There are a number of areas of uncertainty in connection with the future of the UK and its relationship with the EU and the negotiation of Brexit related matters may take several years. Given this uncertainty and the range of possible outcomes, it is currently impossible to determine the impact that Brexit and the nature and extent of government responses in the formulation of fiscal and monetary policies, and/or any related matters may have on general economic conditions in the UK, including the performance of the UK housing market. It is also not possible to determine the impact that these matters will have on our business. In addition, the instability could be further exacerbated by a push for independence by Scotland and/or Northern Ireland.

Brexit has also resulted in increased political uncertainty in the United Kingdom. Because the political situation surrounding Brexit has been characterized by rapid developments and unexpected change, it is ultimately impossible to predict the timing, or eventual results, of the Brexit process. The Brexit vote and the ongoing negotiations between the United Kingdom and the EU to finalize terms of the United Kingdom's exit from the EU (with a new deadline to finalize Brexit set for January 31, 2020), have created significant uncertainty with respect to the United Kingdom's future relationship with the EU, the economic and political future of the United Kingdom and the legal structure applicable to companies doing business in the United Kingdom. These political uncertainties have created, and are expected to create, adverse impacts for the United Kingdom economy.

Depending on the terms of Brexit, the United Kingdom could lose its present rights or terms of access to the single EU market and EU customs areas and to the global trade deals negotiated by the EU on behalf of its members. A decline in trade between the United Kingdom and the EU could also affect the attractiveness of the United Kingdom as a global investment center and, as a result, could have a detrimental impact on the level of investment in the United Kingdom, including in real estate, and ultimately, on the United Kingdom's economic growth. The uncertainty regarding new or modified arrangements between the United Kingdom and other countries following Brexit may have a material adverse effect on property prices, investments in property, volumes of property transactions, the cost of capital and other related factors that could adversely affect our profitability. While the newly elected government may provide a fiscal boost, uncertainty remains over the United Kingdom's long-term trading relationship with the EU, which is set to be negotiated throughout 2020 and may lead to a material change in the sterling exchange rate. This could result in a rapidly changing monetary policy, including the possibility of tightening of monetary policy by the Bank of England in the near term, including rising interest rates. Approaches to tapering quantitative easing measures could lead to a reduction in asset values, an increase in inflation and a reduction in affordability. Such factors may have an adverse effect on our business, results of operations and financial condition.

Increased volatility in the global financial markets as a result of Brexit and in the value of the British pound may result in it becoming increasingly difficult to raise funding to fund additional loan origination or to refinance our existing indebtedness and/or may increase the cost of our funding. The Revolving Credit Facility and the majority of the funding arrangements under the Securitizations are in part linked to LIBOR or SONIA, and we are therefore indirectly impacted by decisions made by the Bank of England regarding the base rate. Many of our regulatory obligations described under "*Regulation*" are based on, or are derived from EU measures. Depending on the terms of Brexit, when finalized, some or all of our regulatory framework may be amended or modified. To minimize any negative impact of Brexit, the United Kingdom has already begun a process of onshoring EU legislation into domestic legislation. However, as the scope and content of the on-shored legislation are still being amended, we may be required to make some practical changes to our business practices to continue complying with any future relevant regulatory obligations. See "*—Risks Relating to Our Business—Changes to the ways in which the United Kingdom regulates the loan industry could have a material adverse effect on our business, results of operations and financial condition.*" Any of the foregoing factors may have a material adverse effect on our business, results of operations and financial condition.

A deterioration in the mortgage market in the United Kingdom may materially adversely affect our business.

We specialize in providing mortgage loans. Possible future adverse economic conditions affecting the United Kingdom could have a negative impact on the mortgage market, resulting in, among other things, a general decline, including as a result of Brexit or Brexit-related political instability, in both the net worth of property owners as well as property values. The outlook could be further adversely affected by the risk of a greater push for independence by Scotland and/or Northern Ireland. Moreover, certain regions in the United Kingdom in which we operate, or certain types of property that we lend against (including commercial properties or higher value properties) may be particularly affected by economic downturns or experience greater volatility in both the net worth of property owners as well as property values. A deterioration in the mortgage market could reduce the number of new mortgage loans we originate, decrease redemption levels and increase delinquency rates, default rates and losses under our loans, which could materially adversely affect our business, results of operations and financial condition.

In the event that property prices were to fall, this may result in lower property equity, higher LTVs, lower recoveries in repossessions and an increase in loss severities. Falling property prices means that property owners may have less equity in their properties which is the amount by which the market value of a house or property exceeds the balance of the outstanding mortgage or mortgages on such property, and therefore a reduced ability to use their properties to secure new financing. A reduction in successful loan applications could reduce the number of new mortgage loans we originate.

Moreover, if the amount of equity that mortgage borrowers hold in their properties decrease, borrowers are less likely or able to redeem their mortgages with us and may also, where equity is minimal, have an increased incentive to default on their mortgage loans, which we refer to as strategic defaults. The London property market has been particularly affected by recent macro-political uncertainty (most notably, prior to the outcome of the most recent general election on December 12, 2019), including the Brexit vote and, as a result, transaction levels in the London property market are below recent historical averages and average prices have been stagnant or decreasing. As of September 30, 2019, approximately 28% of our loans are secured against properties located in London. If our level of redemptions were to decrease, we would receive less cash inflows due to lower redemption receipts and therefore have less cash with which to underwrite new business. Our profitability would also be adversely affected as a result of fewer redemption fees and fewer upfront fees. An increase in defaults could result in a higher level of credit losses and credit related expenses. A decrease in property prices would adversely affect in particular the portion of our total loan assets with higher LTVs.

If the credit quality of our borrowers deteriorates and/or we are unable to effectively control our level of delinquencies in the future, or if our existing allowances for impairment are insufficient to cover loan losses, our business, results of operations and financial condition may be materially adversely affected.

Despite our underwriting criteria and Enterprise Risk Management Framework, the credit quality of our prospective borrowers may decrease. The increase in delinquencies can reduce our profitability and cash flow and result in higher costs to service our loans (due to the increased time and effort required to collect payments), which we may not be able to fully recover. We cannot provide any assurance that we will be able to effectively assure the credit quality of our borrowers will be maintained and/or that we can effectively control the level of delinquencies in our total loan assets. Our business is dependent on robust, high-quality underwriting processes and servicing of loans, in particular as a percentage of our loans are extended to customers who typically fall outside the lending criteria of mainstream lenders and thus may be subject to higher delinquency risk. In addition, in certain instances we can have multiple loans with a single borrower (or related borrowers) which are either secured on the same or on multiple properties and or with cross security charges in place, which may result in the weighted average LTV of such individual loans as presented differing to if such loan balances and related properties of the borrower were considered in aggregate. We have seen an increase in such instances, in part reflecting the growth of repeat and corporate borrowers, and for whom loan sizes can be larger than the average loan sizes observed across the total loan portfolio. In the event any such borrower experiences difficulties in meeting their repayments obligation on any or a portion their loans this could also lead to further loans to the same borrower (or related borrowers) going delinquent and may subsequently lead to all loans to that borrower (or related borrowers) going into default and repossession. If the quality of our underwriting processes or servicing of these loans were to deteriorate, the amount of our delinquencies could increase in the future. Underwriting guidelines cannot predict two of the most common reasons for a default on a mortgage loan: loss of employment and prolonged or serious medical illness. Factors beyond our control, such as the impact of macroeconomic trends, may also result in increases in delinquencies. See "*—A deterioration in the economic environment in the United Kingdom could have a material adverse effect on our business, results of operations and financial condition*" and "*—A deterioration in the mortgage market in the United Kingdom may materially adversely affect our business, results of operations and financial condition*." Likewise, there is no precise method for predicting loan losses, and we cannot assure you that our monitoring and risk management procedures will effectively predict such losses or that our allowances for impairment will be sufficient to cover future losses. If we are unable to effectively assure the credit quality of our borrowers and/or control our level of delinquencies in the future, or if our allowance for impairment is insufficient (including as a result of the new impairment requirements under IFRS 9 (see "*—Changes to accounting standards could materially affect our reporting of financial results*")) to cover future loan losses, our business, results of operations and financial condition could be materially adversely affected.

If our property valuations do not accurately estimate the value of properties securing our loans at the time that we underwrite loans or if our valuations do not continue to remain accurate, our business, results of operations and financial condition may be materially adversely affected.

Our policy is to conduct property valuations for our mortgage loans as part of our underwriting process. Property valuations are only an estimate of the value of a property at the time the valuation is completed. We rely on our property valuations in determining LTVs, which inform our underwriting decisions. Although we may revalue the properties securing our retail and commercial purpose loans over the course of the loans and apply a recognized regional house price index (Halifax Quarterly All Houses All Buyers Non-Seasonally Adjusted Price Index for periods prior to and including March 30, 2016 and Halifax Quarterly All Houses All Buyers Seasonally Adjusted Price Index for periods after March 30, 2016, which since June 1, 2016 is owned and administered by Markit (the "Halifax House Price Index")) to prior valuations of both our residential and commercial properties, as property values in the United Kingdom continue to experience volatility, there can be no assurance that individually, or as a portfolio, our property valuations are accurate when they are completed or that they will remain accurate in the future after applying the Halifax House Price Index. In the majority of cases, we conduct full interior and exterior valuations. In the case of loans for smaller amounts and at lower LTV levels, our valuations may consist making use of automated valuation models or performing "drive by" exterior examinations. If our valuations overvalue the properties securing our loans, the LTVs of our loans may actually be higher than our records reflect, which could negatively impact our ability to mitigate against credit losses in the future, materially adversely affecting our business, results of operations and financial condition. Valuations of development properties are generally considered to be more subjective. As of September 30, 2019, we had a total of £201.5 million in development loans, comprising loans extended to finance the development of land or property primarily into residential units with payments typically being made out of the sale or refinance of property units. A number of these comprise loans originated prior to 2010, many of which are secured by properties for which construction is now finished and such properties are being actively marketed. Although we have made allowances for impairment on these loans (assuming an orderly sale process over a period of time) where appropriate, we cannot assure you that these provisions will be adequate to cover potential losses.

We depend on the accuracy and completeness of information and models, including information about customers, their properties and our loans, and any misrepresented, inaccurate or misclassified information could adversely affect our business, results and reporting of our operations and financial condition, as could the increasing prominence of financial crime.

In deciding whether to extend credit to mortgage loan applicants, we rely on information furnished to us by customers and other third parties, such as solicitors, valuers and accountants, including employment, income and other financial information. We also rely on representations of customers as to the accuracy and completeness of and explanations for that information. While we have a practice of independently verifying certain information about customers (such as identity and income information) that we use in making lending decisions and upon agreeing to loan modifications it is not possible to verify all the information provided to us. We also use a number of third party data providers to help us assess the credit quality of the customer (for instance, credit performance history) and the nature and value of the underlying property. Such data is used both in our underwriting assessment and for the purposes of our portfolio analysis. We do not independently review the accuracy of the third party data, which if inaccurate, could affect our underwriting decisions or how we report our loan information. There is also the risk that the information on our customers, their properties and/or their loans is not accurately captured or complete in our systems and/or the status is not appropriately updated during the course of their loan, either due to system deficiencies or human error. We rely on manual processing and input from our key personnel. While we have certain controls in place and are in the process of assessing further enhancements related to data quality, we may not always be able to identify input or classification errors. Classification errors may result in improper monitoring of certain metrics, including in connection with covenants related to our Securitizations and other debt facilities. If any of the information provided to us is intentionally, unintentionally or negligently misrepresented and such misrepresentation is not detected prior to the funding or modification of a loan or such information is not accurately captured in our system, the future recoverability of the loan may be adversely impacted, or may result in a failure to comply with certain terms of our financing agreements, including certain representations, warranties and covenants, which could materially adversely affect our business, results of operations and financial condition.

Although we have controls and processes designed to help us identify misrepresented or incorrect information in our loan origination processes, including know-your-customer ("KYC") checks, underwriting checks and for non-direct loan applications, requiring all applicants to participate in a "Speak With," (being a conversation we have with applicants before loans are funded), we cannot assure you that our controls and processes will identify all misrepresented or incorrect information. Our controls aimed at detecting and preventing financial crime (such as the use of our services for money laundering or terrorism-related activities) may not perform accurately or eliminate all instances where our services could be used for fraud or other financial crime by our customers or by our employees. Financial crime in the financial services sector is an ongoing threat for lenders and borrowers that is growing and becoming increasingly more sophisticated. As the scale of our operations has grown, from time to time, we have encountered instances of customer, broker or intermediaries fraud. As we continue to grow the scale of our operations, we could be the specific target of financial crime and fraudulent activity. In addition, regulators are increasingly focused on financial crime prevention. Simultaneously, the impacts of non-compliance are becoming increasingly severe and, in a worst case scenario, could result in the removal of our operating license, criminal charges, significant fines, reputational damage and individual loss of the authorized status for members of our management. See "—*We operate in the financial services sector, which is regulated, and if we fail to comply with regulatory requirements, we may not be able to conduct our business or may be subject to sanctions, substantial fines or remediation that may have a material adverse effect on our reputation, results of operations and financial condition*." Our procedures may not be sufficient to prevent more sophisticated attempts of fraud. For example, as we continue to grow our business we have encountered an increased number and a higher sophistication of financial crime attempts. As such, there have been some instances of a failure to detect fraud attempts at the time such attempts occur.While we continue to invest in technology to help support our financial crime protection architecture and have first and second line of defense functions dedicated to financial crime, there can be no assurance that significant weaknesses in our controls and process used to detect financial crime do not exist or will not exist in the future. In 2017, we introduced additional screening of new and existing customers against a wider range of watch lists. However, there can be no assurance that our new framework will be able to prevent financial crime. Failure of our financial crime prevention controls and other information processes could result in a breach of applicable regulation and harm our reputation, which in turn could have a material adverse effect on our business, results of operations and financial condition.

If we fail to act proactively with delinquent borrowers in an effort to avoid repossession and potential losses on recoverability, then the number of delinquent mortgage loans eventually going into repossession and the potential for losses on recoverability could increase.

We proactively work with those of our customers who are experiencing reduced ability to service their mortgage loans, identifying mutually acceptable short and longer-term payment solutions, including reduced monthly payments and other forbearance options. Across our business, we believe it is important to be proactive in our management of delinquent accounts, acting fairly, in a timely manner and with regard to the individual circumstances of each customer, in line with our treating customers fairly, Enterprise Risk Management Framework and conduct standards. In certain circumstances, our actions in respect of delinquent accounts are governed by regulatory provisions, particularly with respect to residential mortgages. In particular, regulators are increasingly guiding lenders to exercise appropriate forbearance. In determining the most appropriate course of action, including which forbearance options may be appropriate (if any), signs of vulnerability of such customers must be assessed and taken into account. If we fail to act proactively with delinquent borrowers, then the number of delinquent mortgage loans eventually going into repossession could increase, and, in cases where LTVs are high, could lead to an increase in losses experienced on recoverability, which could materially adversely affect our business, results of operations and financial condition. Any past or future failure to act in accordance with regulatory requirements could subject us to sanctions, substantial fines and payment of remediation, which could materially adversely affect our business, results of operations and financial condition. See "*—We operate in the financial services sector, which is regulated, and if we fail to comply with regulatory requirements, we may not be able to conduct our business or may be subject to sanctions, substantial fines or remediation that may have a material adverse effect on our reputation, results of operations and financial condition;*" "*—We rely on our Enterprise Risk Management Framework, which includes compliance and internal audit functions, to identify and mitigate key risks faced by our business.*" and "*—Risks Relating to Our Business—Changes to the ways in which the United Kingdom regulates the loan industry could have a material adverse effect on our business, results of operations and financial condition.*"

We depend on mortgage intermediaries, professional networks and other distribution channels to source customers, and any adverse changes in these relationships could materially adversely affect our business, results of operations and financial condition.

Our success depends, in significant part, on our relationships with mortgage intermediaries, professional networks and other distribution channels across the United Kingdom. In particular, our success and the growth of our business depend on our relationships with mortgage intermediaries. In the year ended June 30, 2019, 68.5% of the loans (by value) we extended were referred to us by mortgage intermediaries. We originate loans largely through mortgage intermediaries who are not contractually obligated to do business with us. Furthermore, our competitors also have relationships with such mortgage intermediaries and actively compete with us for business provided by such mortgage intermediaries. Accordingly, we may not be successful in distributing our loans through mortgage intermediaries or maintaining our existing relationships with such mortgage intermediaries. If such mortgage intermediaries, professional networks or other sources, through whom we source our loans choose not to distribute our loans or refer business to us or experience a decline in enquiries, the level of mortgage loans we place may decline and ultimately our business, results of operations and financial condition could be materially adversely affected. Moreover, we do not have control over whether the mortgage intermediaries through whom we distribute our loans comply with the Financial Services and Markets Act 2000 and regulations of the FCA or other applicable laws or regulations that exist or may be enacted in the future. Any failure by any of the mortgage intermediaries through whom we distribute our loans to comply with such laws and regulations or any other difficulties could limit our access to certain distribution channels, which could have a material adverse effect on our business, results of operations and financial condition. We could also become subject to sanctions, substantial fines or remediation if we do not have sufficient controls and processes in place to identify such mortgage intermediary's non-compliance with laws and regulations.

We face competition from other mortgage lenders that could materially adversely affect us.

Competition in the mortgage loan industry can take many forms, including interest rates and fees charged for a loan, permissive LTV thresholds, loan criteria, borrower criteria, convenience in obtaining a loan, customer service and lender reputation, amount and term of a loan and marketing and distribution channels. Although a number of our customers are unable to obtain loans from mainstream lenders, as demand for mortgage loans in our market segments increases, many of our competitors may increase their market share by offering loans to our markets, particularly in favorable economic conditions. New competitors have emerged in our market segments, which has resulted in some margin compression. Over recent years, our emerging competition includes "peer-to-peer", "Fintech" lenders and challenger banks, some of which provide property loans with respect to certain of our products. Mainstream lenders' (including high street banks') methodologies for credit decisions continue to exclude certain customers, property or transaction types. This has encouraged a number of new entrants, or re-entrants into the market in the form of non-bank lenders or newly formed challenger banks, which are likely to increase competition in the segments in which we operate. If competition continues to increase, particularly as existing competitors and new entrants attempt to increase their market share, there could be a negative effect on our margins or we could suffer a loss of market share. Our margins could also be negatively affected if we choose to grow our origination volumes and increase market share. Moreover, if the UK government engages in economic policies designed to encourage greater lending, we may face increased competition from other mortgage lenders. Technological advances, including heightened e-commerce activities, including the use of comparison websites, are also increasing the accessibility to consumers of loans generally, which has intensified competition among banking and non-banking companies in offering mortgage loans. In order to remain competitive, we continuously need to differentiate ourselves including by identifying trends in demand for alternative products within the mortgage market and providing an efficient and effective customer service by continual investment in processing platforms.

Fluctuations in interest rates and general economic conditions may also affect our competitive position. During periods of declining interest rates, competition increases as competitors may solicit our customers to refinance their mortgage loans. Furthermore, a cyclical decline in the level of originations of the mortgage loan industry, or decreased demand for mortgage loans due to a higher interest rate environment, may lead to increased competition for the remaining mortgage loans. If we are unable to compete successfully in our markets either by identifying new lending trends of which we can take a commercial advantage or by differentiating our service offering, our business, results of operations and financial condition could be materially adversely affected.

We operate in the financial services sector, which is regulated, and if we fail to comply with regulatory requirements, we may not be able to conduct our business or may be subject to sanctions, substantial fines or remediation that may have a material adverse effect on our reputation, results of operations and financial condition.

Certain of the activities in which our subsidiaries are engaged require authorization, and are regulated, by the FCA. These activities include arranging and advising on regulated mortgage contracts and non-investment insurance contracts and entering into and administering the same, and consumer credit related regulated activities. See "*Regulation*." The FCA has prescribed rules, principles and guidance (set out, in part, in the FCA Handbook) (the "FCA Rules") with which certain of our retail operations must comply. The FCA Rules include rules that impose, among other things, high level standards on the establishment and maintenance of proper systems and controls and minimum "threshold conditions" that must be satisfied for mortgage lending firms to remain authorized as well as rules on the conduct of business, the form and content of mortgage documentation, the fitness and propriety of individuals performing certain functions in our business (for example, see "*—Implementation of the Senior Managers and Certification Regime ("SM&CR") requires significant management attention and the SM&CR imposes ongoing requirements related to our employees*") and a requirement to treat customers fairly. The FCA Rules also impose certain minimum capital requirements on FCA regulated firms. The "treating customers fairly" obligation requires FCA regulated firms, among other things, to demonstrate that senior management are taking responsibility for ensuring that good customer outcomes are delivered by establishing an appropriate firm culture and embedding good practice.

Regulated firms have an ongoing obligation to provide the FCA with certain information regularly through the GABRIEL system, which the FCA uses to monitor adherence to continuing regulatory requirements. Failure to comply with such reporting obligations could lead to the disciplinary action, public censures, fines, the imposition of other penalties or the revocation or variation of authorizations to conduct business, in whole or in part, which could negatively impact our business, results of operations, financial condition and reputation among other things.

The FCA has broad investigative and disciplinary powers. Such investigations, with or without substance could have a negative effect on our reputation thereby negatively impacting our business, results of operations or financial condition among other things.

Failure to comply with the FCA Rules (including compliance with FCA principles) or a failure to treat customers fairly could lead to liability for damages to third parties, disciplinary action, public censures, fines, the imposition of other penalties, customers being compensated for losses or the revocation or variation of authorizations to conduct business, in whole or in part, which could negatively impact our reputation, among other things.

In certain cases, a customer has the right to refer a complaint to the Financial Ombudsman Service ("FOS"), which acts as an independent adjudicator of the consumer complaints made in relation to certain financial products and business. FOS makes a decision based on what is fair and reasonable and good practice rather than strictly on the basis of compliance with the law. Certain claims brought before FOS attract a fee, which is paid by us, whether or not FOS awards the case in favor of the customer or us. When a complaint is taken to FOS by a customer, we will liaise with FOS to assist in their investigation and provide additional information to FOS where requested. We will also provide FOS with additional detail on our interactions with the customer along with explanations of firm processes, policies and practices. Any decision reached by FOS is binding on us but not the customer. We use complaint data, referrals to data provided by FOS and adjudications of FOS to identify any complaint trends by completing ongoing root cause analysis. On October 16, 2018, the FCA published a policy statement (PS18/21: SME access to FOS—near-final rules ("PS18/21")) following its consultation on whether (i) small and medium-sized enterprises ("SMEs") with fewer than 50 employees, annual turnover of under £6.5 million and an annual balance sheet total of under £5 million; (ii) charities and trusts with broadly equivalent eligibility criteria; and (iii) personal guarantors of loans to a business should be able to access FOS on the same terms as individual consumers and micro-enterprises (the smallest SMEs). In PS18/21, the FCA confirmed that it was extending access to FOS to such potential complainants.

In December 2012, the Financial Services Authority (the "FSA," now succeeded by the FCA) imposed a financial penalty of £1.2 million on Cheshire Mortgage Corporation, (now renamed TPFL), a subsidiary within our group that is authorized by the FCA, for certain historical issues. The FSA found that, between 2004 and 2010, TPFL could not always demonstrate that it had taken sufficient steps to ensure that all loans were affordable to customers or that it had always applied the correct level of fees and charges, it did not always treat customers fairly when they fell into arrears and did not always communicate regularly or accurately with customers. The FSA found TPFL to be open and cooperative, with TPFL agreeing to settle at an early stage of the investigation; TPFL was one of a number of firms operating in a similar area of business to reach resolution with the FSA for similar matters. Although these issues pre-date a comprehensive review of our procedures, following which enhanced corporate governance standards were introduced, and relate to a period of time up to 2010, there can be no assurance that our regulated businesses, including those other than TPFL, will not face regulatory action in the future in respect of our historic, current or future activities. Although we amended our policies and procedures between 2008 and 2010, in light of the FSA findings referred to above, for all our TPFL residential lending activities and applied many of the changes made to TPFL policies and procedures to the residential lending activities of those companies not historically regulated by the FSA but which became regulated by the FCA in 2014 under interim permissions, and fully regulated in 2016 in compliance with MCD, we cannot give any assurance that, despite it being under a different regulatory regime, the FCA will not review the activity of our previously non-FSA regulated businesses prior to 2010. Furthermore, any publicity as a result of regulatory investigation or action could have an adverse impact on our reputation with key stakeholders, such as our funders, mortgage intermediaries, others who introduce business to us and customers, which could materially adversely affect our business, results of operations and financial condition.

The rules under FSMA regulating financial promotions cover the content and manner of the promotion of agreements relating to qualifying credit and by whom such promotions can be issued or approved, and thus affect some of our financing arrangements. The FSMA financial promotions regime covers financial promotions of regulated mortgage contracts but also promotions of certain other types of secured credit agreements. Failure to comply with the financial promotion regime is a criminal offense (where a person, in the course of business, communicates an invitation or inducement to engage in investment activity unless that person is authorized, the content of the communication has been approved by an authorized person or the communication is covered by an exemption) and will render a regulated mortgage contract or other secured credit agreement in question unenforceable against the borrower except with the approval of a court. Failure to comply with the financial promotion regime may render the mortgage or loan unenforceable, which may affect our financing arrangements and may affect our business and operations. If we fail to comply with regulatory requirements, we may not be able to conduct our business, the mortgage or loan could be rendered unenforceable and our reputation could be adversely affected or may be subject to sanctions, substantial fines or remediation actions, as well as potential associated redress costs, which we may have a material adverse effect on our business, results of operations and financial condition. In addition, our senior management may be subject to disciplinary investigations and actions including sanctions, financial penalties or regulatory censure including removal of permissions to undertake their roles, which may have a material adverse effect on our results of operations and financial condition. In certain instances, a borrower who is a private person may be entitled to claim damages for loss suffered as a result of a contravention by an authorized person under the FCA's rules, and may be able to set off the amount of the claim against the amount owing by the borrower under the mortgage loan or any other mortgage loan that the borrower has taken with the lender. Any such set-off may have a material adverse effect on our business, results of operations and financial condition.

We are also subject to laws regarding money laundering, financing of terrorism and laws prohibiting us, our employees or intermediaries from making improper payments or offers of payment to foreign governments and their officials and political parties for the purpose of obtaining or retaining business, including the United Kingdom's Proceeds of Crime Act 2002 and Bribery Act 2010 (including the Fourth European Union Anti Money Laundering Directive implemented in the United Kingdom by the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, which impose additional requirements with respect to determining beneficial ownership and identifying politically exposed persons). From January 10, 2020, we have also been subject to the Fifth European Union Anti Money Laundering Directive, which was transposed by the United Kingdom via the Money Laundering and Terrorist Financing (Amendment) Regulations 2019. The Fifth European Union Anti Money Laundering Directive makes a number of key amendments to the Fourth European Union Anti Money Laundering Directive, among them: (i) requiring firms to apply customer due diligence measures to existing customers where they have any legal duty in a year to contact the customer for the purposes of reviewing any information which relates to the beneficial ownership of the customer, or when an existing customer must be contacted in order to fulfil any duty under the International Tax Compliance Regulations 2015; and (ii) requiring firms, when entering into a new business relationship with a company or trust that is subject to the beneficial ownership registration requirements under the Fourth European Union Anti Money Laundering Directive, to collect either proof of registration on the register or an extract of the register.

Additionally, we are subject to extensive regulation relating to our handling and storage of data, including the GDPR. See "—*We are subject to the GDPR relating to unauthorized disclosure of personal data that we collect and retain*."

We cannot predict the manner in which existing laws might be administered or interpreted or the scope of any remedial actions or the nature, scope or effect of future regulatory requirements to which we might be subject. Although we believe we have implemented appropriate controls and procedures to meet our regulatory obligations, we cannot assure you that our controls will always be sufficient. Any finding of past or future insufficiency of such systems, controls and procedures may expose us to heightened risk of regulatory scrutiny, financial crime and/or fraud risk and the relevant business, its directors and certain nominated members of staff could face regulatory or criminal sanctions, substantial fines, as well as potential associated redress costs, regulatory censure or financial penalties.

We rely on our Enterprise Risk Management Framework, which includes compliance and internal audit functions, to identify and mitigate key risks faced by our business.

Our compliance and Enterprise Risk Management Framework relies on our three lines of defense consisting of our business unit employees and quality assurance controls and processes, our risk committees and our compliance and internal audit functions, respectively. See "*Business—Risk Management.*" From time to time, our compliance and internal audit functions have identified regulatory breaches or potential regulatory breaches or other issues related to authorization and compliance matters. Where appropriate, we notify the FCA of the occurrence of such events, including proposals to mitigate the event. For example, in January 2018, we completed an internal audit of our complaint handling procedure and identified issues with, among other things, our categorization and investigation of customer dissatisfaction. Following a review, we identified instances in which complaints should have been categorized differently and, as a result we made certain redress and goodwill payments to our customers. Similarly, an internal audit of our compliance framework in June 2018 identified certain areas for improvement in our compliance systems and procedures.

As part of ongoing reviews within our business, including as a result of input from our risk committees and our compliance and internal audit functions, we have made certain redress payments to our customers and have identified further instances where redress payments may be appropriate to be made to our customers deemed adversely affected by our past practices. Such areas of review include, but are not limited to, cases where fees or charges have been improperly reflected on a customer's account and certain cases where interest has arisen from where a payment is applied to an account after the due date due to processing delays in payment processing systems. Other than as described below, while we believe we have made adequate provisions in line with accounting standards in our financial statements for any exposure to such payments, such reviews are ongoing and customers' circumstances are continually changing. As a result, there can be no assurance that our provisions are or will be sufficient to meet any remaining or future redress payment obligations as a result of such reviews. Similarly, if our systems and procedures including those within Enterprise Risk Management Framework, which includes our compliance and internal audit functions, do not identify and prevent similar risks in future, we may be faced with further redress or repayment obligations and any failure or delay in identifying and preventing such risks may lead to more severe redress or repayment obligations. If we are ultimately required or choose to offer to pay in excess of our provisions, or discover other instances of non-compliance for which provisions have not been made, as a result of a failure to identify and prevent such risks or otherwise, such unprovisioned obligations could adversely affect our business, results of operations and financial condition. Despite the steps we have taken and continue to take to improve our systems and procedures, there can be no assurance that we will maintain an adequate Enterprise Risk Management Framework, including compliance and internal audit functions, going forward.

As part of our Enterprise Risk Management Framework, and as a result of internal reviews completed in April 2019 within our regulated division, we identified some instances (i) where our past written communications with customers should have been clearer and more complete in respect of customer balances not expected to be repaid by their contractual maturity date (e.g. ,where fees or additional interest had been charged to an account but had not been fully repaid or would not be projected to be fully repaid by the contractual maturity date based on the customers' existing payments) and, (ii) for certain customers in arrears, where the customers' outcome could have been improved if different forbearance measures had been applied. We notified the FCA of such findings in line with our breach reporting processes and obligations. We also appointed experienced third party consultancies to assist us in our internal reviews, including to assist us with assessing the impact of the breaches and whether any customer detriment exists and, if so, an appropriate approach to remediation.

In line with IFRS and our accounting policies, we recognize provisions in our financial statements when, among other conditions, it is likely that a payment will be made and we can reliably estimate the amount of such payment. In case of events that are less certain, we disclose a contingent liability in our financial statements. In connection with findings related to the past written communications, we disclosed in our financial statements a contingent liability and have not recognized any related provisions as it is not practicable to quantify the potential financial impact at this stage. It is currently expected that redress payments, which may be material, will be required. In connection with findings related to forbearance measures, we included in our financial statements as of and for the three months ended September 30, 2019 a provision of £3.0 million, which represents the financial impact estimated to arise from both existing and redeemed customers and comprises (i) estimated customer settlement payments, (ii) expected accrued interest between the reporting date and the assumed remediation date and (iii) estimated administration costs related to the remediation. In calculating the provision, a number of judgements and assumptions were necessary, including subjective judgments about the circumstances where customers have been disadvantaged, the extent of the customer population included and the assumed timing of remediation activities. Depending on the outcome of further testing and the selection of certain judgements and assumptions, the estimated financial impact of the findings related to forbearance measures is expected to be in the range of £1.0 million to £5.0 million. There can be no assurance that the amount of the provision will be sufficient and it is expected that the estimate may be refined during the remediation phase, currently planned for the second half of the financial year ended June 30, 2020. Upon completion of further work to assess the impact of these findings, including the extent and level of any customer detriment, provisions will be evaluated in line with any expected remediation payments and the cost of completing such an exercise. Given that the work to establish affected customers and the level of any customer detriment is ongoing and has not at the date of this offering memorandum been established, we cannot give any assurance that such amounts will not be material.

As of the date of this offering memorandum, we continue to proactively engage with the FCA, and have communicated our actions to assess the impact and identify any customer detriment caused and continue to communicate ongoing progress. We are in the process of implementing the first phase of our remediation plan, which prioritizes forbearance-related activities. In this first phase, remediation is not intended to be based on individual customer-level reviews, but instead will be calculated using a defined set of parameters and criteria for the customer population, which simplifies and expedites progress, while also ensuring customer detriment, where experienced, is fully addressed.

While the FCA, as of the date of this offering memorandum, has not taken any action with respect to either of such findings, there can be no assurance that the FCA will not require us to take further remedial actions beyond those we are already undertaking, and may subject us to fines or skilled person reviews. The group has already taken steps to proactively remedy the issues including improvements in respect of clarity of communications and enhancements to our quality assurance processes along with additional training provided for some customer-facing colleagues to support them in selecting the most appropriate forbearance measures for our customers. In respect of clarity of communications, the reference to "clear" in the regulations is not a defined term and is open to interpretation and therefore there can be no assurance that we have interpreted such term correctly within our written communications. In respect of forbearance, choosing which forbearance measures to apply can in certain cases involve a degree of subjectivity and therefore there can be no assurance that the selection of specific forbearance measures are the most effective of the potential measures or that they will be consistently applied for all customers going forward. As such, while we have taken steps aimed at addressing such breaches, there can be no assurance that such measures are or continue to be sufficient.

As a result of internal reviews completed during 2019, we identified that a number of customers may not have received an annual statement during specific isolated dates in 2012 and 2013. In respect of such cases we have informed the FCA and are assessing the level of remediation required in relation to refunds of interest and charges for the period of non-compliance. While provisions are in place in respect of this matter in the region of £800,000, there can be no assurance that our assessment of such provisions for this matter will be sufficient. If we are required to pay in excess of our provisions, this could adversely affect our business, results of operations and financial condition. See "*—We operate in the financial services sector, which is regulated, and if we fail to comply with regulatory requirements, we may not be able to conduct our business or may be subject to sanctions, substantial fines or remediation that may have a material adverse effect on our reputation, results of operations and financial condition,*" "*—Calculation and application of interest and fees in our industry is complex in nature and subject to regulation*" and "*—Changes to the ways in which the United Kingdom regulates the loan industry could have a material adverse effect on our business, results of operations and financial condition.*"

Potential regulatory breaches or other compliance issues may affect our reputation with our customers, our mortgage intermediaries, our sources of financing and our relationships with our regulators. Actual or potential breaches may also affect our ability to comply with our financing agreements. Compliance frameworks, controls and processes may be subject to weaknesses and there can be no assurances that our compliance framework, controls and processes are currently able, or will ever be able, to prevent or promptly identify all compliance issues.

Calculation and application of interest and fees in our industry is complex in nature and subject to regulation.

The calculation and application of interest and fees on customers' loans is complex and, depending on the type of loan, can be subject to legal agreements, regulation, consumer credit legislation, case law, FOS rulings and industry guidance. In addition, industry standards and practices are not necessarily consistent and have changed over time as has the applicable regulation, legislation (or the interpretation thereof) and guidance. Any finding that interest or fees have been calculated or applied incorrectly or unfairly in respect of current or prior periods, or any retrospective change in the interpretation or application of any regulation, legislation or guidance, could (given the compounding effect over time) result in remediation that could have a material financial impact on our business, results of operations, financial condition and reputation and could also result in sanctions, substantial fines or remediation.

We may be required to make payments to customers pending reviews of past business practices in excess of provisions for such payments or where we do not have such provisions.

As part of ongoing reviews within our business, we have assessed or are assessing a number of areas including but not limited to payment protection insurance ("PPI") sold by Phone-A-Loan Limited, one of our subsidiaries. While we believe we have made adequate provisions in line with accounting standards in our financial statements for any exposure to such matters including PPI, such reviews are ongoing and customers circumstances are continually changing. As a result, there can be no assurance that our provisions are or will be sufficient to meet any remaining or future redress payment obligations as a result of such reviews. If we are ultimately required or choose to offer to pay in excess of our provisions, or discover other instances for which provisions have not been made, such unprovisioned obligations could adversely affect our business, results of operations and financial condition.

In November 2014, the Supreme Court decided in *Plevin v. Paragon Personal Finance Ltd*, 2014 UKSC 61 ("Plevin"), that the failure by the lender to disclose to a customer a large commission payment on a single premium PPI policy sold with a consumer credit agreement created an unfair relationship between the lender and the borrower under section 140A of the Consumer Credit Act 1974 (the "CCA"). It did not define a tipping point above which the commission was deemed to be "large." The disclosure of such commission was not a requirement of the FSA's (now FCA's) Insurance: Conduct of Business sourcebook rules for the sale of general insurance (including PPI). Since May 2018 (when legislation introduced under Regulation (EU) 2016/679, known as the General Data Protection Regulation, (the "GDPR") legislation removed the £10.0 fee payable in connection with data subject access requests ("DSARs")), we have experienced an increased number of DSARs. The FCA also set a deadline of August 29, 2019 for any PPI complaints by consumers. In light of this deadline, we have experienced an increase in PPI complaints in the months of June, July and August 2019. The deadline for PPI complaints has passed, and therefore, we no longer accept new complaints relating to PPI. In addition, there is a risk we may receive increased legal claims in respect of PPI after the deadline, as an alternative route and as a result of the complaints route no longer being available.

If we are ultimately required to pay more than that for which we have made provisions, such unprovisioned obligations could adversely affect our business, results of operations and financial condition. As arose in the instance of Plevin, there can be no assurance that there will not be future legal precedents that have implications for the group or for the wider industry in respect of current or historic practices, including those which may require payments or the making of provisions or result in complaints, claims or fines, which could adversely affect our business, results of operations and financial condition.

Changes to the ways in which the United Kingdom regulates the loan industry could have a material adverse effect on our business, results of operations and financial condition.

Changes in laws and regulations, providing greater protection to the end consumer or the manner in which they are interpreted or applied, could limit our activities in the future or could significantly increase the cost of regulatory compliance. These effects could result from changes in laws related to lending, consumer credit, consumer protection, consumer bankruptcy, credit reporting, accounting standards, capital requirements, taxation requirements, employment and communications laws, among others. Certain of our subsidiaries were and are subject to the consumer credit regime under the Financial Services and Markets Act 2000. On April 1, 2014, the regulation of consumer credit under the CCA and its secondary legislation thereunder transferred from the Office of Fair Trading ("OFT") to the FCA. For additional information, see "*Regulation—Regulatory Framework*." The FCA has greater powers of enforcement than the OFT and take a more proactive and detailed approach to the regulation of consumer credit. Along with other credit providers that need to comply with the FCA requirements applicable to the provision of consumer credit, certain of our subsidiaries may be subject to increased regulation by the FCA or incur additional compliance costs and could be subject to potential penalties required to make payments of redress to customers and other sanctions for noncompliance, if this is found to exist. Non-compliance with certain provisions of the CCA may render a regulated credit agreement irredeemably unenforceable or unenforceable without a court order or an order of the appropriate regulator, or may render the borrower not liable to pay interest or charges in relation to the period of non-compliance.

The FCA is an active regulator who has in recent years initiated a number of reviews and consultations, which have led to changes to our regulatory framework. For example, in October 2014, the FCA published final guidance which requires mortgage lenders to limit the total number of first charge residential mortgages at loan to income ratios at or greater than 4.5 times ("high loan to income mortgages"), to no more than 15% of the total number of the mortgage lender's new mortgage loans. The limit applies where either of the following conditions are met, in relation to the first set of quarters: (i) in the set of four consecutive quarters ending June 30, 2014, the lender has entered into regulated mortgage contracts where the sum of the credit provided is or exceeds £100.0 million and the lender enters into 300 or more regulated mortgage contracts; or (ii) during two consecutive sets of four quarters (the first of which will end on 30 June 2014 (rolling quarterly thereafter) and the second of which will end on September 30, 2014 (rolling quarterly thereafter)), a firm has entered into regulated mortgage contracts under which the sum of credit provided in each set of four quarters is or exceeds £100.0 million and the firm has entered into 300 or more regulated mortgage contracts in either sets of four quarters. Following a consultation in February 2017, the FCA published revised guidance, which made the following changes to their October 2014 guidance: (i) adding a clarification exclusion to the effect that the guidance does not apply to regulated mortgage contracts that are not first charge legal mortgages; (ii) applying the limit on a rolling four-quarter basis instead of the previous fixed quarterly limit. Currently, the limit in relation to high loan to income mortgages only applies to first lien regulated mortgage contracts but may extend to second lien regulated mortgage contracts in the future. During the year ended June 30, 2019, the number of first lien regulated contract originations increased to exceed £100.0 million. The percentage of "high loan to income mortgages" is monitored by our Executive Risk Committee on an ongoing basis. The percentage of new "high loan to income mortgages" was an average of approximately 4-5% per month of total mortgages advanced for the year ended June 30, 2019. There is a risk that our new business volumes increase or, if the guidance is extended to regulated second lien lending, that application of the guidance could impact on our new lending origination volumes in future years.

On January 2, 2015, a cap on interest and fees for high-cost short-term credit came into force. The cap comprises the following: (i) an initial cost cap of 0.8% of the outstanding principal per day, on all interest and fees charged during the loan and when refinancing; (ii) a cap on default charges of £15; and (iii) a total cost cap of 100% of the total amount borrowed, as applicable to all interest, fees and charges. The cap applies to firms with respect to consumer credit lending, debt administration, debt collecting or operating an electronic system in relation to lending. Although such cap is not applicable to us, there can be no assurance that in the future the regulator may not impose similar restrictions on our industry.

On September 29, 2016, the Prudential Regulation Authority ("PRA") issued a supervisory statement setting out minimum standards applicable to certain PRA-regulated firms carrying out buy-to-let lending (as specified in the statement) ("Firms"). Although the supervisory statement is not applicable to us, we are subject to similar requirements for regulated mortgage contracts in relation to income verification, affordability assessments and interest rate testing as specifically set out in the FCA's Mortgages and Home Finance: Conduct of Business sourcebook ("MCOB") (see "*Regulation—Regulation of Residential Mortgages*"), and there can be no assurance that in the future the FCA may not impose additional requirements on our industry. There exists political risk with regards to the UK government's housing policies which may lead to further regulations surrounding the sector that will impact our business. The supervisory statement requires Firms' affordability assessments to apply an interest coverage ratio test taking into account income from the property and an income affordability test when assessing the borrower's personal income. Interest coverage ratio tests must take into account, *inter alia*, expected local rent levels, property-related fees the borrower is responsible for (e.g., management and letting fees, council tax, utilities), and tax liability associated with the property (including effects of mortgage interest tax relief). When taking into account future interest rate increases in the interest coverage ratio test, Firms must take into account certain factors including a minimum increase of two percentage points in buy-to-let mortgage interest rates. The PRA standards state that even where future interest rates assessed in accordance with these factors indicate otherwise, Firms should nevertheless assume a minimum borrower interest rate of 5.5%. The borrower's refinancing risk must, however, also be considered where a loan involves a fixed or capped initial period. Where Firms assess the borrower's personal income in affordability tests, detailed borrower affordability assessments are required and have to take into account: (i) the borrower's income (including personal income (net of income tax, national insurance payments and any tax liability associated with financing the property (e.g. from April 2017 mortgage interest tax relief for higher and additional rate tax payers in the buy to let market were reduced)), expected rental income and potential future changes in borrower's income (e.g., retirement)); (ii) the borrower's credit commitments (e.g., other mortgages from borrower's properties or credit cards); (iii) modeled or current essential living expenses; and (iv) other committed expenditures (e.g., school fees, spousal maintenance costs) which will continue after the buy-to-let mortgage is entered into. The supervisory statement also requires certain additional considerations where a potential borrower is a "portfolio landlord" (i.e., a borrower with four or more distinct mortgaged buy-to-let properties), due to the increased complexity of quantum of debt in aggregate, cash flows and costs from multiple tenancies, and potential geographical or property concentration risks. The supervisory statement also refers to the "SME supporting factor" under Article 501 of Regulation (EU) No 575/2013, stating that the PRA does not consider buy-to-let borrowing to fall within the purposes of that provision which provides for reduced capital requirements on loans to small and medium-sized enterprises. The PRA has stated that it will continue to monitor Firms' implementation of these standards.

On March 27, 2018, the FCA published policy statement PS18/7 detailing its final rules on firms engaged in consumer credit activities outlining how they should manage risks related to how they pay and manage the performance of their staff. The primary outcome of the policy statement is the introduction of a high-level rule requiring firms to put in place appropriate systems and controls to identify, mitigate and manage any risk of non-compliance with their regulatory obligations arising from their remuneration or performance management practices. The proportionality of the systems and controls should take into account the nature, scale and complexity of the firm's business, and the nature and range of financial services and activities undertaken in the course of that business. While it is not directly applicable to us, we reviewed this policy statement with a view to identifying and considering any guidance therein that may be beneficial to incorporate into our business as may be appropriate.

In addition, the Consumer Rights Act 2015 (the "CRA") extended and restated the scope of the current regulatory regime on unfair terms (originally contained within the Unfair Terms in Consumer Contracts Regulations 1999 (as amended, the "UTCCRs"). It is therefore possible that any credit agreement that has been made or may be made to customers covered by the UTCCRs or the CRA may contain terms that are, if challenged, found to be unfair, which may result in the possible unenforceability of such terms of such credit agreement, and could increase associated compliance costs. The broad and general wording of the UTCCRs makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. Additionally, the guidance issued by the FSA (and, as of April 1, 2013, the FCA), the OFT and the Competition and Markets Authority ("CMA") has changed over time and it is possible that it may change in the future. No assurance can be given that any such changes in guidance on the UTCCRs, or reform of the UTCCRs, or the CRA, will not have a material adverse effect on us and our business and operations. This may adversely affect our business, results of operations and our financial condition. See "*Regulation—Regulatory Framework*" and "*Regulation—Unfair Contract Terms*."

We are also subject to similar consumer protection provisions in the UK's Consumer Protection from Unfair Trading Regulations 2008 (which implement the EU Unfair Commercial Practices Directive (Directive 2005/29/EC)). These regulations prohibit certain commercial practices which are deemed "unfair." Breach of the regulations does not (of itself) render an agreement void or unenforceable, but the possible liabilities for misrepresentation or breach of contract in relation to the underlying credit agreement may result in irrecoverable losses on amounts to which such agreements apply. Breaches of certain provisions of the regulations are also a criminal offence. Further, the regulations have been subsequently amended so as to give consumers a right to redress for prohibited practices, including a right to unwind agreements. See "*Regulation—Consumer Protection from Unfair Trading Regulations*."

The United Kingdom's implementation of the MCD had a significant impact on our secured lending and mortgage intermediary networks, broadening the scope of mortgage regulation to include consumer buy-to-let and second charge residential mortgages. See "*Regulation—Regulation of Residential Mortgages*." The United Kingdom's implementation of the MCD required BFL to apply for FCA permissions in relation to second charge residential mortgage administration and for TPFL to register as a CBTL firm. BFL's application to administer second charge regulated mortgage contracts, and TPFL's registration for CBTL, were approved by the FCA in time for the implementation of the MCD on March 21, 2016. Subject to certain exemptions, mortgage intermediaries are required to hold authorization and permission to arrange and where applicable advise in respect of regulated mortgage contracts. See "*—We depend on mortgage intermediaries, professional networks and other distribution channels to source customers, and any adverse changes in these relationships could materially adversely affect our business, results of operations and financial condition*." The FCA's mortgage market review changes to MCOB and any future changes to MCOB that are required by the MCD and the Mortgage Credit Directive Order 2015 (SI 2015/910) (the "Mortgage Credit Directive Order 2015"), may adversely affect our mortgages, loans and related business and operations. While the MCD has been implemented into UK law, it is not possible to tell what longer term effect the MCD and the implementation of the directive into UK law will have on our mortgages and loans and our businesses and operations. See also "*Regulation—Regulation of Residential Mortgages*."

In 2015 and 2016 we carried out a major regulatory change program ("Regulatory Change Program") in order to implement the extensive requirements of the MCD regime. Given the extensive nature of such requirements, there is a risk we may have not addressed or misinterpreted the requirements and may inadvertently breach the regulations pursuant to the MCD. See "*Regulation—Regulation of Residential Mortgages*" and "*Regulation—Regulatory Framework*." To the extent that the regimes and rules discussed under "*Regulation—Regulation of Residential Mortgages*" and "*Regulation—Regulatory Framework*" apply to any our mortgages and loans, failure to comply with the applicable regime and rules may affect enforceability of the relevant mortgage or loan or entitle a borrower to claim damages for loss suffered or set-off the amount of the claim against the amount owing under the mortgage or loan.

The FCA carried out a market study on how well certain aspects of the mortgage markets are working and published its final report in March 2019. Although the FCA identified that the mortgage market works well in many respects, it announced a package of measures aimed at enabling greater innovation in mortgage distribution and helping customers identify, at an earlier stage, the mortgages for which they qualify. The FCA also aims at reducing barriers to switching for those consumers who are up to date with payments and not seeking to borrow additional amounts. The market study examined two areas: (i) whether the available tools (including advice) help mortgage consumers make effective decisions at each stage of the mortgage lending process; and; (ii) whether commercial arrangements between lenders, mortgage intermediaries and other players lead to conflicts of interest or misaligned incentives to the detriment of consumers. Overall, the FCA found that competition is working well for many consumers but that there are limitations to the effectiveness of the information and tools available, with many consumers missing out on cheaper deals that are just as suitable. The FCA also found that there is also a small number of consumers on a relatively high reversion rate (the interest rate payable once an introductory rate ends), who are up-to-date with their payments, but unable to switch. For many customers this is due to changes in affordability requirements following the financial crisis, though there are also others who are unable to switch for different reasons. As a result, the FCA will aim, either through collaboration with the industry, or through rule changes, to: (i) make it easier for consumers to find the right mortgage; (ii) ensure there are a wider range of tools providing consumers with a choice about the support (including advice) that they receive; (iii) ensure that consumers choosing an intermediary can be able to do so on an informed basis; and (iv) ensure that consumers are able to switch more freely to new deals without undue barriers.

Since publication of its final report following the mortgage market study, the FCA published two further mortgage related consultations. CP19/14: Mortgage customers: proposed changes to responsible lending rules and guidance, proposed changes to the FCA rules to reduce regulatory barriers to consumers who are up-to-date with payments and not looking to borrow more switching to a more affordable mortgage. This includes those who cannot switch because of changes to lending practices during and after the 2008 financial crisis and the subsequent regulation that tightened lending standards (so-called "mortgage prisoners"). While we do not believe that our customers currently meet the existing definition of "mortgage prisoners," such definition could apply to our customers in the future either by virtue of our current or future customers' circumstances falling within the existing definition of "mortgage prisoners" or amendments to the definition that would widen its scope. Specifically, the FCA proposed amending its responsible lending rules and guidance so that mortgage lenders can choose to undertake a modified affordability assessment where the consumer: (i) has a current mortgage; (ii) is up-to-date with their mortgage payments; (iii) does not want to borrow additional amounts, other than to finance any relevant product fee or arrangement fee for that mortgage; and (iv) is looking to switch to a new mortgage deal on their current property. Under the modified assessment, mortgage lenders must not enter into a new regulated mortgage contract with an eligible consumer unless they can demonstrate that the new mortgage is more affordable than their present one. While it is not directly applicable to our present business, we will review this report with a view to identifying and considering any guidance therein that may be beneficial to incorporate into our present or future business as may be appropriate. Additionally, the remedies package published alongside CP19/14 contains a proposal for the Single Financial Guidance Body to develop a directory to help customers make a more informed choice of mortgage intermediary and further analysis to understand more about those customers that do not switch mortgage to inform any necessary intervention. On October 28, 2019, the FCA published its policy statement, PS19/27: Changes to mortgage responsible lending rules and guidance – feedback on CP19/14 and final rules. The policy statement implemented the new modified assessment rules and came into force immediately. As part of the new modified assessment rules, mortgage lenders that use the modified assessment must tell customers the basis on which their affordability has been assessed and provide additional disclosures about potential risks. While we have not adopted the new modified assessment rules, nor are we required to at present, we are considering the new policy statement and whether we will choose to adopt the rules (or any portion thereof) into our operations in the future. The new policy statement and the new rules included therein, and any related changes implemented in our business, may impact our underwriting policies and result in higher rates of customer churn.

Additionally, the FCA also published CP19/17: Consultation on mortgage advice and selling standards, which contain proposals for changes to its mortgage advice and selling standards to address harms identified through the mortgage market study. The proposals aim to work together to ensure consumers have the information and support they need to make informed choices about how they buy a mortgage, and help ensure they get good value from advice. The policy statement following this consultation is also expected in the first quarter of 2020. The new policy statement and the new rules included therein may impact our mortgage intermediary network and our direct selling efforts.

On April 17, 2019, the FCA published its 2019/2020 Business Plan in which it outlined its key priorities. In the retail lending sector the FCA will particularly focus on business models of some retail lending products, including some subprime credit and second change mortgage products. As a result of such focus, the FCA may take regulatory actions, including but not limited to, proposing regulatory changes related to such products.

The FCA regularly undertakes thematic reviews to assess current or emerging risks regarding an issue or products impacting a number of firms across a sector or market. From time to time, we are, and in future may be, selected by the FCA to participate in their thematic reviews. Firms selected for thematic reviews may be subject to enhanced scrutiny and such studies may result in regulatory actions, including the possibility of the imposition of remedial action, sanctions, skilled persons reviews and further rounds of thematic visits. In addition, the FCA is currently considering the effectiveness of certain areas of the second charge mortgage market. As a result of the findings of thematic reviews, it is possible that any changes to the regulatory landscape imposed by the FCA will result in increased compliance costs and that we could become subject to additional or new regulatory obligations resulting from such changes. In addition, there may be increased requirements on product development, underwriting criteria, customer due diligence and arrears management for future business that could have an adverse impact on our business. In addition, changes to regulation might also affect the competitive landscape. See "*—We face competition from other mortgage lenders that could materially adversely affect us*."

On July 23, 2019, the FCA published a guidance consultation (GC19/3) for firms on the fair treatment of vulnerable customers in order to provide regulatory clarity for firms involved in the supply of products or services to retail customers who are actually, or are potentially, vulnerable. GC19/3 gives the FCA's view of what the principles for businesses require of firms to treat vulnerable consumers fairly, sets out the FCA's definition of vulnerable customers, the scale of the issue and the potential impact on customers of being vulnerable. The FCA also sets out the aims of the guidance, what it includes and how they expect firms to use it, how they will hold firms to account if they breach the principles for business and how they will monitor the effectiveness of the guidance. The draft guidance covers three main sections: (i) understanding the needs of vulnerable customers; (ii) ensuring staff have the skills and capabilities needed; and (iii) translating that understanding into taking practical action. The deadline for comments on GC19/3 was October 4, 2019 and the FCA plans to issue a response in the first half of 2020. We are currently conducting a gap analysis of our internal processes in light of the guidance consultation with a view to identifying and understanding any areas of improvement that may be required or beneficial to implement in our business. There can be no assurance that our current approaches are aligned with those proposed by the guidance consultation, the final guidelines or any future standards or guidelines. Any non-compliance may lead to sanctions, substantial fines or remediation that may have a material adverse effect on our reputation, results of operations and financial condition.

Regulators are increasingly guiding lenders to exercise greater "forbearance" in relation to arrears, including accepting repayment plan offers based around lower periodic repayments or no payments for a period of time, reducing interest rates, extending maturity and refraining from placing customers under undue pressure in relation to the repayment of their loans, amongst other forbearance measures. To the extent that new laws, regulations or guidance reduce the profitability of mortgage lending or result in lower mortgage loan volumes, such laws could have a material effect on our business, results of operations and financial condition. Such new laws may include, without limitation, any further changes to MCOB arising from the FCA's mortgage market review (see "*Regulation—Regulation of Residential Mortgages*") or any other new FCA reviews or policy initiatives, or to MCOB or FSMA arising from proposals to change mortgage regulation or changes in the regulatory structure or the Financial Services Act 2012. For additional information, see "*Regulation*."

In recent years, the United Kingdom Government, the FCA and its predecessor and other regulators in the UK, the EU and overseas, have become substantially more interventionist in application, monitoring, supervision and enforcement, and may intervene further in the markets in which we operate, which could affect our business and increase our compliance costs. In the most serious of cases, the FCA's enforcement powers also include the powers to withdraw a firm's authorization, prohibit individuals from carrying on regulated activities, suspend firms and individuals from undertaking regulated activities, issue fines against firms and individuals and bring criminal proceedings to tackle financial crime and unauthorized business. Moreover, a significant number of new rules and guidelines are being or have been introduced both in the United Kingdom and in the EU including in relation to systems and controls, treating customers fairly and remuneration. The introduction of any new requirements may affect our business, may make it more difficult to attract senior management and increase our compliance costs.

Certain credit agreements entered into by means of distance communication are cancellable in certain circumstances under the UK Financial Services (Distance Marketing) Regulations 2004. If our mortgages and loans are characterized as being subject to these regulations they may be cancellable in certain situations within 14 calendar days of the relevant customer receiving the contractual terms and conditions, which may adversely affect our business and operations. See "*Regulation—Distance Marketing*."

In addition, many of our regulatory obligations described under "*Regulation*" are based on, or are derived from, EU measures. Depending on the terms of Brexit, when finalized, some or all of our regulatory framework may be amended or modified. See "*—The United Kingdom's planned exit from the European Union may adversely impact our business, results of operations and financial condition*."

There can be no assurance that changes will not be made to the regulatory regime applicable to us and developments in respect of the mortgage market in the United Kingdom generally, our particular sector in that market or specifically in relation to us. Any such action or developments, in particular, but not limited to, our products or the cost of compliance, may have a material adverse effect on our business, results of operations and our financial condition.

Implementation of the Senior Managers and Certification Regime ("SM&CR") requires significant management attention and the SM&CR imposes ongoing requirements related to our employees.

The SM&CR came into effect on December, 9, 2019. Following implementation of the regime, we are now in an initial period of embedding the associated policies and procedures to ensure the firm meets its ongoing regulatory obligations with the SM&CR.

From March 2016, the FCA's application of the Senior Managers and Certification Regime ("SM&CR") entered into effect for banking firms and Solvency II insurers. The key features of the SM&CR are: (i) an approval regime focused on senior management, with requirements on firms to submit robust documentation on the scope of these individual's responsibilities; (ii) a statutory requirement for senior managers to take reasonable steps to prevent regulatory breaches in their areas of responsibility; (iii) a requirement on firms to certify as fit and proper any individual who performs a function that could cause significant harm to the firm or its customers, both on recruitment and at least annually thereafter; and (iv) a power for regulators to apply enforceable rules of conduct to any individual who can impact their respective statutory objectives. In October 2015, HM Treasury announced the government's intention to extend the SM&CR to all sectors of the regulated financial services industry, replacing the "approved persons" regime.

Following a series of consultation papers published by the FCA in 2017 (CP17/25, CP17/40, CP17/41 and CP17/42), on July 4, 2018, the FCA and PRA published policy statements PS18/14 and PS18/16 setting out either final or near-final rules for all FCA-regulated firms on: (i) the senior managers regime: this includes definitions of the "senior management functions" which can only be carried out by persons approved by the FCA and new "prescribed responsibilities" that firms must give to their senior managers; (ii) the certification regime: this implements the requirement for firms to check and confirm at least annually that persons carrying certain specified roles at a firm are suitable for that role; and (iii) the conduct rules: this will apply additional high-level standards of behavior to employees at relevant firms, some of which apply to employees generally and some only to senior managers.

There is also a three tier structure of SM&CR obligations whereby the "core regime" applies to firms generally, while an "enhanced regime" with additional SM&CR obligations applies to certain "enhanced firms" (which includes, among others, mortgage lenders (that are not banks) with 10,000 or more regulated mortgages outstanding) and a reduced set of requirements applies to a group of firms defined as "limited scope." With regard to the transition of staff of FCA solo-regulated firms from the approved persons regime to the SM&CR, there will be automatic conversion of most approved persons at "core" and "limited scope" firms to corresponding senior manager functions and a requirement for "enhanced" firms to submit a conversion notification, a statement of responsibilities and a responsibilities map to effect the transition. Following a consultation paper in July 2018 (CP18/19), the FCA published a policy statement (PS19/7) which set out final rules on a new publicly available directory of individuals within the SM&CR, which will include a wider range of information in comparison to the current FCA register. Banking firms and insurers were required to submit data on directory individuals around September 2019. All other firms, including our regulated firms within the group, were required to submit data as of December 9, 2019, following commencement of the SM&CR for FCA solo-regulated firms.

The SM&CR enhanced regime applies to our regulated entities, Together Personal Finance Limited ("TPF") and Blemain Finance Limited ("BFL") and the core regime applies to Spot Finance Limited ("SFL") as of implementation of the Regime on December 9, 2019. There has been a program of activity through a dedicated internal project team, including a number of our senior management team, second and third lines of defense, to provide assurance that all regulated entities within the group are fully compliant with the SM&CR as of December 9, 2019. While such applications have been submitted prior to the application deadline, there can be no assurance that the FCA will accept our submission and approve our application and/or our individual candidates. If the FCA were to reject, partially or in full, our proposed scope of application of the SM&CR, our responsibility map or our individual candidates, we may be in breach of the SM&CR.

Regulatory applications were submitted to the FCA on October 21, 2019, which consisted of three Form K conversion notification applications (the conversion notification forms for notifying the FCA of which individuals a firm wishes to convert) and three Long Form A applications in respect of three new SMF's allocated under the regime. These applications were submitted to the FCA in addition to all supplementary information, including management responsibilities maps for each enhanced regulated firm and statements of responsibilities for each SMF (one per regulated firm). This activity was completed prior to the FCA application deadline date of November 29, 2019.

SFL has received FCA confirmation that the Form K conversion notification application has been processed as of December 9, 2019. In respect of TPFL and BFL, whilst formal confirmation is in progress, the FCA register entry for each regulated entity details the SMFs for each firm with commencement from the start of the regime. The three Long form A applications are in progress awaiting response from the FCA. For those applications in progress, there can be no assurance that the FCA will approve the application and/or our individual candidates.

Following the recent introduction of the regime, we have established a dedicated resource to support the embedding of new processes during this initial period. Through monthly dashboards, Management Information and other controls, the firm intends to measure and assess how it is meeting the requirements of the regime. Additionally, during this initial period, it is the intention to create and implement an operating model for continued first-line oversight. Complying with the SM&CR will also involve ongoing approvals and reporting obligations, as well as compliance costs and senior management attention. Non-compliance with the SM&CR may result in fines and other penalties which may be material. Individuals in breach of the regulatory regime may be subject to fines, penalties or criminal charges. If any of our members that are subject to SM&CR approvals are revoked, we may be required to take corrective action.

We are subject to the GDPR relating to unauthorized disclosure of personal data that we collect and retain.

We maintain records that include our customers' sensitive personal data. The handling and storage of such data is subject to extensive regulation, including the GDPR. The European Commission introduced substantial changes to the EU data protection regime, involving replacement of the current UK data protection law by the GDPR, which is a directly effective EU regulation and which entered into force on May 24, 2016 and came into effect in all Member States from May 25, 2018. The requirements of the GDPR (as supplemented by the UK Data Protection Act) impose a substantially higher compliance burden on us and materially increased the maximum level of fines for compliance failures. As part of their audit plan, our internal audit function subsequently reviewed our implementation of the GDPR, agreeing a plan with management where further enhancements could be introduced, which are being progressed. While we ran a full program following external legal advice and employing subject matter experts to prepare for the entry into effect of the GDPR and while we have appointed a Data Protection Officer, the legislation is new and principle based, there can be no assurance that our interpretation of the legislation is correct. Starting from May 2018, the £10.0 fee payable in connection with DSARs was removed. Since then, we have been experiencing increased levels of DSARs from claims management firms, including bulk requests. As a result of such volumes, we have been in breach of certain aspects of the applicable legislation relating to response times. We have communicated such breaches to the ICO, together with our remediation plans, which are now complete. As of the date of this offering memorandum, no action has yet been taken by the ICO. There can be no assurance that the ICO will not take any actions against us in the future for currently identified or future breaches of the applicable legislation.

In addition, regulators are currently particularly focused on data security. The security measures we currently use to protect personal data may prove ineffective due to a systems failure or as a result of cyber-crime. See "*—Interruption or loss of our information processing systems or third-party systems we use or failure to maintain secure information systems could have a material adverse effect on our business.*"

Any failure to implement and comply with the GDPR or other data protection regulation, including due to breaches of our security measures, could significantly affect our reputation and relationships with our customers, and result in civil and criminal liabilities for the infringement of data protection rules could have a significant negative effect on our business, results of operations and financial position. Furthermore, we could incur significant expenses in connection with the remedying or mitigating of any security breaches, settling any resulting claims, payments or fines and providing additional protection to prevent future breaches.

Changes or uncertainty in respect of LIBOR or SONIA may affect our sources of funding

Some of our sources of funding are, or may in the future be, linked to LIBOR and/or SONIA. See "*Interest rate fluctuations may have a material adverse effect on our business, results of operations and financial condition.*" Various interest rate benchmarks (including LIBOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some reforms are already effective while others are still to be implemented including the EU Benchmark Regulation (Regulation (EU) 2016/1011). On November 29, 2017, the Bank of England and the FCA announced that the market Working Group on Sterling Risk-Free Reference Rates would have an extended mandate to catalyze a broad transition to the Sterling Over Night Index Average rate ("SONIA") across sterling bond, loan and derivatives markets so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021. On April 23, 2018, the Bank of England took over administration of SONIA and issued a series of reforms as part of its implementation as a replacement to LIBOR. From April 2018, the Bank of England has been setting the interest rate benchmark using SONIA, meaning that banks are no longer compelled by the FCA to submit LIBOR rates beyond 2021. These reforms and other pressures may cause such benchmarks to disappear entirely, to perform differently than in the past (as a result of a change in methodology or otherwise), create disincentives for market participants to continue to administer or participate in certain benchmarks or have other consequences which cannot be predicted. Based on the foregoing, investors should in particular be aware that:

(a) any of these reforms or pressures described above or any other changes to a relevant interest rate benchmark (including LIBOR or SONIA) could affect the level of the published rate, including to cause it to be higher, lower and/or more volatile than it would otherwise be; and

(b) if LIBOR (or any of its successor benchmarks, including SONIA) is discontinued, then the rate of interest applicable to our sources of funding may be determined for a period by applicable fallback provisions, specified in the relevant documentation for such funding, although such provisions, if they are dependent in part upon the provision by reference banks of offered quotations for LIBOR (or any of its successor benchmarks, including SONIA), may not operate as intended (depending on market circumstances and the availability of rates information at the relevant time) and may in certain circumstances result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR (or any of its successor benchmarks, including SONIA) was available.

More generally, any of the above matters or any other significant change to the setting or existence of LIBOR (or any of its successor benchmarks, including SONIA) could affect the ability of amounts available to us to meet our obligations under our sources of funding and/or could have a material adverse effect on the value or liquidity of, and the amount payable under, our sources of funding. Changes in the manner of administration of LIBOR (or any of its successor benchmarks, including SONIA) could result in adjustment to the conditions applicable to our sources of funding or other consequences as relevant to our sources of funding including, without limitation, increased funding costs, early redemption, discretionary valuation, delisting or other consequences. While we may seek to amend the agreements related to our sources of funding linked to LIBOR (or any of its successor benchmarks, including SONIA), we may not be able to amend such agreements before any of the risks disclosed hereby materialize or at all. No assurance can be provided that relevant changes will not be made to LIBOR or any other relevant benchmark rate and/or that such benchmarks will continue to exist. See "*—Imbalances in maturity between our total loan assets and our sources of funds could adversely affect us and our capacity to expand our business*."

On May 15, 2019, the Working Group on Sterling Risk-Free Reference Rates released a statement on the progress on adoption of risk-free rates in sterling markets. In their statement, the Working Group stated that following the reforms mentioned above, sterling-denominated financial markets have begun to shift decisively away from LIBOR and towards SONIA, and that SONIA is also being adopted in some cash markets (SONIA-linked Floating Rate Notes most commonly, and more recently with the issuance of the first distributed SONIA-linked Residential Mortgage-Backed Security). Looking ahead the next goal of the Working Group is to reduce reliance on LIBOR in other sterling cash markets, including loans. Some of our financings refer, or may in future refer, to SONIA or another benchmark. As SONIA, or any other such replacement benchmark, is largely untested, we cannot be sure that there will not be any adverse consequences to referencing SONIA and if any issues arise in respect of the use of such benchmark (including the application of any fallback provisions for such referenced benchmark) such issues may impact our financings.

The initiatives of the UK Government related to the buy-to-let market may adversely affect our business, results of operation and financial condition

In recent years, the UK Government has announced a range of measures affecting the buy-to-let segment of the property market designed to address systemic risks in the property market as identified by the Financial Policy Committee ("FPC") and implement by the PRA, such as the 3% stamp duty land tax surcharge on second homes introduced in April 2016 and the restrictions of tax relief on mortgage interest payments to the basic rate of tax to be phased in between 2017 and 2020. Furthermore, the PRA introduced in September 2016 new guidelines for mortgage lenders on stress testing buy-to-let mortgages and in assessing affordability which may limit the availability of such mortgages. From early 2017, the FPC has the ability to direct the PRA and FCA with respect to the regulation of the residential and buy-to-let mortgage market in order to remove or reduce systemic risks within the markets. At this time, it is difficult to assess the long-term impact of these initiatives and future actions of the FPC on our operations.

A significant portion of our BTL+ and our unregulated bridging lending activity is either directly linked to the buy-to-let market or provides a bridging solution to longer term buy-to-let financing. The UK Government's recent or future initiatives could result in reduced demand for our products which in turn could affect new business origination and profitability. Such initiatives may also lead to a potential reduction in housing prices, which reduces property owners' equity. Furthermore, recent changes to tax relief may put increased strain on the ability for borrowers to make ongoing mortgage payments, which could result in increased delinquency rates, defaults and repossessions, which could have a material adverse effect on our business, results of operation and financial condition.

Our business could suffer as a result of current or future litigation.

Our business could suffer as a result of current or future litigation. We currently are, and from time to time in the future may become a party to claims and lawsuits in the ordinary course of our business, in particular those brought against us by claims management companies or firms that specialize in consumer litigation, due to allegations such as unfair terms in our mortgage loans, misrepresentation, fraud and lending irresponsibly or to vulnerable borrowers. Since May 2018 (when the new GDPR legislation removed the £10.0 fee payable in connection with DSARs), we continue to experience an increased number of DSARs. DSARs may be a precursor to litigation and, as such, the greater number of DSARs received may be indicative of an increase in the number of claims issued against us in the near future.

We believe our operations are specifically targeted by certain claims management companies, which has resulted in an increased number of claims being brought against us. We have received a number of issued claims and other threats to bring legal proceedings and, although to the best of our knowledge we do not expect that any such matters will materially affect our financial position, the investigation, defense and resolution of such matters can be prolonged and costly, and given the inherent uncertainty of litigation, we can offer no assurance that existing or future litigation will not have a material adverse impact on our business or results of operations. In addition, managing and defending litigation can significantly divert the attention of management and the Board of Directors from operating our business. All of these could have a material adverse effect on our business and results of operation. See "*Business—Legal Proceedings*."

The loss of a number of our senior management or a significant number of our underwriters, account executives, sales personnel or other employees could have a material adverse effect on our business. The inability to attract and retain qualified personnel that share our culture and strategic vision could also have a material adverse effect on our business, the effectiveness of our governance and our ability to comply with the SM&CR.

Our success depends to a substantial extent on the ability and experience of members of our senior management and on the individual underwriters and sales personnel that service our customers and maintain customer relationships. We are particularly reliant on our senior management's relationships with, and their understanding of the requirements of, the relevant public and regulatory authorities in the industry in which we operate and other persons with whom we regularly deal in the conduct of our business, including but not limited to loan introducers, banks and investors. We have put in place remuneration packages and developed incentive schemes aimed at rewarding management based on their skills, experience and performance. We do not, however, maintain key person insurance on any member of our senior management team. There can be no assurance that we will be able to retain and incentivize management or to find suitable replacements should any of them leave us. Should senior management leave in significant numbers or if a critical member of senior management were to leave unexpectedly, our business, results of operations and financial condition could be adversely affected. The process of attracting such new personnel and retaining suitable replacements for key personnel whose services we may lose would result in transition costs and would divert the attention of our senior management from existing operations. Including as a result of historically low unemployment rates in the United Kingdom, which is also putting pressure on employers to increase wages, we face significant competition for skilled labor and we have experienced an increase in employee turnover in the past year. Likewise, the loss of a significant number of our underwriters, account executives, or introducer facing or client facing employees or other employees in critical functions could have a material adverse effect on our business. The loss of individuals approved pursuant to the SM&CR, combined with a failure to identify and appoint suitably qualified replacements in a timely manner, may also impair our ability to comply with the SM&CR. The effectiveness of our Enterprise Risk Management Framework depends on our employees and such framework may be compromised by high levels of employee turnover. We believe that our future success will depend in part on our ability to attract and retain highly skilled and qualified personnel who share our values and strategic vision and to expand, train and manage our employee base. The inability to attract and retain such qualified personnel could also have a material adverse effect on our business.

Interruption or loss of our information processing systems or third-party systems we use or failure to maintain secure information systems could have a material adverse effect on our business.

Our business depends on the ability of our employees to process transactions using secure and accurate information systems. Our capacity to service our customers depends on storing, retrieving, processing and managing information. Interruption or loss of our information processing capabilities, loss of stored data, the failure of computer equipment or software systems, telecommunications failure or other disruption could have a material adverse effect on our business, results of operations and financial condition. A disruption in the infrastructure that supports our business and the communities where we are located, for example, would adversely affect our ability to operate our business. Such disruptions may include a disruption involving terrorist activities, disease pandemics, or electrical, communications or other services used by our company, our employees or third parties with whom we conduct business. We have developed a disaster recovery plan and have introduced hardware and facilities to support the plan (including a workplace recovery site, disaster recovery site and offsite server capacity) and carried out testing, however, there can be no assurance that in the event of a disaster our systems will be fully effective.

In addition, we are dependent on certain third-party suppliers to enable us to complete certain key operational transactions including but not limited to the receipt and recording of banking transactions by our banking services provider, the processing of customer payments by our card payment processing provider, the provision of credit information by our credit reference agencies, the provision of KYC information by certain data base providers to prevent fraud and comply with regulatory requirements, the provision of certain software by software providers (for e.g. anti virus software). A significant failure by any such providers could have a material impact on our ability to run our business.

Our computer systems also store information about our customers, some of which is sensitive personal data. We frequently experience attempts by others to gain unauthorized access to our computer systems and networks, which we believe have been unsuccessful to date. In the current environment, there are numerous and evolving risks to cyber security, including criminal hackers and human or technological error. Database privacy, identity theft and related computer and internet issues are also matters of growing public concern and are subject to frequently changing rules and regulations. Our failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area, or from evolution in technology, could result in legal liability or harm to our reputation. Although we believe we have taken and continue to take reasonable and appropriate security measures to prevent unauthorized access to information in our database and to ensure that our processing of personal data complies with the relevant data protection regulations, our technology may fail to adequately secure the private information we maintain in our databases and protect it from theft or inadvertent loss or personal data may be processed in breach of the relevant data protection regulations or we may fail to register our companies that process personal data with the Information Commissioner’s Office. As a result of the increased visibility of our brand, there is a heightened risk of cyber-attacks and phishing attempts. In such circumstances, we may be liable to our customers or fined by the relevant regulators (including the Information Commissioner’s Office, the authority responsible for upholding information rights in the United Kingdom, with respect to the GDPR and the FCA pursuant to its own regulatory framework). Litigation, adverse publicity and the imposition of fines for failure to maintain secure information systems could have a material adverse effect on our business, results of operations and financial condition.

Our business faces technological changes, and our failure to adequately anticipate or respond to these changes could materially adversely affect the reliability and effectiveness of our systems or our competitiveness, thereby affecting our business, results of operations and financial condition.

We are dependent upon our ability to effectively interface with mortgage intermediaries, customers and other third parties to efficiently process loan applications. The loan originations and administration process is becoming increasingly more dependent upon technological advancement, such as our continued ability to process applications and payments over the Internet, accept electronic identification, provide process status updates instantly and other borrower and mortgage intermediary-expected conveniences. Our management also relies on receiving information through our information systems that is timely and sufficient to manage risks or to plan for, and respond to, future changes in market conditions or regulation and other developments in our operations.

We have historically developed the majority of our IT infrastructure, including our loan administration systems, in-house. While we are continuously upgrading and enhancing our core operational systems, there can be no assurance as to the current or future effectiveness of our in-house developed systems relative to alternatively available third-party systems in the industry.

Any failures to effectively maintain, improve or upgrade our information technology infrastructure and information systems or keep up to date with technological changes in the industry could adversely affect the reliability and effectiveness of our systems and/or the information sources from those systems and our competitiveness, thereby affecting our business, results of operations and financial condition. Maintenance, improvement and upgrading of our IT infrastructure, particularly in the form of significant system upgrades or replacements that may be required or desirable from time to time, may also require significant capital expenditure and management attention. Such changes to our IT infrastructure may also result in unforeseen difficulties, delays, costs or complications, which may have a material adverse effect on our business, results of operations and financial condition and which may magnify the risk of a failure to maintain secure information systems or comply with applicable data protection legislation. See "*We are subject to the GDPR relating to unauthorized disclosure of personal data that we collect and retain*" and "*Interruption or loss of our information processing systems or third-party systems we use or failure to maintain secure information systems could have a material adverse effect on our business*."

Our business relies in part on debt financing, in particular, through securitizations, to fund mortgage loans. If any of our financings is terminated or is not refinanced or renewed in whole or in part, we may be unable to find securitization or other replacement financing on commercially favorable terms, or at all, which could have a material adverse effect on our business, results of operations and financial condition.

We require a significant amount of indebtedness to fund the mortgage loans that we originate. Unlike PRA regulated deposit taking institutions, we do not have access to liquidity in the form of accepting retail deposits nor do we have access to the Bank of England liquidity schemes. Therefore, our ongoing funding of new originations is comparatively significantly more dependent on ongoing redemptions and access to wholesale funding of a nature appropriate to the types of products we offer. In addition, the availability and cost of our funding sources may be more significantly and/or differently influenced by changes in monetary policy compared to the funding sources of deposit taking institutions. As of September 30, 2019, our various securitizations provided us with in excess of £2,359.0 million in drawn funding. The end maturities of our Conduit Securitizations are staggered between 2022 and 2023. Certain of our Conduit Securitizations include eligibility criteria that if breached, may require us to buy back certain loans if they no longer comply with certain parameters. See "*Description of Certain Financing Arrangements Securitizations.*" During an economic downturn, it may be more challenging for us to originate sufficient loan assets meeting the eligibility criteria of our Conduit Securitizations to allow us to effectively utilize such facilities and we may be increasingly required to take certain measures (including but not limited to, buying back certain loan assets that fail to meet the relevant eligibility criteria or performance covenants), both of which may have a material adverse effect on our business, results of operations and financial condition. In February 2017, we issued an aggregate amount of £200.0 million of 2024 Notes and, in January 2018, we issued £150.0 million of Additional 2024 Notes. In addition, we have in place a £71.9 million Revolving Credit Facility (of which £55.0 million was outstanding as of September 30, 2019). Our ability to originate mortgage loans depends in part upon our ability to secure and maintain such financings on acceptable terms. If the Conduit Securitizations were terminated or not renewed in whole or in part or the Revolving Credit Facility is terminated or not renewed or the 2024 Notes or the Notes could not be refinanced in whole or in part or we could no longer access the RMBS market, we may be unable to find replacement financing on commercially favorable terms, or at all, and as a result will face reduced ability to originate as many mortgage loans, which could have a material adverse effect on our business, results of operations and financial condition. We may also be unable to find additional sources of financing on commercially favorable terms to fund the increased number of mortgage loans that we would like to originate as part of our growth strategy.

Certain companies within the Securitizations may cease to benefit from the special corporation tax regime for securitization companies, which could lead to uncertainty and increased tax liabilities, thereby adversely affecting our cost of funds.

Certain companies within the Securitizations may cease to benefit from the special corporation tax regime for securitization companies, which could lead to uncertainty and increased tax liabilities, thereby adversely affecting our cost of funds. Regulation 14 of the Taxation of Securitization Companies Regulations 2006 (as amended) (the "Securitization Regulations") provides a special corporation tax regime for securitization companies that meet certain qualifying conditions. If the Securitization Regulations apply to a company, then it will benefit from being subject to corporation tax only on the cash profit retained by it for each accounting period, compared to being taxed on its accounting profit under the normal corporation tax rules. Certain companies within the Securitizations expect to be taxed under this more favorable special tax regime, but must satisfy the qualifying conditions in respect of each of its accounting periods in order to be eligible for the special treatment. If these companies cease to meet the qualifying conditions and become taxed under the normal corporation tax rules, the relevant company's profits or losses for tax purposes might be different from its cash position, and there might be a risk of incurring unfunded tax liabilities. Moreover, interest paid on term debt issued under the Securitizations could be disallowed as a deduction for corporation tax purposes, which could cause a significant divergence between the relevant company's cash profits and its taxable profits. Any unforeseen taxable profits for companies within the Securitizations could have an adverse effect on their ability to fund interest and repayments under the terms of the term debt and may make future debt issuances less attractive to prospective investors, resulting in an increase in our overall cost of funds and which could have a material adverse effect on our business, results of operations, liquidity and financial condition.

Interest rate fluctuations may have a material adverse effect on our business, results of operations and financial condition.

Our results of operations are affected by changes in prevailing interest rates in the United Kingdom and other markets. The following are some of the material risks we face related to increases in prevailing interest rates:

- an increase in prevailing interest rates would increase the cost of servicing our borrowings subject to variable interest rates;
- an increase in prevailing interest rates could adversely affect our loan originations volume as loans become less attractive to customers; and
- an increase in prevailing interest rates could impact the ability of our customers to service our mortgage loans or other significant debt which they may have that is subject to variable interest rates.

The majority of the funding arrangements under the Securitizations and the Revolving Credit Facility, in part, are indexed to LIBOR or SONIA or, in respect of certain of the Conduit Securitizations are funded or may be funded, in part, in the commercial paper market, by reference to the prevailing commercial paper rate. Although most of our customers have variable interest rate mortgages with us and loan agreements with our customers provide the right to increase the customers' interest rates if our own funding costs increase, our level of arrears and ultimately cash flows could be adversely affected if we increase the pricing of our customers' mortgages in relation to potential increases in our funding costs. In addition, our customers and/or a regulator may challenge any past or future rate increase or lack of decrease based on our loan agreements with our customers, law or regulatory guidelines which may prevent us from passing on any interest rate rise to our customers or require us to pass on a decrease to our customers which could have a material adverse effect on our business, results of operations and financial condition. This has been an area of recent focus of our regulators, including FOS, which has made inquiries of financial services firms regarding their practices of passing on interest rate decreases to their customers. There can be no assurances that, as a result of such inquiries, our regulators will not take action.

We currently offer within our product range fixed rate products (up to a maximum of five years). As the fixed rate period expires for each customer, depending also on the interest rate environment at such time, some of our customers that previously benefitted from a fixed rate interest rate may opt to switch to a different mortgage provider that will offer a different type of product. Additionally, customers with mortgages subject to a variable rate of interest or for which the interest rate adjusts following an initial fixed rate, or a low introductory rate, as applicable, may be exposed to increased monthly payments if the related interest rate adjusts upward (or, in the case of a mortgage with an initial rate or low introductory rate, as the end of the relevant fixed or introductory period). This increase in customers' monthly payments, which (in the case of a mortgage with an initial fixed rate or low introductory rate) may be compounded by any further increase in the related interest rate during the relevant fixed or introductory period, may ultimately result in higher delinquency rates and losses in future. Customers seeking to avoid or mitigate increased monthly payments by refinancing their mortgages may no longer be able to find available replacement loans at comparably low interest rates. Any decline in property prices may also leave customers with insufficient equity in their properties to permit them to refinance. Any such events may contribute to higher delinquency rates and higher losses, as well as slower prepayment speeds within our financing structures, which could adversely affect our business, results of operations and financial condition.

We currently hedge interest rate exposure related to certain fixed rate loans within our CABS Securitization (being a hedge against the possible variance between fixed rates of interest payable on fixed rate mortgage loans and the prevailing 3-month LIBOR rate, being an approximation of the rate of interest under the CABS Securitization financing arrangements) and have introduced an interest rate cap within our TABS 2 Securitization and, since its establishment on October 10, 2019, our TABS 3 Securitization (being a derivative to protect against the possible variance between fixed rates of interest payable on fixed rate mortgage loans and an approximation of the relevant floating rate of interest payable under the TABS 2 Securitization and the TABS 3 Securitization financing arrangements, as applicable). Although we hedge, in part, our exposure to interest rate increases, we may not be successful in the future in obtaining sufficient hedges on acceptable terms.

For a further discussion of this risk and the measures we have historically taken to protect our business from this risk, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risk—Interest Rate Risk."

Imbalances in maturity between our total loan assets and our sources of funds could adversely affect us and our capacity to expand our business.

We are exposed to maturity mismatch between our sources of funding and both the contractual terms in our mortgage loans and the behavioral maturity profile of our mortgage loans which relates to the actual behavior of our customers who, for example, typically repay mortgage loans early upon the sale of their property or refinancing of the loan, and our sources of funding. The behavioral maturity profile of our loan portfolio is different from the contractual terms as many loans redeem prior to their maturity date and in some cases loans redeem after their maturity date. Any mismatch between the maturity of our total loan assets and our sources of funds could present a liquidity risk or increase our total cost of funds if we fail to obtain funding on an ongoing basis, which could negatively affect our liquidity position and adversely affect our business, results of operations and financial condition.

The interests of our shareholders may conflict with your interests.

All of the shares in the Issuer are indirectly owned by the Moser Family Shareholders. The interests of our shareholders may not be entirely consistent with your interests, and our shareholders may take actions in relation to our business that are not entirely in your interest. For example, if we encounter financial difficulties or are unable to pay our debts as they mature, the interests of our shareholders may conflict with your interests. In addition, our shareholders may have an interest in pursuing growth, acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investments, even though such transactions might involve risks to you. See "*Shareholders*."

We have not included any US GAAP financial information in this offering memorandum.

We have prepared our consolidated financial statements in accordance with IFRS. IFRS differs in certain significant respects from US GAAP. We have not presented a reconciliation of our consolidated financial statements from IFRS to US GAAP for any period in this offering memorandum. As there are significant differences between IFRS and US GAAP, there may be substantial differences in our results of operations, cash flows and financial condition if we were to prepare our consolidated financial statements for those periods in accordance with IFRS or US GAAP.

Changes to accounting standards could materially affect our reporting of financial results.

Since July 1, 2015 our consolidated financial statements have been prepared and presented in accordance with IFRS. Any future changes in these accounting standards, including in the reporting of our income and impairment losses, may have a significant impact on our reported results and financial condition. In particular, there are a number of standards, amendments and interpretations which have been issued by the IASB.

The most significant of these recent changes is IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for the classification and measurement of financial assets and, in particular, the impairment of financial assets. We adopted IFRS 9 in our consolidated financial statements for the annual period beginning on July 1, 2018.

Under IFRS 9 financial assets are classified and measured based on the business model under which they are held and the characteristics of their contractual cash flows. The most significant impact of IFRS 9 results from its new impairment requirements. IFRS 9 replaces IAS 39's incurred-loss approach to impairment with a forward-looking one based on expected credit losses ("ECLs"). This requires considerable judgement over how changes in economic factors affect ECLs. In addition, with regards to financial liabilities, the group's prior policy for such modifications was to defer any related transaction costs as adjustments to carrying value that are charged to income over the liability's remaining life. Under IFRS 9 however, all gains or losses on non-substantial modifications, calculated as a change in the net present value of future cash flows, are recognized immediately in the income statement. The group may also consider qualitative factors in determining whether a modification is substantial. As of July 1, 2018, as a result of changes on the initial application of IFRS 9, retained earnings were reduced by £30.7 million (comprised of a £31.5 million reduction in loans and advances to customers, a £5.6 million reduction in borrowings and a £6.4 million increase in deferred tax).

We expect that IFRS 9 will lead to higher and earlier allowances for impairment being recognized than under IAS 39 going forward. We expect that IFRS 9 will also introduce a greater degree of volatility to our results due to the requirement to reassess certain key estimates and judgments at each reporting date and the requirement to utilize forward-looking information in its measurement of ECLs. As a result of IFRS 9 comprising such key estimates and judgements, including forward looking assumptions, the movement in impairment losses included in our consolidated statement of comprehensive income and the movement in loss allowances included in our consolidated statement of financial position may not correlate with changes in amounts reported as non-performing loans. In addition, IFRS 9 requires extensive new disclosures, in particular about credit risk and ECLs. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Future Comparability of our Results—IFRS 9*." The implementation of IFRS 9 and the use of new models for impairment involves a high degree of complexity and judgement and the making of a number of assumptions, which may prove to be incorrect.

We have adopted IFRS 16 Leases starting from the annual period beginning on July 1, 2019, which applies to all leasing arrangements and thereby provides a single lessee accounting model. IFRS 16 impacts the recognition, measurement, presentation and disclosure of leases, resulting in the recognition of most leases on the statement of financial position. This may also introduce a degree of volatility to assets and liabilities for lessees due to the requirements to assess certain key estimates and judgments at each reporting date. The standard replaced the dual lease accounting model approach of IAS 17, which treats finance leases and operating leases separately. Changes in accounting policies resulting from the adoption of IFRS 16 will generally be applied retrospectively, subject to certain exemptions. We took advantage of the exemption allowing us not to restate comparative information for prior periods. We applied the modified retrospective approach on transition, resulting in the cumulative transition adjustment to be recognized in equity on July 1, 2019. As of September 30, 2019, the adoption of IFRS 16 had an impact of £1.3 million on shareholder reserves. As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, we recognized £8.5 million of right-of-use assets and £10.1 million of lease liabilities at July 1, 2019.

RISKS RELATING TO THE NOTES

The Issuer is a special purpose finance subsidiary of the Company with no business operations and will depend on cash from the Company and its other subsidiaries to be able to make payments on the Notes.

The Issuer is a wholly-owned special purpose finance subsidiary of the Company and has no business activities other than those related to the issue of capital markets indebtedness in the form of notes and the making of certain intercompany loans. The material liabilities of the Issuer include the 2024 Notes and any additional debt it may incur in the future. See "*Description of Notes.*" As a result, the ability of the Issuer to make payments on the Notes will be wholly dependent upon interest or other payments it receives from the Company or other members of our corporate group. The ability of the Company to make payments to the Issuer will depend upon its cash flows and earnings which, in turn, will be affected by all of the factors discussed in these "Risk Factors." The Company is a holding company and is dependent upon payments by its subsidiaries to service its indebtedness, including payments of amounts owed under the 2024 Notes Proceeds Loan and the Notes Proceeds Loan and its guarantee of the Notes. Applicable law imposes certain restrictions upon our ability to access cash of our subsidiaries. The inability to transfer cash among our group may mean that, even though we, in aggregate, may have sufficient resources to meet our obligations, we may not be permitted to make the necessary transfers from one entity in the group to another entity in the group in order to make payments to the Issuer for the purposes of meeting the Issuer's obligations under the Notes.

Our substantial leverage and debt service obligations could limit our flexibility, adversely affect our business and prevent us from fulfilling our obligations under the Notes.

We have a substantial amount of debt and significant debt service obligations. As of September 30, 2019, on a pro forma basis after giving effect to the Offering, we would have had an aggregate principal amount of £3,164.0 million of debt (giving effect to the Offering, the establishment of the TABS 3 Securitization and the most recent amendments to the LABS Securitization (both in October 2019) as if they had occurred on September 30, 2019, £3,201.2 million of debt), as well as £68.1 million outstanding of intercompany loans from

Midco2 that constitutes "Deeply Subordinated Shareholder Indebtedness." For a detailed description of our debt, see "*Description of Certain Financing Arrangements.*"

The degree to which we are leveraged could have important negative consequences for us and you as holder of the Notes. For example, our substantial debt could:

- make it difficult for us to satisfy our obligations with respect to our other debt and to the Notes;
- require us to dedicate a substantial portion of our cash flow from operations to making payments on our debt, thereby limiting the availability of funds for working capital, business opportunities and other general corporate purposes;
- increase our vulnerability to adverse general economic or industry conditions;
- limit our flexibility in reacting adequately to changes in our business or the industry in which we operate;
- place us at a competitive disadvantage compared to those of our competitors that have less debt than we do; and
- limit our ability to borrow additional funds and increase the costs of any such additional borrowings.

In addition, the CABS Securitization begins to amortize in September 2022 and expires in September 2023, the LABS Securitization expires in October 2023 (following the most recent amendment on October 30, 2019), the DABS 2 Securitization begins to amortize in March 2022 and expires in March 2023 and the HABS Securitization begins to amortize in June 2021 and expires in June 2022. The margin on the Rated TABS 1 Notes will increase following their optional redemption date in September 2021, the margin on the Rated TABS 2 Notes will increase following their optional redemption date in November 2022 and the margin on the Rated TABS 3 Notes will increase following their optional redemption date in September 2023. Surplus amounts in the Term Securitizations may begin to be retained by the relevant issuer rather than paid to us on or after such optional redemption date. The Revolving Credit Facility expires on June 15, 2021. The 2024 Notes will mature on January 15, 2024 The liquidity of the Issuer and its subsidiaries may be adversely affected if the Issuer and its subsidiaries are unable to refinance the above facilities on acceptable terms or at all.

For a discussion of our cash flows and liquidity, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

Despite our high level of indebtedness, we and our subsidiaries may be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness. This debt may have priority over the Notes pursuant to the the terms of the Intercreditor Agreement.

We may be able to incur significant additional debt in the future. Although our financing agreements and the Senior Secured Notes Indentures contain restrictions on the incurrence of additional debt, these restrictions are subject to a number of qualifications and exceptions, and debt incurred in compliance with these restrictions could be substantial or secured. Under each of the Senior Secured Notes Indentures, in addition to specified permitted indebtedness, we are able to incur additional indebtedness so long as on a pro forma basis our fixed charge corporate debt coverage ratio, as defined in the Indenture governing the Notes, is at least 2.0 to 1.0.

Incurring such additional debt could further increase the related risks we now face, as described above. Under the Indenture, we may secure other indebtedness with the collateral securing the Notes if, among other circumstances, our consolidated senior secured gearing ratio is equal to or less than 75% and, in any event, up to £60.0 million of indebtedness. Subject to the terms of the Intercreditor Agreement, secured indebtedness up to an amount equal to 10% of the aggregate principal amount of senior secured non-securitization indebtedness (excluding senior secured non-securitization indebtedness that receives priority status) and hedging obligations may receive priority over the holders of the Notes with respect to any proceedings received upon any enforcement action over the collateral. See "*—Creditors under the Revolving Credit Facility are entitled to be repaid with the proceeds of the collateral sold in any enforcement sale prior to the holders of the Notes.*" The covenants contained in the Revolving Credit Facility are different than those contained in the Indenture. The Revolving Credit Facility will expire at its maturity on June 15, 2021, and we may choose to cancel the Revolving Credit Facility in its entirety prior to that date. If the Revolving Credit Facility expires or is cancelled, we will no longer be subject to any of the Revolving Credit Facility covenants, including those restricting our incurrence of indebtedness and distribution of dividends, allowing us to incur additional indebtedness without being subject to the covenants in the Revolving Credit Facility. See "*Description of Certain Financing Arrangements—Revolving Credit Facility.*"

We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.

The Revolving Credit Facility, Conduit Securitizations, the 2024 Notes Indenture, the PIK Notes Indenture and the Indenture contain covenants that impose, subject to certain exceptions and qualifications, significant operating and financial restrictions on us. These arrangements limit our ability to, among other things:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends on, or redeem or repurchase, capital stock and make certain other restricted payments;
- make certain investments;
- create or permit to exist certain liens;
- agree to restrictions on dividends by restricted subsidiaries;
- transfer, lease or sell certain assets including subsidiary stock;
- enter into certain transactions with affiliates;
- merge or consolidate with other entities;
- engage in certain activities;
- amend certain documents; and
- impair the security interests for the benefit of the holders of the Notes.

The covenants under the Revolving Credit Facility, each of the Securitizations, the Indenture and the Senior Secured Notes Indentures could limit the ability of the Issuer and its subsidiaries to finance their future operations and capital needs and their ability to pursue business opportunities and activities.

In addition, some of our financing arrangements (including Conduit Securitizations and the Revolving Credit Facility), require us to maintain certain ratios with respect to aspects of certain of our assets. Furthermore, our existing and future financing arrangements may contain change of control provisions that differ from the change of control provisions in the Senior Secured Notes Indentures. The covenants to which we are subject under the Revolving Credit Facility and the Conduit Securitizations could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest. See "*Description of Certain Financing Arrangements—Revolving Credit Facility*" and "*Description of Notes—Certain Covenants.*" Any future indebtedness may include similar or other restrictive terms. As a result of these restrictions, we will be limited in the manner in which we can conduct our business and may be unable to engage in favorable business activities or finance future operations.

In addition to limiting our flexibility to operate our business, a failure to comply with our obligations and restrictions contained in our financing arrangements, or to maintain ratios with respect to certain aspects of our assets required by our financing arrangements, could lead to a default under their terms that could result in an acceleration of the indebtedness. We cannot assure you that our future results of operations will be sufficient to enable compliance with the covenants in our financing arrangements or to remedy a default. Moreover, our ability to maintain or to meet the financial ratio under the Revolving Credit Facility, and the financial and operational ratios under each Conduit Securitization or other prospective financing arrangements can be affected by events beyond our control and we cannot assure you that we will meet them. A breach of any of those obligations, covenants, ratios, tests or restrictions could result in an event of default or a forced sale event under the Conduit Securitizations or the Revolving Credit Facility. Upon the occurrence of any event of default or a forced sale event under either the Conduit Securitizations or the Revolving Credit Facility, subject to any cure periods, if applicable, and other limitations on acceleration or enforcement, our creditors could cancel the availability of the Conduit Securitizations or the Revolving Credit Facility, as appropriate, and elect to declare all amounts outstanding under the Conduit Securitizations or the Revolving Credit Facility, as applicable, together with accrued interest, immediately due and payable. A declaration of acceleration under the Revolving Credit Facility would also result in an event of default under the Notes. In addition, an event of default or declaration of acceleration under a financing arrangement could also result in an event of default or a forced sale event under one or more of our other financing arrangements. If our creditors, including those under the Conduit Securitizations or the Revolving Credit Facility, accelerate the payment of amounts due thereunder, we cannot assure you that we would have sufficient assets to repay in full those amounts, and to satisfy all other liabilities of the group that would be due and payable and to repay the Notes in full or in part.

Many of the covenants contained in the Indenture will be suspended if the Notes are rated investment grade by both of Fitch Ratings Limited and Standard & Poor's Ratings Services.

Many of the covenants in the Indenture will be suspended if the Notes are rated BBB- or better by Fitch Ratings Limited and BBB- or better by Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, Inc., provided that at such time no default under the Indenture has occurred and is continuing. These covenants restrict, among other things, our ability to pay dividends, to incur debt and to enter into certain other transactions. There can be no assurance that the Notes will ever be rated investment grade, or that if they are rated investment grade, that the Notes will maintain such ratings. Suspension of these covenants, however, would allow us to engage in certain transactions that would not be permitted while these covenants were in force, including incurring additional debt, paying dividends and making investments which may conflict with, or otherwise be adverse to, the interests of the holders of the Notes. *See* "*Description of Notes—Certain Covenants—Suspension of Certain Covenants when Notes Rated Investment Grade*."

We will require a significant amount of cash to service the Notes and our other debt. Our ability to generate cash depends on many factors beyond our control, and we may not be able to generate sufficient cash to service our debt.

Our ability to make payments of principal and interest when due on the Notes and to meet our other debt service obligations depends on our future operating and financial performance and ability to generate cash, which are affected by our ability to implement our business strategy as well as general economic, financial, competitive and other factors beyond our control. We have incurred significant amounts of debt, some of which expire prior to the maturity of the Notes. See "*—Our substantial leverage and debt service obligations could limit our flexibility, adversely affect our business and prevent us from fulfilling our obligations under the Notes*." If at the maturity of these obligations, the Conduit Securitizations or any other debt which we may incur, we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, we may be required to refinance or restructure our indebtedness. Furthermore, we may need to refinance all or a portion of our indebtedness, including the Revolving Credit Facility, the 2024 Notes and the Conduit Securitizations on or prior to their stated maturity. If we are unable to refinance or restructure all or a portion of our indebtedness or obtain such refinancing or restructuring on terms acceptable to us, we may be forced to sell assets, or raise additional debt or equity financing in amounts that could be substantial or the holders of our debt may accelerate our debt and, to the extent such debt is secured, foreclose on our assets. See also "*—Risks Relating to Our Business—A deterioration of the economic environment in the United Kingdom could have a material adverse effect on our business, results of operations and financial condition.*" We cannot assure you that we will be able to generate sufficient cash through any of the foregoing. If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our obligations with respect to our debt, including the Notes. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.*"

Our indirect parent, Bracken Midco 1 plc, has issued £350 million in Senior PIK Toggle Notes. In addition to servicing our debt, we may decide to pay dividends to fund cash interest payments of the PIK Notes, which may exacerbate the risks associated with our debt under the 2024 Notes, the Notes and the Revolving Credit Facility.

Our indirect parent company, Bracken Midco 1 plc, has issued a total of £350.0 million of Senior PIK Toggle Notes, which mature on October 15, 2023. Bracken Midco 1 plc is required to pay cash interest for the first and last interest period of the PIK Notes and is otherwise permitted to issue additional PIK Notes in lieu of some or all of the cash interest otherwise payable, depending on availability of cash at the Company and its subsidiaries and our capacity to distribute funds to our parent companies under the terms and conditions or our other debt obligations. Bracken Midco 1 plc is a holding company with no material operations and limited assets other than its indirect ownership of the membership interests of Together Financial Services Limited and receivables under intercompany loans. While covenants in our 2024 Notes Indenture, the Indenture and the Revolving Credit Facility limit the amount of cash that we are able to distribute to our parent companies, to the extent cash is available, we may decide to pay dividends to fund cash interest payments of the PIK Notes. Paying cash dividends will reduce the amount of cash available to pay our debt obligations, reduce cash available for our business activities and general liquidity purposes and may compound the consequences and risks of our debt and could have a material adverse effect on our business, results of operations, liquidity and financial condition. See "*Description of Notes—Certain Covenants—Restricted Payments.*"

Creditors under the Revolving Credit Facility are entitled to be repaid with the proceeds of the collateral sold in any enforcement sale prior to the holders of the Notes.

The Notes and the Guarantees will be secured initially on a first-priority basis by the same collateral securing the obligations under the 2024 Notes, the Revolving Credit Facility and certain hedging arrangements. Pursuant to the Intercreditor Agreement, lenders under the Revolving Credit Facility and under certain hedging arrangements, the Security Agent, any receiver and certain creditor representatives are entitled to be repaid with the proceeds of the collateral sold in any enforcement sale prior to the holders of the 2024 Notes and the Notes. In addition, the lenders under the Revolving Credit Facility and certain hedging arrangements will have priority over any amounts received from the sale of any assets of the Company or any of the Guarantors pursuant to certain distressed disposals. In the event of a foreclosure of the collateral, you may not be able to recover, in full or in part on the collateral, if the aggregate of the then outstanding claims under the Revolving Credit Facility, certain hedging arrangements, any amounts due to the Security Agent, any receiver and such creditor representatives, and any amounts due under the 2024 Notes and the Notes are greater than the proceeds realized. Any proceeds from an enforcement sale of the collateral by any creditor will, after all obligations under the Revolving Credit Facility, under certain hedging arrangements and other indebtedness and any sums owing to the Security Agent, any receiver and such creditor representatives have been discharged from such recoveries, be applied pro rata in repayment of the Revolving Credit Facility and certain hedging arrangements (to the extent not Super Senior Liabilities), the 2024 Notes and the Notes.

The Intercreditor Agreement provides that a common Security Agent, who will serve as the security agent for the lenders under the Revolving Credit Facility and with respect to the 2024 Notes and the Notes, will act only as provided for in the Intercreditor Agreement. The Intercreditor Agreement regulates the ability of the Trustee or the holders of the 2024 Notes and the Notes to instruct the Security Agent to take enforcement action. See "*Description of Certain Financing Arrangements—Intercreditor Agreement.*" The lenders under the Revolving Credit Facility (or any replacement revolving credit facility) and under certain hedging arrangements may have interests that are different from the interests of holders of the Notes and they may, subject to the terms of the Intercreditor Agreement, elect to pursue their remedies under the security documents at a time when it would be disadvantageous for the holders of the Notes to do so.

We may not be able to finance a change of control offer required by the Indenture.

Upon a change of control, as defined in the Indenture, the Issuer would be required to make an offer to repurchase all outstanding Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of repurchase. Furthermore, a change of control may result in a default or prepayment event under the Indenture, the 2024 Notes Indenture, Revolving Credit Facility or the Conduit Securitizations and may cause a default or prepayment event in relation to our future indebtedness. The source of funds for any repurchase required as a result of any such event will be available cash or cash generated from operating activities or other sources, including borrowings, sales of assets, sales of equity or funds provided by our subsidiaries. If a change of control occurs, there can be no assurance that we will have sufficient funds to repurchase the Notes that have been tendered. See "*Description of Notes—Repurchase at the Option of Holders—Change of Control.*" In addition, a change of control could constitute a default under our other indebtedness.

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "change of control" as defined in the Indenture. Except as described under "*Description of Notes—Repurchase at the Option of Holders—Change of Control*" the Indenture does not contain provisions that would require the Issuer to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The term "all or substantially all" in the context of a change of control has no clearly established meaning under the relevant law and is subject to judicial interpretation such that it may not be certain that a change of control has occurred or will occur.

Upon the occurrence of a transaction that constitutes a change of control under the Indenture we are required to offer to repurchase all outstanding Notes. One of the ways a change of control can occur is upon a sale of all or substantially all of our assets. With respect to the sale of assets referred to in the definition of change of control in the Indenture, the meaning of the phrase "all or substantially all" as used in that definition varies according to the facts and circumstances of the subject transaction, has no clearly established meaning under the relevant law and is subject to judicial interpretation. Accordingly, in certain circumstances there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of "all or substantially all" of the assets of a person and therefore it may be unclear whether a change of control has occurred and whether the Issuer is required to make a change of control offer, to repurchase the Notes.

The value of the collateral securing the Notes may not be sufficient to satisfy our obligations under the Notes.

In order to secure the obligations under the Notes, we will grant first-priority fixed and floating security interests in (a) all of the issued capital stock in the Issuer and each Guarantor (other than the Company) and (b) substantially all of the existing and future property and assets of the Issuer and the Guarantors, including all real property, book debts, bank accounts, investments, uncalled capital and goodwill, intellectual property, plant and machinery and insurances and all related proceeds, claims of any kind, returns of premium and other benefits, other than assets held in collection accounts that are assets of the Securitizations. These assets are also pledged, on a first-priority basis, for the benefit of the lenders under the Revolving Credit Facility and counterparties under certain hedging obligations. Any liabilities in respect of obligations under the Revolving Credit Facility and under certain hedging arrangements and certain other future indebtedness that are secured by the collateral will receive priority over the holders of the 2024 Notes and the Notes with respect to any proceeds received upon any enforcement action over the collateral. Additionally, a portion of our loans may be secured by second-ranking legal mortgages or equitable charges. Your rights to the collateral may therefore be diluted by any increase in the first-priority debt secured by the collateral or a reduction of the collateral securing the Notes. In addition, the Indenture allows the incurrence of certain additional permitted debt in the future that is secured by the collateral. See "*Description of Notes—Certain Covenants—Liens.*" To the extent that other first-priority security interests, pre-existing liens, liens permitted under the Indenture and other rights encumber the collateral securing the Notes, those parties may have or may exercise rights and remedies with respect to the collateral that could adversely affect the value of the security and the ability of the security agent to realize or foreclose on the security. No appraisal of the value of the collateral has been made, and the fair market value of the collateral may be subject to fluctuations based on factors that include, inter alia, general economic conditions, industry conditions and similar factors. The amount to be received upon a sale of the collateral would be dependent on numerous factors, including, but not limited to, the actual fair market value of the collateral at such time, the timing and the manner of the sale and the availability of buyers. By its nature, some of the assets that comprise the collateral are illiquid and/or may have no readily ascertainable market value and its value to other parties may be less than its value to us. In addition, the value of the collateral may decrease because of obsolescence, impairment or certain casualty events. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, the collateral may not be sold in a timely or orderly manner, and the proceeds from any sale or liquidation of this collateral may not be sufficient to repay the obligations under the Notes.

The collateral securing the Notes is subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the collateral securing the Notes as well as the ability of the Security Agent to realize or foreclose on such security.

The security interests of the Security Agent may in the future be subject to practical problems generally associated with the realization of security interests over real or personal property. For example, the Security Agent may need to obtain the consent of a third party to enforce a security interest. We cannot assure you that the Security Agent will be able to obtain any such consents or that such consents will be given when required. Accordingly, the Security Agent may not have the ability to foreclose upon security and the value of the security may significantly decrease.

The security over the collateral will not be granted directly to the holders of the Notes.

The security interests in the collateral that will secure our obligations under the 2024 Notes, the Notes and the obligations of the Guarantors under the guarantees will not be granted directly to the holders of the Notes, but will be granted only in favor of the Security Agent. The Trustee for the Notes will accede to the Intercreditor Agreement to which, inter alios, the Security Agent and representatives of the other indebtedness secured by the collateral, which includes the 2024 Notes, the Revolving Credit Facility and counterparties to certain hedging obligations are already parties thereunder. Other creditors may become parties to the Intercreditor Agreement in the future. Among other things, the Intercreditor Agreement governs the enforcement of the security documents, the sharing in any recoveries from such enforcement and the release of the collateral by the Security Agent. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take direct enforcement action in respect of any of the collateral securing the Notes, except through the Security Agent, who will follow instructions as set forth under the caption "*Description of Certain Financing Arrangements—Intercreditor Agreement—Security Enforcement.*"

The Issuer and the Guarantors will have control over the collateral securing the Notes, and the sale of particular assets could reduce the pool of assets securing the Notes.

The Security Documents allow the Issuer and the Guarantors to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from, the collateral securing the Notes. So long as no default or event of default under the Indenture would result therefrom, the Issuer and the Guarantors may, among other things, without any release or consent by the Security Agent, conduct ordinary course activities with respect to the collateral, such as the Securitization Vehicles selling, factoring, abandoning or otherwise disposing of collateral, including selling mortgage loans to Charles Street ABS, Lakeside ABS, Delta ABS 2, Together ABS 1, Together ABS 2, Together ABS 3 or Highfield ABS, the bankruptcy-remote special purpose vehicles established for purposes of the Securitizations and any other qualifying securitization, and making ordinary course cash payments, including repayments of indebtedness. As a result, the pool of assets securing the Notes may be reduced which may adversely affect the interests of the holders of the Notes.

English insolvency laws may not be as favorable to you as U.S. and other insolvency laws, and laws relating to preference, transactions at an undervalue, misfeasance and corporate benefit may adversely affect the validity and enforceability of payments under the senior guarantee and pledge of security of the Notes by the Issuer, the Company and the other Guarantors.

European Union

On June 23, 2016, the United Kingdom voted in favour of withdrawing from the European Union in a referendum and, on March 29, 2017, the UK Government exercised its right under Article 50 of the Treaty on the European Union to notify the European Union of the United Kingdom's intention to withdraw from the European Union.

There remains considerable uncertainty (and there is likely to be uncertainty for some time to come) as to the impact the UK's withdrawal from the EU will have on the regulatory environment in the EU and the United Kingdom, and on the applicability of EU law in the United Kingdom. In a 'no deal' Brexit scenario in particular, it will likely be harder for UK office holders and UK restructuring and insolvency proceedings to be recognised in member states of the European Union ("Member States") and to effectively deal with assets located in those other Member States. Much depends upon the private international rules in the particular Member State and the need may well arise to open parallel proceedings, increasing the element of risk. In particular, in cases where the appointment of a UK office holder has been made in reliance on a UK domestic approach, it is much less certain that there will be recognition in the relevant Member State even if UK jurisdiction is taken on the grounds of UK COMI or establishment (where such concepts are retained as a matter of UK domestic law). The below guidance as to COMI and any cross-border proceedings within Europe should be construed as a description of the current law as at the date of this Offering Memorandum.

Pursuant to Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (recast), as amended (the "Recast Insolvency Regulation") which applies within the European Union, other than Denmark, to insolvency proceedings opened on or after 26 June 2017 the court which shall have jurisdiction to open the main insolvency proceedings in relation to a company (subject to certain exceptions) is the court of the Member State (other than Denmark) in which the relevant company's centre of main interests ("COMI") (as that term is used in Article 3(1) of the Recast Insolvency Regulation) is situated.

COMI may change from time to time, but is determined for the purposes of deciding which court has competent jurisdiction to open main insolvency proceedings at the time of the request to open insolvency proceedings: moreover, the determination of where a debtor has its COMI is a question of fact on which the courts of the different Member States may have differing and even conflicting views. Article 3(1), second sentence, of the Recast Insolvency Regulation states that a company's COMI "shall be the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties." Under Article 3(1) of the Recast Insolvency Regulation there is, in most cases, a rebuttable presumption that a corporate debtor has COMI in the Member State in which it has its registered office in the absence of proof to the contrary. The presumption only applies if the registered office has not been moved to another Member State within the three month period prior to the request for the opening of insolvency proceedings. Recital 30 of the Recast Insolvency Regulation contains a number of examples of where a presumption as to COMI may be rebutted: for instance, where the company's central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual centre of management and supervision and of the management of its interests is located in that other Member State. In that respect, the factors that courts may take into consideration when determining the COMI of a debtor can include where board meetings are held, the location where the debtor conducts the majority of its business or has its head office and the location where the majority of the debtor's creditors are established and where they recognize as being the center of the company's operations. If the COMI of a company subject to the Recast Insolvency Regulation (a "debtor"), at the time of the request to open insolvency proceedings, is located in a Member State (other than Denmark), only the courts of that Member State have jurisdiction to open the main insolvency proceedings in respect of the debtor under the Recast Insolvency Regulation and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the Recast Insolvency Regulation. Insolvency proceedings commenced in one Member State under the Recast Insolvency Regulation are to be recognized (subject to any public policy exception) in the other Member States (other than Denmark), although secondary insolvency proceedings or territorial insolvency proceedings may (subject to certain exceptions) be commenced in another Member State (other than Denmark).

If the COMI of a debtor, at the time an insolvency application is made, is in a Member State (other than Denmark), under Article 3(2) of the Recast Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction (subject to certain exceptions) to commence secondary insolvency proceedings or territorial insolvency proceedings against that debtor only if such debtor has an "establishment" (as defined in Article 2(10) of the Recast Insolvency Regulation) in the territory of such other Member State. Secondary proceedings may be any insolvency proceeding listed in Annex A of the Recast Insolvency Regulation and for the avoidance of doubt, are not limited to winding-up proceedings. Territorial proceedings are, in effect, secondary proceedings which are commenced prior to the opening of main insolvency proceedings. An "establishment" is defined to mean "any place of operations where a debtor carries out or has carried out in the three month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets". Accordingly, the opening of secondary insolvency proceedings or territorial insolvency proceedings in another Member State (other than Denmark) will also be possible if the debtor had an establishment in such Member State in the three month period prior to the request for opening of main insolvency proceedings.

The effects of those secondary insolvency proceedings or territorial insolvency proceedings opened in that other Member State (other than Denmark) are restricted to the assets of the debtor situated in the territory of such other Member State. Where main proceedings in the Member State (other than Denmark) in which the debtor has its COMI have not yet been commenced, territorial insolvency proceedings may only be commenced in another Member State (other than Denmark) where the debtor has an establishment where either (i) insolvency proceedings cannot be commenced in the Member State in which the debtor's COMI is situated under the conditions laid down by that Member State's law; or (ii) the opening of territorial insolvency proceedings is requested by (a) a creditor whose claim arises from or is in connection with the operation of an establishment situated within the territory of the Member State where the opening of territorial proceedings is requested, or (b) a public authority which, under the law of the Member State within the territory of which the establishment is situated, has the right to request the opening of insolvency proceedings. When main insolvency proceedings are opened, territorial insolvency proceedings become secondary insolvency proceedings. Irrespective of whether the insolvency proceedings are main or secondary or territorial insolvency proceedings, such proceedings will, subject to certain exceptions, be governed by the lex fori concursus, i.e., the local insolvency law of the court that has assumed jurisdiction over the insolvency proceedings of the debtor.

The courts of all Member States (other than Denmark) must recognize the judgment opening insolvency proceedings of the court commencing proceedings (subject to any public policy exception). The judgment of the court commencing main proceedings will produce the same effects in the other Member States (other than Denmark) as under the law of the Member State (other than Denmark) commencing main proceedings, so long as no secondary insolvency proceedings or territorial insolvency proceedings have been commenced in that other Member State and subject to certain other exceptions (e.g. rights in rem situated in another Member State remain subject to the original law governing that right). The insolvency practitioner appointed or confirmed by a court in the Member State which has jurisdiction to commence main proceedings may exercise the powers conferred on it by the laws of that Member State in another Member State (other than Denmark) (such as to remove assets of the debtor from that other Member State). These powers are subject to certain limitations (e.g. the powers are available provided that no insolvency proceedings have been commenced in that other Member State nor any preservation measure to the contrary has been taken there further to a request to commence secondary proceedings in that other Member State where the debtor has assets).

In addition, the concept of "group coordination proceedings" has been introduced in the Recast Insolvency Regulation with the aim of bolstering communication and efficiency in the insolvency proceedings of several members of a group of companies opened in one or more Member States (other than Denmark). Under Article 61 of the Recast Insolvency Regulation, group coordination proceedings may be requested before any court having jurisdiction over the insolvency proceedings of a member of the group, by an insolvency practitioner appointed in insolvency proceedings opened in relation to a member of the group. Participation in group coordination proceedings and adherence to the coordinating insolvency practitioner's recommendations or plan however is voluntary.

In the event that any one or more of the Issuer or Guarantors experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable laws may affect the enforceability of the obligations and the security of the Issuer and Guarantors.

England and Wales

We and all our subsidiaries are incorporated under the laws of England and Wales and therefore any insolvency proceedings by or against an English company would likely be based on English insolvency laws, which may not be as favorable to your interests as the laws of the United States or other jurisdictions with which you may be familiar. However, pursuant to the Recast Insolvency Regulation, where a company incorporated under English law has its COMI in a Member State other than the United Kingdom (and other than Denmark), then the main insolvency proceedings for that company may be opened in the Member State (other than Denmark) in which its COMI is located and be subject to the laws of that Member State. There are a number of factors that are taken into account to ascertain the COMI; however, pursuant to Article 3(1) of the Recast Insolvency Regulation, the COMI should correspond to the place where the company conducts the administration of its interests on a regular basis and be ascertainable by third parties.

There is in most cases a rebuttable presumption that a corporate debtor's COMI is the location of the company's registered office. However, if the registered office has been moved to another Member State (other than Denmark) within the three month period prior to the request for the opening of insolvency proceedings, that presumption would not apply. The point at which this issue falls to be determined is at the time of the request to open the relevant insolvency proceedings.

Similarly, the Cross-Border Insolvency Regulations 2006, which implement the UNCITRAL Model Law on Cross-Border Insolvency in Great Britain and which apply to foreign insolvency proceedings (subject to certain exceptions) anywhere in the world without any condition of reciprocity, provide that certain collective foreign (i.e., non-English) proceedings may be recognized by the English courts as foreign main proceedings where any English company has its COMI in that foreign jurisdiction, or as foreign non main proceedings where it has an "establishment" in such foreign jurisdiction (being a place of operations where it carries out a non-transitory economic activity with human means and assets or services). As such, should any English company have its COMI in a jurisdiction that is neither within the UK nor is a Member State of the EU, and insolvency proceedings are opened in that jurisdiction and afforded recognition by the English courts, any proceedings opened in England and Wales would be foreign non-main proceedings and would be limited to the assets that the relevant company has in the UK . Upon recognition of foreign main proceedings, an automatic stay, equivalent to the stay in an English compulsory liquidation (see below), will apply to prevent certain types of creditor action in the UK, including commencement of proceedings concerning the debtor's assets, rights, obligations or liabilities (but the automatic stay will not affect a creditor's rights to enforce security over the debtor's property (albeit such a stay may be requested from the English court)). No automatic stay applies in relation to foreign non-main proceedings (albeit such a stay may be requested from the English court). To the extent that the Cross-Border Insolvency Regulations 2006 conflict with the Recast Insolvency Regulation, (subject to limited exceptions) the Recast Insolvency Regulation will prevail.

English insolvency law is different to the laws of the United States and other jurisdictions with which investors may be familiar. The obligations under the Notes will be secured by security interests over the collateral, including but not limited to, bank accounts, real property, intellectual property and insurance proceeds. English insolvency laws, as they apply to the Issuer and Guarantors and any English law collateral, and other limitations could limit the enforceability of those security interests over the collateral and the enforceability of any guarantees granted which are governed by English law.

Formal insolvency proceedings under the laws of England and Wales may be initiated in a number of ways, including by the company or a creditor making an application for administration in court, the company or the holder of a “qualifying floating charge” (discussed below) making an application for administration out of court, or by a creditor filing a petition to wind up the company or the company resolving to do so (in the case of a liquidation).

The following is a brief description of certain aspects of English insolvency law relating to certain limitations on the Guarantees and security interests granted over the collateral. The application of these laws could adversely affect investors, including their ability to enforce their rights under the collateral securing the Notes and may limit the amounts that investors may receive in an English law insolvency of the Issuer and Guarantors. A summary of these processes is set out below.

Formal Insolvency Processes

Under the Insolvency Act 1986, as amended by the Enterprise Act 2002, and as otherwise amended from time to time (the “Insolvency Act”), certain types of company may file for or become subject to certain formal insolvency processes. Formal insolvency proceedings under the laws of England and Wales include administration and liquidation,

The distinction between administration and liquidation is discussed further below but, in essence, administration is designed to provide a tool to rescue the company or its business as a going concern where the company is or is likely to become insolvent, whereas liquidation is a termination procedure designed to distribute the company’s assets to its creditors.

In addition to administration and liquidation, there are two other insolvency regimes under the Insolvency Act for certain types of company in England and Wales, namely company voluntary arrangements and administrative receivership. Certain secured creditors may also have the ability to appoint a receiver (in contrast to an administrative receiver) which is a self-help remedy often granted within the documents granting the security interests over the collateral. Save for receivership and administrative receivership, all of these insolvency procedures under the Insolvency Act are collective remedies for the benefit of all creditors.

Administration

The Insolvency Act empowers English courts to make an administration order, in respect of, principally, a company registered in England and Wales, or a company with its COMI in England and Wales in certain circumstances. Without limitation and subject to specific conditions, an administration order can be made if the court is satisfied that the relevant company is or is likely to become “unable to pay its debts” and that the administration order is reasonably likely to achieve the stated purpose of the administration*. A company is unable to pay its debts if it is insolvent on a “cash flow” basis (unable to pay its debts as they fall due) or if it is insolvent on a “balance sheet” basis (the value of the company’s assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities). Such insolvency is presumed if, among other matters, the company fails either to satisfy a creditor’s statutory demand for a debt exceeding £750 within 21 days of service or to satisfy in full or in part a judgment debt (or similar court order). Without limitation and subject to specific conditions, a company (falling within the definition set out in the Companies Act 2006), the directors of such company or the holder of a qualifying floating charge (see “Administrative Receivership” below as to what constitutes a qualifying floating charge) where the floating charge has become enforceable, may also appoint an administrator via an out of court process, and different procedures apply according to the identity of the appointor.

The administration of a company must achieve one of the following statutory objectives: (1) the rescue of the company (as distinct from the business carried on by the company) as a going concern (the first objective); (2) the achievement of a better result for the company’s creditors as a whole than would be likely if the company were wound up (without first being in administration) (the second objective); or (3) the realization of some or all of the company’s property to make a distribution to one or more secured or preferential creditors (the third objective). An administrator must attempt to achieve the first objective of administration, unless he or she thinks either that it is not reasonably practicable to achieve the first objective, or that the second objective would achieve a better result for the company’s creditors as a whole. The administrator cannot pursue the third objective

* In addition, upon the application of the holder of a qualifying floating charge (who would otherwise be entitled to appoint an administrator via an out of court process), the court may make an administration order if it is satisfied that the administration order is reasonably likely to achieve the stated purpose of the administration (and without having regard to whether the relevant company is or is likely to become “unable to pay its debts”).

unless he or she thinks that it is not reasonably practicable to achieve either the first objective or the second objective and that it will not unnecessarily harm the interests of the creditors of the company as a whole to pursue the third objective. Subject to this, the administrator must perform his or her functions in the interests of the company's creditors as a whole. The order of priority which applies to any distribution to creditors is set out below (see "Priority on insolvency").

Certain rights of creditors, including secured creditors, are curtailed in an administration pursuant to the statutory moratorium imposed under the Insolvency Act. For example, upon the appointment of an administrator, no step may be taken to enforce security over the company's property except with the consent of the administrator or permission of the court. The same requirements for consent or permission apply to the institution or continuation of legal process (including legal proceedings, execution, distress and diligence) against the company or property of the company. In either case, a court will consider a range of discretionary factors in determining any application for leave in light of the hierarchy of statutory objectives of administration described above.

Accordingly, if the Issuer or a Guarantor were to enter into administration, the collateral granted by it could not be enforced while the Issuer or Guarantor was in administration without the permission of the court or consent of the administrator. There can be no assurance that the security agent would obtain such permission of the court or consent of the administrator.

However, whilst the restrictions of the moratorium are extensive they are not total. For example, contractual set-off rights may continue to be exercised, at least until the administrator makes an authorised distribution and certain creditors of a company in administration may, in certain defined circumstances, be able to enforce their security over certain of that company's property notwithstanding the statutory moratorium. This is by virtue of the disapplication of the moratorium in relation to a "security financial collateral arrangement" (generally, this can include a charge over cash or financial instruments, such as shares, bonds or tradeable capital market debt instruments and credit claims) under the Financial Collateral Arrangements (No. 2) Regulations 2003 (as amended) (the "Financial Collateral Regulations") (see "Financial Collateral Arrangements No 2 Regulations 2003"). If the Issuer or Guarantors were to enter administration, it is possible that, to the extent such security is not a financial collateral arrangement, the security granted by it would not be able to be enforced while it is in administration without leave of the court or consent of the administrators.

While an administrator is in office, the powers of the board of directors of the relevant company cease (save for those powers that do not interfere with the exercise of the administrators' powers, or where permitted by the administrator) and the administrator has primary responsibility for managing the company's affairs. An administrator is given wide powers to conduct the business and, subject to certain requirements under the Insolvency Act, dispose of the property of a company in administration that is either not subject to security, or is subject to a floating charge – however an administrator may only dispose of property of a company subject to a fixed charge with the leave of the court. The administrator also has the ability to challenge certain antecedent transactions.

Ordinary corporate administration terminates automatically after a year (albeit the administration may be extended by court order or, subject to a limit of one year, by consent of the creditors).

A company may exit administration if the administrator is satisfied that one or more of the statutory objectives have been achieved (upon application to and order of the court if the administration is pursuant to an administration order). On exiting administration the company may resume normal business. However, the administrator also has the power, should he conclude that there is no reasonable prospect of rescuing the company, to either place the company into liquidation or use his powers under, and in accordance with, the Insolvency Act to distribute the company's assets and thereby achieve substantially the same result as a liquidation.

Administrative receivership and Receivership

There are, broadly speaking, two different types of receiver: An 'administrative receiver' (being a receiver or manager of the whole or substantially the whole of a company's property appointed by a holder of a charge which as created was a floating charge, or by such a charge and one or more other securities and who normally takes over the running of the company's business) and a receiver (often described as a "fixed charge receiver"). The latter are not administrative receivers and are mostly used to sell land or other specific assets subject to a fixed charge).

If a company registered in England & Wales grants a "qualifying floating charge" to a party for the purposes of English insolvency law, that party may be able to appoint an administrative receiver or an administrator out of court (see "Administration" above), provided that, in the case of the ability to appoint an administrative receiver, the qualifying floating charge pre-dates September 15, 2003 or falls within one of the exceptions under the Insolvency Act to the prohibition on the appointment of administrative receivers. In order to constitute a qualifying floating charge, the floating charge must be created by an instrument which: (a) states that the relevant statutory provision applies to it; (b) purports to empower the holder to appoint an administrator of the company; or (c) purports to empower the holder to appoint an administrative receiver within the meaning given by Section 29(2) of the Insolvency Act. A party will be the holder of a qualifying floating charge if he holds one or more debentures of the company secured: (a) by a qualifying floating charge which relates to the whole or substantially the whole of the company's property; (b) by a number of qualifying floating charges which together relate to the whole or substantially the whole of the company's property; or (c) by charges and other forms of security which together relate to the whole or substantially the whole of the company's property and at least one of which is a qualifying floating charge. The most relevant exception to the prohibition on the appointment of an administrative receiver is the exception relating to "capital market arrangements" (as defined in the Insolvency Act), which may apply if the issue of the Notes creates a debt of at least £50.0 million for the relevant English company during the life of the arrangement and the arrangement involves the issue of a "capital market investment" (which is defined in the Insolvency Act, and includes rated, listed or traded debt instruments, and debt instruments designed to be rated, listed or traded). If the requirements above cannot be satisfied, a company may not appoint an administrative receiver.

The ability to appoint a receiver over secured assets (in contrast to an administrative receiver) is typically provided for in English law security documents. There is also a (limited) statutory right under section 101 of the Law of Property Act 1925 for the holder of a mortgage or charge created by deed over the assets of a chargor to appoint a receiver over the charged assets to collect the income of the charged property and apply it in satisfaction of the secured debt.

A receiver can be appointed in accordance with the terms of the security documentation which typically provide for the ability to appoint a receiver once the relevant security interests become enforceable in accordance with their terms. Once appointed, the receiver acts as the agent of the chargor. The charge document pursuant to which the receiver is appointed will typically set out the powers of the receiver once appointed. Typically, these powers will include the right to take possession of and sell the charged assets, with the proceeds being used to pay the secured creditors.

An administrative receiver and, typically a receiver's, primary duty is to realise the secured assets and to pay the proceeds to the secured creditor, up to the amount of the secured debt (subject to the requirement to set aside the prescribed part (discussed below)). He does, however, also owe duties to the company, in particular a duty to obtain the best price reasonably obtainable at the relevant time when selling any asset.

There is no moratorium in receivership or administrative receivership, so creditors can enforce any rights that are consistent with the priority of the security, including exercising rights of set-off and forfeiture, collecting goods that are subject to valid retention of title claims and terminating contracts.

If a company is already in administration, the moratorium on creditor action will prevent the appointment of an administrative receiver or receiver unless (in the case of a receiver) the administrator consents or the court permits the appointment, or an exception to the moratorium applies (see above).

If an administrative receiver has been appointed, an administrator can only be appointed by the court (and not by the company, its directors or the holder of a qualifying floating charge using the out of court procedure) and then only if the person who appointed the administrative receiver consents or the court considers that the security pursuant to which the administrative receiver was appointed is capable of challenge as a transaction at an undervalue, a preference or an invalid floating charge. In contrast the appointment of a receiver who is not an administrative receiver does not prevent the appointment of an administrator.

If an administrator is appointed, any administrative receiver will vacate office, and any receiver appointed over part of the company's property must resign if required to do so by the administrator unless that receiver was appointed under a charge that falls within the definition of a financial collateral arrangement (as defined in the Financial Collateral Regulations).

Liquidation

Liquidation is a company dissolution procedure pursuant to which the assets of the company are realized and distributed by the liquidator to creditors in the statutory order of priority prescribed by the Insolvency Act (see "Priority on insolvency" below). Once the liquidator has completed this task, the company will be dissolved and removed from the register of companies.

There are two forms of winding up: (a) compulsory liquidation, by order of the court; and (b) voluntary liquidation, by resolution of the company's members, and which is in turn divided into members' voluntary liquidation ("MVL") and creditors' voluntary liquidation ("CVL"). A CVL (other than as an exit from administration) is initiated by a resolution of the members, not the creditors, but once in place is subject to some degree of control by the creditors.

Companies registered in England and Wales or foreign companies with their COMI in England and Wales (a main insolvency proceeding under the Recast Insolvency Regulation), with their COMI in a Member State (except Denmark) and an establishment in England and Wales (a secondary proceeding under the Recast Insolvency Regulation) or whose COMI is not located in a Member State (except Denmark) but having "sufficient connection" with England and Wales may be wound up via compulsory liquidation. Only companies registered in England and Wales may be subject to voluntary liquidation (save that a foreign company where its COMI is in England and Wales or in another Member State (except Denmark) but which has an establishment in England and Wales) may enter a creditors' voluntary liquidation).

A creditor, the company or in certain circumstances a shareholder, among others, can present a winding-up petition to the Court for the compulsory winding-up of a company. The most common grounds for the compulsory winding up of a company is that either it is unable to pay its debts (as defined in Section 123 of the Insolvency Act) or the court is of the opinion that it is just and equitable for the company to be wound up.

The effect of a compulsory liquidation differs in a number of respects from that of a voluntary liquidation. In a compulsory liquidation, under Section 127 of the Insolvency Act, any disposition of the relevant company's property made after the commencement of the winding up is, unless sanctioned by the court, void. Subject to certain exceptions, when an order is made for the winding-up of a company by the court, it is deemed to have commenced from the time of the presentation of the winding up petition. Once a winding up order is made by the court, a stay of all proceedings against the company will be imposed. No action or proceeding may be continued or commenced against the company without permission of the court although there is no stay on the enforcement of security.

In the context of a voluntary liquidation however, there is no equivalent to the retrospective effect of a winding-up order; the winding-up commences on the passing of the resolution to wind up. As a result, there is no equivalent of Section 127 of the Insolvency Act. There is also no automatic stay in the case of a voluntary liquidation—it is for the liquidator, or any creditor or contributory of the company, to apply for a stay.

An MVL is a solvent liquidation that is controlled by the shareholders. It commences when the shareholders pass a special resolution to place the company into liquidation and there is generally no involvement by the court. Not more than five weeks prior to the making of the winding up resolution, the directors must swear a statutory declaration of solvency stating that, after having made full enquiry into the company's affairs, they have formed the opinion that it will be able to pay its debts, including interest and the costs of the MVL process, in full, within a stated period not exceeding twelve months from the start of the liquidation.

A CVL (other than as an exit from administration) is also commenced by the shareholders resolving to place the company into liquidation and generally has no court involvement. In contrast to an MVL, however, the directors do not swear a statutory declaration of solvency for a CVL (meaning the company can be solvent or insolvent). If the creditors choose a different person to act as liquidator from that appointed by the shareholders, the creditors' choice will prevail.

On the appointment of a liquidator, the directors' powers to bind the company automatically cease, save for those powers that are sanctioned by the liquidator or creditors (as appropriate). A liquidator has, among other things, the power to bring or defend legal proceedings on behalf of the company, to carry on the business of the company as far as it is necessary for its beneficial winding up, to sell the company's property (provided that in respect of the sale of any property that is secured by a fixed charge in favour of a creditor, if that sale is made without the secured creditor's consent, it will be made subject to that security, as the creditor's consent will be needed to the release of the security), execute documents in the name of the company and to challenge antecedent transactions.

Under English insolvency law, with some exceptions a liquidator has the power to disclaim any onerous property, which includes unprofitable contracts and any other property of the company that cannot be sold, readily sold or may give rise to a liability to pay money or perform any other onerous act. A contract may be unprofitable if it gives rise to prospective liabilities and imposes continuing financial obligations on the company that may be detrimental to creditors. However, this power does not apply to a contract where all of the obligations have been performed nor can it be used to disturb accrued rights and liabilities, and if a contract is disclaimed the contractual counterparty has a right to sue for damages in respect of the terminated contract.

Company Voluntary Arrangements

A company voluntary arrangement ("CVA") is a procedure intended to allow companies to avoid potentially terminal insolvency proceedings and to address their financial difficulties by obtaining a binding agreement or compromise with their unsecured creditors. Though it does not result in the insolvency of a company, a CVA is implemented under the supervision of an insolvency practitioner who will act as the nominee before the CVA proposals are approved, and as the supervisor afterwards. CVAs may also be used as a tool alongside a formal insolvency procedure such as administration in order to implement a compromise between the debtor company and its creditors.

A company is eligible to propose a CVA if it is (i) registered under the Companies Act 2006 (or the preceding legislation) in England and Wales or Scotland (ii) if it is incorporated in a member state of the European Economic Area (an "EEA Member State") other than the UK or (iii) if the company is not incorporated in an EEA Member State but has its COMI in an EEA Member State (other than Denmark). The CVA can be proposed by the relevant company's directors (if the relevant company is not in administration or liquidation) or, if the relevant company is in administration or liquidation, by the administrator or the liquidator (as applicable).

The proposal for a CVA would generally include a rescheduling or reduction of the company's unsecured debts, but may also form part of more complex arrangements that seek to balance the interests of many different creditor groups.

If the proposals under the CVA are approved by the requisite majority of creditors, a CVA will bind all unsecured creditors of a company; however, a CVA will not affect the rights of secured creditors or preferential creditors unless they agree to the proposals. Shareholders of the company will also be asked to vote on the CVA.

Avoidance of Transactions

There are circumstances under English insolvency law in which the granting by a company of security and guarantees, or the entry by a company into a transaction can be challenged. In most cases, this will only arise if the company is placed into administration or liquidation within a specified period of the relevant act, including the granting of the guarantee or security. Therefore, if during the specified period an administrator or liquidator is appointed to an English company, the administrator or liquidator may challenge the validity of the security or guarantee given, or certain transactions entered into, by such company. The Issuer cannot assure holders of the Notes that in the event of insolvency, the issuance of the guarantees and pledging of security by the Issuer and/or the Guarantors would not be challenged by a liquidator or administrator or that a court would support our analysis that the guarantee was entered into or the security was granted in good faith for the purposes of carrying on Together Financial Services' business and for its benefit. In general terms, in such circumstances the courts of England and Wales have the power to make void such transactions, or restore the position to what it would have been if the company had not entered into the transaction.

If a court voided any guarantee or any payment under any guarantee or any pledge of security as a result of a transaction at an undervalue or preference, or held it unenforceable for any other reason, you would cease to have any claim against the Guarantor granting such guarantee and pledge of security.

The potential grounds for challenge available under the English insolvency legislation that may apply to any security interest or guarantee granted by a company include, without limitation, the following described below.

Transaction at an undervalue

Under English insolvency law, a liquidator or administrator could apply to the court for an order to set aside the creation of a security interest or a guarantee (or grant other relief) where the creation of such security interest or guarantee constituted a transaction at an undervalue under Section 238 of the Insolvency Act. It will only be a transaction at an undervalue if at the time of the transaction or as a result of the transaction, the company is unable to pay its debts or becomes unable to pay its debts (as defined in Section 123 of the Insolvency Act). The transaction can be challenged if the company grants the security interest or the guarantee within a period of two years prior to the "Onset of Insolvency", the date of which depends on the relevant solvency proceedings (administration or liquidation). A transaction might be subject to being set aside as a transaction at an undervalue if the company makes a gift to a person, if the company receives no consideration or if the company receives consideration of significantly less value, in money or money's worth, than the consideration given by such company. In any proceedings, it is for the administrator or liquidator to demonstrate that the company was insolvent unless a beneficiary of the transaction was a connected person (as defined in the Insolvency Act), in which case there is a presumption of insolvency and the connected person must demonstrate the solvency of the company in such proceedings.

A court, however, generally will not intervene if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit it. If the court determines that the transaction was a transaction at an undervalue, the court shall make such order as it thinks fit to restore the company to the position it would have been in had the transaction not been entered into (which may include the setting aside of any security interests or guarantees granted). An order by the court for a transaction at an undervalue may affect the property of, or impose any obligation on, any person whether or not he is the person with whom the company entered into the transaction, but such an order will not prejudice any interest in property which was acquired from a person other than the company in good faith and for value, or prejudice any interest deriving from such an interest, and will not require a person who received a benefit from the transaction in good faith and for value to pay a sum to the liquidator or administrator of the company, except where that person was a party to the transaction.

Preference

Under the Insolvency Act, a liquidator or administrator could apply to the court for an order to set aside the creation of a security interest or a guarantee (or grant other relief) where the creation of such security interest or such guarantee constituted a preference under Section 239 of the Insolvency Act. It will only be a preference if at the time of the transaction or as a result of the transaction the company is unable to pay its debts or becomes unable to pay its debts (as defined in Section 123 of the Insolvency Act). The transaction can be challenged if the company grants the security interest or the guarantee within a period of six months (if the beneficiary of the security or the guarantee is not a connected person (as defined in the Insolvency Act)) or two years (if the beneficiary is a connected person) prior to the Onset of Insolvency.

A transaction may constitute a preference if it has the effect of putting a creditor of the company (or an existing surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into insolvent liquidation) than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into. For the court to determine a preference, however, it must be shown that the company was influenced by a desire to produce the preferential effect (under Section 239(5) of the Insolvency Act). In any proceedings, it is for the administrator or liquidator to demonstrate that the company was unable to pay its debts and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person, in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that there was no such influence. The desire to prefer requires a "positive wish to improve the creditor's position in the event of the company's insolvent liquidation" (*Re Fairway Magazines Ltd 1993 BCLC 643*). A preferential effect for a creditor may be foreseen by the company without being desired. Where a company is influenced only by "proper commercial considerations" there will be no desire to prefer and therefore no voidable preference (*Re MC Bacon Ltd (No. 1) 1990 BCLC 324*).

If the court determines that the transaction was a preference, the court has very wide powers for restoring the position to what it would have been if that preference had not been given, which could include reducing payments under the Notes and the guarantee (although there is protection for a third party who enters into a transaction in good faith and without notice). An order by the court for a preference may affect the property of, or impose any obligation on, any person whether or not he is the person to whom the preference was given, but such an order will not prejudice any interest in property which was acquired from a person other than the company in good faith and for value, or prejudice any interest deriving from such an interest, and will not require a person who received a benefit from the preference in good faith and for value to pay a sum to the liquidator or administrator of the company, except where that person was a party to the transaction constituting a preference or where the payment is to be in respect of a preference given to that person at a time when he was a creditor of the company.

Transaction defrauding creditors

Under the Insolvency Act, where it can be shown that a transaction was at an undervalue and the court is satisfied that it was made for the substantial purpose of putting assets beyond the reach of a person who is making, or may make, a claim against a company, or of otherwise prejudicing the interests of a person in relation to the claim that that person is making or may make, the transaction may be set aside by the court as a transaction defrauding creditors. This provision may be used by any person who claims to be a "victim" of the transaction (with the leave of the court if the company is in liquidation or administration) and is not therefore limited to liquidators or administrators and, subject to certain conditions, the UK Financial Conduct Authority, the UK Prudential Regulation Authority and the UK Pensions Regulator. There is no statutory time limit under English insolvency law within which the challenge must be made (subject to the normal statutory limitation periods) and the relevant company does not need to be insolvent at the time of, or as a result of, the transaction.

If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction. The relevant court order may affect the property of, or impose any obligation on, any person, whether or not he is the person with whom the transaction was entered into. However, such an order will not prejudice any interest in property which was acquired from a person other than the debtor company in good faith, for value and without notice of the relevant circumstances, and will not require a person who received a benefit from such transaction in good faith, for value and without notice of the relevant circumstances to pay any sum to the liquidator or administrator of the company unless such person was a party to the transaction.

Extortionate credit transaction

An administrator or a liquidator can apply to court to set aside an extortionate credit transaction. The court can review extortionate credit transactions entered into by a company up to three years before the day on which the company entered into administration or went into liquidation. A transaction is extortionate if, having regard to the risk accepted by the person providing the credit, the terms of it are (or were) such as to require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit or it otherwise grossly contravened ordinary principles of fair dealing. It is presumed, unless otherwise proved by the person extending the credit, that a transaction with respect to which an administrator or liquidator makes an application to set aside an extortionate credit transaction is extortionate. The court can make an order in relation to extortionate credit transactions entered into by a company up to three years before the day on which a company entered into administration or went into liquidation. That order may set aside, either in whole or in part, any obligation created by the transaction (which could include obligations of sureties). It may also vary the terms of the transaction or the terms of any security for the purposes of the transaction. The court may require any party to the transaction to repay to the liquidator or administrator sums already paid under the transaction and it may order the surrender of any security held for the purpose of the transaction. It should be noted that there are no provisions for the protection of third parties who acquire interests in the extortionate credit transaction (e.g. assignees of the benefit of the transaction from the person who provided credit under it).

Invalid floating charges

The Insolvency Act provides that, in certain circumstances, a floating charge granted by a company during the "relevant time" may be invalid in whole or in part if certain conditions are met. Nevertheless, even if a floating charge is prima facie invalid, it will be valid to the extent of the aggregate of:

(a) the value of so much of the consideration for the creation of the charge as consists of money paid, or goods or services supplied, to the company at the same time as, or after, the creation of the charge;

(b) the value of so much of that consideration as consists of the discharge or reduction, at the same time as, or after, the creation of the charge, of any debt of the company; and

(c) interest on any such amount.

Further, the power to avoid a floating charge under section 245 of the Insolvency Act is disapplied in respect of a financial collateral arrangement (as defined in the Financial Collateral Regulations).

If a floating charge is held to be wholly invalid, then it will not be possible for the holder of that charge to appoint an administrator out-of-court or through the less onerous in-court route for qualifying floating charge holders or (if the holder would otherwise have been entitled to appoint an administrative receiver but for the floating charge being held invalid), to appoint an administrative receiver. The floating charge will be invalid if the English company grants the floating charge within a period of one year (if the beneficiary is not a connected person (as defined in the Insolvency Act)) or two years (if the beneficiary is a connected person) prior to the Onset of Insolvency.

Limitation on enforcement

The grant of a guarantee or security by an English company in respect of the obligations of another company must satisfy certain legal requirements. More specifically, such a transaction must be allowed by the respective company's memorandum and articles of association. To the extent that these documents do not allow such an action, there is the risk that the grant of the guarantee and/or security can be found to be void and the respective creditor's rights unenforceable. Some comfort may be obtained for third parties if they are dealing with an English company in good faith; however, the relevant legislation is not without difficulties in its interpretation. Further, corporate benefit must be established for the company in question by virtue of entering into the proposed transaction. Section 172 of the Companies Act 2006 provides that a director of a company must act in the way that he considers, in good faith, would be most likely to promote the success of that company for the benefit of its members as a whole. If the directors enter into a transaction where there is no or insufficient commercial benefit, they may be found as abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court.

Priority of claims

One of the primary functions of liquidation (and, where the company cannot be rescued as a going concern, one of the possible functions of administration) under English law is to realize the assets of the insolvent company and to distribute the cash realizations made from those assets to its creditors. Under the Insolvency Act, creditors are placed into different classes and, with the exceptions and adjustments noted below, the proceeds from the realization of the insolvent company's property applied in descending order of priority, as set out below. With the exception of the prescribed part (see "Prescribed Part" below), distributions generally cannot be made to a class of creditors until the claims of the creditors in a prior ranking class have been repaid in full. Unless creditors have agreed otherwise, distributions are made on a pari passu basis, that is, the cash is distributed in proportion to the debts due to each creditor within a class.

The general priority of claims on insolvency is as follows (in descending order of priority):

- **First ranking**: holders of fixed charge security, who are entitled to the proceeds of those secured assets up to the value of their secured claim, and creditors with a proprietary interest in specific assets in the possession (but not full legal and beneficial ownership) of the debtor are entitled to the assets in which they have a proprietary interest;
- **Second ranking**: expenses of the insolvent estate incurred during the relevant insolvency proceedings (there is a further statutory order of priority setting out the order in which expenses are paid);
- **Third ranking**: ordinary and secondary preferential creditors. Ordinary preferential debts include (but are not limited to) debts owed by the insolvent company in relation to: (i) contributions to occupational and state pension schemes; (ii) wages and salaries of employees for work done in the four months before the insolvency date, up to a maximum of £800 per person; and (iii) holiday pay due to any employee whose contract has been terminated, whether the termination takes place before or after the insolvency date; and (d) bank and building deposits eligible for compensation under the Financial Services Compensation Scheme ("FSCS") up to the statutory limit. As between one another, ordinary preferential debts rank equally. Secondary preferential debts include (a) bank and building deposits eligible for compensation under the FSCS to the extent that claims exceed the statutory limit, and (b) from 6 April 2020, but only if the requisite legislation is passed by the UK government, claims by HMRC for taxes including VAT, PAYE income tax, employee NI contributions and Construction Industry Scheme deductions but excluding corporation tax and employers' NI contributions, and in each case rank for payment after the discharge of the ordinary preferential debts. As between one another, secondary preferential debts rank equally;
- **Fourth ranking**: holders of floating charge security to the extent of the realizations from those secured assets, according to the priority of their security. This would include any floating charge that was stated to be a fixed charge in the document that created it but which, on a proper interpretation, was rendered a

floating charge. However, before distributing asset realizations to the holders of floating charges, the Prescribed Part (as defined below) must, subject to certain exceptions, be set aside for distribution to unsecured creditors;

- **Fifth ranking**:
  - firstly, provable debts of unsecured creditors and any secured creditor to the extent of any unsecured shortfall, in each case including accrued and unpaid interest on those debts up to the date of commencement of the relevant insolvency proceedings. In the case of any unsecured shortfall for secured creditors, the insolvency officeholder can only use realizations from unsecured assets and is not permitted to make a distribution from the Prescribed Part to such secured creditors unless the Prescribed Part is sufficient to first pay out all unsecured creditors;
  - secondly, interest on the company's debts (at the higher of the applicable contractual rate and the rate determined in accordance with the Judgments Act 1838) in respect of any period after the commencement of liquidation, or after the commencement of any administration which had been converted into a distributing administration. However, in the case of interest accruing on amounts due under the Notes or the Guarantees, such interest due to the holders of the Notes may, if there are sufficient realizations from the secured assets, be discharged out of such security recoveries; and
  - thirdly, non-provable liabilities, being liabilities that do not fall within any of the categories above and therefore are only recovered in the (unusual) event that all categories above are fully paid; and
- **Sixth Ranking**: shareholders. If after the repayment of all unsecured creditors in full, any remaining funds exist, these will be distributed to the shareholders of the insolvent company.

Subject to the above order of priority, subordinated creditors are ranked according to the terms of the subordination language in the relevant documentation (and provided that such terms do not contravene the Insolvency Act).

Prescribed Part

An administrator, receiver (including administrative receiver) or liquidator of the company will generally be required to ring-fence a certain percentage of the proceeds of enforcement of assets subject to floating charge security for the benefit of unsecured creditors (after making full provision for preferential creditors and expenses out of floating charge realizations and subject to the exception for financial collateral arrangements) (the "Prescribed Part"). Under current law (the Prescribed Part was set by secondary legislation (the Insolvency Act 1986 (Prescribed Part) Order 2003)), this applies to 50% of the first £10,000 of net floating charge realizations and 20% of the remainder over £10,000, and the Prescribed Part is subject to a maximum aggregate ring-fenced fund cap of £600,000. It is the UK government's intention as per the draft Finance Bill 2019/2020 to increase this cap on the Prescribed Part to £800,000 in line with inflation although legislation to this effect has not yet been effected. The Prescribed Part must be made available to unsecured creditors unless the cost of doing so would be disproportionate to the resulting benefit to creditors. The Prescribed Part will not be available for any shortfall claims of secured creditors unless the Prescribed Part is sufficient to first pay out all unsecured creditors.

The requirement for an administrator, liquidator or receiver (including administrative receiver) to set aside a prescribed part of the company's property which is subject to a floating charge, and make it available for unsecured creditors, will not apply to any charge created or otherwise arising under a financial collateral arrangement (as described in the Financial Collateral Regulations.

Security over assets (including shares)

Security (other than by way of legal mortgage) over assets granted by an English company (including shares of an English company) are, under English law, equitable charges, not legal charges. An equitable charge arises where a chargor creates an encumbrance over the property in favor of the chargee but the chargor retains legal title to the property. Remedies in relation to equitable charges may be subject to equitable considerations or are otherwise at the discretion of the court.

Schemes of arrangement

Pursuant to Part 26 of the Companies Act 2006 the English courts have jurisdiction to sanction a scheme of arrangement that effects a compromise of a company's liabilities between a company and its creditors (or any class of its creditors) , including secured creditors, or members (or any class of them) outside of a formal insolvency process.

An English company may be able to pursue a scheme in respect of its financial liabilities.

Before the court considers the sanction of a scheme of arrangement at a hearing where the fairness and reasonableness of the scheme will be considered (the "Sanction Hearing"), the proposed compromise or arrangement must be voted on by the affected creditors or members (the convening of which is approved by the court). The affected creditors or members will vote in respect of their claims in a single class or in a number of classes, depending on the rights of such creditors that will be affected by the proposed scheme and any new rights that such creditors are given under the scheme. Classes must be comprised of those persons whose rights are not so dissimilar as to make it impossible for them to consult together with a view to their common interest. To proceed to the Sanction Hearing, the scheme must be approved by 75 percent or more in value and a majority in number of those present and voting in person or by proxy in respect of each class, irrespective of the terms and approval thresholds contained in the finance documents.

If approved by the requisite majorities at the scheme meeting(s), the scheme must then be considered by the court again at the Sanction Hearing, at which point the court will consider the fairness of scheme and whether it is reasonable. The court has the discretion as to whether to sanction the scheme as approved, make an order conditional upon modifications being made or reject the scheme. If sanctioned by the court, a scheme will be binding on each relevant class of creditors (both secured and unsecured) and members including any dissenting or abstaining party.

Recharacterization of fixed security interests

There is a possibility that a court could find that security interests expressed to be fixed charges created by the security documents governed by English law properly take effect as floating charges—this is because the description given to them as fixed charges within the security document is not determinative. Whether the purported fixed security interests will be upheld as fixed security interests rather than floating security interests will depend, among other things, on whether the secured party has the requisite degree of control over the company's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the holder of the security, in practice. Where a company is free to deal with the assets that are the subject of a purported fixed charge in its discretion and without the consent of the chargee, the court would be likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge. If a fixed security interest is recharacterized as a floating charge, this will, among other things, adversely impact the returns of the holder of the charge in an administration, liquidation or administrative receivership (see "priority on insolvency" above) and prevent the holder relying on that charge to appoint a receiver.

Financial Collateral Arrangements (No 2) Regulations 2003

The Financial Collateral Regulations, apply in respect of certain security interests granted over, and certain title transfer arrangements in, "financial collateral" (together financial collateral arrangements). Financial collateral is defined in the Financial Collateral Regulations as cash, financial instruments or credit claims. The definition of "financial instruments" includes shares in companies and debt instruments such as bonds. The definition of "credit claims" includes claims under loans made by credit institutions. The original primary purpose of the Financial Collateral Regulations was to implement Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements (OJ 2002 L168/43) in the UK. The purpose of that directive was to simplify the process of taking financial collateral across the European Union by introducing a minimum uniform legal framework.

If an arrangement qualifies as a financial collateral arrangement under the Financial Collateral Regulations certain modifications or exclusions to English insolvency law apply which remove restrictions on enforcing security, disapply provisions relating to the order of payment of creditors and prohibit avoidance by the insolvency office-holder of the financial collateral arrangement in certain situations. For example, security interests to which the Financial Collateral Regulations apply are not required to be registered as a registrable charge at Companies House, and are not subject to the statutory moratorium on enforcement of security that would otherwise apply when a company enters into administration proceedings and furthermore, the Financial Collateral Regulations enable the creditor holding the security interest to appropriate (i.e. to become the absolute legal owner of) the financial collateral to which the security interests applies without the need for a court order provided the security interests have become enforceable in accordance with their terms and provided the creditor has been granted the power to appropriate in the relevant contract.

Account banks' right to set-off

With respect to any English law charges over cash deposits (each an "Account Charge") granted by a company over any of its bank accounts, the banks with which some of those accounts are held (each an "Account Bank") may have reserved their right at any time (whether prior to or upon a crystallization event under the Account Charge) to exercise the rights of netting or set-off to which they are entitled under their cash pooling or other arrangements with that English company. As a result, and if the security granted over those accounts is merely a floating (rather than fixed) charge, the collateral constituted by those bank accounts will typically be subject to the relevant Account Bank's netting and set-off rights with respect to the bank accounts charged under the relevant Account Charge. Once the floating charge has crystallized and converted into a fixed charge (as typically would occur on enforcement or the occurrence of certain insolvency events with respect to an English company) and the Account Bank has been formally notified of that fact, the collateral will no longer be subject to the relevant Account Bank's netting and set-off rights, since the Account Bank will only be entitled to exercise its netting and set-off rights while the bank accounts are subject only to floating security, except where account banks have expressly reserved set-off rights in such circumstances.

The liens over the collateral securing the Notes could be released in certain circumstances without the consent of the holders of the Notes.

The Indenture and the Intercreditor Agreement provide that the Security Agent is authorized to release the liens over the collateral and, in the case of the collateral consisting of shares in the capital of the Issuer or a Subsidiary Guarantor, the guarantee of the Notes provided by the relevant Subsidiary Guarantor, in certain circumstances, including in connection with the disposal of an asset:

- where such disposal is permitted under the Indenture;
- in connection with the enforcement of the collateral in accordance with the Intercreditor Agreement; and
- upon the designation of such Subsidiary Guarantor as an Unrestricted Subsidiary.

See "*Description of Certain Financing Arrangements—Intercreditor Agreement—Release of Security and Guarantees*," "*Description of Notes—Note Guarantees*" and "*Description of Notes—Security—Release*."

As a result, the collateral securing the Notes may be reduced which may adversely affect the interests of the holders of the Notes.

We may become subject to the Investment Company Act.

Finance businesses are potentially subject to registration and regulation as "investment companies" under the U.S. Investment Company Act of 1940. This is in part because loans on the books of such a business may be deemed to be "investment securities," which, in turn, can characterize the business as an investment company. Operation of a business that is required to be registered as an "investment company" under the U.S. Investment Company Act of 1940, but is not so registered, presents a variety of risks including the potential for regulatory fines, actions that could be taken to dissolve the business, disqualification of contracts, and the like. We do not believe that any of the Issuer or the Guarantors is required to be so registered. If that were to change, material modifications to our business would be needed either to come into compliance with the applicable regulations or to seek to avoid registration.

You may be unable to serve process on us or our directors and officers in the United States and enforce U.S. judgments based on the Notes.

The Issuer is a public limited company incorporated under the laws of England and Wales, and each of the Guarantors is a private limited company incorporated under the laws of England and Wales. All the directors and executive officers of the Issuer and the Guarantors live outside the United States. All the assets of the directors and executive officers of the Issuer and of the Guarantors are located outside the United States. As a result, it may not be possible for you to serve process on such persons, the Issuer or the Guarantors in the United States or to enforce judgments obtained in U.S. courts against them or the Issuer based on civil liability provisions of the securities laws of the United States.

The United States and England currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in England. In order to enforce any such U.S. judgment in England, proceedings must first be initiated before a court of competent jurisdiction in England. In such an action, the English court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by an English court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to English conflicts of laws principles;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a debt for a definite sum of money;
- the U.S. judgment not contravening English public policy;
- the U.S. judgment not being for a sum payable in respect of tax, or other charges of a like nature in respect of a penalty or fine;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of Section 5 of the Protection of Trading Interests Act 1980;
- the U.S. judgment not having been obtained by fraud or in breach of English principles of natural justice;
- there not having been a prior inconsistent decision of an English court between the same parties; and
- the English enforcement proceedings being commenced within six years from the date of the U.S. judgment.

Only subject to the foregoing may investors be able to enforce in England judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. Notwithstanding, we cannot assure you that those judgments will be recognized or enforceable in England. In addition, we cannot assure you whether an English court would accept jurisdiction and impose civil liability if the original action was commenced in England, instead of the United States, and predicated solely upon U.S. federal securities laws.

An active trading market may not develop for the Notes.

Although we will make an application to list the Notes on the Official List of the Irish Stock Exchange, we cannot assure you that the Notes will become or will remain listed. In addition, we cannot assure you as to the liquidity of any market that may develop for the Notes, the ability of holders of the Notes to sell them or the price at which the holders of the Notes may be able to sell them. Although no assurance is made as to the liquidity of the Notes as a result of the listing on the Official List of the Irish Stock Exchange, failure to be approved for listing or the delisting of the Notes, as applicable, from the Official List of the Irish Stock Exchange may have a material effect on a holder's ability to resell the Notes in the secondary market. Any market for the Notes will likely be subject to similar disruptions.

The liquidity of any market for the Notes will depend on the number of holders of the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our own financial condition, performance and prospects, as well as recommendations by securities analysts. Historically, the market for non-investment grade debt, such as the Notes, has been subject to disruptions that have caused substantial price volatility. We cannot assure you that if a market for the Notes were to develop, such a market would not be subject to similar disruptions. We have been informed by the initial purchasers that they intend to make a market for the Notes. Nevertheless, the initial purchasers are not obligated to do so and may cease their market making activity at any time without notice. In addition, such market making activity will be subject to limitations imposed by the U.S. Securities Act and other applicable laws and regulations. As a result, we cannot assure you that an active trading market for the Notes will develop or, if one does develop, that it will be maintained.

The transferability of the Notes may be limited under applicable securities laws.

The Notes and the guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or any other jurisdiction and, unless so registered, may not be offered or sold, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and the applicable securities laws of any state or any other jurisdiction. See "*Notice to Investors.*" It is the obligation of holders of the Notes to ensure that their offers and sales of the Notes within the United States and other countries comply with applicable securities laws.

The Notes will initially be held in book-entry form and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

Unless and until definitive Notes are issued in exchange for book-entry interests in the Notes (which will only occur in very limited circumstances), owners of the book-entry interests will not be considered owners or holders of Notes. The common depositary (or its nominee) for the accounts of Euroclear and Clearstream will be the registered holder of any Notes. After payment to the common depositary, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear or Clearstream and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder under the Indenture. See "*Book-Entry, Delivery and Form.*"

Unlike holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents or requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear or Clearstream or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear or Clearstream. We cannot assure you that the procedures to be implemented through Euroclear or Clearstream will be adequate to ensure the timely exercise of rights under the Notes. See "*Book-Entry, Delivery and Form.*"

Investors in the Notes may have limited recourse against the independent auditors.

See "*Independent Auditor*" for a description of the reports of the independent auditor of Together Financial Services, Deloitte LLP, on the consolidated financial statements of Together Financial Services. In accordance with guidance issued by The Institute of Chartered Accountants in England and Wales, the independent auditor's reports state that: they were made solely to the members of Together Financial Services as a body in accordance with Chapter 3 of Part 16 of the Companies Act of 2006; the independent auditor's work was undertaken so that the independent auditor might state to the members of Together Financial Services those matters that were required to be stated to them in an auditor's report and for no other purpose; and, to the fullest extent permitted by law, the independent auditor does not accept or assume responsibility to anyone other than Together Financial Services and its members as a body for its audit work or the opinions it has formed. The independent auditor's reports for the years ended June 30, 2017, 2018 and 2019 were unqualified. The independent auditor's reports for Together Financial Services for the years ended June 30, 2017, 2018 and 2019 are included on pages F-150, F-106, and F-48, respectively, of this offering memorandum.

Investors in the Notes should understand that in making these statements, the independent auditor confirmed that it does not accept or assume any liability to parties (such as the purchasers of the Notes) other than to us and our members as a body with respect to the reports and to the independent auditor's audit work and opinions. The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the U.S. Securities Act or in a report filed under the U.S. Exchange Act. If a U.S. court (or any other court) were to give effect to such limiting language, the recourse that investors in the Notes may have against the independent auditor based on its report or the consolidated financial statements to which it relates could be limited.

USE OF PROCEEDS

The gross proceeds from the offering of the Notes are expected to be £435.0 million. Such proceeds will be used as set forth in the table below. Actual amounts may vary from expected amounts depending on several factors, including the Issue Date and differences between estimated and actual fees and expenses.

Sources of funds	Amount	Uses of funds	Amount
	(£ in millions)		(£ in millions)
Gross proceeds from the Offering(1)	435.0	Repayment of the 2021 Notes(2)	375.0
		Repayment of amounts drawn under the Revolving Credit Facility(3)	35.0
		General corporate purposes	5.6
		Redemption costs(4)	15.4
		Estimated fees and expenses(5)	4.0
Total Sources	**435.0**	**Total Uses**	**435.0**

(1) Represents the gross proceeds from the offering of the Notes.

(2) Represents the estimated total costs of redeeming the £375.0 million 2021 Notes outstanding (excluding payment of accrued and unpaid interest since the last interest payment date to their date of redemption).

(3) Represents the repayment of £35.0 million drawn and outstanding under the Revolving Credit Facility. Following September 30, 2019, the Company repaid £20.0 million of the £55.0 million drawn under the Revolving Credit Facility as of such date. As a result, we expect the Revolving Credit Facility to be undrawn after this repayment using the proceeds from the Offering. No commitments under our Revolving Credit Facility will be cancelled in connection with this repayment.

(4) Represents the optional redemption call premium of 1.56% for the entire aggregate principal amount of the 2021 Notes and £9.5 million of accrued and unpaid interest in respect of the 2021 Notes from their last interest payment date to their date of redemption.

(5) Represents estimated fees and transaction costs associated with the Offering, including financial advisory, professional and initial purchasers' fees and other transaction costs, which will comprise unamortized debt issuance costs and will be capitalized and amortized over the life of the Notes.

CAPITALIZATION

The following table sets forth our consolidated available cash and capitalization as of September 30, 2019 on a historical consolidated basis and on an adjusted basis to give *pro forma* effect to the Offering. The table does not does not give effect to the establishment of the TABS 3 Securitization or the most recent amendments to the LABS Securitization, each of which occurred after September 30, 2019. See "*Summary—Recent Developments.*"

The historical information has been derived from the unaudited consolidated interim financial statements of the Company as of and for the three months ended September 30, 2019, which are included elsewhere in this offering memorandum. The as adjusted information below is presented for illustrative purposes only and does not purport to be indicative of our cash and cash equivalents or our capitalization following the completion of the Offering. You should read the following table in conjunction with "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Description of Certain Financing Arrangements*" and our consolidated financial statements and the notes thereto. Except as set forth in the table and footnotes below, there have been no other material changes in our capitalization since September 30, 2019.

	As of September 30, 2019		
	Actual	**Adjustments**	**As adjusted**
		(£ in millions)	
Cash and cash equivalents[(1)]			
Unrestricted cash[(2)]	16.9	5.6	22.5
Restricted cash[(2)]	74.7	—	74.7
Total cash	**91.6**	**5.6**	**97.2**
Debt, including current portion:[(3)]:			
CABS Securitization[(4)]	1,247.2	—	1,247.2
LABS Securitization[(5)]	199.4	—	199.4
DABS 2 Securitization[(6)]	175.0	—	175.0
TABS 1 Securitization[(7)]	145.7	—	145.7
TABS 2 Securitization[(8)]	216.7	—	216.7
HABS Securitization[(9)]	375.0	—	375.0
Revolving Credit Facility[(10)]	55.0	(35.0)	20.0
2021 Notes[(11)]	375.0	(375.0)	—
2024 Notes[(12)]	350.0	—	350.0
Notes offered hereby[(13)]	—	435.0	435.0
Total debt[(14)]	**3,139.0**	**25.0**	**3,164.0**
Subordinated Shareholder Funding[(15)]	27.7	—	27.7
Total Equity	787.2	—	787.2
Total Shareholders' Funds[(16)]	814.9	—	814.9
Total capitalization	**3,953.8**	**25.0**	**3,978.8**

(1) Cash and cash equivalents within our consolidated statement of financial position as of September 30, 2019 includes cash held by the Securitization Vehicles. Such cash held by the Securitization Vehicles is reported as restricted cash within our consolidated statement of financial position of £74.7 million. As of September 30, 2019, such restricted cash included £9.2 million of cash accessible by the group subject to meeting the relevant Securitization borrower base requirements. Cash and cash equivalents does not reflect cash generated from operations since September 30, 2019. As of December 31, 2019, we had £136.3 million cash and cash equivalents including £113.8 million of restricted cash being cash held by the Securitization Vehicles. As adjusted cash and cash equivalents does not reflect the effect of the establishment of the TABS 3 Securitization or the most recent amendments to the LABS Securitization. Giving net effect to such transactions as if they had occurred on September 30, 2019 would result in an increase in unrestricted cash of £32.9 million and an increase in restricted cash of £4.3 million. See "*Summary—Recent Developments.*"

(2) Unrestricted cash adjustments reflect the use of £5.6 million of unrestricted cash raised in connection with the Offering to be used for general corporate purposes and does not give effect to the establishment of the TABS 3 Securitization or the most recent amendments to the LABS Securitization, each of which occurred after September 30, 2019. See "*Use of Proceeds.*"

(3) Amounts exclude £350.0 million aggregate principal amount of PIK Notes issued by the PIK Notes Issuer. Debt also excludes obligations under finance leases, including leases recognized following the adoption of IFRS 16, which, in total, represented £10.5 million of borrowings. As adjusted total debt does not give effect to the TABS 3 Securitization established on October 10, 2019, pursuant to which an aggregate amount of Rated TABS 3 Notes of £315.4 million was issued. See "*Description of Certain Financing Arrangements—Securitizations.*"

(4) Total notes outstanding under the note issuance facility under the CABS Securitization as of September 30, 2019 was £1,247.2 million. The as adjusted amount outstanding under the CABS Securitization does not give effect to the impact of the TABS 3 Securitization (established on October 10, 2019). See "*Description of Certain Financing Arrangements—Securitizations.*" After giving net effect to

such transaction, as if it had occurred on September 30, 2019, the debt outstanding under the CABS Securitization would have been £948.3 million. The amount in the table also excludes £206.9 million of further notes issued under the CABS Securitization note issuance facility after September 30, 2019 (excluding the reduction of £298.8 million notes following the establishment of the TABS 3 Securitization) used to underwrite new loans and for general corporate purposes.

(5) Total notes outstanding under the note issuance facility under the LABS Securitization as of September 30, 2019 was £199.4 million. See "*Description of Certain Financing Arrangements—Securitizations*." The as adjusted amount outstanding under the LABS Securitization does not give effect to the amendments to this securitization that occurred on October 30, 2019. After giving net effect to these amendments as if they had occurred on September 30, 2019, total notes outstanding under the LABS Securitization would have been £220.0 million. The amount in the table excludes £105.0 million of notes issued under the LABS Securitization note issuance facility after September 30, 2019 (which excludes an increase of £20.6 million principal amount following the most recent amendments to the LABS Securitization on October 30, 2019) used to underwrite new loans and for general corporate purposes.

(6) Total notes outstanding under the note issuance facility under the DABS 2 Securitization as of September 30, 2019 was £175.0 million. See "*Description of Certain Financing Arrangements—Securitizations*." The amount in the table excludes £15.0 million of notes issued under the DABS 2 Securitization note issuance facility after September 30, 2019 used to underwrite new loans and for general corporate purposes.

(7) The aggregate amount of Rated TABS 1 Notes outstanding as of September 30, 2019 was £142.5 million, which is stated prior to the allocation of £3.3 million cash receipts attributable to the TABS 1 Securitization noteholders that is included within restricted cash. See "*Description of Certain Financing Arrangements—Securitizations*."

(8) The aggregate amount of Rated TABS 2 Notes outstanding as of September 30, 2019 was £211.6 million, which is stated prior to the allocation of £5.1 million cash receipts attributable to the TABS 2 Securitization noteholders that is included within restricted cash. See "*Description of Certain Financing Arrangements—Securitizations*."

(9) Total notes outstanding under the note issuance facility under the HABS Securitization as of September 30, 2019 was £375.0 million. See "*Description of Certain Financing Arrangements—Securitizations*." This amount excludes £40.0 million of notes issued under the HABS Securitization note issuance facility after September 30, 2019 used to underwrite new loans and for general corporate purposes.

(10) The total commitments available under the Revolving Credit Facility are £71.9 million, of which £55.0 million was drawn as of September 30, 2019. The adjustment to the Revolving Credit Facility represents the repayment of amounts drawn under this facility using proceeds from the Offering. See "*Use of Proceeds.*" Following the repayment, we expect the Revolving Credit Facility to be undrawn. The amounts presented in the actual and as adjusted columns of the table exclude a £20.0 million reduction of amounts drawn under the Revolving Credit Facility after September 30, 2019.

(11) Represents the £375.0 million Senior Secured Notes due 2021 issued as part of the 2016 Refinancing, which will be redeemed as part of the Refinancing.

(12) Represents the £200.0 million 2024 Original Notes issued in February 2017 and the £150.0 million of 2024 Additional Notes issued in January 2018 and is stated excluding the issue premium in respect of the 2024 Additional Notes.

(13) Represents the aggregate principal amount of the Notes without giving effect to any debt issuance costs, which we would expect to amortize over the duration of the Notes. See "*Use of Proceeds*."

(14) The balance of borrowings reflected on our consolidated statement of financial position as of September 30, 2019 was £3,164.8 million, which includes the carrying value of Subordinated Shareholder Funding of £27.6 million, obligations under finance leases of £10.5 million (including the impact of adopting IFRS 16 from July 1, 2019), £1.6 million of unamortized issue premium in respect of the 2024 Additional Notes and is net of unamortized debt issuance costs of £11.3 million.

(15) Represents the carrying value of the Subordinated Shareholder Funding incurred in connection with the Exit Transactions. See "*Description of Certain Financing Arrangements—Subordinated Shareholder Funding*" and "*Related Party Transactions—Subordinated Shareholder Funding*."

(16) Total Shareholders' Funds represents total equity together with Subordinated Shareholder Funding of £27.6 million, which is included in borrowings in our consolidated statement of financial position as of September 30, 2019. Total Shareholders' Funds as adjusted does not reflect an increase in Shareholders' Funds as a result of retained reserves since September 30, 2019 and does not reflect the write off of debt issuance costs, redemption costs or accrued interest since September 30, 2019 as a result of the Refinancing.

SELECTED HISTORICAL FINANCIAL INFORMATION

The selected financial data presented below as of and for the years ended June 30, 2017, 2018 and 2019 has been derived from the audited annual consolidated financial statements of the Company, prepared in accordance with IFRS and included elsewhere in this offering memorandum. The statement of financial position data as of June 30, 2018 was derived from the comparative financial information presented in the annual consolidated financial statements of the Company as of and for the year ended June 30, 2019, restated therein to reflect a change of reclassification of restricted cash (cash held by the Securitization Vehicles) from borrowings to cash and cash equivalents.

The selected financial data presented below as of and for the three months ended September 30, 2018 and 2019 have been derived from the unaudited consolidated interim financial statements of Together Financial Services as of and for the three months ended September 30, 2019, which in each case were prepared in accordance with the International Accounting Standard 34, Interim Financial Reporting, as adopted by the EU, and are included elsewhere in this offering memorandum. The selected financial data presented as of and for the three months ended September 30, 2019 (but not the selected financial data presented as of and for the three months ended September 30, 2018) includes the impact of adopting IFRS 16, which came into effect on July 1, 2019 for the Company.

The summary financial information for Together Financial Services for the twelve months ended September 30, 2019 has been calculated by adding together (1) the audited consolidated financial information for the full year ended June 30, 2019, and (2) the unaudited consolidated interim financial information for the three months ended September 30, 2019, and then subtracting (3) the unaudited consolidated interim financial information for the three months ended September 30, 2018.

The financial information for the twelve months ended September 30, 2019 has been prepared for illustrative purposes only and is not necessarily representative of our results of operations for any future period or our financial condition at any future date and is not prepared in the ordinary course of our financial reporting. In particular, the results of operations for the three months ended September 30, 2019 include the impact of IFRS 16, which amounted to a positive impact to EBITDA and Adjusted EBITDA of £0.3 million respectively for the three months ended September 30, 2019.

Financial information presented herein for periods prior to July 1, 2019 has not been adjusted to reflect the estimated impact of IFRS 16 as if such standard had applied during such prior periods. As a result, the financial information as of and for the three months ended September 30, 2019 is not directly comparable to the financial information for prior periods. Accordingly, financial information for the twelve months ended September 30, 2019 has been calculated by using financial information that has not been prepared on a consistent basis.

	For the year ended June 30,			For the three months ended September 30,		For the twelve months ended September 30,
	2017	2018	2019	2018	2019	2019
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)	(unaudited)
				(£ in millions)		
Statement of comprehensive income:						
Continuing operations:						
Interest receivable and similar income	246.5	292.2	343.1	82.2	92.5	353.4
Interest payable and similar charges	(88.8)	(92.8)	(116.8)	(28.4)	(31.8)	(120.2)
Net interest income	**157.7**	**199.4**	**226.3**	**53.8**	**60.7**	**233.3**
Fees and commission income	4.2	4.7	4.4	1.0	1.1	4.5
Fees and commission expense	(2.1)	(2.1)	(2.3)	(0.4)	(0.6)	(2.4)
Other income	0.1	0.4	0.1	0.0	(0.3)	(0.2)
Operating Income	**159.9**	**202.4**	**228.5**	**54.4**	**60.9**	**235.1**
Administrative expenses (excluding depreciation and amortization)	(56.2)	(64.6)	(78.4)	(18.7)	(22.6)	(82.3)
Depreciation and amortization	(2.2)	(4.7)	(4.4)	(1.0)	(1.3)	(4.8)
Operating profit	**101.5**	**133.1**	**145.7**	**34.7**	**37.0**	**148.0**
Impairment losses	(7.4)	(11.4)	(15.4)	(4.3)	(5.5)	(16.6)
Profit before taxation	**94.1**	**121.7**	**130.3**	**30.4**	**31.5**	**131.4**
Income tax	(15.9)	(15.3)	(18.6)	(3.4)	(4.4)	(19.7)
Profit after taxation	**78.2**	**106.4**	**111.7**	**27.0**	**27.1**	**111.7**

	As of June 30,			As of September 30,	
	2017	2018	2019	2018	2019
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	(£ in millions)				
Statement of financial position:					
***Assets*:**					
Cash and cash equivalents[(1)]	17.3	74.3	120.2	87.1	91.6
Loans and advances to customers	2,240.9	2,958.2	3,694.5	3,011.4	3,878.4
Derivative assets held for risk management	—	—	0.1	—	—
Inventories	0.9	0.6	0.6	0.6	0.6
Other assets	4.4	4.3	4.8	4.1	4.9
Investments	0.1	0.1	0.1	0.1	0.1
Property, plant and equipment	4.4	6.3	5.4	6.4	13.6
Intangible assets	5.7	8.3	8.8	8.6	9.1
Deferred tax asset	2.4	1.4	7.5	7.6	7.8
Total assets	**2,276.1**	**3,053.5**	**3,842.0**	**3,125.9**	**4,006.1**
Liabilities					
Borrowings	1,602.9	2,291.1	3,015.7	2,388.2	3,164.8
Derivative liabilities held for risk management	—	—	—	—	1.6
Other liabilities[(2)]	37.5	44.2	54.8	35.4	40.9
Provisions for liabilities and charges[(2)]	—	—	—	3.6	8.9
Current tax liabilities	7.3	6.3	8.7	5.5	2.6
Total liabilities	**1,647.7**	**2,341.6**	**3,079.2**	**2,432.7**	**3,218.8**
Equity:					
Share capital	9.8	9.8	9.8	9.8	9.8
Share premium account	17.5	17.5	17.5	17.5	17.5
Merger reserve	(9.6)	(9.6)	(9.6)	(9.6)	(9.6)
Capital redemption reserve	1.3	1.3	1.3	1.3	1.3
Subordinated Shareholder Funding reserve	44.9	43.0	41.0	42.5	40.5
Share-based payment reserve	1.6	1.6	1.6	1.6	1.6
Cashflow-hedging reserve	—	—	—	—	(1.3)
Cost of hedging reserve	—	—	(0.2)	—	(0.2)
Retained earnings	562.9	648.3	701.4	630.1	727.7
Total equity	**628.4**	**711.9**	**762.8**	**693.2**	**787.3**
Total equity and liabilities	**2,276.1**	**3,053.3**	**3,842.0**	**3,125.9**	**4,006.1**

	For the year ended June 30,			For the three months ended September 30,		For the twelve months ended September 30,
	2017	2018	2019	2018	2019	2019
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)	
				(£ in millions)		
Statement of cash flows:						
Net cash outflow from operating activities	(356.2)	(598.4)	(633.3)	(57.5)	(164.3)	(740.1)
Net cash outflow from investing activities	(3.3)	(9.1)	(4.1)	(1.4)	(1.3)	(4.0)
Net cash inflow from financing activities(3)	376.3	590.2	683.3	71.7	137.0	748.6
Net (decrease) / increase in cash and cash equivalents(3)	**16.8**	**(17.3)**	**45.9**	**12.8**	**(28.6)**	**4.5**

(1) Cash and cash equivalents have increased due to a reclassification pursuant to which we include cash held by the Securitization Vehicles as part of cash and cash equivalents within our consolidated statement of financial position as of June 30, 2019 with the prior year as of June 30, 2018 also adjusted within our annual consolidated financial statements as of and for the year ended June 30, 2019 and presented within this offering memorandum. Such reclassification is also reflected in our consolidated statement of financial position as of September 30, 2019, with the prior year comparable as of September 30, 2018, also adjusted within our unaudited consolidated interim financial statements as of and for the three months ended September 30, 2019. As of June 30, 2017, such cash held by Securitization Vehicles of £72.1 million is net against borrowings within our consolidated statement of financial position. As of June 30, 2018, the restricted cash, which is cash held by the Securitization Vehicles, was £74.3 million and unrestricted cash was £nil. As of June 30, 2019 and as of September 30, 2018 and 2019, the restricted cash, which is cash held by the Securitization Vehicles was £97.6 million, £63.0 million and £74.7 million, respectively, and unrestricted cash was £22.6 million, £24.1 million and £16.9 million, respectively. As such, the presentation of such data as of June 30, 2017 within our consolidated statement of financial position is not presented on a consistent basis to, and is not comparable with, that as of June 30, 2018 and June 30, 2019 and as of September 30, 2018 and September 30, 2019. Cash and cash equivalents as of June 30, 2017 would have been £89.4 million if they had been reclassified and presented on a consistent basis with such subsequent periods.

(2) For the years ended June 30, 2017, June 30, 2018 and June 30, 2019, Other liabilities included Provisions for liabilities and charges of £2.2 million, £3.4 million and £4.3 million, respectively. These provisions are reported as a separate category within the unaudited consolidated financial statements as of and for the three months ended September 30, 2019, including for the prior year comparable as of September 30, 2018 contained herein.

(3) Net (decrease) / increase in cash and cash equivalents for the year ended June 30, 2019, three months ended September 30, 2018 and September 2019 respectively, and twelve months ended September 30, 2019 presented above, are not directly comparable with Net (decrease) / increase in cash and cash equivalents for the years ended June 30, 2017 and June 30, 2018 as they also include movements in restricted cash being cash held by the Securitization Vehicles. For the years ended June 30, 2017 and June 30, 2018 such movements in restricted cash were included within Net cash inflow from financing activities. As a result in the change of reclassification, the prior year within the statement of cash flows presented within the annual audited consolidated financial statements as of and for the year ended June 30, 2019 of the Company therefore differs to both that within the audited consolidated financial statements of the Company as of and for year ended June 30, 2018 and as presented above.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of the results of operations and financial condition of Together Financial Services as of and for the years ended June 30, 2017, 2018 and 2019, based on the audited consolidated financial statements of Together Financial Services and its consolidated subsidiaries, in each case prepared in accordance with IFRS, and as of and for the three months ended September 30, 2019, based on unaudited consolidated interim financial statements of Together Financial Services and its subsidiaries, prepared in accordance with IAS 34 included elsewhere in this offering memorandum.

The following discussion and analysis should be read in conjunction with our consolidated financial statements and the notes thereto included elsewhere in this offering memorandum. The following discussion contains certain forward-looking statements that reflect our plans, estimates and beliefs. Our results of operations could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this offering memorandum, including the section entitled "Risk Factors."

Overview

We are one of UK's leading specialist mortgage and secured loans providers by loan book size, established in 1974, and have successfully operated throughout our 45 year history. We pride ourselves on bringing common sense to lending by helping individuals, families and businesses achieve their ambitions in a world that has changed when traditional lending has not.

We focus on low loan-to-value 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 September 30, 2019, 66.0% are secured by residential properties, with the balance secured by commercial and semi-commercial properties, all within the United Kingdom. We specialize in offering individually underwritten loans supported by an effective service proposition, thereby minimizing competition from mainstream lenders (including high street banks) and other lenders. We offer our loans through one consistent brand, "Together", and distribute them primarily through mortgage intermediaries, our professional network and auction houses, each across the United Kingdom, and through our direct sales teams. We underwrite and service all our loans in-house, primarily incorporating manual underwriting to determine the credit decisions supported by automated processing tools with well-developed loan administration and collection processes. In the twelve months ended September 30, 2019, we had Underlying profit before taxation of £134.4 million and generated Underlying EBITDA of £259.4 million. In the twelve months ended September 30, 2019, we advanced £2,098.7 million of new lending, and as of September 30, 2019, we had Shareholders' Funds of £814.9 million. As of September 30, 2019, our total loan assets were £3,878.4 million. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Loan Analysis*."

As of September 30, 2019, 32.0% of our loan portfolio was classified as retail purpose, 62.8% of our loan portfolio was classified as commercial purpose and 5.2% of our loan portfolio was classified as development funding, calculated by value. We classify mortgages as retail purpose lending when the mortgage is regulated by the Financial Conduct Authority ("FCA") as well as certain loans written prior to the introduction of the relevant regulation which we consider would have been subject to regulation if underwritten under the current regulatory framework. Retail purpose loans include loans for purchasing a new home (including "chain breaks," which are loans used by customers looking to purchase a new home ahead of completing the sale of their existing home), making home improvements, debt consolidation and large personal purchases and since March 2016 also includes "consumer buy-to-let" loans ("CBTL") written after this date. Our retail purpose loans also include regulated bridging loans. 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. Such loans could include, in order to lease a property ("buy-to-let" but excluding CBTL), raising capital against a property including for general business use or to renovate a property, or to bridge a transaction against a property (but excluding regulated bridging loans). Commercial purpose loans are currently unregulated. Our classification of a mortgage as either retail or commercial purpose is unrelated to the collateral securing it. 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. As of September 30, 2019, 100% of our retail purpose loans and 50.0% of our commercial purpose loans (including development loans) were secured by residential property.

Our underwriting process consists of a detailed and individualized credit, affordability and/or repayment assessment, as well as a security assessment which typically includes an independent valuation, which we believe provides us with a thorough understanding of each loan application. In the underwriting process, we primarily focus on affordability, being the ability of the loan applicant to make loan payments in line with agreed terms ("affordability"), the repayment strategy where the loan will not be repaid from installments 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 authorization controls, a staff training and competency program and quality assurance sampling procedures. This is supported by a formal Enterprise Risk Management Framework, which includes conducting internal, risk and compliance audits as well as a formal committee structure to agree on policy decisions, setting risk appetites and monitoring credit quality. Additionally, external loan asset audits have been conducted annually, pursuant to the terms of certain of our financing arrangements.

Our key underwriting metrics remained fairly consistent as of and for the twelve months ended September 30, 2019, with the LTVs of our loan portfolio on a weighted average indexed basis as of September 30, 2019 at 55.0% (compared with 54.3% as of June 30, 2019, 55.3% as of June 30, 2018 and 53.4% as of June 30, 2017), and the origination LTV on a weighted average basis of new loans underwritten by us for the twelve months ended September 30, 2019 at 58.0% (compared with 58.0% for the year ended June 30, 2019, 58.0% for the year ended June 30, 2018 and 57.1% for the year ended June 30, 2017). As of September 30, 2019, 97.1% of our total loan portfolio and 91.7% of the Borrower Group loan portfolio, calculated by value, consisted of loans with LTVs at origination equal to or less than 80.0%. This fundamental, long-standing principle of our group has provided us with significant protection in times of falling property prices and economic downturns, thereby minimizing our levels of provisions and losses. For the years ended June 30, 2017 and 2018 impairment losses under IAS39 amounted to £7.4 million and £11.4 million respectively, and for the year ended June 30, 2019 and twelve months ended September 30, 2019, impairment losses under IFRS 9 amounted to £15.4 million and £16.6 million respectively, representing on an annualized basis only 0.37%, 0.44%, 0.46% and 0.48%, respectively, of our average total loan assets for each period.

We have historically generally reinvested our profits in our business (other than dividends used to service the interest on the PIK Notes), increasing our reserves and providing a separate equity buffer to our lenders in addition to the protection afforded by the low weighted averaged indexed LTV of our loan portfolio. The ratio of our net senior secured borrowings (including our Securitizations) to total loan assets was 78.6% as of September 30, 2019. The ratio of net senior secured borrowings to value of total underlying security, which is calculated as the LTV of our loan portfolio on a weighted average indexed basis multiplied by the ratio of net senior secured borrowings to total loan assets, was 43.2% as of September 30, 2019.

Retail Purpose Lending

As of September 30, 2019, retail purpose loans comprised 32.0% of our loan portfolio, calculated by value, with a weighted average indexed LTV of 50.1% and a weighted average nominal rate of 7.5%, substantially all of which were secured by residential property. We lend to customers with a wide range of residential properties which can also include non-standard property types, such as timber-framed properties, thatched cottages and high-rise flats. Our retail purpose loans consist of first lien loans, which are secured by first priority liens on the collateral property, the proceeds from which are typically used by borrowers to purchase the property or to refinance an existing loan that is secured by a first priority lien on the property but can also be used for a variety of other purposes, and second lien loans, which are secured by liens on the collateral property that are junior in priority of payment to first lien loans, the proceeds from which are used by borrowers for a variety of purposes. We offer retail purpose loans under the "Together" brand through our subsidiary, Together Personal Finance Limited ("TPFL," formerly Cheshire Mortgage Corporation Limited), which has full regulatory permissions to offer first charge and second charge mortgages to retail customers. Until March 21, 2016, we also offered second lien mortgages through our subsidiary Blemain Finance Limited ("BFL"), which will continue managing its existing loan portfolio. From March 21, 2016, any new CBTL mortgages are classified as retail purpose loans (included within retail first lien and second lien loan categories, as applicable). As of September 30, 2019, CBTL mortgages represented £75.0 million, being 6.0% of our retail purpose loans or 1.9% of our total loan portfolio. Our retail purpose loans also include regulated bridging loans (included within retail first lien and second lien loan categories, as applicable) which were introduced in February 2016 and which have steadily grown in volume over recent periods to represent £168.1 million, 13.6% of our retail purpose loans or 4.3% of our total loan portfolio as of September 30, 2019. First lien and second lien loans (including CBTL and regulated bridging loans as applicable) represented 52.4% and 47.6% of our retail purpose loans, respectively, calculated by value as of September 30, 2019. Our retail purpose loans are distributed primarily through an established network of mortgage intermediaries, with a small portion sold directly to customers. In the year ended June 30, 2019, we distributed 92.1% of our retail purpose loans through our established network of mortgage intermediaries, with the remainder being distributed through direct channels. The assets securing our retail purpose loans are located across England, Scotland, Wales and, to a small extent (for loans originated prior to April 2009), Northern Ireland.

Commercial Purpose Lending

As of September 30, 2019, commercial purpose loans comprised 62.8% of our loan portfolio, calculated by value, with a weighted average indexed LTV of 56.3% and a weighted average nominal rate of 8.9%, 35.7% of which are BTL+ loans, 25.6% of which are commercial term loans and 38.7% of which are unregulated bridging loans, calculated by value of the total loan portfolio. Our unregulated bridging loans, defined as having original maturities of up to 24 months, are secured by property, of which 44.5% is residential and 55.5% is commercial and semi-commercial property. BTL+ loans are secured on residential property, which includes our buy-to-let lending activity (excluding CBTL but including loans underwritten prior to March 2016 that could have been categorized as CBTL had they been originated after March 2016), but including first-time landlords and portfolio landlords, as well as certain other types of lending, which is unregulated by virtue of certain business exemptions being applicable. Our commercial term loans are 100% secured on commercial and semi-commercial property. Our Commercial purpose loans primarily consist of first and second lien loans, which represented 65.4% and 34.6% of our BTL+ loans, respectively, 94.6% and 5.4% of our commercial term loans, respectively, and 86.7% and 13.3% of our unregulated bridging loans, respectively, calculated by value as of September 30, 2019. We offer commercial purpose loans under the "Together" brand through our subsidiary Together Commercial Finance Limited ("TCFL," formerly Lancashire Mortgage Corporation Limited). Historically, we also offered commercial purposes loans through our subsidiaries, Auction Finance Limited ("AFL"), Bridging Finance Limited ("BDFL") and Harpmanor Limited ("HARPL"). In April 2017, we consolidated the distribution of commercial purpose loans into TCFL. Each of AFL, BDFL and HARPL will continue to manage their respective existing loan portfolios, although such entities will no longer distribute commercial purpose loans.

In the year ended June 30, 2019, we distributed 53.3% of our unregulated bridging loans through direct channels which consist of, *inter alios*, our network of professionals (including lawyers, accountants, bankers, surveyors and wealth managers), our repeat customer base and our direct sales teams and we distributed 46.7% of our unregulated bridging loans through our established network of mortgage intermediaries. In the year ended June 30, 2019, we distributed 76.4% of our BTL+ loans, and 68.9% of our commercial term loans through our established network of mortgage intermediaries, respectively, with the remainder being distributed through direct channels. The assets securing our commercial purpose loans are located across England, Scotland, Wales and, to a small extent (for loans originated prior to April 2009), Northern Ireland.

Development Loans

As of September 30, 2019, development loans comprised 5.2% of our loan portfolio. Development loans are loans that we extend to finance the development of land or property primarily into residential units with repayments typically being made out of the sale or refinance of the units. Of our development loans, 17.1% were originated prior to December 31, 2009 (including any further advances advanced post 2010). Loans originated since January 1, 2010 and subsequently redeemed prior to September 30, 2019 had a weighted average elapsed term of 17 months. Loans originated since January 1, 2010 that had not been subsequently redeemed as of September 30, 2019 have a weighted average elapsed term of 14 months. For the twelve months ended September 30, 2019, we extended £47.9 million in further advances on loans originated prior to September 30, 2018 (of which £0.1 million related to loans originated prior to 2010) and have underwritten £120.4 million in new development loans comprised of £54.6 million of initial advances and £65.8 million of further advances.

Our Sources of Funding

Historically, our principal sources of funds have been cash provided by operations, our Shareholders' Funds, including through subordinated shareholder indebtedness, the Revolving Credit Facility, capital markets indebtedness represented by senior secured notes and the Securitizations.

As of September 30, 2019, our Shareholders' Funds were £814.9 million, including Subordinated Shareholder Funding with a carrying value of £27.7 million. As of September 30, 2019, our total commitments under the Conduit Securitizations was £2,234.5 million (increasing to £2,479.5 million following the recent amendment of the LABS Securitization on October 30, 2019), of which £1,996.6 million was outstanding. As of September 30, 2019, we had £354.1 million of Rated Notes outstanding under the Term Securitizations. In addition, the total commitments under the Revolving Credit Facility were £71.9 million (£55.0 million outstanding) as of September 30, 2019.

On September 29, 2017, we entered into TABS 1 Securitization pursuant to which we sold residential mortgages with aggregate principal balance amounts of £275.0 million through the issuance of £261.3 million Rated TABS 1 Notes to qualified institutional investors. On November 8, 2018, we entered into TABS 2 Securitization pursuant to which we sold residential mortgages with aggregate principal balance amounts of £286.9 million through the issuance of £272.6 million Rated TABS 2 Notes to qualified institutional investors. On October 10, 2019, we established the TABS 3 Securitization pursuant to which we sold residential mortgages with aggregate principal balance amounts of £332.0 million through the issuance of £315.4 million Rated TABS 3 Notes to qualified institutional investors. In addition, in respect of each of the Term Securitizations, Class Z notes were issued to the Originators and Class R notes were issued to the Company. The Class Z notes issued in connection with each of the Term Securitizations represent an interest that is subordinate to that of the relevant Rated TABS Notes. The Class R notes were issued to provide initial liquidity to the Term Securitizations. The assets purchased by the Term Securitization SPVs from the Originators had been re-purchased by the Originators from Charles Street ABS in connection with the establishment of each of the Term Securitizations. Unlike the Conduit Securitizations which are revolving facilities, the Term Securitizations do not buy additional mortgages from the Originators on an ongoing basis.

Pursuant to the Conduit Securitizations, certain of our operating subsidiaries (the "Originators") sell on a random basis, subject to meeting certain eligibility criteria and complying with certain portfolio covenants, certain of our qualifying mortgage loans to Charles Street ABS, Lakeside ABS, Delta ABS 2 (previously, under the now-refinanced DABS 1 Securitization, to Delta ABS 1) and Highfield ABS, respectively, each a bankruptcy-remote special purpose vehicle established for purposes of the Conduit Securitizations. Each of the special purpose vehicles finances these purchases from borrowings funded through the issuance of notes to certain note purchasers with the balance of any funding requirements provided through the issuance of subordinated notes to the Originators. While each of the vehicles established for the purposes of the Securitizations and the transaction documentation for such Securitizations may share similar terms and conditions, each Securitization is independent from each other. For example, a default under one of the Securitizations will not automatically trigger a default under any of the other Securitizations.

The assets of the special purpose vehicles related to the Securitizations are included within our consolidated accounts presented herein. Loans, once sold, must continue to meet certain criteria to remain eligible as collateral for the purposes of calculating the borrowing level under each Conduit Securitization. In order to maximize the borrowing level, as well as to prevent a default from occurring in each of the Conduit Securitizations, the Originators are obliged to either substitute loans that become ineligible loans (including loans defaulted such as a result of reaching a certain level of arrears) with eligible loans or purchase additional subordinated notes issued by the relevant Conduit Securitization, as applicable, to fund the ineligible loans. To date, we have chosen to substitute ineligible loans with eligible loans. In the twelve months ended September 30, 2019 £88.8 million of defaulted loans were repurchased from the Conduit Securitizations. We estimate principal losses recognized on defaulted loans repurchased from the CABS Securitization were, on average, less than £0.1 million per year between January 1, 2013 and September 30, 2019. Principal losses recognized on defaulted loans repurchased from the LABS Securitization have been less than £0.1 million since its inception in August 2015 until September 30, 2019. Principal losses recognized on defaulted loans repurchased from the HABS Securitization have been £nil since its inception in April 2018 until September 30, 2019. Principal losses recognized on defaulted loans repurchased from the DABS 1 Securitization have been £0.7 million since its inception in January 2017 to March 29, 2019. Principal losses recognized on defaulted loans repurchased from the DABS 2 Securitization has been £nil since its inception on March 29, 2019 until September 30, 2019.

Surplus income of each of the Securitization Vehicles, after paying interest and fees in connection with the applicable Securitization, is paid to the Originators on a monthly basis, except during a default or full amortization period, as applicable. Surplus income paid back to the Originators in the twelve months ended September 30, 2019 amounted to £150.5 million.

The table below provides certain characteristics of our Term Securitizations as of September 30, 2019, unless stated otherwise. For additional information in respect of the Securitizations, see "*Description of Certain Financing Arrangements—Securitizations.*"

	Together ABS 1	Together ABS 2	Total Term Securitizations
As of Issuance date	• £275.0 million principal balance • £261.3 million Rated TABS 1 Notes • £13.8 million Class Z Notes • £5.2 million Class R Notes	• £286.9 million principal balance • £272.6 million Rated TABS 2 Notes • £14.3 million Class Z Notes • £7.2 million Class R Notes	• £561.9 million principal balance • £533.9 million Rated Notes • £28.1 million Class Z Notes • £12.4 million Class R Notes
As of September 30, 2019	• £160.5 million principal balance • £142.5 million Rated TABS 1 Notes • £15.0 million Class Z Notes • £3.0 million Cash Reserve owed to originators(2)	• £225.9 million principal balance • £211.6 million Rated TABS 2 Notes • £14.3 million Class Z Notes • £6.8 million Cash Reserve owed to originators(2)	• £386.4 million principal balance • £354.1 million Rated Notes(1) • £29.3 million Class Z Notes • £9.8 million Cash Reserve owed to originations(2)
Surplus income paid back to the Originators, for the twelve months ended September 30, 2019	• £12.6 million	• £4.4 million(2)	• £17.0 million

(1) Stated after the allocation of £8.3 million of principal receipts, received during the month of September 2019, for which such receipts are only formally applied to reduce the rated notes in the subsequent month. £3.3 million in relation to Together ABS 1, and £5.1 million in relation to Together ABS 2, respectively.

(2) As the Initial cash reserve has been repaid (Class R Notes), cash reserve consists of funds withheld by originators from surplus consideration reducing surplus income back to the Originators in the initial period.

On October 10, 2019, we established the TABS 3 Securitization, under which Together ABS 3 purchased £332.0 million principal balance of loans, which purchased certain assets previously forming part of the CABS Securitization, and issued £315.4 million Rated Notes, £16.6 million Class Z notes and £8.2 million Class R notes.

The table below provides certain characteristics of our Conduit Securitizations as of September 30, 2019, unless stated otherwise. For additional information in respect of the Securitizations, See "*Description of Certain Financing Arrangements—Conduit Securitizations*."

	Charles Street ABS	Lakeside ABS	Delta ABS 2	Highfield ABS	Total Conduit Securitizations
Total commitments as of September 30, 2019	• £1,254.5 million	• £255.0 million	• £200.0 million	• £525.0 million	• £2,234.5 million
Total notes outstanding as of September 30, 2019	• £1,247.2 million	• £199.4 million	• £175.0 million	• £375.0 million	• £1,996.6 million
Principal balance as of September 30, 2019	• £1,386.9 million	• £265.5 million	• £210.2 million	• £451.6 million	• £2,314.3 million
Cash balance as of September 30, 2019	• £28.8 million	• £5.3 million	• £4.5 million	• £14.0 million	• £52.6 million
Net creditor balance as of September 30, 2019	• £1.5 million	• £0.1 million	• £2.1 million	• £2.4 million	• £6.1 million
Total subordinated subscription notes outstanding as of September 30, 2019	• £167.0 million	• £71.4 million	• £37.6 million	• £88.2 million	• £364.1 million
Surplus income paid back to the Originators for the twelve months ended September 30, 2019	• £64.5 million	• £33.5 million	• £14.5 million	• £21.1 million	• £133.5 million

On October 30, 2019, the LABS Securitization was amended, resulting in, amongst other things, an increase in total commitments from £255 million to £500 million.

On the establishment of the TABS 3 Securitization and the purchase by Together ABS 3 of assets previously held in Charles Street ABS, the principal balance of loans in Charles Street ABS was reduced by £332.0 million, with total notes outstanding under the CABS Securitization reduced by £298.8 million and subordinated subscription notes reduced by £33.2 million.

Supplemental Cash Flow Information for the Group and Borrower Group

The group is highly cash generative with growing levels of cash generation over the past years. The group generated £1,000.9 million, £1,248.3 million, £1,570.1 million and £437.6 million of Cash Receipts in the years ended June 30, 2017, 2018 and 2019, and the three months ended September 30, 2019, comprising of £227.6 million, £258.8 million, £309.0 million and £82.3 million of interest and fees, respectively, and £773.3 million, £989.5 million, £1,261.1 million and £355.3 million of principal receipts, respectively. Cash Receipts expressed as a percentage of total average loan assets were 49.5%, 48.0% and 47.2% in the years ended June 30, 2017, 2018 and 2019. Annualized Cash Receipts divided by the total average loan assets for the three months ended September 30 2019 were 46.2%.

The Borrower Group generated £495.2 million, £610.8 million, £779.5 million and £221.3 million of Cash Receipts in the years ended June 30, 2017, 2018 and 2019 and the three months ended September 30, 2019, comprising of £68.1 million, £77.6 million, £90.3 million and £22.5 million of interest and fees, respectively, £302.4 million, £403.8 million, £540.4 million and £155.9 of principal receipts, respectively, and £124.7 million, £129.4 million, £148.8 million and £42.9 million surplus income from the Securitizations, respectively. See "*—Overview—Our sources of funding*." Cash Receipts expressed as a percentage of total average loan assets of the Borrower Group were 66.7%,62.5% and 68.8% in the years ended June 30, 2017, 2018 and 2019, respectively. Annualized Cash Receipts divided by the total average loan assets for the three months ended September 30, 2019 were 75.2%, respectively.

The group had cash outflows relating to overheads and expenses, tax and capital expenditure of £89.8 million, £108.8 million and £116.9 million in the years ended June 30, 2017, 2018 and 2019, respectively, resulting in cash available for debt service and originating new advances of £911.2 million, £1,139.5 million and £1,453.2 million, respectively. The group had cash outflows relating to overheads and expenses, tax and capital expenditure of £34.0 million in three months ended September 30, 2019, resulting in cash available for debt service and originating new advances of £403.6 million.

The Borrower Group had cash outflows relating to overheads and expenses, tax and capital expenditure of £89.8 million, £108.8 million and £111.8 million in the years ended June 30, 2017, 2018 and 2019, respectively, resulting in cash available for debt service and originating new advances of £405.4 million, £502.0 million and £667.7 million, respectively. The Borrower Group had cash outflows relating to overheads and expenses, tax and capital expenditure of £34.0 million in the three month ended September 30, 2019, resulting in cash available for debt service and originating new advances of £187.3 million.

The group paid interest costs of £78.6 million, £78.0 million and £105.1 million, respectively, and debt issuance costs of £11.5 million, £8.4 million and £9.1 million in the years ended June 30, 2017, 2018 and 2019, respectively. The group paid interest costs of £40.7 million and debt issuance costs of £0.8 million in the three months ended September 30, 2019.

The Borrower Group paid interest costs of £43.4 million, £34.1 million and £45.7 million, respectively, and debt issuance costs of £11.5 million, £8.4 million and £9.1 million in the years ended June 30, 2017, 2018 and 2019, respectively. The Borrower Group paid interest costs of £22.9 million and debt issuance costs of £0.8 million in the three months ended September 30, 2019.

In addition, the group (and the Borrower Group) paid dividends to its parent company principally to allow the PIK Notes Issuer to service the PIK Notes interest (or, prior to the issuance of the PIK Notes, the interest due on the 2021 PIK Notes, which were repurchased using the proceeds of the PIK Notes) of £12.5 million, £22.9 million, £29.9 million and £nil in the years ended June 30, 2017, 2018 and 2019 and the three months ended September 30, 2019 (during which no dividend related to the PIK Notes was made as no interest payment on the PIK Notes was due), respectively. Annual interest due on the PIK Notes, if paid in cash, is £31.1 million.

See "*Overview—Our Sources of Funding*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Supplemental Cash Flow Information*."

Loan Analysis

Our total loan assets as of June 30, 2017, 2018 and 2019, and as of September 30, 2019, totaled £2,240.9 million, £2,958.2 million, £3,694.5 million and £3,878.4 million, respectively, net of allowances for impairment, which represents an increase of 32.0% in our total loan assets from June 30, 2017 to June 30, 2018, an increase of 24.9% from June 30, 2018 to June 30, 2019, and an increase of 5.0% from June 30, 2019 to September 30, 2019. These increases were mainly due to continued growth in new business originations supported by the expansion of our Conduit Securitizations, issuance of Term Securitizations, issuance of senior secured notes and an increase in the size of our Revolving Credit Facility.

LTVs were calculated per each loan on a standalone basis. In certain cases, the LTVs presented herein would differ if calculated on a per borrower basis. See "Presentation of Financial and Other Information—Terms Relating to Our Loan Analysis."

The table below provides an analysis of our total loan portfolio and our loan portfolio by class (performing loans, non-performing arrears loans, repossessions and LPA Sales loans and development loans), as of September 30, 2019.

	As of September 30, 2019				
	All Loans	Performing Loans	Non-Performing Arrears Loans	Repossessions and LPA Sales	Development Loans
	(£ in millions, except where otherwise indicated)				
Loan portfolio(1)	3,880.9	3,487.2	133.5	58.7	201.5
Number of loans	36,107	33,319	2,273	272	243
Average loan size (expressed in thousands)	107,483	104,661	58,724	215,827	829,324
Weighted average indexed LTV (%)(2)	55.0%	54.1%	55.3%	56.1%	70.1%
Total allowances for impairments(3)	51.7	19.8	6.8	10.2	14.9
Exposure to negative equity	25.6	4.7	0.2	7.7	12.9
Repayment type					
Capital repayment loans	1,164.3	1,124.6	36.0	3.6	—
Bridging loans(4)	1,314.7	1,008.9	71.9	32.3	201.5
Interest only retail purpose	380.5	372.9	7.3	0.3	—
Interest only commercial purpose	1,021.4	980.8	18.2	22.4	—
Security					
Residential	2,561.1	2,389.9	100.0	39.4	31.8
Commercial	1,319.8	1,097.3	33.5	19.3	169.7
Purpose					
Retail	1,240.3	1,167.9	70.2	2.2	—
Commercial	2,640.6	2,319.3	63.3	56.5	201.5
Lien					
First	2,796.5	2,481.1	93.2	54.9	167.4
Second	1,084.4	1,006.1	40.3	3.8	34.2
Interest rate type					
Fixed	629.0	591.1	36.3	1.5	0.1
Variable	3,251.9	2,896.1	97.2	57.2	201.4

	As of September 30, 2019				
	All Loans	Performing Loans	Non-Performing Arrears Loans	Repossessions and LPA Sales	Development Loans
	(£ in millions, except where otherwise indicated)				
Origination by calendar year					
2019	1,348.0	1,292.7	0.3	3.9	51.2
2018	1,126.9	996.0	33.8	16.6	80.4
2017	555.3	486.9	32.6	10.3	25.6
2016	302.4	260.1	18.6	15.6	8.1
2015	151.6	138.3	11.2	1.5	0.6
2014	80.3	76.1	2.5	1.1	0.5
2013	28.7	26.8	1.6	0.1	0.1
2012	16.6	15.0	0.8	0.3	0.5
2011	21.9	18.3	1.8	1.7	0.2
2010	15.0	14.0	0.8	0.2	—
2009	20.9	18.0	2.1	0.4	0.3
2008	47.3	33.4	4.1	1.2	8.5
2007	79.8	62.1	11.5	3.3	2.9
2006	51.3	29.2	5.9	2.5	13.8
Pre-2006	35.0	20.3	5.8	—	8.8

(1) For a reconciliation of our total loan portfolio to our total loan assets, see "*Presentation of Financial and Other Information—Terms Relating to Our Loan Analysis*."

(2) For a discussion of how we calculate weighted averaged indexed LTV, see "*Presentation of Financial and Other Information—Terms Relating to Our Loan Analysis*."

(3) Total allowances for impairment of £51.7 million excludes allowances for impairment in respect of shortfalls and assets in non-core subsidiaries. The breakdown of £51.7 million includes £10.7 million of stage 1, £8.9 million of stage 2 and £32.0 million of stage 3 allowances for impairment. See note 9 to our unaudited consolidated interim financial statements for the three months ended September 30, 2019 for further details.

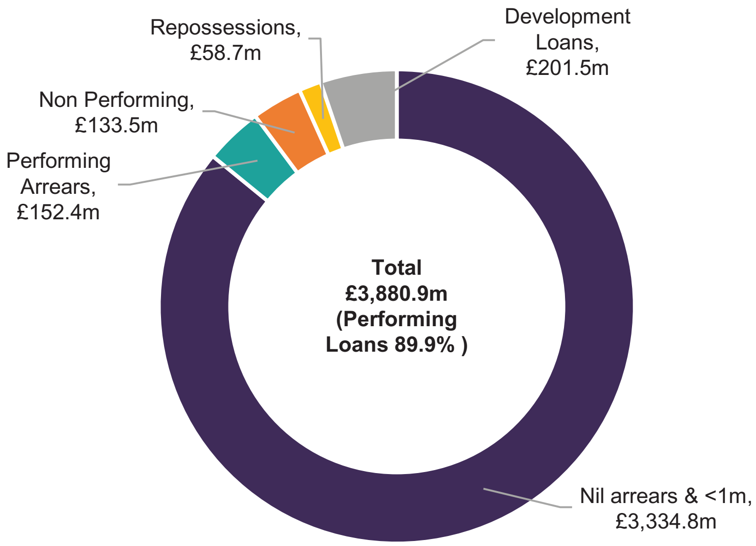
(4) Bridging loans includes £168.1 million of regulated bridging loans included in retail purpose lending. The remainder are included within unregulated bridging loans and development loans.

The table below sets forth our loan portfolio by loan size, number of loans and value, as of September 30, 2019.

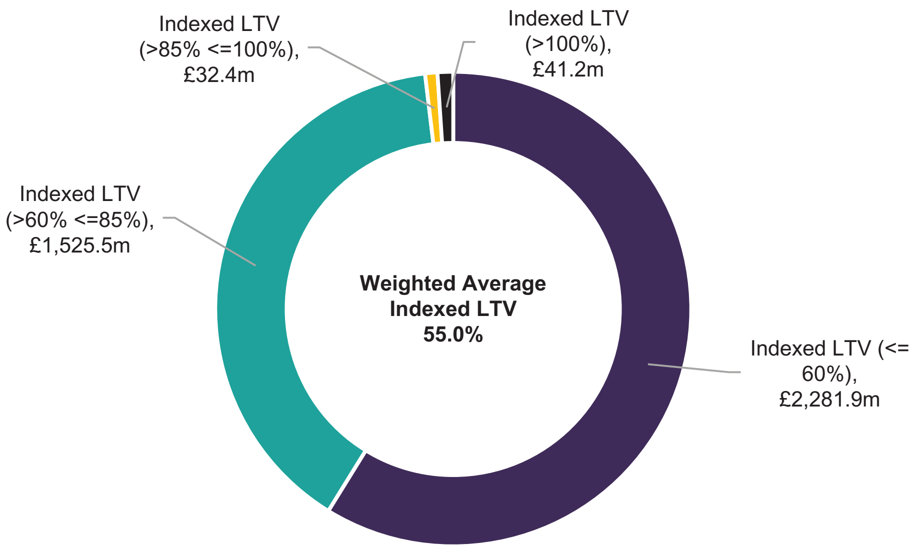
Loan size	Number of loans	Value £m
Above £5 million	25	157.8
£2.5 million to £5 million	90	307.4
£1 million to £2.5 million	298	461.1
£0.5 million to £1 million	592	400.6
£0.25 million to £0.5 million	1,777	602.5
£0.1 million to £0.25 million	5,804	875.3
£50 thousand to £100 thousand	8,948	627.6
Below £50 thousand	18,573	448.7
Total	**36,107**	**3,880.9**

The charts below show our loan portfolio by value by asset status and indexed LTV band as of September 30, 2019.

Asset Status



Indexed LTV Bands



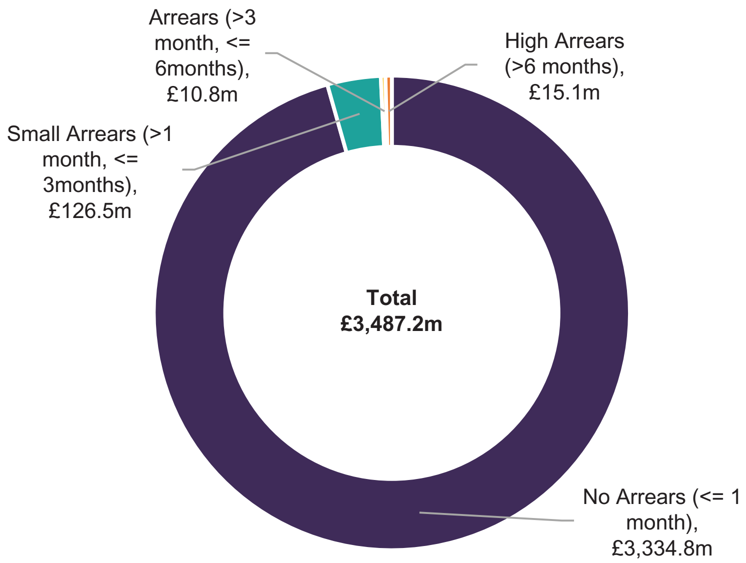
Performing Loans

Performing loans (not including development loans, which are reported as a separate category) as of September 30, 2019 consisted of: (i) loans with £nil arrears or arrears less than or equal to one month's contractual instalment or where no contractual monthly installment is due, totaling £3,334.8 million, or 85.9% of our loan portfolio, and (ii) "performing arrears loans," being loans with arrears greater than one month's but less than or equal to three months' contractual instalments or where cash receipts collected in the prior three months are equal to or greater than 90% of the contractual instalments due, totaling £152.4 million, or 3.9% of our total loan portfolio.

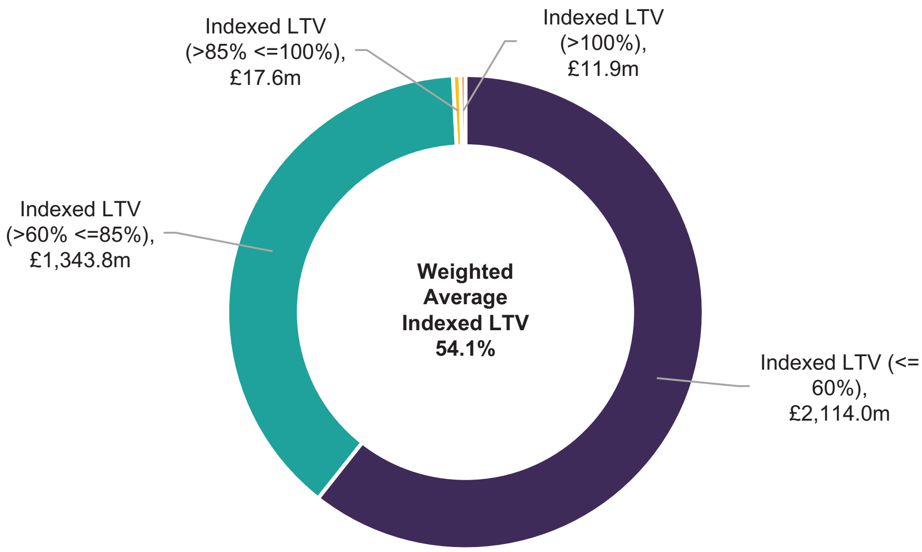
As of September 30, 2019, performing loans totaled £3,487.2 million, or 89.9% of our loan portfolio. Total performing loans as a percentage of our loan portfolio decreased by 0.8% as of September 30, 2019, compared to June 30, 2019. As of June 30, 2019, performing loans totaled £3,354.1 million, or 90.7% of our loan portfolio. Total performing loans as a percentage of our loan portfolio decreased by 0.1% as of June 30, 2019 compared to June 30, 2018. As of June 30, 2018, performing loans totaled £2,697.3 million, or 90.8% of our loan portfolio Total performing loans as a percentage of our loan portfolio increased by 0.8% as of June 30, 2018 compared to June 30, 2017.

The charts below show our performing loans by value by arrears category and indexed LTV band after allowances for impairment as of September 30, 2019.

Arrears Categories



Indexed LTV Bands



As of September 30, 2019, our performing loans of £3,487.2 million were net of allowances for impairment of £19.8 million, which included £15.8 million for stage 1 and stage 2 impairments (see "*—IFRS 9—applicable since July 1, 2018*"). Our performing loans, prior to the netting of allowances for impairment, had an aggregate exposure to negative equity of £4.7 million.

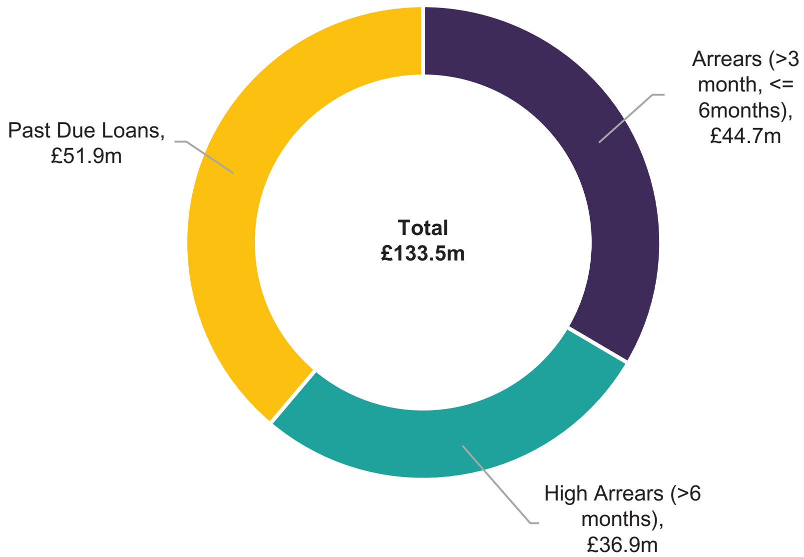
Non-Performing Arrears Loans

A loan is considered non-performing when it has contractual arrears of more than three months and cash receipts collected in respect of such loans are less than 90% of contractual instalments due within the prior three month period, loans that are past contractual term ("Past Due Loans") or subject to LPA receivership in rental status (£0.1 million as of September 30, 2019). Non-performing arrears loans do not include development loans, which are reported as a separate category.

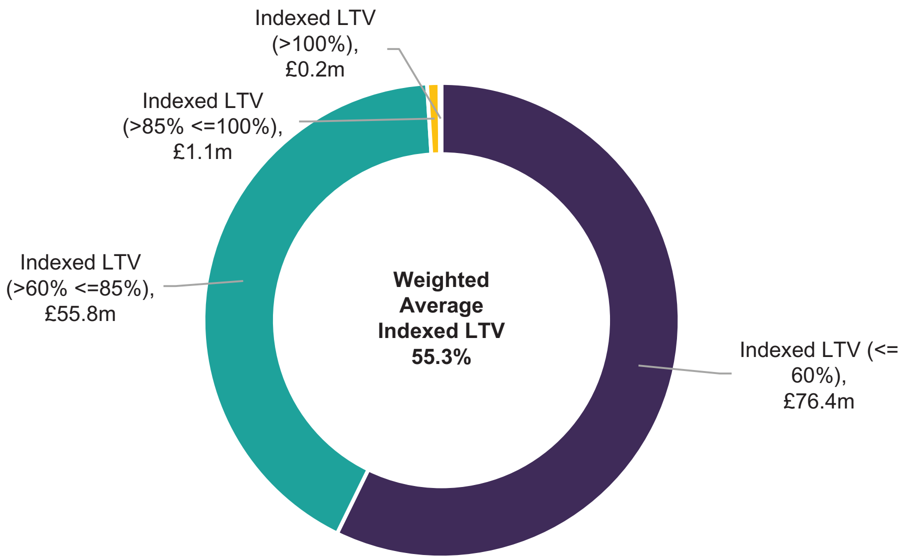
As of September 30, 2019, non-performing arrears loans totaled £133.5 million, or 3.4% of our loan portfolio. Total non-performing arrears loans as a percentage of our loan portfolio increased by 0.7% as of September 30, 2019 compared to June 30, 2019. As of June 30, 2019, non-performing arrears loans totaled £102.8 million, or 2.8% of our loan portfolio. Total non-performing arrears loans, as a percentage of our loan portfolio, increased by 0.2% as of June 30, 2019 compared to June 30, 2018. As of June 30, 2018, non-performing arrears loans totaled £77.0 million, or 2.6% of our loan portfolio. Total non-performing arrears loans as a percentage of our loan portfolio decreased by 1.3% as of June 30, 2018 compared to June 30, 2017.

The charts below show our non-performing arrears loans by value by arrears category and by indexed LTV band after allowances for impairment as of September 30, 2019.

Arrears Categories



Indexed LTV Bands



Loans classified as non-performing arrears loans continue to be managed under our collections and arrears processes. In some cases, we continue to receive payments, including in respect of accounts where forbearance has been offered and temporary payment plans have been agreed.

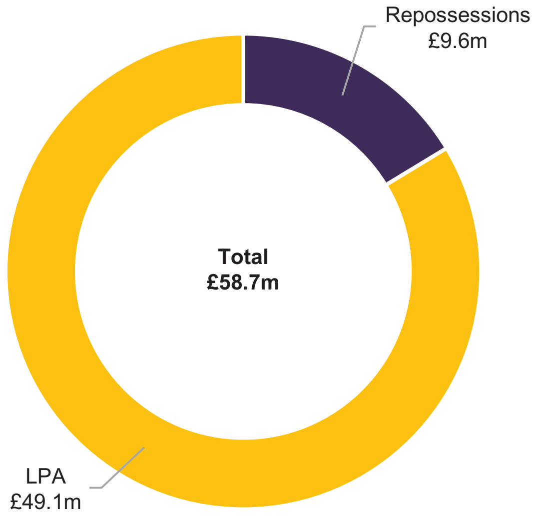
As of September 30, 2019, our non-performing arrears loans of £133.5 million were net of allowances for impairment of £6.8 million. Our non-performing loans, prior to the netting of allowances for impairment, had an aggregate exposure to negative equity of £0.2 million. 22.1% of our non-performing arrears loans as of September 30, 2019 were underwritten prior to 2010.

Repossessions and LPA Receivership

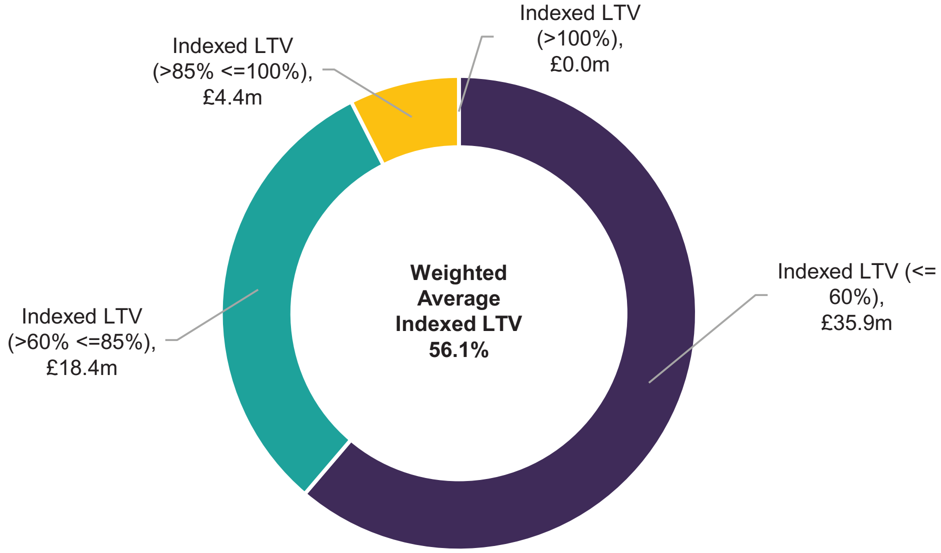
Repossessed properties are properties in respect of which a court order has been actioned by a charge holder to the security or in respect of which the borrower has surrendered ownership of the property. LPA receivership is typically used to exercise security over property used for commercial purpose loans and enable us to sell the property ("LPA Sales"). As of September 30, 2019, we had a total of £58.7 million in loans (excluding development loans) for which the security is subject to a repossession order or where an LPA receiver has been appointed and a buyer for the security is being actively sought and no rental income is being received. We view repossession as a last resort to recovery and even in the case of repossession proceedings, we continue to work with the borrower to achieve the best possible outcome for both parties.

The charts below show by value our repossessions and LPA Sales by stage of recovery and indexed LTV band after allowances for impairment as of September 30, 2019.

Stages of Recovery



Indexed LTV Bands



In the above charts, "LPA Sales" refers to loans for which the property securing the loan is under LPA receivership with a sale status, in respect of which the property is being actively marketed for sale and "Repossessions" refers to loans for which we have repossessed the property securing the loan, in respect of which the property is being actively marketed for sale or being prepared for such marketing.

As of September 30, 2019, our loans subject to a repossession order or LPA Sale of £58.7 million were net of allowances for impairment of £10.2 million. Our loans subject to a repossession order or LPA Sale, prior to the netting of allowances for impairment, had an aggregate exposure to negative equity of £7.7 million.

Development Loans

Development loans are loans that we extend to finance the development of land or property primarily into residential units with repayments typically being made out of the sale or refinance of the units. As of September 30, 2019, we had a total of £201.5 million in development loans of which £34.4 million representing 17.1% were originated prior to December 31, 2009 and £167.1 million representing 82.9% were originated since January 1, 2010.

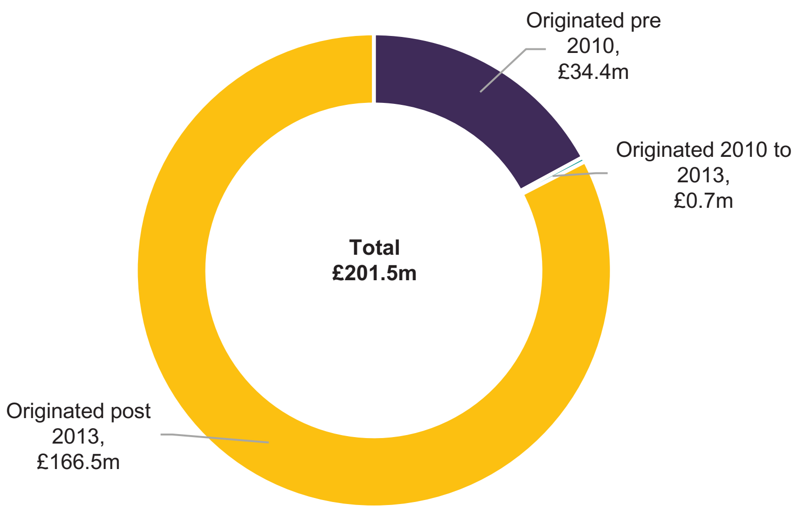
In respect to our historical development loans, primarily those originated prior to December 31, 2009 and, due to the negative equity position of some of these loans, we have either taken possession of the underlying development or are working with the borrowers to achieve an orderly completion and sale of the sites. We have a dedicated team established to actively reduce loans originated prior to December 31, 2009 by looking to dispose of properties while maximizing value. Between June 30, 2013 and September 30, 2019, the balance of development loans originated prior to December 31, 2009 has reduced from £90.3 million to £34.4 million, after taking into account a further £11.2 million of further advances made to support completion of such units, where in doing so we believe this will improve the recoverability of the amounts due.

In the twelve months ended September 30, 2019, we extended £47.9 million in further advances on loans originated prior to September 30, 2018 (of which £0.1 million related to loans originated prior to 2010) and have underwritten £120.4 million in new development loans comprised of £54.6 million of initial advances and £65.8 million of further advances (in relation to loans originated initially on or after October 1, 2018).

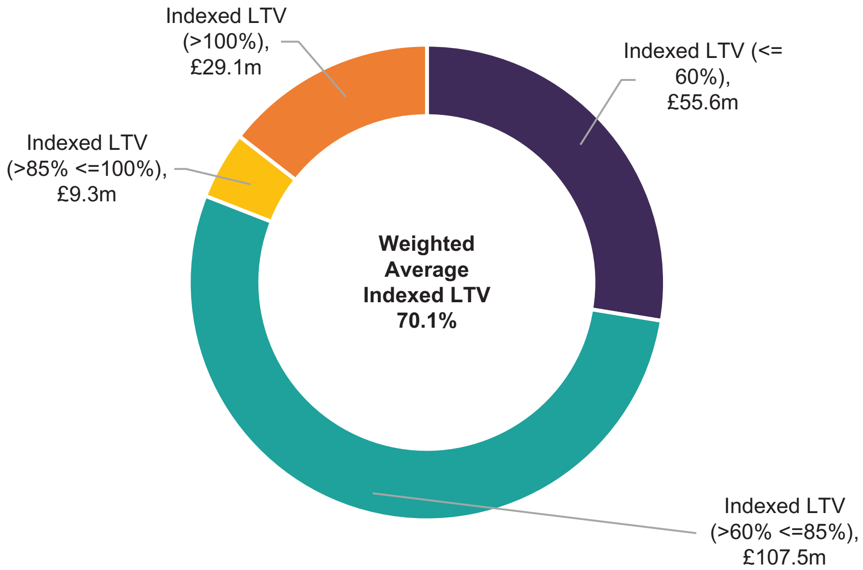
As of September 30, 2019 our development loans of £201.5 million were net of allowances for impairment of £14.9 million. Our development loans, prior to the netting of allowances for impairment, had an aggregate exposure to negative equity of £12.9 million. As of September 30, 2019, applying IFRS 9 reporting categories, £102.5 million were classified as Stage 1 loans, £44.7 million as Stage 2 loans and £54.3 million as Stage 3 loans. As of September 30, 2019, development loans comprised 5.2% of our loan portfolio.

The charts below show our development loans by value by origination date and indexed LTV band after allowances for impairment as of September 30, 2019.

Origination Date



Indexed LTV Bands

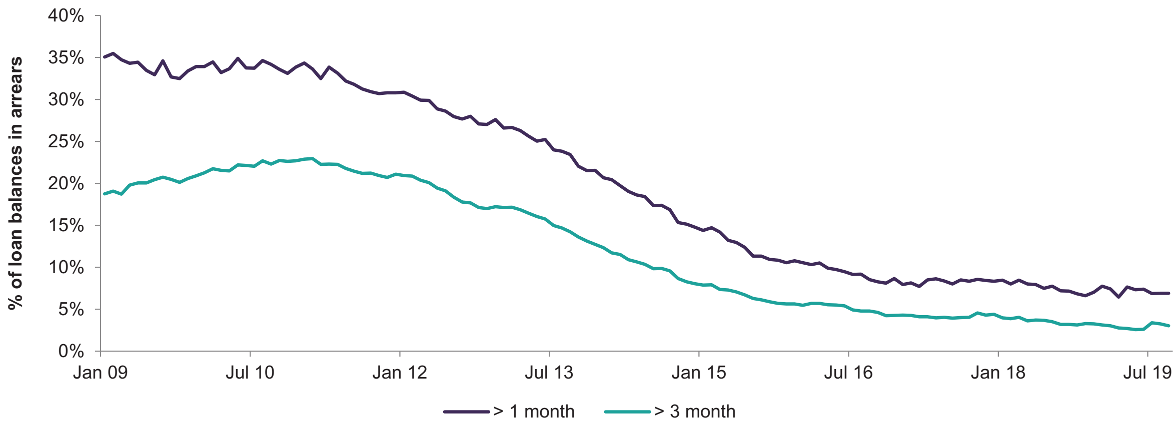


Arrears Trends

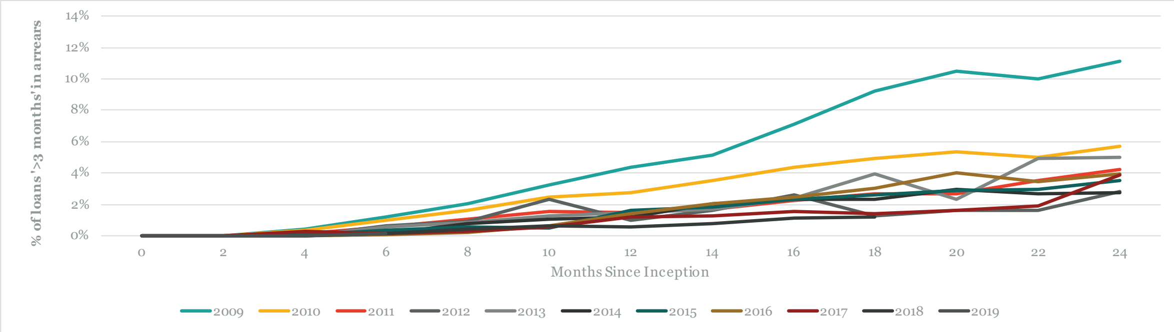
With the exception of the application of certain forbearance measures, we do not reschedule our loans by capitalizing arrears. In this offering memorandum, arrears data are based on the original contractual position, using actual cash received to identify performing and non-performing arrears loans, and do not take into account either payment plans or agreed changes to payment dates. All arrears metrics show improving trends from 2009 onwards, reflecting our increased focus on borrower affordability in the underwriting process and our active arrears and collections management.

The amount of loans in arrears remained relatively stable between 2009 and 2012, at which point a marked reduction in the amount of loans in arrears commenced, with the amount of loans in arrears less than or equal to one month's contractual instalment having declined notably until 2017. From 2017, the pace of reduction in the amount of loans in arrears has reduced. In the three months ended September 30, 2019, loans in arrears have increased slightly, partly reflecting a small number of isolated high value instances. Despite the recent slight increase, loans in arrears remain low relative to the historical position.

The graph below shows the progression of bands of loans in contractual arrears by loan balance as a percentage of our loan portfolio (excluding loans past contractual term, subject to an LPA Sale or repossession order, development loans and loans for which no contractual monthly instalment is due), from January 2009 to September 2019.



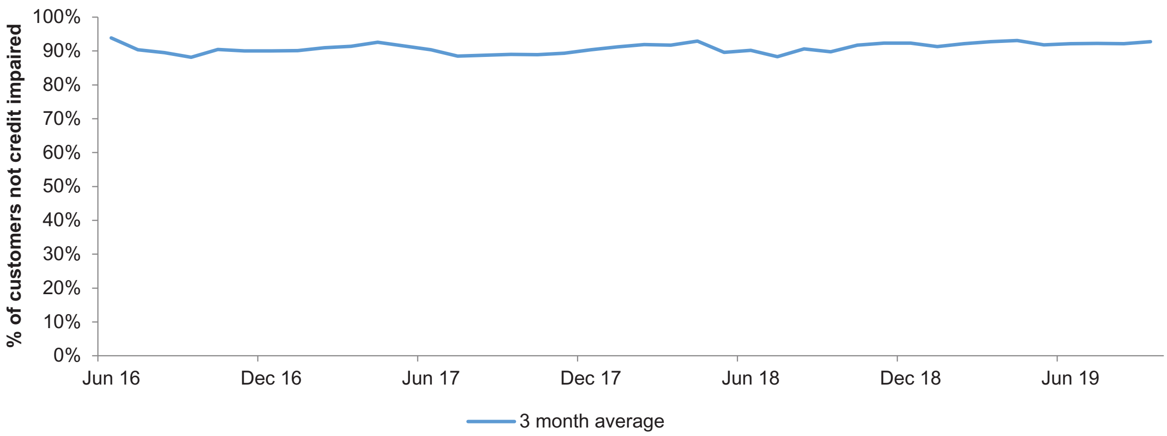
The graph below shows annual vintage delinquency rates split by calendar year of origination from 2009 through to 2018 that have arrears greater than three months.



There has been a significant improvement in annual vintage delinquency rates, which have decreased from 4.4% for loans funded in the year ended December 31, 2009 to 0.6% for loans funded in the year ended December 31, 2018.

Credit Quality

The graph below shows the percentage of accounts, based on monthly new advances, for which the borrower has been classified as not credit impaired. The credit quality of the borrower has been maintained despite new advances (including further advances) increasing from £1,660.1 million to £1,982.9 million in the years ended June 30, 2018 and 2019, and increasing to £2,098.7 million for the twelve months ended September 30, 2019.



For loans originated since July 1, 2016, approximately 91.1% of customers are not credit impaired pursuant to the FCA definition of credit impairment (as defined below). For loans originated since July 1, 2016 for retail purpose, short-term commercial purpose, BTL+ loans and commercial term loans, approximately 88.4%, 94.0%, 89.1% and 87.9%, respectively, of customers are not credit impaired pursuant to the FCA definition of credit impairment (as defined below).

For loans originated since October 1, 2018, approximately 92.5% of customers are not credit impaired pursuant to the FCA definition of credit impairment (as defined below). For loans originated since October 1, 2018, for retail purpose, unregulated bridging, BTL+ loans and commercial term loans, approximately 90.4%, 95.9% 92.0% and 88.7%, respectively, of customers are not credit impaired pursuant to the FCA definition of credit impairment (as defined below).

The FCA defines a credit impaired borrower as a customer who:

- has been in arrears on a mortgage/loan within the last two years, where the cumulative amount in arrears is equal to or larger than 3 months' payments; or
- has one or more county court judgments against the borrower within the last three years, with a total value greater than £500; or
- has been subject to an individual voluntary arrangement or bankruptcy order within the last three years.

Loss Sensitivities

Total Loan Portfolio

The LTV of our loan portfolio on a weighted average indexed basis was 55.0% as of September 30, 2019. Of our loan portfolio, the percentage of loans with an indexed LTV of greater than 80% was 2.9% and 1.1% had an indexed LTV greater than 100% (after netting any allowances for impairment) as of September 30, 2019, respectively. As of September 30, 2019, the loan portfolio, prior to the netting of allowances for impairment, had an aggregate exposure to negative equity of £25.6 million, which compared to allowances for impairment of £51.7 million. The percentage of loans within the Borrower Group with an indexed LTV of greater than 80% was 2.9% as of September 30, 2019.

As of September 30, 2019, our consolidated financial statements include £68.4 million of allowances for impairment which includes £51.7 million in respect of the loan portfolio, £16.7 million in respect of loans with carrying values of £nil for which full provisions are in place, and the remainder being in respect of allowances for impairment on loans within our non-core operating subsidiaries.

In stress testing our loan portfolio as of September 30, 2019, a 5%, 10% and 20% decline to indexed valuations on a loan by loan analysis would result in additional negative equity exposure of £3.5 million, £8.1 million and £24.4 million, respectively.

Borrower Group Loan Analysis

Our total loan assets of the Borrower Group as of June 30, 2017, 2018 and 2019, and as of September 30, 2019, totaled £877.4 million, £1,077.2 million, £1,189.3 million and £1,182.9 million, respectively, net of allowances for impairment, which represents an increase of 22.8% from June 30, 2017 to June 30, 2018, and an increase of 10.4% from June 30, 2018 to June 30, 2019, and a decrease of 0.5% from June 30, 2019 to September 30, 2019. The increase in Borrower Group total loan assets since June 30, 2017 has been mainly due to the issue of additional senior secured notes during such period along with the release of equity back to the Borrower Group (from the improvement in advance rates in the Conduit Securitizations and the issue of Term Securitizations at higher advance rates) which have been used to originate new additional loan assets within the Borrower Group.

The table below provides a summary of the Borrower Group's loan portfolio and the Borrower Group's loan portfolio by asset status (performing loans, non-performing arrears loans, repossessions and LPA Sales and development loans) as of September 30, 2019. As of September 30, 2019, 67.8% of the Borrower Group loan portfolio are classified as performing loans. The Borrower Group's loan portfolio contains the majority of our non-performing arrears loans, almost all of our repossession and LPA Sales loans and almost all of our development loans, which are typically ineligible loans for the Conduit Securitizations and were not eligible to be sold to the Term Securitization SPVs in connection with the Term Securitizations.

	As of September 30, 2019				
	All Loans	**Performing Loans**	**Non-Performing Arrears Loans**	**Repossessions and LPA Sales**	**Development Loans**
	(£ in millions, except where otherwise indicated)				
Loan portfolio[(1)]	1,161.1	786.9	114.0	58.7	201.5
Number of loans	8,087	5,584	2,002	258	243
Average loan size (expressed in thousands)	143,579	140,925	56,955	227,340	829,324
Weighted average indexed LTV (%)	58.0%	55.5%	55.9%	54.7%	70.1%
Total allowances for impairments	39.7	9.5	6.4	8.9	14.9
Exposure to negative equity	25.3	4.5	0.2	7.7	12.9
Repayment type					
Capital repayment loans	208.5	173.5	30.2	4.8	—
Bridging loans	713.0	413.9	65.3	32.3	201.5
Interest only retail purpose	40.1	36.3	3.5	0.3	—
Interest only commercial purpose	199.5	163.3	15.0	21.2	—
Security					
Residential	613.2	457.1	84.3	40.1	31.8
Commercial	547.9	329.8	29.8	18.6	169.7
Purpose					
Retail	245.4	186.2	56.9	2.3	—
Commercial	915.7	600.7	57.1	56.4	201.5

	As of September 30, 2019				
	All Loans	Performing Loans	Non-Performing Arrears Loans	Repossessions and LPA Sales	Development Loans
	(£ in millions, except where otherwise indicated)				
Lien					
First	884.3	581.2	82.3	53.5	167.4
Second	276.8	205.7	31.7	5.2	34.2
Interest Charge Type					
Fixed	145.7	113.4	30.7	1.5	0.1
Variable	1,015.5	673.5	83.4	57.1	201.4
Origination					
2019	402.3	347.0	0.3	3.9	51.2
2018	295.1	170.5	28.0	16.2	80.4
2017	132.1	69.4	27.3	9.8	25.6
2016	82.9	45.0	14.8	15.1	8.1
2015	38.4	26.7	9.7	1.4	0.6
2014	22.5	18.9	1.9	1.1	0.5
2013	7.8	6.1	1.5	0.1	0.1
2012	4.6	3.4	0.4	0.3	0.5
2011	12.3	8.8	1.7	1.7	0.2
2010	6.2	5.3	0.6	0.2	—
2009	10.2	7.6	1.9	0.4	0.3
2008	29.1	15.6	3.8	1.2	8.5
2007	47.3	30.3	10.8	3.3	2.9
2006	40.2	17.6	5.8	3.1	13.8
Pre 2006	30.1	14.7	5.6	1.0	8.8

(1) The loan analysis of the Borrower Group excludes £22.8 million of net additional loans and borrowings due to the Borrower Group principally in respect of loans where the principal balance of the initial loan advance forms part of the assets in the Securitizations.

As of September 30, 2019, 21.1% of our Borrower Group loan portfolio was classified as retail purpose, 61.5% of our Borrower Group loan portfolio was classified as commercial purpose and 17.4% of our Borrower Group loan portfolio was classified as development funding, calculated by value. 17.1% of our development loans within the Borrower Group loan portfolio were underwritten prior to 2010 and 82.9% were underwritten from January 1, 2010 onwards. As of September 30, 2019, 52.8% of our Borrower Group loan portfolio was secured by residential property. The table below sets forth additional information in respect of the Borrower Group's loan portfolio.

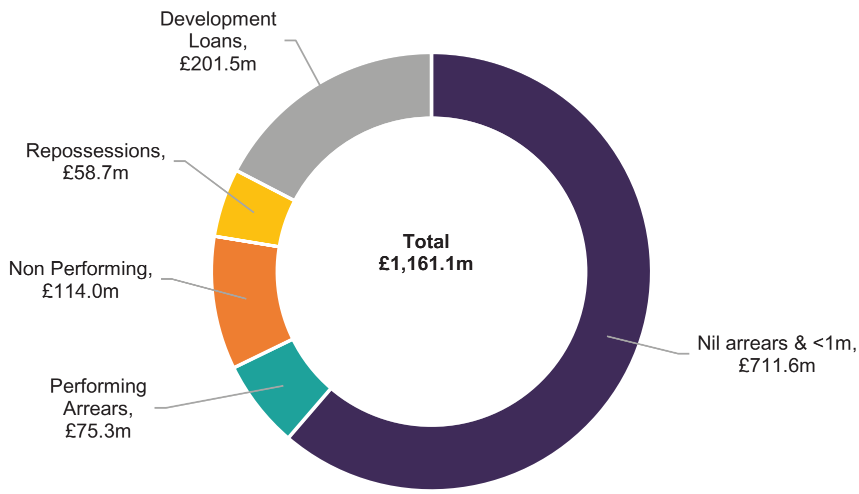
	Retail Purpose 21.1%	Commercial Purpose(1) (2) 61.5%			Development 17.4%
		BTL+ 12.3%	Commercial Term 12.4%	Unregulated Bridging 36.8%	
Total Loan Portfolio Analysis					
Loan Portfolio Value	• £245.4 million	• £143.3 million	• £144.1 million	• £426.9 million	• £201.5 million
Number of Loans	• 5,052	• 1,141	• 570	• 1,081	• 243
Average Inception Loan Size(3)	• £50.7 thousand	• £132.5 thousand	• £266.0 thousand	• £409.3 thousand	• £441.5 thousand
Weighted Average Indexed LTV	• 50.7%	• 59.5%	• 55.6%	• 56.9%	• 70.1%
Weighted Average Nominal Rate	• 8.2%	• 8.0%	• 8.1%	• 10.9%	• 10.8%
% of which are Fixed Rate	• 55.0%	• 6.7%	• 0.8%	• —	• —
% with initial term less than 24 months Loan Portfolio Value	• 34.5%	• —	• —	• 99.5%	• 98.7%
Comprising first lien and second lien split as follows:					
First Lien Loan Portfolio					
Loan Portfolio Value	• £148.1 million	• £102.3 million	• £132.8 million	• £333.8 million	• £167.4 million
Number of Loans	• 1,106	• 664	• 466	• 817	• 169
Average Inception Loan Size(3)	• £133.9 thousand	• £163.8 thousand	• £298.9 thousand	• £427.7 thousand	• £566.7 thousand
Weighted Average Indexed LTV	• 50.2%	• 60.0%	• 56.2%	• 56.3%	• 70.5%
Weighted Average Nominal Rate	• 6.9%	• 8.0%	• 8.0%	• 10.7%	• 10.9%
% of which are Fixed Rate	• 82.0%	• 5.6%	• —	• —	• —
% with initial term less than 24 months Loan Portfolio Value	• 56.7%	• —	• —	• 99.6%	• 99.4%

	Retail Purpose 21.1%	Commercial Purpose[(1) (2)] 61.5%			Development 17.4%
		BTL+ 12.3%	Commercial Term 12.4%	Unregulated Bridging 36.8%	
Second Lien Loan Portfolio					
Loan Portfolio Value	• £97.3 million	• £41.0 million	• £11.3 million	• £93.0 million	• £34.2 million
Number of Loans	• 3,946	• 477	• 104	• 264	• 74
Average Inception Loan Size[(3)]	• £27.4 thousand	• £88.8 thousand	• £118.3 thousand	• £352.3 thousand	• £155.6 thousand
Weighted Average Indexed LTV	• 51.6%	• 58.2%	• 47.7%	• 59.1%	• 68.2%
Weighted Average Nominal Rate	• 10.3%	• 8.1%	• 9.1%	• 11.6%	• 10.6%
% of which are Fixed Rate	• 13.8%	• 9.5%	• 9.6%	• —	• 0.2%
% with initial term less than 24 months Loan Portfolio Value	• 0.6%	• —	• —	• 99.1%	• 95.4%

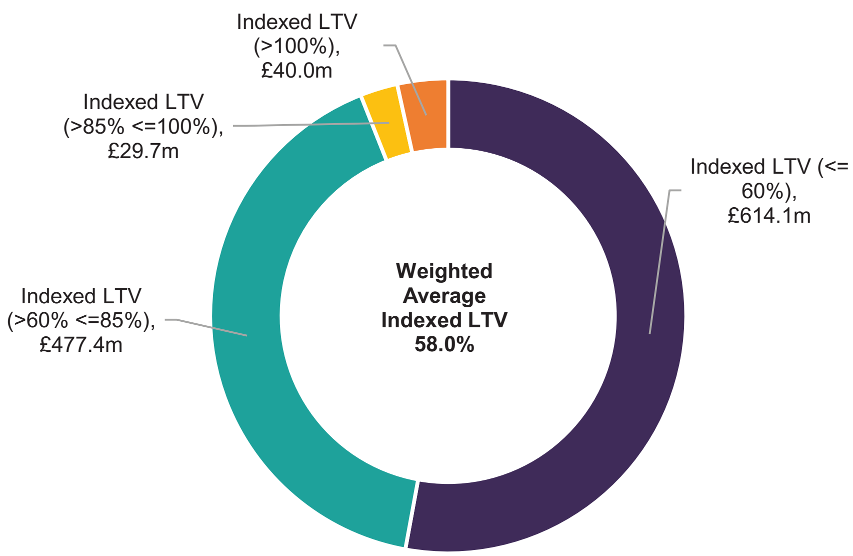
(1) The aggregate average inception loan size of commercial loans is £331.8 thousand.
(2) As of September 30, 2019, commercial purpose loans comprised 61.5% of the Borrower Group's loan portfolio, with a weighted average indexed LTV of 57.2% and a weighted average nominal rate of 9.8%.
(3) The aggregate average inception loan size of retail, commercial purpose and development loans is £137.1 thousand.

The charts below show the Borrower Group's loan portfolio, by asset status and indexed LTV band as of September 30, 2019.

Asset Status



Indexed LTV Bands



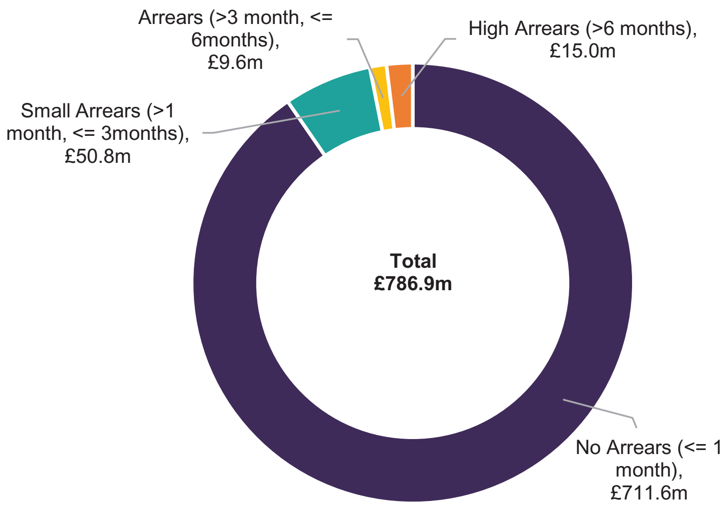
Performing Loans

Performing loans (not including development loans, which are reported as a separate category) as of September 30, 2019 consisted of: (i) nil arrears or arrears less than or equal to one month's contractual instalment or where no monthly contribution installment is due, totaling £711.6 million, or 61.3% of the Borrower Group's loan portfolio, and (ii) "performing arrears loans," being loans with arrears greater than one month's but less than or equal to three months' contractual instalments or where Cash Receipts are collected in the prior three months are equal to or greater than 90% of the contractual instalments due, totaling £75.3million, or 6.5% of the Borrower Group's loan portfolio.

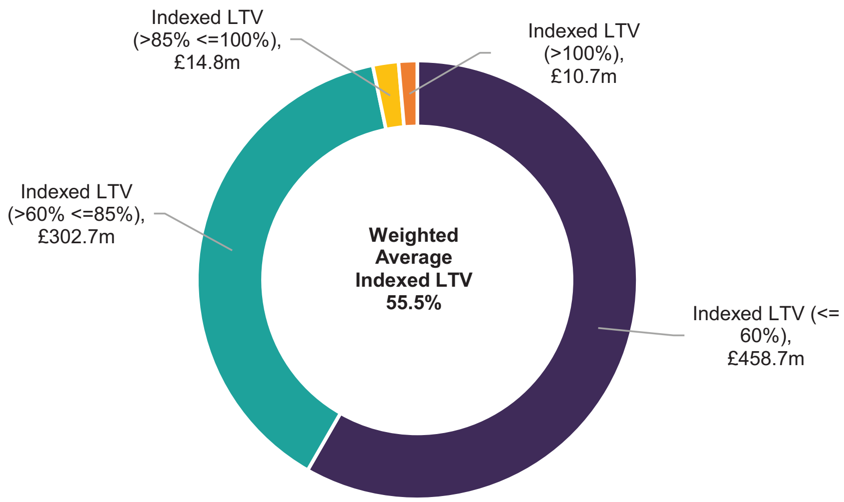
As of September 30, 2019, performing loans totaled £786.9 million or 67.8% of the Borrower Group's loan portfolio. Total performing loans as a percentage of our Borrower Group loan portfolio decreased by 4.3% as of September 30, 2019 compared to June 30, 2019. As of June 30, 2019, performing loans totaled £841.4 million or 72.1% of our Borrower Group loan portfolio. Total performing loans as a percentage of our Borrower Group loan portfolio decreased by 3.8% as of June 30, 2019 compared to June 30, 2018. As of June 30, 2018, performing loans totaled £797.0 million or 75.9% of our Borrower Group loan portfolio. Total performing loans as a percentage of our Borrower Group loan portfolio increased by 0.4% as of June 30, 2018 compared to June 30, 2017.

The charts below show the Borrower Group's performing loans by value by arrears category and indexed LTV band after allowances for impairment as of September 30, 2019.

Arrears Categories



Indexed LTV Bands

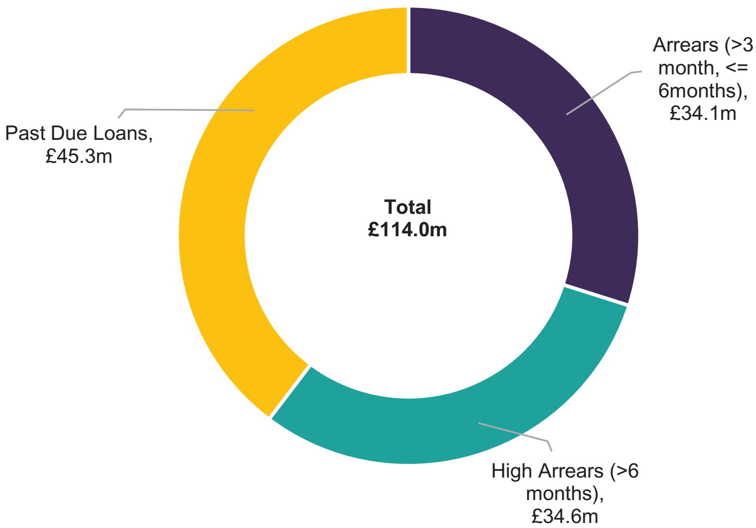


__Non-Performing Arrears Loans__

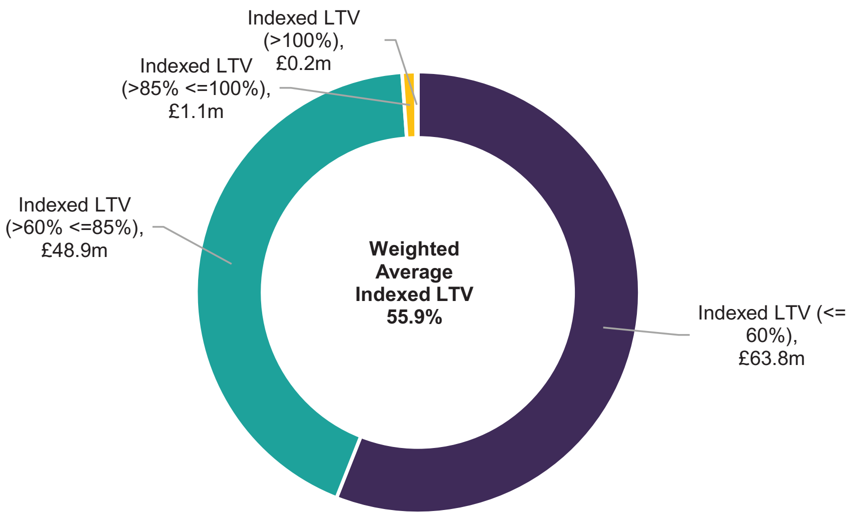
As of September 30, 2019, non-performing loans totaled £114.0 million or 9.8% of the Borrower Group loan portfolio. Total non-performing loans as a percentage of our loan portfolio increased by 2.4% as of September 30, 2019 compared to June 30, 2019, which included 1.4% related to one single customer. As of June 30, 2019, non-performing loans totaled £86.4 million or 7.4% of the Borrower Group loan portfolio. Total non-performing loans as a percentage of our loan portfolio increased by 1.2% as of June 30, 2019 compared to June 30, 2018. As of June 30, 2018, non-performing loans totaled £65.1 million or 6.2% of the Borrower Group loan portfolio. Total non-performing loans as a percentage of our loan portfolio decreased by 2.9% as of June 30, 2018 compared to June 30, 2017.

The charts below show the Borrower Group's non-performing arrears loans by value by arrears category and by indexed LTV band after allowances for impairment as of September 30, 2019.

Arrears Categories



Indexed LTV Bands



__Repossessions, LPA sales and Development Loans__

The loan categories of repossessions and LPA Sales and development loans are not separately analyzed with respect to the Borrower Group, as the loan populations of those categories are almost identical to those of the group's analysis of loan portfolio. As of September 30, 2019, repossessions and LPA Sales portfolio and development loans represented 5.1% and 17.4%, respectively, by value of the Borrower Group's loan portfolio.

Loss Sensitivities of the Borrower Group loan portfolio

The LTV of the Borrower Group's loan portfolio on a weighted average indexed basis was 58.0% as of September 30, 2019. Of our Borrower Group loan portfolio, the percentage of loans with an indexed LTV of greater than 80% was 8.3%, and 3.4% had an indexed LTV greater than 100% (after netting any allowances for impairment) as of September 30, 2019, respectively.

As of September 30, 2019, the Borrower Group's loan portfolio, prior to the netting of allowances for impairment, had an aggregate exposure to negative equity of £25.3 million, which compared to allowances for impairment in an amount of £39.7 million.

In stress testing the Borrower Group's loan portfolio as of September 30, 2019, a 5%, 10% and 20% decline to indexed valuations on a loan by loan analysis, would result in additional negative equity exposure of £3.4 million, £7.9 million and £22.5 million, respectively.

Loan Assets Cash Flow Metrics

The group is highly cash generative and had £1,593.0 million of Cash Receipts in the twelve months ended September 30, 2019, comprising £318.1 million of interest and fees and £1,274.9 million of principal receipts. As of September 30, 2019, our total loan assets were £3,878.4 million.

Cash generation has been increasing over recent years reflecting the growth of our loan book. Cash Receipts expressed as a percentage of average total loan assets were 49.6%, 48.0%, 47.2%, and 46.2% in the years ended June 30, 2017, 2018 and 2019, and twelve months ended September 30, 2019, respectively.

The Borrower Group generated £799.1 million of Cash Receipts in the year ended September 30, 2019 comprised of: £91.8 million of interest and fees; £556.8 million of principal receipts and £150.5 million surplus income from the Securitizations. See "*Summary—Overview—Our Sources of Funding*." As of September 30, 2019, the Borrower Group's total loan assets were £1,182.9 million.

Cash Receipts for the Borrower Group in the years ended June 30, 2017 and 2018 and for the twelve months ended September 30, 2019, were £495.2 million, £610.8 million and £799.1 million, respectively. Cash Receipts expressed as a percentage of total average loan assets of the Borrower Group were 66.7%, 62.5%, 68.8% and 68.5% in the years ended June 30, 2017, 2018 and 2019,and in the twelve months ended September 30, 2019, respectively.

The group and Borrower Group had cash outflow related to overheads and expenses, tax, and capital expenditure of £122.5 million and £119.6 million, respectively, in the twelve months ended September 30, 2019 resulting in cash available for debt service and originating new advances of £1,470.5 million for the group and £679.5 million for the Borrower Group.

In the twelve months ended September 30, 2019, the group paid interest costs of £110.6 million, debt issuance costs of £6.9 million and dividends of £15.0 million relating to the servicing of cash interest on the PIK Notes. In the same period the Borrower Group paid interest costs of £46.0 million, debt issuance costs of £6.9 million and dividends of £15.0 million relating to the servicing of cash interest on the PIK Notes.

In the twelve months ended September 30, 2019, the group increased the amount outstanding under its debt financing arrangements by £764.1 million, comprising an increase of £734.1 million under the Securitizations, an increase of £30.0 million under the Revolving Credit Facility.

We are able to effectively manage our liquidity by controlling the amount of new business that we write in any given period (subject to honoring any undrawn commitments to our customers pursuant to the terms thereof). See "*—Supplemental Cash Flow Information*."

Supplemental Cash Flow Information

The table below provides our cash flow information for the group and the Borrower Group stated before making adjustments for exceptional cash outflow associated with the 2016 Refinancing and the Exit Transactions.

	Supplemental consolidated cash flow information				
	Group				Borrower Group
	For the year ended June 30,			For the twelve months ended September 30,	For the twelve months ended September 30,
	2017	2018	2019	2019	2019
	(£ in millions)				
Interest and Fees	227.6	258.8	309.0	318.1	91.8
Principal[8]	773.3	989.5	1,261.1	1,274.9	556.8
Securitization surplus income	—	—	—	—	150.5
Cash Receipts	**1,000.9**	**1,248.3**	**1,570.1**	**1,593.0**	**799.1**
Overheads and expenses[1]	(68.6)	(84.9)	(96.1)	(95.5)	(95.5)
Tax	(17.2)	(15.3)	(15.9)	(22.4)	(19.6)
Capital expenditure	(4.0)	(8.6)	(4.9)	(4.5)	(4.5)
Cash available for debt service[2]	**911.2**	**1,139.5**	**1,453.2**	**1,470.5**	**679.5**
Cash interest payable[3]	(78.6)	(78.0)	(105.1)	(110.6)	(46.0)
Debt issuance costs[4]	(11.5)	(8.4)	(9.1)	(6.9)	(6.9)
PIK Note dividends[5]	(12.5)	(22.9)	(29.9)	(15.0)	(15.0)
Cash available after debt service[6]	**808.6**	**1,030.2**	**1,309.1**	**1,338.1**	**611.6**
Debt increase[7]	389.1	614.9	719.3	764.1	69.1
Available funds	**1,197.7**	**1,645.1**	**2,028.4**	**2,102.2**	**680.7**
New advances[8]	**(1,184.7)**	**(1,660.4)**	**(1,982.3)**	**(2,097.7)**	**(688.0)**
(Decrease)/Increase in cash	**13.0**	**(15.3)**	**45.9**	**4.5**	**(7.2)**
(Decrease)/ Increase in cash held by Securitization Vehicles[7][9]	(3.8)	2.1	—	—	—
(Decrease)/Increase in cash and cash equivalents as per statutory accounts	16.8	(17.3)	45.9	4.5	—

(1) Overheads and expenses for the year ended June 30, 2017 includes £3.1 million of net exceptional cash outflow in relation to the Exit Transactions for the group and Borrower Group which consists of £4.3 million paid in respect of the Staff Incentive Plan less £1.2 million received with respect to the sale of shares held by the EB Trust as part of the Exit Transactions. Overheads and expenses for the year ended June 30, 2018 included £2.2 million of exceptional costs in relation to the final instalment of the staff incentive plan payable as part of the Exit Transactions.

(2) Cash available for debt service is cash available for debt service and originating new advances.

(3) Cash interest payable for the years ended June 30, 2017 includes £15.1 million of exceptional cash outflow in relation to the 2016 Refinancing for the group and Borrower Group.

(4) Debt issuance costs for the year ended June 30, 2017 relate to the 2016 Refinancing in October 2016, the entry into the DABS 1 Securitization in January 2017 and the issuance of 2024 Original Notes in February 2017. Debt issuance costs for the year ended June 30, 2018 relate to the entry into the TABS 1 Securitization in September 2017, the renewal of the LABS Securitization in January 2018, the entry into the HABS Securitization in June 2018, the renewal of the Revolving Credit Facility in April 2018 and the issuance of the 2024 Additional Notes in January 2018. Debt issuance costs for the year ended June 30, 2019 relate to the renewal of the CABS Securitization in September 2018, the entry into the TABS 2 Securitization in November 2018 and the entry into the DABS 2 Securitization in March 2019. In addition, debt issuance costs for the twelve months ended September 30, 2019 relate to the entry into the TABS 2 Securitization in November 2018 and the entry into the DABS 2 Securitization in March 2019. Interest and debt issuance costs are consolidated within our consolidated financial statements into the line item "Net cash outflow from operating activities."

(5) PIK Note dividends relate to payments made to Midco2 and in turn the PIK Notes Issuer to service cash interest on the 2021 PIK Notes and the PIK Notes. Such dividends are consolidated within our consolidated financial statements within cash flow from financing activities.

(6) Cash available after debt service differs to "Cash available for debt repayment and originating new advances" in that it is stated after the deduction of debt issuance costs.

(7) Debt increase includes net movements of the Securitizations, the 2018 Notes, the 2021 Notes and 2024 Notes, the Original Subordinated Shareholder Loan Notes, the Subordinated Shareholder Funding and the Revolving Credit Facility in the respective period. For the years ended June 30, 2017 and June 30, 2018, it differs to cash flows from financing activities within the audited annual consolidated financial statements for such periods as it does not include the movement in cash held by the Securitization Vehicles and dividends for the purposes of cash interest related to the PIK Notes. For the year ended June 30, 2019 and twelve months ended September 30, 2019, it differs to cash flows from financing activities within the audited annual consolidated financial statements for the year ended June 30, 2019, and the unaudited consolidated interim financial statements for the three months ended September 30, 2019, as it does not include the dividends made for the purposes of servicing the cash interest related to the PIK Notes or certain adjustments in respect of transition to IFRS 9.

(8) Principal receipts and new advances include product transfers, whereby a customer redeems its current loan in order to borrow a new type of loan.

(9) The movement of cash held by the Securitization Vehicles is presented herein on a standalone basis for the purposes to enable comparability with our statement of cash flows within our annual audited consolidated financial statements for the years ended June 30, 2017 and June 30, 2018. In the consolidated financial statements as of and for the year ended June 30, 2019 cash held by the Securitization Vehicles is included within cash and cash equivalents with the prior year also adjusted. For financial statements as of and for the year ended June 30, 2018 and for prior period financial statements, movement in cash held by the Securitization Vehicles is included within cash flows from financing activities. For the year ended June 30, 2019, movement in cash and cash equivalents of £45.9 million comprised of £22.6 million movement of unrestricted cash and £23.3 million movement of restricted cash, being cash held by the Securitization Vehicles. For the twelve months ended September 30, 2019, movement in cash and cash equivalents of £4.5 million comprised of £7.2 million decrease unrestricted cash and £11.7 million increase restricted cash, being cash held by the Securitization Vehicles.

Other Loan Asset Metrics

Interest Yield

The table below sets forth interest yield for each of the periods indicated.

	Year ended June 30,			Three months ended September 30,		Twelve months ended September 30,
	2017	2018	2019	2018	2019	2019
	(£ in millions, except for percentages)					
Average total loan assets	2,020.8	2,599.5	3,326.3	2,984.8	3,786.4	3,444.9
Interest receivable and similar income	246.5	292.2	343.1	82.2	92.5	353.4
Interest yield(1)	12.2%	11.2%	10.3%	11.0%	9.8%	10.3%

(1) Interest yield is defined as interest receivable and similar income divided by average total loan assets.

Net Interest Margin

The table below sets forth our levels of average total loan assets, net interest and net interest margin for each of the periods indicated.

	Year ended June 30,			Three months ended September 30,		Twelve months ended September 30,
	2017	2018	2019	2018	2019	2019
	(£ in millions, except for percentages)					
Average total loan assets	2,020.8	2,599.5	3,326.3	2,984.8	3,786.4	3,444.9
Net interest(1)	172.4	199.4	226.3	53.7	60.7	233.3
Net interest margin(2)(3)	8.5%	7.7%	6.8%	7.2%	6.4%	6.8%

(1) Net interest is defined as interest receivable and similar income less interest payable and similar charges.

(2) Net interest margin represents the interest receivable and similar income less interest payable and similar charges divided by average total loan assets.

(3) For the year ended June 30, 2017, interest payable and similar charges has been adjusted for exceptional items relating to the 2016 Refinancing for the purposes of calculating net interest margin.

Pre-payment Schedule

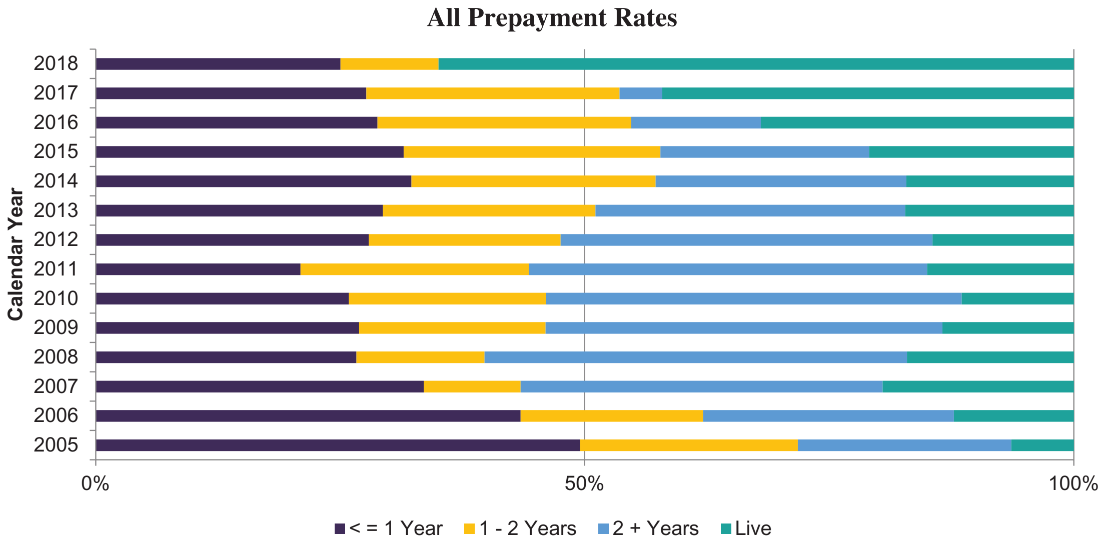
The rate at which our customers redeem their mortgages is a key driver of cash flow generation. Customers often redeem their loans prior to their contractual term either due to changes in their personal circumstances, such as moving house, or the availability of alternative financial products on more favorable terms. Pre-payment rates vary over time and are influenced by a number of economic factors, including: financial liquidity and availability of finance, house price movements and the level of property equity, economic outlook and interest rates.

The chart below shows the percentage of our total loan book that was pre-paid after the indicated number of months from inception. Pre-payment rates are calculated based on the original balance (excluding any further advances made).

Prepayment Rates

Prior to and through 2007, as shown by the performance of loans underwritten in 2005, 2006 and 2007, approximately 40% of our total loan portfolio was typically repaid within twelve months. After 2007, only approximately 30% of the total loan portfolio was pre-paid within twelve months. This decrease in redemption rates mirrors general trends in the UK mortgage market and was caused by a number of factors, including: the reduction in liquidity in the UK financial system, the reduction in house prices between 2008 and 2010 and its impact on reducing borrowers property equity, and the application of stricter and more challenging underwriting criteria applied throughout the UK mortgage industry.

Prepayment Rates



Significant Factors Affecting Results of Operations

Loan Assets Performance

The performance of our total loan assets depends on our ability to collect each expected loan installment, 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 of the loan installments and to assess the sustainability of such payments based upon known factors at the time of origination, an assessment of the repayment strategy and, where relevant, 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 individualized assessment is made of the customer including, among other checks, an assessment of the financial position of the customer to ensure that the loan is both affordable and sustainable and 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 installments. For a further explanation of our underwriting process, see "*Business—Our Operations—Retail Purpose Lending—Underwriting Process—Underwriting*" and "*Business—Our Operations—Commercial Purpose Lending—Underwriting Process*." We also have in place a formal governance framework, the "three lines of defense" model, which includes an Enterprise Risk Management Framework, ensuring risk management is integral to our business operations. See "*Business—Risk Management*."

Our total loan assets have historically had a higher level of arrears than the total loan assets of banks and other mortgage lending companies, due in part to the irregular incomes or cash flows, respectively, of our retail purpose customers and commercial purpose customers and in part to a higher percentage of our customers having an impaired credit history. At the onset of the deterioration of the economic climate in 2008, our loan arrears increased. Since then, we have increased our focus on the affordability assessment, introducing enhanced controls including higher minimum expenditure levels and higher buffer levels within the retail income and expenditure assessment. Due to the introduction of such measures, amongst other things, there has been an improvement in the credit quality of the customers to whom we have lent since 2008. As a result, annual vintage delinquency rates have decreased from 4.4% for loans funded in the twelve months ended December 31, 2009 to 0.6% for loans funded in the twelve months ended December 31, 2018. Since the onset of the global financial crisis, mainstream lenders have not been lending to certain additional types of applicant pools, which, along with the above measures, has allowed us to improve the credit quality of our new business.

We proactively manage our loans in arrears by using a variety of collection strategies and forbearance measures. We continuously invest in our customer relationship management based IT platform in our retail collections department, which we use to improve the efficiency and effectiveness of our collection process. For a further explanation of our collection process, see "*Business—Our Operations—Collection and Arrears Management*." Our conservative LTV approach to lending also means that many of our customers hold significant equity in their property and therefore have an incentive to engage with us in order to find acceptable solutions should they go into arrears. When borrowers are experiencing difficulty meeting their loan commitments, where appropriate, we undertake an assessment of their personal and financial position and, we apply forbearance measures to support the customer, which may result in, amongst others options, a borrower paying less than their contractual instalments for a specified period of time, a reduction in the interest charge to the loan (either temporary or permanent), deferral of payments, payment holidays, extension of loan duration terms and in some cases write off of interest, fees or principal. In cases in which the underlying security is not owner occupied, we may also look to appoint an LPA receiver to divert rental income directly to ourselves.

Should a customer default on an account and our collection and forbearance measures prove to be unsuccessful, we may assist the customer in selling the property or undertake a repossession or LPA receivership. Our policy of lending at low LTVs increases the likelihood of achieving a full recovery and minimizes potential losses that we may incur. Notwithstanding a slightly higher contractual arrears position of our total loan assets compared to high street banks, due to our focus on loan affordability at origination, our conservative LTV approach to lending and our proactive collections management and processes, our actual credit losses were minimal prior to 2008 and subsequently, despite the economic downturn since 2008, principal losses have remained relatively low at no more than 0.8% of our total loan assets in each of the years between 2008 and 2018, averaging at 0.4% over this period. For loans originated since January 2012 the Company has crystalized principal losses of £0.9 million on £7.7 billion of loan originations as of September 30, 2019. In stress testing our loan portfolio and the Borrower Group's loan portfolio as of September 30, 2019, a 20% decline to indexed valuations on a loan by loan analysis would result in additional negative equity exposure of £24.4 million and £22.5 million, respectively.

Macroeconomic Conditions

We operate solely in the United Kingdom and, therefore, our business is impacted by general business and economic conditions in the United Kingdom. In recent years, the UK's economic performance has been mixed, influenced by the uncertainty surrounding the ongoing Brexit negotiations. The Bank of England raised the base rate by 0.25% (to 0.5%) in November 2017 and by 0.25% (to 0.75%) in August 2018. This was driven by expectations of continued inflationary pressures from falling unemployment (now standing at its lowest level since 1971) fueling gradual wage growth in the first quarter of 2018. Since the May 2019 inflation Report, global trade tensions have remained high and global activity has remained soft, leading to a substantial decline in advanced economies' forward interest rates and a material loosening in financial conditions. Base rates have remained unchanged since August 2018, with the Bank of England agreeing to maintain rates to support meeting the 2% inflationary target, reflecting the loosening in financial conditions and modest GDP growth rates. The United Kingdom's General Election result offers considerably greater political stability and the EU Withdrawal Agreement has now been signed by the United Kingdom, as well as the Council and Commission of the EU. While the new government may provide a fiscal boost, uncertainty remains over the United Kingdom's long-term trading relationship with the EU, set to be negotiated throughout 2020. Despite political and economic uncertainty, unemployment has continued to fall. While house prices have faced challenges in regions with significant falls in demand from foreign investors for properties in Greater London, the broader UK housing market has proven to be resilient so far due to unchanged mismatch of supply and demand. See "*Risk Factors—Risks relating to our Business—The United Kingdom's planned exit from the European Union may adversely impact our business, results of operations and financial condition*."

In an economic downturn, our customers may be less able to pay their debts, which could impact our levels of arrears. For example, at the onset of the deterioration of the economic climate in 2008, our loan arrears increased. Since January 2009, our loan arrears have stabilized and from January 2011 have been steadily decreasing. Our contractual arrears greater than one month's contractual instalment as a proportion of our loan portfolio (excluding loans past contractual term, subject to an LPA Sale or repossession order, development loans and loans for which no contractual monthly instalment is due), calculated by value have decreased from 18.8% as of June 30, 2014 pursuant to UK GAAP and 6.9% as of September 30, 2019, pursuant to IFRS. A large proportion of the contractual arrears consists of customers who are making regular payments in line with agreed payment plans. As of September 30, 2019, 67.1% of contractual arrears were performing arrears loans, in respect of which arrears are equal to or less than three months' contractual instalments or within the prior three months, 90% or more of contractual instalments due had been received.

In an economic downturn, customers are also less likely to redeem their mortgage loans, as a result of banks and other lenders having reduced levels of liquidity with which customers can refinance their mortgages, lenders tightening their lending criteria and customers being less likely to meet lending criteria. Redemption levels impact the levels of new business we are able to underwrite and thus the amount that we earn in redemption and upfront fees.

Our results of operations are also affected by changes in prevailing interest rates in the United Kingdom. An increase in prevailing interest rates increases the cost of servicing some of our borrowings. Although our total loan assets mainly consist of variable rate mortgage loans and we have the right to increase pricing if our own funding costs increase, our level of arrears and ultimately cash flows may be adversely affected if we increase the pricing of our customers' mortgages in relation to any potential increases in our funding costs. An increase in interest rates can also adversely affect the credit quality of the customers to whom we lend and our loan origination volumes as loans become less attractive to customers. In addition we have seen a growth in demand for fixed rate products which has increased as a percentage of our total loan assets. While our performance remains sensitive to the possibility of further interest rate increases, recently, we partly mitigated this risk through the introduction of certain interest rate swaps and caps within certain of our Securitization structures. See "*—Quantitative and Qualitative Disclosures about Market Risk—Interest Rate Risk*" and "*Description of Certain Financing Arrangements—Securitizations—Conduit Securitizations.*" In addition, inflation can negatively impact household incomes which could, in turn, decrease the demand for our loans, decrease loan redemption levels, increase loan delinquency rates and increase loan losses. See "*Risk Factors—Risks Relating to Our Business—The United Kingdom's planned exit from the European Union may adversely impact our business, results of operations and financial condition*."

Property Market

Our business is impacted by levels of activity in the property market as well as property prices, both of which are influenced by, among other things, general business and economic conditions, including as a result of Brexit, which has led to heightened uncertainty. See "*Risk Factors—Risks Relating to Our Business—A deterioration in the mortgage market in the United Kingdom may materially affect our business, results of operations and financial condition*" and "*Risk Factors—Risks Relating to Our Business—The United Kingdom's planned exit from the European Union may adversely impact our business, results of operations and financial condition*." Growing levels of activity in the property market (independent of property prices) are likely to increase demand for our mortgage loans, and, conversely, lower levels of activity are likely to reduce demand. Levels of activity in the property market may be impacted by various economic, regulatory and fiscal factors. For instance, in recent years the UK Government has announced changes to the tax treatment and stamp tax duty with respect to buy-to-let investments which may negatively affect levels of activity in that particular market. In 2017, the UK Government announced a change to the tax treatment of stamp duty with respect to first-time home buyers which may positively affect the levels of activity in the housing market. See "*Risk Factors—Risks Relating to Our Business—The initiatives of the UK Government related to the buy-to-let market may adversely affect our business, results of operation and financial condition*."

Levels of activity within the mortgage market are dependent on many factors, including lender liquidity, the ability of borrowers to raise sufficient deposit amounts and lenders' risk appetite. Generally, rising property prices are likely to increase demand for mortgage loans, whereas falling property prices are likely to decrease demand, while specific mortgage products may have the opposite characteristic. Lower prices, for example, may attract investors who can earn a higher yield from buy-to-let investments.

Property prices also impact the LTV of our loans. As property prices increase, the amount of equity that mortgage borrowers hold in their property increases, and as property prices decrease, equity levels also decrease. For instance, the three main house price indices, Halifax, Nationwide Building Society and HM Land Registry reported that average house prices for the UK have increased 5.7%, 0.5% and 0.9%, respectively, in the year ended June 30, 2019 as a whole, though there is variation regionally. For example, while many areas of the UK continue to see some level of growth in house prices, the overall rate of growth in the UK has been more modest in recent years and constrained by lower property values in London. According to HM Land Registry data, house prices have risen nationally by 0.9% but decreased by 2.7% in London in the last twelve months ended June 2019, while other regions in the UK have continued to rise during the same period, in some regions by as much as 4.4% and with some local authority areas within regions seeing significantly higher price growth (Source: Land Registry House Price Index, June 2019). Affordability has become a key constraint, with overall increases in UK house prices over recent years outstripping growth in earnings, particularly among first-time buyers. This has been compounded by many young people building up substantial student debt and by regulatory changes that have required more stringent affordability criteria for new lending. Combined with regulatory changes affecting the wider BTL market and wider market uncertainty, these pressures may have a dampening effect on the growth in total UK mortgage lending for the medium term. See "*Industry Overview—The UK Mortgage Market*." Increased levels of equity provide borrowers with greater financial flexibility, which they may use to refinance or borrow additional amounts, which results in increased redemption and new business levels. As described above, redemption levels impact the levels of new business that we are able to underwrite and the amount that we earn in redemption fees as well as upfront fees. Rising property prices also improve the security profile of our total loan assets. Falling property prices in turn result in higher LTVs and potentially lower recoveries in connection with the repossession process.

Competition

Competition in the mortgage loan industry can take many forms, including loan offerings and interest rates, fee competition, underwriting criteria, convenience and customer service, marketing and distribution channels. See "*Risk Factors—Risks Relating to Our Business—We face competition from other mortgage lenders that could materially adversely affect us.*" Competition levels could impact the acquisition cost of obtaining business along with the interest rates and fees that we can charge for our mortgage loans as well as the credit quality of the customers to which we lend. During the most recent global financial crisis, the number of competitors in our market segments decreased considerably, thereby allowing us to strengthen our margins. The economic environment has since improved and certain competitors have re-entered our market segments, alongside with new competitors, which has contributed to a reduction in yields on our new mortgage loans. Margin compression has, however, partially been mitigated as our cost of debt funding has also decreased. In addition, in recent years, we have been able to enter additional market segments, which are no longer well served by other lenders, in particular by mainstream lenders. We believe our established position in the market, having underwritten our first bridging loan of this type in 1985, our distribution channels, people, systems and governance, and our strong financial results support our competitive position.

Funding

We currently fund our total loan assets from cash provided by operations, shareholder funding and the Senior Secured Notes, the Revolving Credit Facility and the Securitizations. The volume of loans we are able to originate is limited in part by the amount and terms of funding available to us. If we are unable to secure cost effective financing arrangements in the future, we may not be able to increase the number of mortgage loans we would like to originate as part of our growth strategy or maintain the existing level of our total loan assets. See "*Risk Factors—Risks Relating to Our Business—Our business relies in part on debt financing to fund mortgage loans. If any of our financings is terminated or is not refinanced or renewed in whole or in part, we may be unable to find replacement financing on commercially favorable terms, or at all, which could have a material adverse effect on our business, results of operations and financial condition*."

Regulatory Considerations

Our results of operations are affected by a number of laws and regulations. Regulatory changes may affect our markets, competitive landscape and our operations. Certain of our business operations are regulated by the FCA. For additional information, see "*Regulation*." We have invested, and continue to invest, in quality assurance, our compliance and internal audit functions and our Enterprise Risk Management Framework. See "*Business—Risk Management*" and "*Business—Compliance and Quality Control*." Where appropriate, we also use third party regulatory specialist advisors to support our business operations.

Critical Accounting Policies

Interest Income and Expense

Interest income and expense are recognized in the statement of comprehensive income for all instruments measured at amortized cost using the effective interest rate ("EIR") method. The EIR method calculates the amortized cost of a financial asset or a financial liability and allocates the interest income or interest expense over the expected life of the instrument. The EIR is the rate, at inception of the instrument, that discounts its estimated future cash payments or receipts to the net carrying amount of the financial instrument. When calculating the EIR, we take into account all contractual terms of the financial instrument but do not consider future credit losses except for credit-impaired assets. For credit-impaired assets a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses. The calculations include all fees, transaction costs and other premiums or discounts that relate to the origination of the instrument. Interest on impaired financial assets is recognized at the original EIR applied to the carrying amount as reduced by an allowance for impairment.

Fee and Commission Income and Expense

Fees and commissions which are an integral part of the EIR of a financial instrument, including, for example, procuration fees paid to introducers, are recognized as an adjustment to the contractual interest rate and recorded in interest income. Fees and commissions which are not considered integral to the EIR are generally recognized on an accruals basis when the service has been provided. Fees and commissions expense consists primarily of legal and valuations fees and credit search fees.

Impairment of Financial Assets—applicable until June 30, 2018

The discussion below refers to our accounting policies for the year ended June 30, 2018 and prior periods included in this offering memorandum. Financial assets were impaired and impairment losses incurred if, and only if, there was objective evidence of impairment as a result of one of more loss events that occurred after the initial recognition of the assets and prior to the reporting date and that had an impact on the estimated future cash flows of the financial asset that could be reliably estimated.

For loans and receivables, the amount of the loss was measured as the difference between the loan's carrying amount and the present value of estimated future cash flows, excluding future credit losses that had not been incurred, discounted at the original effective interest rate. All impairment losses were reviewed at least at each reporting date. If subsequently the amount of the loss decreased as a result of a new event, the relevant element of the outstanding impairment loss was reversed. Impairment losses and any subsequent reversals were recognized in the income statement.

Impairment losses were assessed individually for financial assets that were individually significant and individually or collectively for assets that were not individually significant. In making collective assessment of impairment, financial assets were grouped into portfolios on the basis of similar risk characteristics.

Future cash flows in a group of financial assets that were collectively evaluated for impairment were estimated on the basis of the contractual cash flows of the asset group and historical loss experience for assets with similar credit risk characteristics. Historical loss experience was adjusted on the basis of current observable data to reflect the effects of then-current conditions. In addition, the group used its experienced judgement to correct model deficiencies and systemic risks where appropriate and supported by historic loss experience data. The use of such judgements and reasonable estimates was considered by management to be an essential part of the process and improved reliability.

Where a loan is uncollectable, it was written off against the related allowance for impairment. Such loans were written off after all the necessary procedures had been completed and the amount of the loss had been determined. Subsequent recoveries of amounts previously written off were taken through the income statement.

IFRS 9–including impairment of financial assets—applicable since July 1, 2018

Overview

IFRS 9: Financial Instruments replaced IAS 39 Financial Instruments: Recognition and Measurement, introduced new requirements for the classification and measurement of financial assets and, in particular, the impairment of financial assets. We adopted IFRS 9 in our consolidated financial statements for the annual period beginning on July 1, 2018.

The adoption of IFRS 9 represents a significant change from the requirements of IAS 39 Financial instruments: recognition and measurement, and has resulted in changes in our accounting policies for recognition, classification and measurement of financial instruments and the impairment of financial assets. It also significantly amends the disclosures relating to financial instruments.

IFRS 9 has replaced the classification categories of IAS 39, determining the appropriate classification of financial instruments based on the business model in which the assets are managed and the nature of the contractual cash flows, specifically whether they represent solely payments of principal and interest. In practice this change has no effect on the classification and measurement of the group's loans and advances, which continue to be measured at amortized cost.

The only significant change from adoption of IFRS 9 with regards to financial liabilities, is the group's treatment of non-substantial modifications. The group's previous policy was to defer any related transaction costs as adjustments to carrying value and charge them to income over the liability's remaining life. Under IFRS 9, all gains or losses on non-substantial modifications, calculated as a change in the net present value of future cash flows, are recognized immediately in the income statement. The group may also consider qualitative factors in determining whether a modification is substantial.

The most significant impact of IFRS 9 for the group relates to the impairment of financial instruments, including financial assets. IFRS 9 replaces the 'incurred loss' model of IAS 39 with an 'expected loss' model that also applies to loan commitments. IFRS 9 therefore recognizes credit losses earlier than IAS 39.

Impairment of financial assets

From July 1, 2018 the group recognizes loss allowances for ECLs on loans and advances to customers and any exposures arising from loan commitments. ECLs are a probability-weighted estimate of the present value of credit losses discounted over the expected life of an instrument at its original effective interest rate (EIR). Credit losses for financial assets are the difference between the contractual cash flows, including the amount of committed pipeline lending which is expected to be drawn down, and the cash flows expected to be received.

The group considers whether financial assets are credit impaired at each reporting date. A financial asset is credit impaired when one or more events that have a detrimental impact on its estimated future cash flows have occurred. Evidence of credit impairment includes:

- Significant financial difficulty of the borrower
- Breach of contract such as default, or becoming past due
- The granting of concessions to the borrower that the group would not otherwise consider
- It becoming probable that the borrower will enter bankruptcy or other financial reorganization.

In accordance with IFRS 9, we use a three-stage model for impairment based on changes in credit quality since initial recognition:

- A financial instrument not credit-impaired on initial recognition is classified in stage 1. The loss allowance for such instruments is calculated as the portion of lifetime ECL of those default events expected to occur within 12 months of the reporting date, weighted by the probability of that default occurring.
- An instrument moves to stage 2 if there is an increase in its credit risk that is significant but not such that the instrument is considered credit impaired. The loss allowance for stage 2 instruments is calculated as the lifetime ECL. The determination of significant increases in credit risk is explained further, later in this section.
- Stage 3 instruments are credit impaired and the loss allowance calculated as the lifetime ECL. This is similar to specific incurred losses under IAS 39 other than IFRS 9 also requires the inclusion of forward looking macro-economic scenarios which can lead to higher level of stage 3 provisioning under IFRS 9 compared to IAS 39.

Key areas of estimation within the ECL models include those regarding the probability of default (PD), loss given default (LGD) and forward looking macroeconomic scenarios. IFRS 9 contains a requirement that multiple economic scenarios are incorporated into the expected loss calculation. The group has used a minimum of three probability-weighted scenarios, including base, upside and downside scenarios.

As of September 30, 2019, our impairment loss allowance was £68.5 million of which £10.7 million related to stage 1 accounts, £8.9 million related to stage 2 accounts and £48.9 million related to stage 3 accounts. Of the stage 3 accounts £16.7 million relates to shortfall accounts where such accounts have been fully impaired and are excluded from our loan portfolio analysis.

Loans are written off when the group expects no further recovery and the amount of the loss has been determined. The group may continue to apply enforcement activities to loans written off and any subsequent recoveries are recognized as impairment gains in the income statement.

Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amount of financial assets measured at amortized cost and as a provision in the case of loan commitments.

Impact of transition to IFRS 9

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. The group has taken advantage of the exemptions allowing it not to restate comparative years. Differences in the carrying amounts of financial instruments resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as of July 1, 2018.

On transition as of July 1, 2018, IFRS 9 led to an increase of £31.5 million in allowances for impairment being reported. The change in treatment of non-substantial modifications of liabilities led to an increase of £5.6 million in the carrying value of borrowings. These changes were offset by an increase in deferred tax assets of £6.4 million resulting in an overall reduction in the group's retained earnings of £30.7 million on transition.

The below table sets out the impact of IFRS 9 to our loans and advances to customers, our borrowings, deferred tax asset position and retained earnings from closing position as of June 30, 2018 to opening position as of July 1, 2018.

Debit/(credit) balances	IAS 39 30 June 2018 £ million	Expected credit Losses £ million	Modification of financial liabilities £ million	Total impact of adoption of IFRS 9 £ million	IFRS 9 1 July 2018 £ million
Loans and advances to customers	2,958.2	(31.5)	—	(31.5)	2,926.7
Borrowings	(2,291.1)	—	(5.6)	(5.6)	(2,296.7)
Deferred tax asset	1.4	5.4	1.0	6.4	7.8
Retained earnings impact	—	(26.1)	(4.6)	(30.7)	—
Retained earnings	711.9	(26.1)	(4.6)	(30.7)	681.2

In addition on transition to IFRS 9, loans and advances to customers of £19.3 million that were fully impaired (shortfall accounts) were written off.

For more information about the impact on our results of operation resulting from the adoption of IFRS 9, see Note 2 to the consolidated financial statements for the year ended June 30, 2019.

For more information about critical accounting policies see page F-12 of this offering memorandum.

IFRS 16 "Leases"

From July 1, 2019 we have applied IFRS 16. IFRS 16 was issued in January 2016 and supersedes IAS 17. The objective of the standard is to ensure the lessees and lessors provide relevant information in a manner that faithfully represents lease transactions. The standard applies to all leasing arrangements and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both, lessor and lessee accounting. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset, representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

We have adopted the standard using the modified retrospective approach on transition, resulting in the cumulative effect arising from the new leasing rules being recognized in the opening balance sheet at the date of initial application. This resulted in a cumulative transition adjustment, recognized in equity of £1.3 million on July 1, 2019. As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, we recognized £8.5 million of right-of-use assets at July 1, 2019 and additional lease liabilities of £10.1 million.

No financial information for any historical period ending prior to July 1, 2019, including the comparative financial information as of and for the three months ended September 30, 2018 included in the financial statement as of and for the three months ended September 30, 2019, has been restated in accordance with IFRS 16.

Description of Statement of Comprehensive Income Items

Set forth below is a brief description of the composition of the line items of our statement of comprehensive income.

Interest Receivable and Similar Income

Interest income is recognized in the statement of comprehensive income for all instruments measured at amortized cost using the effective interest method. See "*—Critical Accounting Policies—Interest Income and Expense*."

Interest receivable and similar income also includes arrangement fee income, bridging renewal fee income for the extension of bridging facilities and are net of commission costs, all of which are spread across the estimated life of the loan.

Interest Payable and Similar Charges

Interest payable and similar charges consist primarily of interest payable on borrowings (including, in the year ended June 30, 2019 the Revolving Credit Facility, the 2021 Notes, the 2024 Notes, the Securitizations and the Subordinated Shareholder Funding).

Interest payable and similar charges also include amortization of the debt issuance costs in relation to the Revolving Credit Facility, the 2021 Notes, 2024 Notes, the 2018 Notes and the Securitizations, as applicable and the amortization of the fair value discount on the unwind of the Subordinated Shareholder Funding.

Fee and Commission Income

Fee and commission income consists of new business income arising on or during the life of the loan to the extent that it does not form part of the EIR calculation. Fee and commission income include title insurance fees and legal fees (which includes the cost of legal and title work performed in-house), collection fees chargeable for accounts in arrears (excluding accounts where borrowers are adhering to agreed payment plans) and insurance fees chargeable for the administration of arranging insurance where the borrower has failed to comply with the insurance provisions of the loan agreement.

Fee and Commission Expense

Fee and commission expenses primarily consist of costs associated with the origination of new business, which do not form a part of the EIR calculation and include third party costs such as credit agency reference and valuation expenses and the cost of title insurance.

Other Income

Other income consists of rental income in relation to a small number of rented stock properties, the sublet of part of the office space, as well as income from the disposal of stock properties.

Other Gains/(Losses)

Other gains / (losses) consist of the net gain or loss that arises upon the disposal of investment properties held by the group relating to a small investment property portfolio that is gradually being sold off.

Administrative Expenses

Administrative expenses consist primarily of staff salaries and the cost of associated benefits, temporary staff costs, professional fees of advisors and consultants, property overhead expensed, marketing costs, information technology costs, amortization of intangible assets and depreciation of property, plant and equipment.

Impairment Losses

For the years ended June 30, 2017 and 2018, impairment losses broadly arise when the carrying value of a loan exceeds the present value of expected future cash receipts including the expected sale receipt of the associated security. Such losses are assessed individually for financial assets that are individually significant and individually or collectively for assets that are not individually significant. See "*Critical Accounting Policies—Impairment of financial assets–applicable until June 30, 2018*."

Following the introduction of IFRS 9, for the year ended June 30, 2019 impairment losses broadly reflect expected credit losses (ECLs) on loans and advances to customers and any exposures arising from loan commitments. ECLs are a probability-weighted estimate of the present value of credit losses discounted over the expected life of an instrument at its original EIR. Credit losses for financial assets are the difference between the contractual cash flows and the cash flows expected to be received. Such ECLs include amounts in respect of committed pipeline lending, which has yet to be drawn but is expected to be drawn down. See "*Critical Accounting Policies—Impairment of financial assets–applicable after July 1, 2019.*"

Income tax

Income tax consists of the sum of (i) current tax which is the expected tax payable on the taxable income for the period plus any adjustments in respect of tax payable for prior periods, and (ii) deferred tax which relates to the origination and reversal of timing differences plus adjustments in respect of prior years (including transitional adjustments for the conversion to IFRS and effect of tax rates).

Other Financial Information (Non-IFRS)

Set forth below is a brief description of the other financial information included in our results of operations.

EBITDA

EBITDA are profit after taxation before income tax, amortization and depreciation and interest payable and similar charges. EBITDA margin is calculated as EBITDA divided by the sum of interest receivable and similar income, fees and commissions received. Underlying EBITDA reflects EBITDA excluding the effects of exceptional items related to the Exit Transactions.

EBITDA-based measures are not measurements of financial performance pursuant to IFRS and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. Our management believes that the presentation of EBITDA is helpful to investors, securities analysts and other parties to measure our operating performance and ability to service debt. Our EBITDA-based measures may not be comparable to similarly titled measures used by other companies. The calculation of EBITDA in this offering memorandum may be different than the calculation of EBITDA under the Indenture. See "*Presentation of Financial and Other Information*." For a reconciliation of profit on ordinary activities to EBITDA, please see footnote 7 to the Non-IFRS financial information presented in "*Summary Historical Financial Information and Other Data*."

Results of Operations

Three Months Ended September 30, 2018 Compared with the Three Months Ended September 30, 2019

	Three Months Ended September 30,		Percentage change
	2018	2019	
	(£ in millions)		(%)
Interest receivable and similar income	82.2	92.5	12.6
Interest payable and similar charges	(28.4)	(31.8)	11.9
Net interest income	53.8	60.7	12.7
Fee and commission income	1.0	1.1	5.8
Fee and commission expense	(0.4)	(0.6)	37.2
Other income	0.0	(0.3)	—
Operating income	54.4	60.9	12.0
Administrative expenses (excluding depreciation and amortization)	(18.7)	(22.6)	20.9
Depreciation and amortization	(1.0)	(1.3)	30.6
Operating profit	34.7	37.0	6.6
Impairment losses	(4.3)	(5.5)	26.9
Profit before taxation	30.4	31.5	3.8
Income tax	(3.4)	(4.4)	28.6
Profit after taxation	27.0	27.1	0.2
EBITDA	59.8	64.6	8.0
EBITDA margin(%)	71.9	69.0	(4.0)
Underlying EBITDA	59.8	67.6	13.0
Underlying EBITDA margin(%)	71.9	72.2	0.5

Interest Receivable and Similar Income

Interest receivable and similar income in the three months ended September 30, 2019 was £92.5 million compared to £82.2 million in the three months ended September 30, 2018, an increase of £10.3 million or 12.6%, primarily due to an increase in the size of our average total loan assets to £3,786.4 million from £2,984.8 million, or 26.9%, partially offset by a reduction in interest yield, from 11.0% to 10.3%. This was primarily due to a decrease in nominal rates on new loans originated in the period and the redemption of older loans underwritten at higher nominal rates.

Interest Payable and Similar Charges

Interest payable and similar charges in the three months ended September 30, 2019 was £31.8 million compared to £28.4 million in the three months ended September 30, 2018, an increase of £3.4 million or 11.9%, principally due to an increase in debt levels to support the growth of our loan book as well as an increase in our ratio of borrowings to total loan assets, partially offset by a reduction in our weighted average interest rate payable on our debt facilities. As a result of the adoption of IFRS 16, interest payable in the three months ended September 30, 2019 was £0.1 million higher than had IFRS 16 not been adopted.

Net Interest Income

Net interest income in the three months ended September 30, 2019 was £60.7 million compared to £53.8 million in the three months ended September 30, 2018, an increase of £6.9 million or 12.7%, for the reasons described above.

Fee and Commission Income

Fee and commission income was £1.1 million in the three months ended September 30, 2019 compared to £1.0 million in the three months ended September 30, 2018, a increase of £0.1 million or 5.8%.

Fee and Commission Expense

Fee and commission expense in the three months ended September 30, 2019 was £0.6 million compared to £0.4 million in the three months ended September 30, 2018, an increase of £0.2 million or 37.2%.

Other Net Losses

Other net losses in the three months ended September 30, 2019 was £0.3 million, which was in respect to our financial instruments held for risk management in relation to the hedging of interest-rate risk on floating-rate liabilities in certain securitization vehicles. In the three months ended September 30, 2018, these instruments were not in place and as such, the amounts amounted to £nil.

Operating Income

Operating income in the three months ended September 30, 2019 was £60.9 million compared to £54.4 million in the three months ended September 30, 2018, an increase of £6.5 million or 12.0% compared to the three months ended September 30, 2018, for the reasons described above.

Administrative Expenses

Administrative expenses in the three months ended September 30, 2019 were £22.6 million compared to £18.7 million in the three months ended September 30, 2018, an increase of £3.9 million or 20.9%, primarily due to an increase in customer provisions, including exceptional costs of £3.0 million in respect of provisions for forbearance in the three months ended September 30, 2019. Excluding these exceptional costs, administrative expenses in the three months ended September 30, 2019 was £19.6 million, which represented an increase in administrative expenses of 5.3% compared to the three months ended September 30, 2018, principally due to costs associated with inflation and increasing average headcount from 734 employees to 744 people in the three months ended September 30, 2019 to support increases in new business growth and continued investment in our support functions and governance. As a result of the adoption of IFRS 16, Administrative expenses was £0.3 million lower in the three months ended September 30, 2019 than had IFRS 16 not been adopted due to certain operating lease rental charges in respect of properties no longer being recognized.

Depreciation and Amortization

Depreciation and amortization in the three months ended September 30, 2019 was £1.3 million compared to £1.0 million in the three months ended September 30, 2018, an increase of £0.3 million or 30.6%. As a results of the adoption of IFRS 16 from July 1, 2019, depreciation and amortization in the three months ended September 30, 2019 increased by £0.2 million.

Operating Profit

Operating profit in the three months ended September 30, 2019 was £37.0 million compared to £34.7 million in the three months ended September 30, 2018, an increase of £2.3 million or 6.6%. Adjusting for the exceptional items associated with provisions for forbearance of £3.0 million, operating profit in the three months ended September 30, 2019 was £40.0 million compared to £34.7 million in the three months ended September 30, 2018, an increase of £5.3 million or 15.3%, for the reasons described above.

Impairment Losses

Impairment losses in the three months ended September 30, 2019 were £5.5 million, compared to £4.3 million in the three months ended September 30, 2018, an increase of £1.2 million or 26.9%, which partly reflects an increase in the size of our average total loan assets of £3,786.4 million in the three months ended September 30, 2019 from £2,984.8 million in the three months ended September 30, 2018, an increase of 26.9%.

Profit Before Taxation

Profit before taxation in the three months ended September 30, 2019 was £31.5 million compared to £30.4 million in the three months ended September 30, 2018, an increase of £1.1 million or 3.8%. Adjusting for the exceptional items associated with provisions for forbearance of £3.0 million, underlying profit before tax in the three months ended September 30, 2019 was £34.5 million compared to £30.4 million in the three months ended September 30, 2018, an increase of £4.1 million or 13.6%, for the reasons described above.

Income Tax

Income tax charge in the three months ended September 30, 2019 was £4.4 million compared to £3.4 million in the three months ended September 30, 2018, an increase of £1.0 million or 28.6%. The effective tax rate increased from 11.3% in the three months ended September 30, 2018 to 14.0% in the three months ended September 30, 2019, primarily due to the additional group relief benefit in the three months ended September 30, 2018, arising from the costs associated with the refinancing of the 2021 PIK Notes.

Profit after Taxation

Profit after taxation in the three months ended September 30, 2019 was £27.1 million compared to £27.0 million in the three months ended September 30, 2018, an increase of £0.1 million or 0.2%, for the reasons described above.

EBITDA

EBITDA in the three months ended September 30, 2019 was £64.6 million compared to £59.8 million in the three months ended September 30, 2018, an increase of £4.8 million or 8.0%, for the reasons described above. EBITDA margin in the three months ended September 30, 2019 was 69.0% compared to 71.9% in the three months ended September 30, 2018. Adjusting for the exceptional items associated with provisions for forbearance of £3.0 million, Underlying EBITDA in the three months September 30, 2019 was £67.6 million compared to £59.8 million in the three months ended September 30, 2018, an increase of £7.8 million or 13.0%, and Underlying EBITDA margin in the three months ended September 30, 2019 was 72.2%, compared to 71.9% in the three months ended September 30, 2018, for the reasons described above.

Year Ended June 30, 2018 Compared with the Year Ended June 30, 2019

	Year Ended June 30,		Percentage change
	2018	2019	
	(£ in millions)		(%)
Interest receivable and similar income	292.2	343.1	17.4
Interest payable and similar charges	(92.8)	(116.8)	25.9
Net interest income	199.4	226.3	13.5
Fee and commission income	4.7	4.4	(7.1)
Fee and commission expense	(2.1)	(2.3)	9.9
Other income	0.4	0.1	(70.9)
Operating income	202.4	228.5	12.9
Administrative expenses (excluding depreciation and amortization)	(64.6)	(78.4)	21.4
Depreciation and amortization	(4.7)	(4.4)	7.6
Operating profit	133.1	145.7	9.5
Impairment losses	(11.4)	(15.4)	34.4
Profit before taxation	121.7	130.3	7.1
Income tax	(15.3)	(18.6)	21.1
Profit after taxation	106.4	111.7	4.9
EBITDA	219.2	251.5	14.7
EBITDA margin(%)	73.8%	72.4%	1.4

Interest Receivable and Similar Income

Interest receivable and similar income in the year ended June 30, 2019 was £343.1 million compared to £292.2 million in the year ended June 30, 2018, an increase of £51.0 million or 17.4%, primarily due to an increase in the size of our average total loan assets to £3,326.3 million from £2,599.5 million, or 28.0%, partially offset by a reduction in interest yield, from 11.2% to 10.3%. This was primarily due to a decrease in nominal rates on new loans originated in the period and the redemption of older loans underwritten at higher nominal rates.

Interest Payable and Similar Charges

Interest payable and similar charges in the year ended June 30, 2019 was £116.8 million compared to £92.8 million in the year ended June 30, 2018, an increase of £24.0 million or 25.9%, principally due to an increase in debt levels to support the growth of our loan book as well as an increase in our ratio of borrowings to total loan assets, partially offset by a reduction in our weighted average interest rate payable on our debt facilities.

Net Interest Income

Net interest income in the year ended June 30, 2019 was £226.3 million compared to £199.4 million in the year ended June 30, 2018, an increase of £27.0 million or 13.5%, for the reasons described above.

Fee and Commission Income

Fee and commission income was £4.4 million in the year ended June 30, 2019 compared to £4.7 million in the year ended June 30, 2018, a decrease of £0.3 million or 7.1%.

Fee and Commission Expense

Fee and commission expense in the year ended June 30, 2019 was £2.3 million compared to £2.1 million in the year ended June 30, 2018, an increase of £0.2 million or 9.9%.

Operating Income

Operating income in the year ended June 30, 2019 was £228.5 million compared to £202.4 million in the year ended June 30, 2018, an increase of £26.1 million or 12.9% compared to the year ended June 30, 2018, for the reasons described above.

Administrative Expenses

Administrative expenses in the year ended June 30, 2019 were £78.4 million compared to £64.6 million in the year ended June 30, 2018, an increase of £13.8 million or 21.4%, primarily due to costs associated with increasing average headcount from 663 employees to 740 people in the year ended June 30, 2019 to support increases in new business growth and continued investment in our support functions and governance. In addition there has been growth in our IT and marketing spend in the period.

Depreciation and Amortization

Depreciation and amortization in the year ended June 30, 2019 was £4.4 million compared to £4.7 million in the year ended June 30, 2018, a decrease of £0.4 million or 7.6%, primarily due to a change in business practice of reducing amounts capitalized in connection with IT related activities, with an increase in amounts immediately charged through administrative expenses.

Operating Profit

Operating profit in the year ended June 30, 2019 was £145.7 million compared to £133.1 million in the year ended June 30, 2018, an increase of £12.6 million or 9.5%, for the reasons described above.

Impairment Losses

Impairment losses in the year ended June 30, 2019 were £15.4 million, compared to £11.4 million in the year ended June 30, 2018, an increase of £3.9 million or 34.4%, which partly reflects an increase in the size of our average total loan assets of £3,326.3 million in the year ended June 30, 2019 from £2,599.5 million in the year ended June 30, 2018, an increase of 28.0%. In the year ended June 30, 2019, impairment losses have been recognized in accordance with IFRS 9 as opposed to IAS 39 in the year ended June 30, 2018. See "*—Critical Accounting Policies—IFRS 9 including impairment of financial assets–applicable since July 1, 2018*."

Profit Before Taxation

Profit before taxation in the year ended June 30, 2019 was £130.3 million compared to £121.7 million in the year ended June 30, 2018, an increase of £8.7 million or 7.1%, for the reasons described above.

Income Tax

Income tax charge in the year ended June 30, 2019 was £18.6 million compared to £15.3 million in the year ended June 30, 2018, an increase of £3.2 million or 21.1%. The effective tax rate increased from 12.6% in the year ended June 30, 2018 to 14.2% in the year ended June 30, 2019 primarily due to the benefit received in the previous year due to R&D claims submitted.

Profit after Taxation

Profit after taxation in the year ended June 30, 2019 was £111.7 million compared to £106.4 million in the year ended June 30, 2018, an increase of £5.2 million or 4.9%, for the reasons described above.

EBITDA

EBITDA in the year ended June 30, 2019 was £251.5 million compared to £219.2 million in the year ended June 30, 2018, an increase of £32.3 million or 14.7%, for the reasons described above. EBITDA margin in the year ended June 30, 2019 was 72.4% compared to 73.8% in the year ended June 30, 2018.

Year Ended June 30, 2017 Compared with the Year Ended June 30, 2018

The table below sets forth certain statement of comprehensive income data for the years ended June 30, 2017 and 2018.

	Year Ended June 30,		Percentage change
	2017	2018	
	(£ in millions)		(%)
Interest receivable and similar income	246.5	292.2	18.6
Interest payable and similar charges	(88.8)	(92.8)	4.5
Net interest income	157.7	199.4	26.5
Fee and commission income	4.2	4.7	11.3
Fee and commission expense	(2.1)	(2.1)	0.9
Other income	0.1	0.4	218.6
Operating income	159.9	202.4	26.6
Administrative expenses (excluding depreciation and amortization)	(56.2)	(64.6)	14.9
Depreciation and amortization	(2.2)	(4.7)	113.6
Operating profit	101.5	133.1	31.1
Impairment losses	(7.4)	(11.4)	54.3
Profit before taxation	94.1	121.7	29.2
Income tax	(15.9)	(15.3)	(3.3)
Profit after taxation	78.2	106.4	35.8
EBITDA	185.2	219.2	18.4
EBITDA margin(%)	73.9%	73.8%	(0.1)
Underlying EBITDA	193.4	219.2	13.3
Underlying EBITDA margin(%)	77.1%	73.8%	(3.3)

Interest Receivable and Similar Income

Interest receivable and similar income in the year ended June 30, 2018 was £292.2 million compared to £246.5 million in the year ended June 30, 2017, an increase of £45.7 million or 18.6%, primarily due to an increase in the size of our average total loan assets from £2,020.8 million to £2,599.5 million, or 28.6%, partially offset by a reduction in our interest yield from 12.2% to 11.2%. The decrease in the interest yield was primarily due to a decrease in nominal rates on new loans originated in the period and the redemption of older loans underwritten at higher nominal rates.

Interest Payable and Similar Charges

Interest payable and similar charges in the year ended June 30, 2018 was £92.8 million compared to £88.8 million in the year ended June 30, 2017, an increase of £4.0 million or 4.5%. After adjusting for exceptional costs of £14.8 million associated with the 2016 Refinancing interest payable and similar charges in the year ended June 30, 2017, was £74.0 million, an increase of £18.8 million or 25.4% in the year ended June 30, 2018, principally due to an increase in debt levels to support the growth of our loan book, partially offset by a reduction in our weighted average interest rate payable on our debt facilities.

Net Interest Income

Net interest income in the year ended June 30, 2018 was £199.4 million compared to £157.7 million in the year ended June 30, 2017, an increase of £41.7 million or 26.5%, for the reasons described above. After adjusting for exceptional items of £14.8 million associated with the 2016 Refinancing in the year ended June 30, 2017, Net interest income was £172.4 million, an increase of £26.9 million or 15.6% in the year ended June 30, 2018.

Fee and Commission Income

Fee and commission income was £4.7 million in the year ended June 30, 2018 compared to £4.2 million in the year ended June 30, 2017, an increase of £0.3 million or 11.3%.

Fee and Commission Expense

Fee and commission expense in the year ended June 30, 2018 has remained unchanged at £2.1 million compared with the year ended June 30, 2017.

Operating Income

Operating income in the year ended June 30, 2018 was £202.4 million compared to £159.9 million in the year ended June 30, 2017, an increase of £42.5 million or 26.6% compared to the year ended June 30, 2017. Operating income, after adjusting for the exceptional items of £14.8 million associated with the 2016 Refinancing in the year ended June 30, 2017, was £174.7 million, compared to £202.4 million in the year ended June 30, 2018, an increase of £27.7 million or 15.9%, for the reasons described above.

Administrative Expenses

Administrative expenses in the year ended June 30, 2018 were £64.6 million compared to £56.2 million in the year ended June 30, 2017, an increase of £8.4 million or 14.9%. Administrative expenses in the year ended June 30, 2017 includes £8.2 million of exceptional items associated with the Exit Transactions, primarily due to the crystallization of the Staff Incentive Plan. Adjusting for exceptional items associated with the Exit Transactions, administrative expenses in the year ended June 30, 2017 was £48.0 million, compared to £64.6 million in the year ended June 30, 2018, an increase of £16.6 million or 34.6%. This is primarily due to costs associated with the increasing average headcount from 522 employees in the year ended June 30, 2017 to 663 employees in the year ended June 30, 2018 to support increases in new business growth, the full impact of additional senior appointments and continued investment in our support functions. In addition there has been a continued investment in the IT infrastructure, increased marketing costs and the impact of proactive customer redress programs, as a result of which administrative expenses increased.

Depreciation and Amortization

Depreciation and amortization in the year ended June 30, 2018 was £4.7 million compared to £2.2 million in the year ended June, 2017, an increase of £2.5 million or 113.6%. This increase in depreciation and amortization is a result of continued investment in IT infrastructure and software development.

Operating Profit

Operating profit in the year ended June 30, 2018 was £133.1 million compared to £101.5 million in the year ended June 30, 2017, an increase of £31.5 million or 31.1%, for the reasons described above. Adjusting for the exceptional items associated with the 2016 Refinancing and Exit Transactions of £23.0 million, operating profit in the year ended June 30, 2017 was £124.5 million, compared to £133.1 million in the year ended June 30, 2018, an increase of £8.6 million or 6.9%.

Impairment Losses

Impairment losses in the year ended June 30, 2018 were £11.4 million, compared to £7.4 million in the year ended June 30, 2017, an increase of £4.0 million or 54.3%. The increase in impairment losses is in part due to an increase in the size of our average total loan assets of £2,599.5 million in the year ended June 30, 2018 from £2,020.8 million in the year ended June 30, 2017, an increase of 28.6%. This increase is also due to improvements in our collections and recoveries, which resulted in beneficial changes being made in the year ended June 30, 2017 to default assumptions relating to the time accruing to dispose of certain loan securities. As a result, we released certain impairment losses during such period. The ratio of impairment losses to our average total loan assets has remained unchanged at 0.4% in the year ended June 30, 2018, compared with the year ended June 30, 2017.

Profit Before Taxation

Profit before taxation in the year ended June 30, 2018 was £121.7 million compared to £94.1 million in the year ended June 30, 2017, an increase of £27.5 million or 29.2%. Adjusting for the exceptional items associated with the 2016 Refinancing and Exit Transactions of £23.0 million, underlying profit before tax in the year ended June 30, 2017 was £117.1 million, compared to £121.7 million in the year ended June 30, 2018, an increase of £4.6 million or 3.9%, for the reasons described above.

Income Tax

Income tax charge in the year ended June 30, 2018 was £15.3 million compared to £15.9 million in the year ended June 30, 2017, a decrease of £0.6 million or 3.3%. The effective tax rate decreased from 16.8% in the year ended June 30, 2017 to 12.6% in the year ended June 30, 2018 primarily due to the utilization of group tax relief in respect of the parent companies of Together Financial Services Limited and due to the impact of adjustments in respect of prior years, primarily in connection with R&D claims.

Profit after Taxation

Profit after taxation in the year ended June 30, 2018 was £106.4 million compared to £78.2 million in the year ended June 30, 2017, an increase of £28.1 million or 35.8%, for the reasons described above.

EBITDA

EBITDA in the year ended June 30, 2018 was £219.2 million compared to £185.2 million in the year ended June 30, 2017, an increase of £34.0 million or 18.4%, for the reasons described above. EBITDA margin in the year ended June 30, 2018 was 73.8% compared to 73.9% in the year ended June 30, 2017. Adjusting for the exceptional items associated with the Exit Transactions, Underlying EBITDA in the year ended June 30, 2018 was £219.2 million compared to £193.4 million in the year ended June 30, 2017, an increase of £25.8 million or 13.3%. Underlying EBITDA margin in the year ended June 30, 2018 was 73.8% compared to 77.1% in the year ended June 30, 2017.

Liquidity and Capital Resources

Liquidity describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, capital expenditures, debt service obligations, other commitments, contractual obligations and acquisitions. Liquidity risk is the risk that we would be unable to meet our current and future financial obligations as they fall due or can do so only at excessive cost. Our primary sources of liquidity include cash from operating activities, the Securitizations, the Senior Secured Notes and the Revolving Credit Facility. Our liquidity requirements arise primarily to fund our loan originations, to meet our debt service obligations and to meet our operating costs and taxation liabilities.

As of September 30, 2019, we had cash balances of £91.6 million, of which £74.7 million was cash held by the Securitization Vehicles. Of the £74.7 million, £9.2 million is considered cash accessible by the group subject to meeting borrower base requirements of the relevant Securitization.

We monitor our liquidity position as compared to our business plan taking into consideration customer redemption activity levels, recurring income levels, new business levels and planned expenditure on a regular basis. Although Cash Receipts can have significant monthly variations, over an extended period of time, they tend to be stable and reasonably predictable.

We use our cash reserves and the combined effect of our funding and capital headroom in our credit facilities, as a liquidity source, which is assessed against our liquidity requirements. We monitor the liquidity available on a daily and monthly basis to ensure there are sufficient liquid assets at all times to cover cash flow movements and to enable us to meet our financial obligations and commitments when they fall due. This is tested monthly by assessing projected liquidity resources against the net liquidity requirements over stressed 150 day horizon liquidity scenarios.

Within our net liquidity requirements, we include liquidity to cover for the outstanding pipeline of loan offers. Although certain pipeline offers may not be legally binding, the failure to honor an expression of intent to finance a loan contract could otherwise cause customer detriment and result in reputation damage. We place surplus cash balances on overnight deposit with institutions with sufficiently high long-term and short-term ratings.

Based on the business model of funding primarily through securitization programs and debt capital markets, our Board of Directors has set a liquidity risk appetite which it considers to be appropriate to provide it with the assurance that we are able to meet our liabilities and commitments when they fall due, and provide sufficient headroom to support anticipated loan book growth.

In addition to liquidity risk, in order to manage funding risk and support loan book growth, we aim to keep adequate facility headroom available at all times to support loan book growth by arranging new facilities, extending existing facilities, combined with the funding (and liquidity) risk mitigation of being able to adjust new origination levels. In order to manage refinancing risk, we aim to continue to refinance all facilities well in advance of their maturities.

Our debt service obligations consist primarily of interest payments on the Senior Secured Notes, the Revolving Credit Facility, the loan notes issued in connection with the Conduit Securitizations and Term Securitizations. See "*Description of Certain Financing Arrangements*."

Although we believe that our expected cash flows from operating activities, together with available borrowings will be adequate to meet our anticipated general liquidity needs and debt service obligations, we cannot assure you that our business will generate sufficient cash flows from operations to meet these needs or that future debt or equity financing will be available to us in an amount sufficient to enable us to fund our liquidity needs, including making payments on the Notes or other debt when due. If our cash flow from operating activities is lower than expected or our capital expenditure requirements exceed our projections, we may be required to seek additional financing, which may not be available on commercially reasonable terms, if at all. Our ability to arrange financing generally and the cost of our current and future debt obligations depends on numerous factors, including general economic conditions, the availability of credit from banks, other financial institutions, and capital markets, restrictions in instruments governing our debt, and our general financial performance. See "*Risk Factors—Risks Relating to the Notes—The substantial leverage of the Issuer and its subsidiaries and their debt service obligations could limit their flexibility, adversely affect our business and prevent the Issuer from fulfilling its obligations under the Notes.*" and "*Risk Factors—Risks Relating to the Notes—The Issuer will require a significant amount of cash to service the Notes and its other debt. The ability of the Issuer and its subsidiaries to generate cash depends on many factors beyond their control, and the Issuer and its subsidiaries may not be able to generate sufficient cash to service their debt*."

Cash Flows

The table below sets forth information regarding our cash flows for the periods indicated.

	For the year ended June 30,			For the three months ended September 30,		For the twelve months ended September 30,
	2017	**2018**	**2019**	**2018**	**2019**	**2019**
	(audited)	**(audited)**	**(audited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
				(£ in millions)		
Net cash outflow from operating activities	(356.2)	(598.4)	(633.3)	(57.5)	(164.3)	(740.1)
Net cash outflow from investing activities	(3.3)	(9.1)	(4.1)	(1.4)	(1.3)	(4.0)
Net cash inflow from financing activities	376.3	590.2	683.3	71.7	137.0	748.6
Net (decrease)/ increase in cash and cash equivalents	**16.8**	**(17.3)**	**45.9**	**12.8**	**(28.6)**	**4.5**

The Net (decrease) / increase in cash and cash equivalents for the year ended June 30, 2019, three months ended September 30, 2018 and September 30, 2019 and twelve months ended September 30, 2019, presented above is not directly comparable with Net (decrease) / increase in cash and cash equivalents for the years ended June 30, 2017 and June 30, 2018 as it also includes movements in restricted cash being cash held by the Securitization Vehicles. For the years ended June 30, 2017 and June 30, 2018, such movements in restricted cash were included within Net cash inflow from financing activities. As a result in the change of reclassification, the prior year within the statement of cash flows presented within the annual audited consolidated financial statements of the Company as of and for the year ended June 30, 2019 therefore differs to both that within the audited consolidated financial statements of the Company as of and for year ended June 30, 2018 and as presented above and described below. In respect of the three months ended September 30, 2018, the figures presented above differ to those figures within the statement of cash flows presented within the unaudited interim consolidated financial statements as of and for the three months ended September 30, 2018.

Twelve Months ended September 30, 2019

Our net cash outflow from operating activities was £740.1 million in the twelve months ended September 30, 2019. Our cash outflows from operations were £608.0 million consisting of movements in the gross loan book, prepayments and accruals. The servicing of financing arrangements produced cash outflows of £109.7 million, consisting of interest paid on the 2021 Notes, the 2024 Notes, the Securitizations, the Revolving Credit Facility and certain debt issuance costs. Our net cash outflow from operating activities also included tax-related payments of £22.4 million, consisting primarily of corporation tax charges.

Our net cash outflow from investing activities was £4.0 million for the twelve months ended September 30, 2019, incurred largely in connection with expenditure relating to computer software, fixtures, fittings and equipment.

Our net cash inflow from financing activities was £748.6 million for the twelve months ended September 30, 2019, consisting of a £321.8 million increase in the drawn balance of the CABS Securitization, £272.6 million proceeds from the issuance of the Rated TABS 2 Notes, £200.0 million proceeds from the issuance of the DABS 2 Securitization, a £170.0 million increase in the drawn balance of the HABS Securitization, and £30.0 million drawdown of the Revolving Credit Facility, net of a £110.3 million repayment of Rated TABS 1 Notes and Rated TABS 2 Notes, £90.0 million repayment of the DABS 1 Securitization, £25.0 million decrease in the drawn balance of the DABS 2 Securitization, £5.0 million decrease in the drawn balance of the LABS Securitization, a decrease in finance leases of £0.7 million (which excludes the non-cash impact of IFRS 16 transition) and a £15.0 million payment of a dividend to Midco2 and in turn the PIK Notes Issuer in order to service cash interest on the PIK Notes.

Our increase in cash in the twelve months ended September 30, 2019 was £4.5 million for the reasons stated above.

Three Months ended September 30, 2019

Our net cash outflow from operating activities was £164.3 million in the three months ended September 30, 2019. Our cash outflows from operations were £123.5 million consisting of movements in the gross loan book, prepayments and accruals. The servicing of financing arrangements produced cash outflows of £30.3 million, consisting of interest paid on the 2021 Notes, the 2024 Notes, the Securitizations, the Revolving Credit Facility and certain debt issuance costs. Our net cash outflow from operating activities also included tax-related payments of £10.5 million, consisting primarily of corporation tax charges.

Our net cash outflow from investing activities was £1.3 million for the three months ended September 30, 2019, incurred largely in connection with expenditure relating to computer software and fixtures and fittings and equipment.

Our net cash inflow from financing activities was £137.0 million for the three months ended September 30, 2019, consisting of a £155.0 million increase in the drawn balance of the CABS Securitization, a £40.0 million increase in the drawn balance of the HABS Securitization, net of a £32.7 million repayment of Rated TABS 1 Notes and Rated TABS 2 Notes, £25.0 million decrease in the drawn balance of the DABS 2 Securitization, and a decrease in finance leases of £0.5 million (which excludes the non-cash impact of IFRS 16 transition).

Our decrease in cash in the three months ended September 30, 2019 was £28.6 million for the reasons stated above.

Three Months ended September 30, 2018

Our net cash outflow from operating activities was £57.5 million in the three months ended September 30, 2018. Our cash outflows from operations were £20.8 million consisting of movements in the gross loan book, prepayments and accruals. The servicing of financing arrangements produced cash outflows of £32.7 million, consisting of interest paid on the 2021 Notes, the 2024 Notes, the Securitizations, the Revolving Credit Facility and certain debt issuance costs. Our net cash outflow from operating activities also included tax-related payments of £4.0 million, consisting primarily of corporation tax charges.

Our net cash outflow from investing activities was £1.4 million for the three months ended September 30, 2018, incurred largely in connection with expenditure relating to computer software and fixtures and fittings and equipment.

Our net cash inflow from financing activities was £71.7 million for the three months ended September 30, 2018, consisting of a £54.5 million increase in the drawn balance of the CABS Securitization, a £40.0 million increase in the drawn balance of the HABS Securitization, and £20.0 million increase in the drawn balance of the LABS Securitization, net of a £16.4 million repayment of Rated TABS 1 Notes, a decrease in finance leases of £0.1 million, the removal of £5.7 million of cash overdrawn positions arising from unpresented checks as of June 30, 2018, movements relating to IFRS 9 transition of £5.6 million and £15.0 million payment of a dividend to Midco2 and in turn the PIK Notes Issuer principally to service cash interest on the 2021 PIK Notes.

Our increase in cash in the three months ended September 30, 2018 was £12.8 million for the reasons stated above.

Year ended June 30, 2019

Our net cash outflow from operating activities was £633.3 million in the year ended June 30, 2019. Our cash outflows from operations were £505.3 million consisting of movements in the gross loan book, prepayments and accruals. The servicing of financing arrangements produced cash outflows of £112.1 million, consisting of interest paid on the 2021 Notes, the 2024 Notes, the Securitizations, the Revolving Credit Facility and certain debt issuance costs. Our net cash outflow from operating activities also included tax-related payments of £15.9 million, consisting primarily of corporation tax charges.

Our net cash outflow from investing activities was £4.1 million for the year ended June 30, 2019, incurred largely in connection with expenditure relating to computer software and fixtures and fittings and equipment.

Our net cash inflow from financing activities was £683.3 million for the year ended June 30, 2019, consisting of £272.6 million proceeds from the issuance of the Rated TABS 2 Notes, a £221.4 million increase in the drawn balance of the CABS Securitization, £200.0 million proceeds from the issuance of the DABS 2 Securitization, a £170.0 million increase in the drawn balance of the HABS Securitization, £15.0 million increase in the drawn balance of the LABS Securitization, and £30.0 million drawdown of the Revolving Credit Facility, net of a £94.0 million repayment of Rated TABS 1 Notes and Rated TABS 2 Notes, £90.0 million repayment of the DABS 1 Securitization, decrease in finance leases of £0.3 million, the removal of £5.7 million of cash overdrawn positions arising from unpresented checks as of June 30, 2018, movements relating to IFRS 9 transition of £5.6 million and £29.9 million payment of a dividend to Midco2 and in turn the PIK Notes Issuer principally to service cash interest on the 2021 PIK Notes and the PIK Notes.

Our increase in cash in the year ended June 30, 2019 was £45.9 million for the reasons stated above.

Year ended June 30, 2018

Our net cash outflow from operating activities was £598.4 million in the year ended June 30, 2018. Our cash outflows from operations were £495.5 million consisting of movements in the gross loan book, prepayments and accruals. The servicing of financing arrangements produced cash outflows of £87.6 million, consisting of interest paid on the 2021 Notes, the 2024 Notes, the Securitizations, the Revolving Credit Facility and certain debt issuance costs. Our net cash outflow from operating activities also included tax-related payments of £15.3 million, consisting primarily of corporation tax charges.

Our net cash outflow from investing activities was £9.1 million for the year ended June 30, 2018, incurred largely in connection with expenditure relating to computer software and fixtures and fittings and equipment, net of proceeds from the sale of vehicles.

Our net cash inflow from financing activities was £590.2 million for the year ended June 30, 2018, consisting primarily of the £152.4 million proceeds from the issuance of the 2024 Additional Notes (including £2.6 million issue premium, and net of £0.2 million unwinding of the issue premium), £165.0 million proceeds from the issuance of HABS securitization, £261.3 million proceeds from the issuance of the Rated TABS 1 Notes, a £15.8 million increase in the drawn balance of the CABS Securitization, a £14.4 million increase in the drawn balance of the LABS Securitization, a £20 million increase in the drawn balance of the DABS 1 Securitization, a £25.0 million drawdown of the Revolving Credit Facility, a £5.7 million cash overdrawn position arising from unpresented checks, a £0.5 million increase in finance leases net of a £44.6 million repayment of the Rated TABS 1 Notes, a £2.1 million increase in cash held within the Securitizations and £22.9 million payment of dividends to Midco2 and in turn the PIK Notes Issuer to service cash interest on the 2021 PIK Notes.

Our decrease in cash in the year ended June 30, 2018 was £17.3 million for the reasons stated above.

Year ended June 30, 2017

Our net cash outflow from operating activities was £356.2 million in the year ended June 30, 2017. Our cash flows from operations were £253.1 million consisting of movements in the gross loan book, prepayments and accruals. The servicing of financing arrangements produced cash outflows of £85.9 million, consisting of interest paid on the 2018 Notes, the 2021 Notes, the Conduit Securitizations, the Revolving Credit Facility, the Original Subordinated Shareholder Loan Notes and certain debt issuance costs. Outflows related to the servicing of financing arrangements included £15.1 million of exceptional items paid in connection with the 2016 Refinancing. Our net cash outflow from operating activities also included tax-related payments of £17.2 million, consisting primarily of corporation tax charges.

Our net cash outflow from investing activities was £3.3 million for the year ended June 30, 2017, incurred largely in connection with expenditure relating to computer software, fixtures and fittings and equipment, net of proceeds from the sale of vehicles, net of £1.2 million received on sale of shares held by the employee benefit trust ("EB Trust") in connection with the Exit Transactions.

Our net cash inflow from financing activities was £376.3 million for the year ended June 30, 2017, consisting primarily of the £375 million proceeds from the issuance of the 2021 Notes (which include the refinancing £300 million of 2018 Notes as well the £4.4 million release of the 2018 Notes issue premium), the incurrence of £68.1 million of Subordinated Shareholder Funding (refinancing £60.0 million of Original Subordinated Shareholder Loan Notes), the £29.0 million repayment of the Revolving Credit Facility, £200 million proceeds from the issuance of the 2024 Original Notes, a £95.0 million draw down of the CABS Securitization, a drawdown of £70.0 million of the DABS 1 Securitization, a £30.0 million reduction in the drawn balance of the LABS Securitization, £12.5 million payment of dividends to Midco2 and in turn the PIK Notes Issuer to service cash interest on the 2021 PIK Notes in May 2017 and a £3.8 million reduction in cash held within the Conduit Securitizations.

Our increase in cash in the year ended June 30, 2017 was £16.8 million for the reasons stated above.

Capital Resources

Our principal sources of funds are cash provided by operations and amounts available through the Conduit Securitizations, capital markets transactions and the Revolving Credit Facility.

The Conduit Securitizations consist of four securitization programs for certain of our mortgage loans. In connection with the Conduit Securitizations, Charles Street ABS, Lakeside ABS, Delta ABS 2 (starting from June 2019) and Highfield ABS, the bankruptcy-remote special purpose vehicles established for purposes of each of the Conduit Securitizations, purchase certain mortgage loans from certain of our operating subsidiaries. Charles Street ABS Lakeside ABS, Delta ABS 2 and Highfield ABS, as applicable, finance these purchases from borrowings funded through the issuance of notes under a note issuance facility. The amounts outstanding under the CABS Securitization, LABS Securitization, HABS Securitization and the DABS 2 Securitization must be repaid in September 2023, October 2023 (following the most recent amendment on October 30, 2019), June 2022 and March 2023, respectively. The balance of any funding requirements will be provided through the issuance of subordinated subscription notes by the Securitization Vehicles related to the Conduit Securitizations to the Borrower Group.

The notes outstanding under the CABS Securitization, the LABS Securitization, the HABS Securitization and the DABS 2 Securitization as of September 30, 2019 amounted to £1,247.2 million, £199.4 million, £175.0 million and £375.0 million, respectively. Total commitments available under the CABS Securitization, the LABS Securitization, the HABS Securitization and the DABS 2 Securitization credit facility are £1,254.5 million, £255.0 million (increasing to £500.0 million following the most recent amendment to the LABS Securitization on October 30, 2019), £525.0 million and £200.0 million, respectively.

As consideration for the mortgage loans, Charles Street ABS, Lakeside ABS, Highfield ABS and Delta ABS 2, as applicable, pays the Borrower Group the full principal amount of the loans at the time of the sale and, on a monthly basis thereafter, deferred consideration equal to the net interest received after deducting costs of funding and expenses.

Capital Expenditures

In the year ended June 30, 2019, we continued to make investments to further upgrade our IT software and our IT hardware. As part of a program to enhance a number of our IT systems in 2014, we engaged with an external contractor for development of software, for which activity also continued through the course of 2017, 2018 and 2019. Such expenditure is capitalized and written off through the profit and loss account over the appropriate period. We plan to fund our future capital expenditures with cash from operating activities. This also includes amounts classified as intangible assets. Intangible assets consist wholly of expenditure relating to the development of our IT systems.

Contractual Obligations and Commercial Commitments

The following table summarizes our material contractual obligations of Together Financial Services as of September 30, 2019 on a *pro forma* basis after giving effect to the Offering, and the related amounts falling due within one year and thereafter. The table does not give effect to the establishment of the TABS 3 Securitization or the most recent amendments to the LABS Securitization, each of which occurred after September 30, 2019. See "*Summary—Recent Developments.*"

	Payments due by Period				
	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
	(£ in millions)				
Contractual obligations[1]					
Notes	435.0	—	—	—	435.0
2024 Notes	350.0	—	—	350.0	—
Loan notes issued by Charles Street ABS[2]	1,247.2	—	—	1,247.2	—
Loan notes issued by Delta ABS 2	175.0	—	—	175.0	—
Loan notes issued by Together ABS 1[3]	145.7	30.0	115.7	—	—
Loan notes issued by Together ABS 2[4]	216.7	41.9	33.8	141.1	—
Loan notes issued by Lakeside ABS[6]	199.4	—	199.4	—	—
Loan notes issued by Highfield ABS	375.0	—	—	375.0	—
Revolving Credit Facility[9]	20.0	—	20.0	—	—
Finance Leases[7]	10.5	1.5	1.5	4.5	3.0
Total contractual obligations[8]	3,174.5	73.4	370.4	2,292.7	438.0

(1) Excludes the drawing of an additional £366.9 million under the Conduit Securitizations since September 30, 2019 (which means that it does not reflect the reduction in the CABS Securitization of £298.8 million related to the establishment of the TABS 3 Securitization or the impact of additional amounts drawn on the most recent amendment to the LABS Securitization). Excludes future interest payments on such contractual obligations. Also excludes commitments to lend in respect of new advances.

(2) Total CABS Securitization obligations as of September 30, 2019 were £1,247.2. Giving net effect to the establishment of the TABS 3 Securitization as if it had taken place on September 30, 2019, total notes outstanding under the CABS Securitization would have been £948.3 million.

(3) Reflects the expected amortization of principal for the Rated TABS 1 Notes which has been profiled using the anticipated prepayment rate of the facility of 22.9%.

(4) Reflects the expected amortization of principal for the Rated TABS 2 Notes which has been profiled using the anticipated prepayment rate of the facility of 19.6%.

(6) Total LABS Securitization obligations as of September 30, 2019 were £199.4 million. Giving net effect to the most recent amendments to the LABS Securitization as if they had taken place on September 30, 2019, total notes outstanding under the LABS Securitization would have been £220 million and due between 2-5 years.

(7) Finance leases includes leases previously recognized as operating leases, which have been restated following the adoption of IFRS 16 on July 1, 2019.

(8) The TABS 3 Securitization, which was established on October 10, 2019, is not reflected in the table. An aggregate principal amount of £315.4 of Rated TABS 3 Notes was issued in connection with the establishment of the TABS 3 Securitization with an anticipated prepayment rate of 17.5%. See "*Description of Certain Financing Arrangements—Securitizations.*"

(9) Following September 30, 2019, the Company repaid £20.0 million of the Revolving Credit Facility. As a result, following the application of proceeds of the Offering, the drawn amounts under the Revolving Credit Facility will be £nil.

Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk arising from adverse movements in market values, including movements in interest rates.

We do not carry out proprietary trading or hold positions in assets or equity which are actively traded, nor do we engage in any treasury trading operations. We also have no foreign currency exposure. We are only exposed to foreign exchange risk in relation to the Conduit Securitizations, which may be funded, in part, in the U.S. and Euro commercial paper markets. The main market risk we face is interest-rate risk, the risk of loss through mismatched asset and liability positions sensitive to changes in interest rates.

Interest Rate Risk

We are subject to interest rate risk in relation to our debt service obligations. Our total loan assets consists primarily of variable rate mortgage loans although we have experienced growth of fixed rate mortgages over recent years. With the exception of the Notes, our external sources of funding are likewise subject to monthly movements in interest rates. Although we have the right to increase pricing if our own funding costs increase, our level of arrears and ultimately cash flows may be adversely affected if we increase the pricing of our customers' mortgages in relation to any potential increases in our funding costs (which are partially mitigated by certain hedging as part of our Securitizations). See "*Description of Certain Financing Arrangement—Securitizations—Conduit Securitizations*)."

As of September 30, 2019, we had £629.0 million of fixed rate mortgages (of which £168.1 million had an initial duration of less than 12 months) and £3,251.9 million of variable rate mortgages. As of September 30, 2019, we had £2,414.0 million of debt subject to variable interest rates. In respect of the TABS 2 Securitization and the TABS 3 Securitization (since its establishment on October 10, 2019), the group has options under which it can recover interest to the extent that LIBOR (with respect to the TABS 2 Securitization) or SONIA (with respect to the TABS 3 Securitization) exceed a specified strike price. The group has also entered into interest rate derivatives in the CABS Securitization to reduce exposure between fixed rate loans within the CABS Securitization and the variable rates on the CABS Securitization notes.

Interest-rate risk is monitored on a monthly basis, and our profit before taxation and equity are not at material risk from changes in interest rates that are reasonably expected for the next twelve months. Assuming the amount of debt subject to variable interest rates stays the same, an increase of 0.25% in the interest rate payable on our debt would have increased our debt service obligations as of September 30, 2019 by £6.0 million per annum (excluding the benefit of £0.6 million in relation to the interest rate swap in the CABS Securitization).

Credit Risk

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

We are exposed to changes in the economic position of our customers, which may adversely impact their ability to make loan payments. The level of this risk is driven by both macro-economic factors as well as by factors relating to specific customers, such as a change in the borrower's circumstances. Credit risk also arises if the value of assets used as security for loans fall in value, given this is the primary source of recourse should a borrower fail to repay amounts due.

We manage credit risk through our underwriting policies and monitoring by our Risk Committees, including review of credit risk data to enable an assessment of position versus risk appetite. Credit risk is managed at loan inception, through comprehensive underwriting procedures with regard to creditworthiness, specifically affordability levels, repayment strategies and property loan-to-value ratios, and throughout the life of the loan, through monitoring of arrears levels, proactive collections strategies, application of forbearance measures, and by applying macro-economic sensitivity analysis.

Liquidity and Funding Risk

Liquidity risk is the risk that we are unable to access sufficient liquid financial resources to meet the group's current and future financial obligations as they fall due or only be able to do so at excessive cost. This includes the risk of reduced funding options due to adverse conditions in the wholesale funding market leading to difficulties to secure additional funding for new business or refinance existing facilities.

To manage our funding requirements, we use a number and diverse mix of medium and long-term funding sources, combined with a smaller revolving credit facility. The group has set a liquidity risk appetite and closely monitors exposure to funding risk. The group seeks to have an acceptable depth of maturity in its facilities through regular and timely refinancing. Headroom held in such facilities, in combination with cash flows from redemptions, is used to provide liquidity. Available liquidity is monitored on a daily basis to ensure there are sufficient liquid assets at all times to cover expected cash flow movements over a stressed 150 day period.

As of September 30, 2019, our funding availability consisted of the CABS Securitization, LABS Securitization, HABS Securitization and the DABS 2 Securitization, which expire in September 2023, October 2023 (following the most recent amendment to the LABS Securitization on October 30, 2019), June 2022 and March 2023, respectively, and the Revolving Credit Facility, which expires in June 2021.

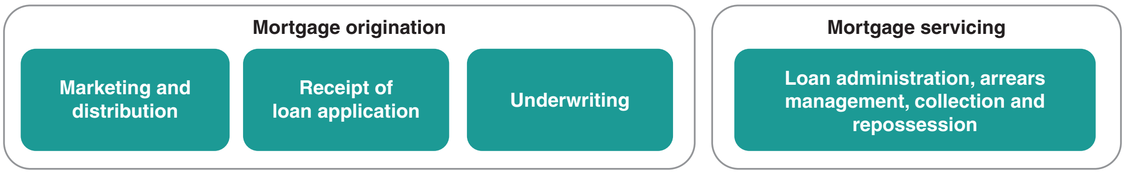
Accounting Treatment of the Securitizations

The bankruptcy-remote special purpose vehicles established for purposes of the Securitizations, are consolidated into our consolidated financial statements as if they were wholly owned subsidiaries due to our group retaining the risks and rewards of ownership. Mortgage loans sold to the Conduit Securitizations and the Term Securitizations are maintained on our consolidated statement of financial position as loans and advances to customers and the associated interest receivable credited to our consolidated statement of comprehensive income. The loan notes issued by the Securitization Vehicles to certain lenders or investors, as applicable, to finance their purchase of the loans under the Securitizations and any interest and fees accrued but not yet paid in respect thereof are maintained on our consolidated statement of financial position as borrowings with interest and transaction expense expensed through our consolidated statement of comprehensive income.

For more information about the accounting treatment of the Securitizations, see Note 2 of our consolidated financial statements.

Introduction to Mortgages

A mortgage loan is a loan secured by real property owned by the borrower. When a mortgage loan is entered into, the borrower agrees to repay the principal amount borrowed from the lender, plus interest, calculated according to a stipulated interest rate and accruing over the term of the loan. If the borrower fails to satisfy his agreed repayment obligations, the lender is ultimately entitled to enforce the security over the real property, in order to satisfy the outstanding loan amount due. As illustrated by the chart below, the branding, design and marketing of mortgage loans, credit assessment (also known as mortgage underwriting) and the decision to extend funds to a successful loan applicant are commonly referred to as "mortgage origination," while the management of the loan from disbursement to full repayment is commonly referred to as "mortgage servicing."



Mortgage Origination

Distribution within the mortgage industry is split between business sourced directly (B2C) and business sourced through mortgage intermediaries (B2B). According to FCA figures as of January 2018, there are 14,169 Appointed Representatives and 5,210 Directly Authorised firms (which employ 34,105 approved people) authorized to advise on regulated mortgage contracts in the United Kingdom. The significant majority of these mortgage intermediaries are either affiliated to a mortgage network (who take responsibility for compliance of their mortgage intermediaries who are classed as Appointed Representatives) or affiliated with mortgage clubs in the case of Directly Authorised mortgage intermediaries who are responsible for their own compliance. Such networks and clubs have approved panel lenders with whom their members can directly source mortgages, sometimes enabling access to preferential products. In addition to mortgage intermediaries affiliated with mortgage networks and mortgage clubs, there is also a smaller number of specialist distributors who in addition to sourcing loans also package loans (sometimes referred to as "packagers"). Packaging loans involves pre-loan processing and administration on behalf of mortgage originators, most commonly specialist lenders. These specialist mortgage intermediaries source their origination by marketing directly to the end customers or through other mortgage intermediaries or financial advisers who do not always have direct access to the mortgage originators either directly or through their affiliated mortgage network or club. Many of these specialist distributors choose to work with a select panel of lenders, whom they consider to provide good coverage of product offerings for the range of their customers' requirements. In addition to FCA regulated mortgage intermediaries, non-FCA regulated intermediaries, who do not require regulated permissions by virtue of their focus on introducing non-FCA regulated activity, operate in relation to commercial purpose transactions including certain buy to let and bridging loan activity.

A number of online mortgage intermediaries have also emerged over recent years, offering a selection of loans to customers by having them input information (e.g. income, expenditure and deposits), to determine their eligibility. However, despite streamlining the initial assessment, these mortgage intermediaries do not radically differ from traditional mortgage intermediaries as they still require input from a human adviser in order for the application to proceed. Furthermore, a survey conducted by Accenture found that three in five customers prefer to speak with advisers about mortgages given their complexity. Despite the fact that 38% of mortgage intermediaries see the rise of robo-advice as the biggest threat in the next three years, 80% expect less than 5% of the mortgage business to be serviced by robo-advisers by 2020.

Loan applications involve a variety of information submitted by the loan applicant and collected by the lender as a prerequisite for underwriting. The decision to underwrite a mortgage loan requires a detailed credit assessment through which the underwriter will assess the ability of the loan applicant to pay interest and principal when due and the adequacy and value of the property being offered as security of the loan. The underwriting process is based on a variety of parameters including eligibility (such as, *inter alia*, loan-to-value ratios, credit history requirements, minimum and maximum age, minimum and maximum loans sizes) credit scoring models, affordability assessment, repayment strategy assessments, credit reference and background checks, security valuation and adequacy.

Mortgage Servicing

Mortgage servicing includes management of the loan from disbursement of funds to repayment, including general loan administration and borrower queries, arrears management including forbearance, registration and deregistration of changes, credit agency updates, collection and repossession activities. The services entailed in mortgage origination and mortgage servicing may be either directly undertaken by the mortgage lender or outsourced to third parties. We are a specialist mortgage lender that both originates (either directly or through intermediaries) and services our own mortgage loans. All loan portfolio growth has been organic and we undertake all our servicing activity from our head offices.

The UK Mortgage Market

Prior to the global financial crisis, economic conditions, including lower unemployment, easy availability of credit and increasing average earnings helped bolster the mortgage market in the United Kingdom. In the immediate aftermath of the financial crisis, weak economic growth, relatively higher unemployment, and decreasing real estate prices caused large losses and valuation adjustments on mortgage portfolios, therefore resulting in financial distress for many mortgage lenders. As a result of the global financial crisis, the ability of lenders to raise funds in the wholesale markets was also impaired for a number of years. Governments and central banks subsequently intervened globally to address such liquidity shortage through a number of monetary stimulus programs such as the European Central Bank’s Quantitative Easing program and the UK Government and Bank of England’s Funding for Lending scheme.

The resulting economic recovery, favorable interest rate environment and the imbalance of supply and demand for properties caused UK housing prices and the mortgage market to recover. Rising house prices have further supported the market by driving investor appetite, increasing the volume and value of new mortgages and raising the level of available equity within properties. As of June 30, 2019, outstanding residential loans in the United Kingdom amounted to approximately £1.42 trillion. Gross advances for the twelve months ended June 30, 2019 were approximately £268 billion, representing a compound annual growth rate of 6.1% since June, 2014 according to the data of UK Finance and Bank of England.

As of June 2019, the seasonally adjusted Halifax UK mix-adjusted house price index, which provides monthly comprehensive information on the change in UK house prices by using mortgage financed transactions to calculate the mix-adjusted (considering the number of rooms, type, size) average house prices and house price indices (indexed to 100 in January 1983), was 767.4 compared to 638.8 in December 2007 and 540.4 in December 2009. The three main house price indices, Halifax, Nationwide Building Society and HM Land Registry, respectively, reported that average house prices for the UK have increased 5.7%, 0.5% and 0.9% in the last twelve months ended June 2019 as a whole, though there is variation regionally. According to HM Land Registry data, house prices have risen nationally by 0.9% in the last twelve months ended June 2019 but decreased by 2.7% in London in the last twelve months ended June 2019. Furthermore, between Q4 2017 and Q2 2019, the Coutts London Prime Property Index, which uses LonRes data to track £1 million-£10 million London real estate prices, shows properties in those areas declined by 4.1% reflecting that prime high value residential property in London has seen the largest decline.

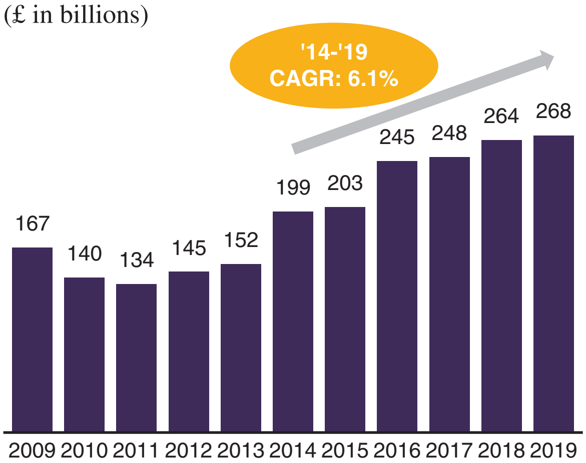
In terms of arrears and repossession, the favorable, relatively benign, macroeconomic conditions, combined with greater focus within the industry on affordability, have led to a decline in arrears since 2009, falling to 75,890 (the number of accounts with more than 2.5% of outstanding balance in arrears) in the twelve months ended June 2019 compared with 199,600 as of December 2009, according to UK Finance data. Repossessions have also been decreasing since 2009, falling to 7,170 properties repossessed in the twelve months ended June 2019, compared with 48,900 in the twelve months ended December 2009, according to UK Finance data.

We target specific areas of the market which are not well-served by mainstream lenders (by virtue of the type of customer, complexity of income source, type of property, type of product, service required or customer circumstances) and therefore compete with a broad range of different lenders across these product segments. Our key competitors in the specialist segment tend to be “challenger banks,” larger non-bank specialist lenders and smaller niche lenders, each of which targets one or more specific underpenetrated segments of the market. Growth in these segments, including the entry of a number of new competitors in recent years, has caused an increase in competition in our market segments which has also resulted in rates to customers having fallen. We believe our flexible and customized approach, specialist underwriting skills, speed of execution, distribution capability, service delivery, product range and our experience and strong reputation, having been established for 45 years, have enabled us to maintain our strong market position.

After the introduction of the MMR by the FCA in 2014, the increased compliance requirements and requirement that lenders provide advice resulted in an increasing number of lenders seeking partnerships with existing mortgage intermediaries and the percentage of regulated residential mortgages introduced by intermediaries grew from 61% in the twelve months ended June 2014 to 72.6% in the twelve months ended June 2019 (UK Finance Data). See "*Regulation.*"

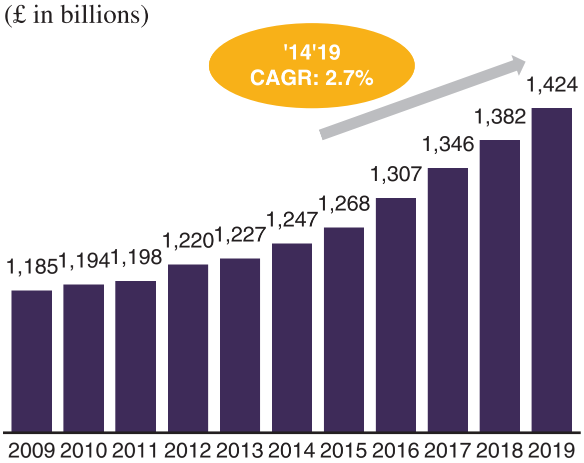
In our specialist segments of the market the proportion of business originated through mortgage intermediaries has historically been higher, given that borrowers with specialist requirements often turn to mortgage intermediaries having either been rejected by mainstream lenders (including high street banks) or having been unable to find mainstream lenders that have a product range that meets their requirements. With respect to our retail purpose loans, we originated 92.1% of loans through our established network of mortgage intermediaries in the year ended June 30, 2019.

UK mortgage advances gross
(£ in billions)



Source: Bank of England, FCA.
Note: For Fiscal Year ending June 30. Excludes lending to housing associations and bridging loans, but includes any mortgage portfolios acquired from other lenders.

UK mortgages outstanding gross
(£ in billions)



Source: UK Finance, Bank of England.
Note: For Fiscal Year ending June 30. Excludes lending to housing associations and bridging loans, but includes any mortgage portfolios acquired from other lenders.

In recent years, the UK's economic performance has been mixed, influenced by the uncertainty surrounding the ongoing Brexit negotiations. The Bank of England raised the base rate by 0.25% (to 0.5%) in November 2017 and by 0.25% (to 0.75%) in August 2018. This was driven by expectations of continued inflationary pressures from falling unemployment (now standing at its lowest level since 1971) fueling gradual wage growth in the first quarter of 2018. Since the May 2019 inflation Report, global trade tensions have intensified and global activity has remained soft, leading to a substantial decline in advanced economies' forward interest rates and a material loosening in financial conditions. These factors have resulted in a deceleration in the rate of economic growth. Base rates have remained unchanged since August 2018, with the Bank of England agreeing to maintain rates to support meeting the 2% inflationary target, reflecting the loosening in financial conditions and modest GDP growth rates. The United Kingdom's General Election result offers considerably greater political stability and the EU Withdrawal Agreement has now been signed by the United Kingdom, as well as the Council and Commission of the EU. While the new government may provide a fiscal boost, uncertainty remains over the United Kingdom's long-term trading relationship with the EU, set to be negotiated throughout 2020. Despite political and economic uncertainty, unemployment has continued to fall and while house prices have faced challenges in regions with significant falls in demand from foreign investors for properties in Greater London, the broader UK housing market has proven resilient so far due to unchanged mismatch of supply and demand. See "*Risk Factors—Risks relating to our Business—The United Kingdom's planned exit from the European Union may adversely impact our business, results of operations and financial condition.*"

The Specialist Market

While mainstream lenders (including high street banks) are generally able to raise capital at lower cost compared to smaller/non-bank lenders, a number of the mainstream lenders have been constrained by legacy issues such as out-of-date IT systems and large scale redress programs, as well as on-going regulatory capital management requirements. In response, many high street banks have significantly curtailed their product ranges and narrowed their customer acceptance criteria since the global financial crisis. In addition, such organizations are structured to process high application volumes by using largely automated underwriting procedures, rather than handling more complex cases which require a greater degree of manual underwriting. As a consequence, significant gaps exist in the mainstream lending market, which have widened since the global financial crisis, creating an opportunity for specialist lenders, who operate across a number of areas that require a specialist set of skills to succeed.

We classify our lending into retail purpose and commercial purpose. The retail purpose market in which we operate can be further segmented into the retail first lien market and the retail second lien market. Similarly, the commercial purpose segment can be classified into four categories which broadly align with our own internal product categories of unregulated bridging, Buy-to-let ("BTL") (a component of our BTL+ loan category), Development Finance, and commercial term lending secured by commercial properties. More recently, we have also expanded our retail purpose offering into consumer buy-to-let and regulated bridging loan markets, which represent sub-segments of the wider BTL and bridging segments, respectively.

The retail purpose specialist markets are often characterized as including "near-prime," borrowers reflecting the fact that borrowers may have had some form of negative credit event in the past, ranging from missed or disputed telephone or utility bills through to one or more county court judgments. In addition, such specialist markets include, for example, certain self-employed customers, those with seasonal income or other complex income sources. Borrowers can also not meet the criteria of mainstream lenders (including high street banks) for many other reasons, including type of property (e.g., non-standard construction) or lending purpose (e.g., right-to-buy purchases). Such borrowers are supported by the specialist lenders like us. In respect of those considered "near prime" while often failing the automated scorecard approach, many such borrowers may be creditworthy in the present (with such issues having been historical) and have significant equity in their homes. In the year June 30, 2019, less than 12% of our retail purpose lending by value was to customers who would be categorized as impaired, which, according to the FCA's definition means a customer who: (a) within the last two years has owed overdue payments, in an amount equivalent to three months' payments, on a mortgage or other loan (whether secured or unsecured), except where the amount overdue reached that level because of late payment caused by errors by a bank or other third party; or (b) has been the subject of one or more country court judgements, with a total value greater than £500, within the last three years; or (c), has been subject to an individual voluntary arrangement or bankruptcy order which was in force at any time within the last three years).

In our commercial purpose markets, while some customers may have similar characteristics to our retail purpose customers, it is often the type of loan or speed of service required which drives the demand for specialist lending.

Retail: First Lien

The retail first lien market can be broadly divided into two models comprising a "standard" high volume, highly automated model, which accounts for the majority of the market, and a separate model for more specialist situations. Mainstream lenders, including the high street banks, primarily focus on the higher volume, highly automated segments of the market where the lowest cost of capital and low cost of customer acquisition are key determinants of success. We operate across a variety of specialist segments of the market where mainstream lenders largely do not participate. Although there is no official definition for these segments, products in these segments are typically defined by the specific characteristics of the borrower or the nature of the lending purpose and are primarily distributed through mortgage intermediary channels. These lending purposes vary widely and can include, for instance, in addition to typical property purchases, loans for debt consolidation purposes or loans to support the purchase of property under the right to buy schemes. According to the UK Finance Regulated Mortgage Survey, 72.6% of the total new residential mortgage market was distributed through mortgage intermediaries as of June 30, 2019. We continue to distribute our specialist lending products primarily through mortgage intermediaries with 91.8% of our retail first lien mortgages sourced through mortgage intermediaries.

According to FCA data, advances in the residential mortgage market grew from £199 billion in the twelve months ended June 30, 2014 to £268 billion in the twelve months ended June 30, 2019, representing a 6.1% compound annual growth rate over the corresponding period. In the twelve months ended September 30, 2019, the residential market size was £266 billion, representing a 5.7% compound annual growth rate over the period from June 30, 2014 to September 30, 2019.

For the twelve months ended June 30, 2019, based upon our own loan origination data, we estimate we had less than 1% market share of the retail first lien market based upon FCA market size data.

Growth in this segment is expected to be supported by demand, which has increased over recent years as a result of a historic reduced availability of mortgages during and following the global financial crisis, a growing number of people with some form of historical negative credit event, more complex sources of income (including self-employed) and increased lending for debt consolidation purposes. As mainstream lenders have increasingly tightened their lending criteria and significantly reduced their range of products following the global financial crisis, many customers who were once able to obtain mortgages from these banks are no longer able to do so and instead turn to the specialist lending markets.

Retail: Second Lien

The retail second lien market is much smaller than the market for retail first lien mortgages and historically has been categorized separately from retail first lien lending, in part due to previously being regulated under a different regime. Since March 21, 2016, both retail first lien and retail second lien are regulated by the FCA under the same regime. See "*Regulation*."

Second lien loans are used for a variety of purposes, including property improvements, debt consolidation or the purchase of a second property or other large purchases. These mortgages have a second-priority ranking over the property and are entitled to be repaid only after the obligations of the first lien mortgage have been satisfied or discharged. Enforcement rights for second lien lenders are generally the same as those for first lien lenders and thus first lien lenders typically cannot prevent second lien lenders from enforcing security.

For some borrowers, second lien mortgages may be the most cost effective form of debt relative to other forms of borrowing such as unsecured loans, overdrafts or refinancing first lien mortgages. The average retail second lien loan advance in the twelve months ended June 2019 was, according to Finance and Leasing Association ("FLA") data, approximately £44,880 which is more than banks are typically willing to advance by way of an unsecured personal loan. It may be possible for customers to borrow larger amounts through credit cards or overdrafts, but such options are often more expensive than retail second lien mortgages. There are also several circumstances in which a retail second lien mortgage can be more economical than a larger retail first lien mortgage, despite the higher interest cost. For example, if a borrower is on a fixed term mortgage and needs to raise additional funding, it may be more cost effective to borrow using a second lien mortgage, rather than refinancing their existing first lien mortgage and incurring significant early repayment charges during the fixed term period. Similarly, if a borrower has an attractive low-margin tracker mortgage, such borrowers may choose a retail second lien mortgage for additional funds in order to avoid repaying their existing loan. While certain mortgage providers may be willing to offer a further advance to existing first lien customers as an alternative to a second lien mortgage, this may depend on changes in customers circumstances, use of funds and a requirement to align the contractual term with the first lien mortgage.

According to the FLA, advances in the retail second lien market grew from £539 million in the twelve months ended June 30, 2014 to approximately £1.2 billion in the twelve months ended June 30, 2019, representing 17% compound annual growth rate over the corresponding period. In the last twelve months ended June 30, 2019, advances grew by 14% from the prior corresponding period.

For the twelve months ended June 30, 2019, based upon our own loan origination data, we estimate we had approximately 11% market share in the retail second lien market, based upon FLA market size data.

The MCD, which took effect in March 2016 in the United Kingdom, aligned retail second lien regulation with retail first lien regulation. The MCD represented a significant shift in the retail second lien market. As was experienced in the retail first lien market following the introduction of the MMR, the change in regulation led to a short period of modest contraction as the market embedded to the new regulation and the corresponding changes to its processes arising from this. These changes are expected to, longer term, increase awareness, reputation and consequently demand for retail purpose second lien mortgages. The MCD requires financial advisers to make customers aware of the option of retail second lien mortgages as an alternative to remortgages, and over time a growing number of advisers and mortgage intermediaries are expected to offer retail second lien products as a consequence of the recent regulation.

As well as growing awareness of second lien mortgages, demand for retail second lien loans is expected to be supported by factors including the trend of borrowers switching to longer term fixed rate mortgages, with sometimes large early redemption charges, and the growth in house prices experienced in recent years, freeing up equity to support home improvement activity, debt consolidation and other purchases.

Commercial: Buy-to-let (BTL+)

We operate in more specialist segments of the BTL market which are not well-served by the mainstream lenders (including high street banks). Such specialist markets reflect the specific customer characteristics (as with our retail offering) or property characteristics, including housing with multiple occupants and borrowers with large property portfolios. In addition, it includes second lien BTL which many mainstream lenders do not offer. Within our BTL+ category of lending we offer first and second lien products. Such loans are used to fund the purchase or re-mortgage of a residential investment property. With respect to remortgages or second lien loans, additional proceeds may be released from built up equity to fund the purchase of additional properties, property improvements or for debt consolidation purposes. Customers range from experienced landlords and property investors with multiple properties to first-time landlords.

According to Bank of England statistics, advances in wider BTL market grew from £24.2 billion in the twelve months ended June 30, 2014 to £37.3 billion in the twelve months ended June 30, 2019, representing a 7.5% compound annual growth rate over the corresponding period. In the last twelve months ended June 30, 2019, advances remained relatively flat at 1.4% versus the £36.8 billion in the prior comparable period, partly due to the range of measures initiated by the UK Government around the BTL markets (as explained below).

For the twelve months ended June 30, 2019, based upon our own loan origination data, we estimate we had less than 1% market share in the total BTL market, based upon Bank of England market size data.

As a consequence of the significant growth experienced in the BTL markets, in 2016 the UK Government introduced a range of measures affecting the buy-to-let segment of the property market, including the 3% stamp duty land tax surcharge on second homes introduced in April 2016 and the restrictions of tax relief on mortgage interest payments to the basic rate of tax, being phased in between 2017 and 2020. Furthermore, the PRA issued its expectations of underwriting standards for PRA regulated mortgage lenders on stress testing BTL mortgages and in assessing affordability and clarification around risk capital weightings to be applied by banks offering BTL mortgages. In addition, the PRA has set out new standards on underwriting loans where the landlord has four or more properties ("portfolio landlords") which came into force on September 30, 2017. In addition, from March 21, 2016, certain BTL mortgages became regulated as a consequence of the MCD and referred to as commercial buy-to-lets ("CBTL"). We now categorize such loans within our retail purpose lending.

While such initiatives have constrained the rapid growth experienced over previous recent years, we expect that many of the key underlying drivers of historical growth will remain. Specialist lenders are positioned to gain further market share in the BTL market, according to mortgage intermediary research (e.g., Buyer's Market, KPMG, July 2018; Specialist lenders 'ideally placed' to help BTL remortgage customers, Bridging & Commercial, March 2018). Reports note that portfolio landlords are seeing a reduction in the number of lenders available to choose from, suggesting mainstream lenders continue to pull out of products that require specialist underwriting. The increased complexity around affordability testing and the capital requirements may temper mainstream lenders appetite for BTL markets in the future. In addition, the growth in BTL purchases through limited company structures, following the tax relief restrictions, provides further opportunity for specialist lenders to increase their market share.

Commercial: Commercial Term Loans

The UK commercial property market is extremely diverse, with loans being secured against various property types including retail units (such as restaurants, pubs and hotels), industrial properties, warehousing and office blocks. The size of loans underwritten also varies widely, from less than £100,000 to £50 million or higher. Within the UK commercial property market, our focus is on smaller value commercial real estate loans with low LTV ratios relative to market.

According to City University of London, advances in the commercial property lending market in the UK has grown from £29.9 billion in the twelve months ended December 31, 2013 to £49.6 billion in the twelve months ended December 31, 2018, representing an 8.8% compound annual growth rate over the corresponding period. In the twelve months ended December 31, 2018, lending was 12% above the figure in the twelve months prior. The second half of 2018 witnessed significant growth on the first half of the year with loan originations of £27.1billion and £22.5billion respectively. During the twelve months ended December 2018, 'other non-bank' lenders increased their market share by 26% (representing £7.6 billion of new lending), reflecting in part the continued approach of banks towards lower risk finance and due to the greater regulation faced since the financial crisis along with the increased flexibility offered by such non-bank lenders, compared to traditional lenders and an increase in non-bank lenders offering such products.

For the twelve months ended June 30, 2019, based upon our own loan origination data, we had less than 1% market share in the commercial property market, based upon City University of London market size data.

Demand in this segment is expected to be supported by a relatively stable macro-economic environment, robust occupier demand, foreign investment and robust rental yields, though uncertainty exists surrounding the impact of the UK's separation from the EU. See "*Risk Factors—Risks Relating to Our Business—A deterioration in the economic environment in United Kingdom could have a material adverse effect on our business, results of operations and financial condition*" and "*The United Kingdom's planned exit from the European Union may adversely impact our business, results of operations and financial condition.*"

Commercial: Bridging

Bridging loans are generally short-term (i.e. less than 24 months) and serve a broad range of purposes, including opportunistic residential and commercial property purchases, chain breaks, property refurbishment, auction purchases and short-term liquidity for businesses (such as working capital requirements), and are often required at very short notice. A chain is a sequence of linked property purchases, each of which is dependent on the preceding and succeeding purchaser. When a purchaser or seller of the chain pulls out, this creates a break which can threaten all other property purchases in the chain. A bridging loan can enable a purchaser to still purchase a property before completing the sale of an existing property. This combination of time pressure and complex circumstances results in a wide range of product characteristics. In addition, borrowers require a high level of customer service oriented around loan deliverability, underwriting flexibility and industry experience. As a result for such customers, the rate of interest often is not necessarily the primary driver for choice of lender.

Given their short duration, bridging loans are typically interest-only or with interest rolled up and paid on settlement of the loan. Customers include a broad range of borrowers including property investors, high net worth individuals and small and medium-sized enterprises. In addition, certain bridging loans are classified as regulated bridging loans, where the loan is not driven by commercial purpose (for instance, owner occupier chain breaks). Over recent months, we have expanded our regulated bridging loan product originations. We classify such loans within our retail purpose lending segment. Demand for bridging loans comes from a wide range of customers, including prime customers, as it is the characteristics of the situation required which drive the demand. Auction Finance (a sub-segment of bridging) is used for the purchase of residential, semi-commercial and commercial property at auctions. Borrowers can receive confirmation of a pre-approved loan prior to attending an auction, based on providing details of the property or properties which they plan to bid for (subject to certain conditions).

The West One Bridging Index indicates that the bridging market grew from £2.1 billion of advances in the twelve months ended June 30, 2014 to £5.6 billion in the twelve months ended June, 2019 representing an 18% compound annual growth rate over the corresponding period. In the last twelve months, the market has continued to grow at a rate of 5.3%, continuing the growth seen in previous years. Performance in the sector is well ahead of the wider property and mortgage markets. With increased demand, competition in the segment has also grown which has led to some reduction in rates offered, increased LTV caps and broader product features. The bridging market is also benefitting from a higher volume of smaller transactions as investors look regionally for their returns.

For the twelve months ended June 30, 2019, based upon our own loan origination data, which also includes our regulated bridge origination, we estimate we had approximately 15% market share in the bridging market, based upon West One Bridging Index market size data.

The growth in demand experienced in the market over recent years has been supported by increased awareness of the wide application of bridging loans to suit a range of different scenarios. The ability to fund a transaction quickly can be a strong differentiator in securing a property. Bridging finance is often the only product available to satisfy such needs, with few alternatives providing comparable flexibility and speed, as time frames associated with mainstream lenders' lending processes are often too long. Often a bridging loan is taken out with the intention to refinance through mainstream lenders at a later date. Growing awareness, the need for a more tailored approach, inefficiencies of mainstream lenders and acceptance of bridging finance as an option is expected to support demand in the market. The necessity for flexibility and speed in delivering loans across such a range of complex situations is expected to result in the market remaining far less automated and commoditized than other product areas.

BUSINESS

Overview

We are one of UK's leading specialist mortgage and secured loans providers by loan book size, established in 1974, and have successfully operated throughout our 45 year history. We pride ourselves on bringing common sense to lending by helping individuals, families and businesses achieve their ambitions in a world that has changed when traditional lending has not.

We focus on low loan-to-value 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 September 30, 2019, 66.0% are secured by residential properties, with the balance secured by commercial and semi-commercial properties, all within the United Kingdom. We specialize in offering individually underwritten loans supported by an effective service proposition, thereby minimizing competition from mainstream lenders (including high street banks) and other lenders. We offer our loans through one consistent brand, "Together", and distribute them primarily through mortgage intermediaries, our professional network and auction houses, each across the United Kingdom, and through our direct sales teams. We underwrite and service all our loans in-house, primarily incorporating manual underwriting to determine the credit decisions supported by automated processing tools with well-developed loan administration and collection processes. In the twelve months ended September 30, 2019, we had Underlying profit before taxation of £134.4 million and generated Underlying EBITDA of £259.4 million. In the twelve months ended September 30, 2019, we advanced £2,098.7 million of new lending, and as of September 30, 2019, we had Shareholders' Funds of £814.9 million. As of September 30, 2019, our total loan assets were £3,878.4 million. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Loan Analysis*."

As of September 30, 2019, 32.0% of our loan portfolio was classified as retail purpose, 62.8% of our loan portfolio was classified as commercial purpose and 5.2% of our loan portfolio was classified as development funding, calculated by value. We classify mortgages as retail purpose lending when the mortgage is regulated by the Financial Conduct Authority ("FCA") as well as certain loans written prior to the introduction of the relevant regulation which we consider would have been subject to regulation if underwritten under the current regulatory framework. Retail purpose loans include loans for purchasing a new home (including "chain breaks," which are loans used by customers looking to purchase a new home ahead of completing the sale of their existing home), making home improvements, debt consolidation and large personal purchases and since March 2016 also includes "consumer buy-to-let" loans ("CBTL") written after this date. Our retail purpose loans also include regulated bridging loans. 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. Such loans could include, in order to lease a property ("buy-to-let" but excluding CBTL), raising capital against a property including for general business use or to renovate a property, or to bridge a transaction against a property (but excluding regulated bridging loans). Commercial purpose loans are currently unregulated. Our classification of a mortgage as either retail or commercial purpose is unrelated to the collateral securing it. 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. As of September 30, 2019, 100% of our retail purpose loans and 50.0% of our commercial purpose loans (including development loans) were secured by residential property.

Our underwriting process consists of a detailed and individualized credit, affordability and/or repayment assessment, as well as a security assessment which typically includes an independent valuation, which we believe provides us with a thorough understanding of each loan application. In the underwriting process, we primarily focus on affordability, being the ability of the loan applicant to make loan payments in line with agreed terms ("affordability"), the repayment strategy where the loan will not be repaid from installments 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 authorization controls, a staff training and competency program and quality assurance sampling procedures. This is supported by a formal Enterprise Risk Management Framework, which includes conducting internal, risk and compliance audits as well as a formal committee structure to agree on policy decisions, setting risk appetites and monitoring credit quality. Additionally, external loan asset audits have been conducted annually, pursuant to the terms of certain of our financing arrangements.

Our key underwriting metrics remained fairly consistent as of and for the twelve months ended September 30, 2019, with the LTVs of our loan portfolio on a weighted average indexed basis as of September 30, 2019 at 55.0% (compared with 54.3% as of June 30, 2019, 55.3% as of June 30, 2018 and 53.4% as of June 30, 2017), and the origination LTV on a weighted average basis of new loans underwritten by us for the twelve months ended September 30, 2019 at 58.0% (compared with 58.0% for the year ended June 30, 2019, 58.0% for the year ended June 30, 2018 and 57.1% for the year ended June 30, 2017). As of September 30, 2019, 97.1% of our total loan portfolio and 91.7% of the Borrower Group loan portfolio, calculated by value, consisted of loans with LTVs at origination equal to or less than 80.0%. This fundamental, long-standing principle of our group has provided us with significant protection in times of falling property prices and economic downturns, thereby minimizing our levels of provisions and losses. For the years ended June 30, 2017 and 2018 impairment losses under IAS39 amounted to £7.4 million and £11.4 million respectively, and for the year ended June 30, 2019 and twelve months ended September 30, 2019, impairment losses under IFRS 9 amounted to £15.4 million and £16.6 million respectively, representing on an annualized basis only 0.37%, 0.44%, 0.46% and 0.48%, respectively, of our average total loan assets for each period.

We have historically generally reinvested our profits in our business (other than dividends used to service the interest on the PIK Notes), increasing our reserves and providing a separate equity buffer to our lenders in addition to the protection afforded by the low weighted averaged indexed LTV of our loan portfolio. The ratio of our net senior secured borrowings (including our Securitizations) to total loan assets was 78.6% as of September 30, 2019. The ratio of net senior secured borrowings to value of total underlying security, which is calculated as the LTV of our loan portfolio on a weighted average indexed basis multiplied by the ratio of net senior secured borrowings to total loan assets, was 43.2% as of September 30, 2019.

Retail Purpose Lending

As of September 30, 2019, retail purpose loans comprised 32.0% of our loan portfolio, calculated by value, with a weighted average indexed LTV of 50.1% and a weighted average nominal rate of 7.5%, substantially all of which were secured by residential property. We lend to customers with a wide range of residential properties which can also include non-standard property types, such as timber-framed properties, thatched cottages and high-rise flats. Our retail purpose loans consist of first lien loans, which are secured by first priority liens on the collateral property, the proceeds from which are typically used by borrowers to purchase the property or to refinance an existing loan that is secured by a first priority lien on the property but can also be used for a variety of other purposes, and second lien loans, which are secured by liens on the collateral property that are junior in priority of payment to first lien loans, the proceeds from which are used by borrowers for a variety of purposes. We offer retail purpose loans under the "Together" brand through our subsidiary, Together Personal Finance Limited ("TPFL," formerly Cheshire Mortgage Corporation Limited), which has full regulatory permissions to offer first charge and second charge mortgages to retail customers. Until March 21, 2016, we also offered second lien mortgages through our subsidiary Blemain Finance Limited ("BFL"), which will continue managing its existing loan portfolio. From March 21, 2016, any new CBTL mortgages are classified as retail purpose loans (included within retail first lien and second lien loan categories, as applicable). As of September 30, 2019, CBTL mortgages represented £75.0 million, being 6.0% of our retail purpose loans or 1.9% of our total loan portfolio. Our retail purpose loans also include regulated bridging loans (included within retail first lien and second lien loan categories, as applicable) which were introduced in February 2016 and which have steadily grown in volume over recent periods to represent £168.1 million, 13.6% of our retail purpose loans or 4.3% of our total loan portfolio as of September 30, 2019. First lien and second lien loans (including CBTL and regulated bridging loans as applicable) represented 52.4% and 47.6% of our retail purpose loans, respectively, calculated by value as of September 30, 2019. Our retail purpose loans are distributed primarily through an established network of mortgage intermediaries, with a small portion sold directly to customers. In the year ended June 30, 2019, we distributed 92.1% of our retail purpose loans through our established network of mortgage intermediaries, with the remainder being distributed through direct channels. The assets securing our retail purpose loans are located across England, Scotland, Wales and, to a small extent (for loans originated prior to April 2009), Northern Ireland.

Commercial Purpose Lending

As of September 30, 2019, commercial purpose loans comprised 62.8% of our loan portfolio, calculated by value, with a weighted average indexed LTV of 56.3% and a weighted average nominal rate of 8.9%, 35.7% of which are BTL+ loans, 25.6% of which are commercial term loans and 38.7% of which are unregulated bridging loans, calculated by value of the total loan portfolio. Our unregulated bridging loans, defined as having original maturities of up to 24 months, are secured by property, of which 44.5% is residential and 55.5% is commercial and semi-commercial property. BTL+ loans are secured on residential property, which includes our buy-to-let lending activity (excluding CBTL but including loans underwritten prior to March 2016 that could have been categorized as CBTL had they been originated after March 2016), but including first-time landlords and portfolio landlords, as well as certain other types of lending, which is unregulated by virtue of certain business exemptions being applicable. Our commercial term loans are 100% secured on commercial and semi-commercial property. Our Commercial purpose loans primarily consist of first and second lien loans, which represented 65.4% and 34.6% of our BTL+ loans, respectively, 94.6% and 5.4% of our commercial term loans, respectively, and 86.7% and 13.3% of our unregulated bridging loans, respectively, calculated by value as of September 30, 2019. We offer commercial purpose loans under the "Together" brand through our subsidiary Together Commercial Finance Limited ("TCFL," formerly Lancashire Mortgage Corporation Limited). Historically, we also offered commercial purposes loans through our subsidiaries, Auction Finance Limited ("AFL"), Bridging Finance Limited ("BDFL") and Harpmanor Limited ("HARPL"). In April 2017, we consolidated the distribution of commercial purpose loans into TCFL. Each of AFL, BDFL and HARPL will continue to manage their respective existing loan portfolios, although such entities will no longer distribute commercial purpose loans.

In the year ended June 30, 2019, we distributed 53.3% of our unregulated bridging loans through direct channels which consist of, *inter alios*, our network of professionals (including lawyers, accountants, bankers, surveyors and wealth managers), our repeat customer base and our direct sales teams and we distributed 46.7% of our unregulated bridging loans through our established network of mortgage intermediaries. In the year ended June 30, 2019, we distributed 76.4% of our BTL+ loans, and 68.9% of our commercial term loans through our established network of mortgage intermediaries, respectively, with the remainder being distributed through direct channels. The assets securing our commercial purpose loans are located across England, Scotland, Wales and, to a small extent (for loans originated prior to April 2009), Northern Ireland.

Development Loans

As of September 30, 2019, development loans comprised 5.2% of our loan portfolio. Development loans are loans that we extend to finance the development of land or property primarily into residential units with repayments typically being made out of the sale or refinance of the units. Of our development loans, 17.1% were originated prior to December 31, 2009 (including any further advances advanced post 2010). Loans originated since January 1, 2010 and subsequently redeemed prior to September 30, 2019 had a weighted average elapsed term of 17 months. Loans originated since January 1, 2010 that had not been subsequently redeemed as of September 30, 2019 have a weighted average elapsed term of 14 months. For the twelve months ended September 30, 2019, we extended £47.9 million in further advances on loans originated prior to September 30, 2018 (of which £0.1 million related to loans originated prior to 2010) and have underwritten £120.4 million in new development loans comprised of £54.6 million of initial advances and £65.8 million of further advances.

Our Sources of Funding

Historically, our principal sources of funds have been cash provided by operations, our Shareholders' Funds, including through subordinated shareholder indebtedness, the Revolving Credit Facility, capital markets indebtedness represented by senior secured notes and the Securitizations.

As of September 30, 2019, our Shareholders' Funds were £814.9 million, including Subordinated Shareholder Funding with a carrying value of £27.7 million. As of September 30, 2019, our total commitments under the Conduit Securitizations was £2,234.5 million (increasing to £2,479.5 million following the recent amendment of the LABS Securitization on October 30, 2019), of which £1,996.6 million was outstanding. As of September 30, 2019, we had £354.1 million of Rated Notes outstanding under the Term Securitizations. In addition, the total commitments under the Revolving Credit Facility were £71.9 million (£55.0 million outstanding) as of September 30, 2019.

On September 29, 2017, we entered into TABS 1 Securitization pursuant to which we sold residential mortgages with aggregate principal balance amounts of £275.0 million through the issuance of £261.3 million Rated TABS 1 Notes to qualified institutional investors. On November 8, 2018, we entered into TABS 2 Securitization pursuant to which we sold residential mortgages with aggregate principal balance amounts of £286.9 million through the issuance of £272.6 million Rated TABS 2 Notes to qualified institutional investors. On October 10, 2019, we established the TABS 3 Securitization pursuant to which we sold residential mortgages with aggregate principal balance amounts of £332.0 million through the issuance of £315.4 million Rated TABS 3 Notes to qualified institutional investors. In addition, in respect of each of the Term Securitizations, Class Z notes were issued to the Originators and Class R notes were issued to the Company. The Class Z notes issued in connection with each of the Term Securitizations represent an interest that is subordinate to that of the relevant Rated TABS Notes. The Class R notes were issued to provide initial liquidity to the Term Securitizations. The assets purchased by the Term Securitization SPVs from the Originators had been re-purchased by the Originators from Charles Street ABS in connection with the establishment of each of the Term Securitizations. Unlike the Conduit Securitizations which are revolving facilities, the Term Securitizations do not buy additional mortgages from the Originators on an ongoing basis.

Pursuant to the Conduit Securitizations, certain of our operating subsidiaries (the "Originators") sell on a random basis, subject to meeting certain eligibility criteria and complying with certain portfolio covenants, certain of our qualifying mortgage loans to Charles Street ABS, Lakeside ABS, Delta ABS 2 (previously, under the now-refinanced DABS 1 Securitization, to Delta ABS 1) and Highfield ABS, respectively, each a bankruptcy-remote special purpose vehicle established for purposes of the Conduit Securitizations. Each of the special purpose vehicles finances these purchases from borrowings funded through the issuance of notes to certain note purchasers with the balance of any funding requirements provided through the issuance of subordinated notes to the Originators. While each of the vehicles established for the purposes of the Securitizations and the transaction documentation for such Securitizations may share similar terms and conditions, each Securitization is independent from each other. For example, a default under one of the Securitizations will not automatically trigger a default under any of the other Securitizations.

The assets of the special purpose vehicles related to the Securitizations are included within our consolidated accounts presented herein. Loans, once sold, must continue to meet certain criteria to remain eligible as collateral for the purposes of calculating the borrowing level under each Conduit Securitization. In order to maximize the borrowing level, as well as to prevent a default from occurring in each of the Conduit Securitizations, the Originators are obliged to either substitute loans that become ineligible loans (including loans defaulted such as a result of reaching a certain level of arrears) with eligible loans or purchase additional subordinated notes issued by the relevant Conduit Securitization, as applicable, to fund the ineligible loans. To date, we have chosen to substitute ineligible loans with eligible loans. In the twelve months ended September 30, 2019 £88.8 million of defaulted loans were repurchased from the Conduit Securitizations. We estimate principal losses recognized on defaulted loans repurchased from the CABS Securitization were, on average, less than £0.1 million per year between January 1, 2013 and September 30, 2019. Principal losses recognized on defaulted loans repurchased from the LABS Securitization have been less than £0.1 million since its inception in August 2015 until September 30, 2019. Principal losses recognized on defaulted loans repurchased from the HABS Securitization have been £nil since its inception in April 2018 until September 30, 2019. Principal losses recognized on defaulted loans repurchased from the DABS 1 Securitization have been £0.7 million since its inception in January 2017 to March 29, 2019. Principal losses recognized on defaulted loans repurchased from the DABS 2 Securitization has been £nil since its inception on March 29, 2019 until September 30, 2019.

Surplus income of each of the Securitization Vehicles, after paying interest and fees in connection with the applicable Securitization, is paid to the Originators on a monthly basis, except during a default or full amortization period, as applicable. Surplus income paid back to the Originators in the twelve months ended September 30, 2019 amounted to £150.5 million.

The table below provides certain characteristics of our Term Securitizations as of September 30, 2019, unless stated otherwise. For additional information in respect of the Securitizations, see "*Description of Certain Financing Arrangements—Securitizations.*"

	Together ABS 1	Together ABS 2	Total Term Securitizations
As of Issuance date	• £275.0 million principal balance • £261.3 million Rated TABS 1 Notes • £13.8 million Class Z Notes • £5.2 million Class R Notes	• £286.9 million principal balance • £272.6 million Rated TABS 2 Notes • £14.3 million Class Z Notes • £7.2 million Class R Notes	• £561.9 million principal balance • £533.9 million Rated Notes • £28.1 million Class Z Notes • £12.4 million Class R Notes
As of September 30, 2019	• £160.5 million principal balance • £142.5 million Rated TABS 1 Notes • £15.0 million Class Z Notes • £3.0 million Cash Reserve owed to originators(2)	• £225.9 million principal balance • £211.6 million Rated TABS 2 Notes • £14.3 million Class Z Notes • £6.8 million Cash Reserve owed to originators(2)	• £386.4 million principal balance • £354.1 million Rated Notes(1) • £29.3 million Class Z Notes • £9.8 million Cash Reserve owed to originations(2)
Surplus income paid back to the Originators, for the twelve months ended September 30, 2019	• £12.6 million	• £4.4 million(2)	• £17.0 million

(1) Stated after the allocation of £8.3 million of principal receipts, received during the month of September 2019, for which such receipts are only formally applied to reduce the rated notes in the subsequent month. £3.3 million in relation to Together ABS 1, and £5.1 million in relation to Together ABS 2, respectively.

(2) As the Initial cash reserve has been repaid (Class R Notes), cash reserve consists of funds withheld by originators from surplus consideration reducing surplus income back to the Originators in the initial period.

On October 10, 2019, we established the TABS 3 Securitization, under which Together ABS 3 purchased £332.0 million principal balance of loans, which purchased certain assets previously forming part of the CABS Securitization, and issued £315.4 million Rated Notes, £16.6 million Class Z notes and £8.2 million Class R notes.

The table below provides certain characteristics of our Conduit Securitizations as of September 30, 2019, unless stated otherwise. For additional information in respect of the Securitizations, See "*Description of Certain Financing Arrangements—Conduit Securitizations*."

	Charles Street ABS	Lakeside ABS	Delta ABS 2	Highfield ABS	Total Conduit Securitizations
Total commitments as of September 30, 2019	• £1,254.5 million	• £255.0 million	• £200.0 million	• £525.0 million	• £2,234.5 million
Total notes outstanding as of September 30, 2019	• £1,247.2 million	• £199.4 million	• £175.0 million	• £375.0 million	• £1,996.6 million
Principal balance as of September 30, 2019	• £1,386.9 million	• £265.5 million	• £210.2 million	• £451.6 million	• £2,314.3 million
Cash balance as of September 30, 2019	• £28.8 million	• £5.3 million	• £4.5 million	• £14.0 million	• £52.6 million
Net creditor balance as of September 30, 2019	• £1.5 million	• £0.1 million	• £2.1 million	• £2.4 million	• £6.1 million
Total subordinated subscription notes outstanding as of September 30, 2019	• £167.0 million	• £71.4 million	• £37.6 million	• £88.2 million	• £364.1 million
Surplus income paid back to the Originators for the twelve months ended September 30, 2019	• £64.5 million	• £33.5 million	• £14.5 million	• £21.1 million	• £133.5 million

On October 30, 2019, the LABS Securitization was amended, resulting in, amongst other things, an increase in total commitments from £255 million to £500 million.

On the establishment of the TABS 3 Securitization and the purchase by Together ABS 3 of assets previously held in Charles Street ABS, the principal balance of loans in Charles Street ABS was reduced by £332.0 million, with total notes outstanding under the CABS Securitization reduced by £298.8 million and subordinated subscription notes reduced by £33.2 million.

Supplemental Cash Flow Information for the Group and Borrower Group

The group is highly cash generative with growing levels of cash generation over the past years. The group generated £1,000.9 million, £1,248.3 million, £1,570.1 million and £437.6 million of Cash Receipts in the years ended June 30, 2017, 2018 and 2019, and the three months ended September 30, 2019, comprising of £227.6 million, £258.8 million, £309.0 million and £82.3 million of interest and fees, respectively, and £773.3 million, £989.5 million, £1,261.1 million and £355.3 million of principal receipts, respectively. Cash Receipts expressed as a percentage of total average loan assets were 49.5%, 48.0% and 47.2% in the years ended June 30, 2017, 2018 and 2019. Annualized Cash Receipts divided by the total average loan assets for the three months ended September 30 2019 were 46.2%.

The Borrower Group generated £495.2 million, £610.8 million, £779.5 million and £221.3 million of Cash Receipts in the years ended June 30, 2017, 2018 and 2019 and the three months ended September 30, 2019, comprising of £68.1 million, £77.6 million, £90.3 million and £22.5 million of interest and fees, respectively, £302.4 million, £403.8 million, £540.4 million and £155.9 of principal receipts, respectively, and £124.7 million, £129.4 million, £148.8 million and £42.9 million surplus income from the Securitizations, respectively. See "*—Overview—Our sources of funding*." Cash Receipts expressed as a percentage of total average loan assets of the Borrower Group were 66.7%,62.5% and 68.8% in the years ended June 30, 2017, 2018 and 2019, respectively. Annualized Cash Receipts divided by the total average loan assets for the three months ended September 30, 2019 were 75.2%, respectively.

The group had cash outflows relating to overheads and expenses, tax and capital expenditure of £89.8 million, £108.8 million and £116.9 million in the years ended June 30, 2017, 2018 and 2019, respectively, resulting in cash available for debt service and originating new advances of £911.2 million, £1,139.5 million and £1,453.2 million, respectively. The group had cash outflows relating to overheads and expenses, tax and capital expenditure of £34.0 million in three months ended September 30, 2019, resulting in cash available for debt service and originating new advances of £403.6 million.

The Borrower Group had cash outflows relating to overheads and expenses, tax and capital expenditure of £89.8 million, £108.8 million and £111.8 million in the years ended June 30, 2017, 2018 and 2019, respectively, resulting in cash available for debt service and originating new advances of £405.4 million, £502.0 million and £667.7 million, respectively. The Borrower Group had cash outflows relating to overheads and expenses, tax and capital expenditure of £34.0 million in the three month ended September 30, 2019, resulting in cash available for debt service and originating new advances of £187.3 million.

The group paid interest costs of £78.6 million, £78.0 million and £105.1 million, respectively, and debt issuance costs of £11.5 million, £8.4 million and £9.1 million in the years ended June 30, 2017, 2018 and 2019, respectively. The group paid interest costs of £40.7 million and debt issuance costs of £0.8 million in the three months ended September 30, 2019.

The Borrower Group paid interest costs of £43.4 million, £34.1 million and £45.7 million, respectively, and debt issuance costs of £11.5 million, £8.4 million and £9.1 million in the years ended June 30, 2017, 2018 and 2019, respectively. The Borrower Group paid interest costs of £22.9 million and debt issuance costs of £0.8 million in the three months ended September 30, 2019.

In addition, the group (and the Borrower Group) paid dividends to its parent company principally to allow the PIK Notes Issuer to service the PIK Notes interest (or, prior to the issuance of the PIK Notes, the interest due on the 2021 PIK Notes, which were repurchased using the proceeds of the PIK Notes) of £12.5 million, £22.9 million, £29.9 million and £nil in the years ended June 30, 2017, 2018 and 2019 and the three months ended September 30, 2019 (during which no dividend related to the PIK Notes was made as no interest payment on the PIK Notes was due), respectively. Annual interest due on the PIK Notes, if paid in cash, is £31.1 million.

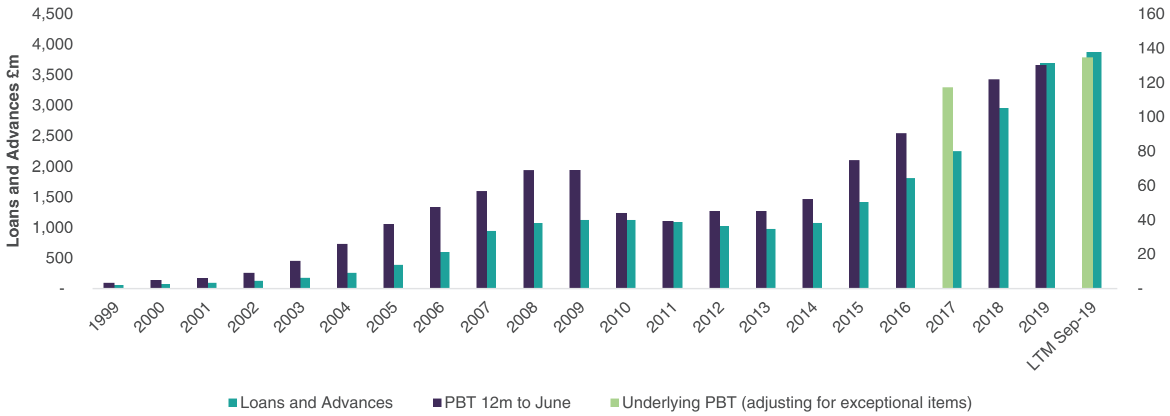
See "*Overview—Our Sources of Funding*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Supplemental Cash Flow Information*."

Our Competitive Strengths

Track record of continuous profitability through multiple business cycles. We have been profitable since our establishment over 45 years ago, including throughout the most recent financial crisis and economic downturn, during which many of our competitors and financial institutions in general suffered significant losses, with a number of our competitors discontinuing originating loans or, in certain instances, ceasing trading. We remained profitable throughout this period and experienced only relatively modest reductions in the aggregate amount of our loan portfolio.

In the years ended June 30, 2017, 2018 and 2019 and in the twelve months ended September 30, 2019, we had profit before taxation of £117.1 million (on an underlying basis), £121.7 million, £130.3, and £134.4 million (on an underlying basis), respectively. Historically, we have generally reinvested our profits in our business (other than dividends used to service interest on the PIK Notes), which has supported the growth in our balance sheet and resulted in Shareholders' Funds as of September 30, 2019, of £814.9 million. In the years ended June 30, 2017, 2018 and 2019 and in the twelve months ended September 30, 2019, we advanced £1,185.4 million, £1,660.1 million, £1,982.9 million and £2,098.7 million of new loans, respectively.

The chart below demonstrates the growth of our loan book and our profit before taxation in the period from the year ended June 1999 to the year ended June 30, 2019 (and, with respect to the year ended June 30, 2017, Underlying profit before taxation), and our loan book and Underlying profit before taxation as of and for the twelve months ended September 30, 2019. Information for the period from June 30, 1999 to June 30, 2014 is presented in accordance with UK GAAP, while information for the years ended June 30, 2015 to June 30, 2019 and for the twelve months ended September 30, 2019 is presented in accordance with IFRS.



For the years ended June 30, 2017, 2018 and 2019, our EBITDA was £185.2 million (£193.4 million of Underlying EBITDA), £219.2 million and £251.5 million, respectively. In the twelve months ended September 30, 2019, our EBITDA was £256.4 million and our Underlying EBITDA was £259.4 million.

Unique and proven business model focused on building long-term value by helping underserved customers in attractive and growing markets. We offer a wide range of individually underwritten secured loans for both retail and commercial purposes, secured on both residential and commercial property, at low LTVs, to owner occupiers, small and medium-sized enterprises ("SMEs"), landlords, property investors, entrepreneurs, developers and high net worth individuals. According to UK Finance (previously the Council of Mortgage Lenders) and the Bank of England, the total United Kingdom mortgage market has grown from the twelve months ended June 2011 to the twelve months ended June 2019 in terms of value of the annual mortgage originations at a compound annual rate of 8.0%, with increasing levels of available homeowners' and property investors' equity. While growth in property prices has been more modest over the last 2 years, with some regional variation, according to the UK Finance and the Bank of England, in the twelve months ended June 2019, annual mortgage originations were £268 billion, representing a 1.2% increase compared to the prior twelve-month period.

In addition to the growth in the overall UK mortgage market, the way people live and work is evolving rapidly and, as lifestyles change, so do customer's lending needs. Our own research (YouGov survey for Together – 2,003 people who had enquired about a mortgage but not received an offer) indicates that over half (54%) of people turned down for a mortgage had an application rejected for reasons such as self-employment, multiple income streams or non-standard property types. As a result of economic and regulatory trends that have affected mainstream lenders, these underserved borrowers are increasingly seeking financing from alternative lenders. We identify and operate in targeted segments of the broader UK mortgage market, differentiating ourselves from our competitors by our specialist underwriting skills, speed of execution, customer access to the decision makers that can approve a mortgage, distribution network, service delivery and product range. As indicated in CACI customer segments research (August 2018), more than 75% of our loan book consists of customer segments that typically have higher incomes, equity in their homes and strong levels of disposable income.

Mainstream lenders often automate the underwriting process, which can lead to rejection of large numbers of creditworthy customers with non-standard loan applications. Our customers are often unable to secure funding from mainstream lenders, in a timely fashion, or at all, due to the complexity of the customers' income streams, their historical or current circumstances, the nature of the property to be financed (including, for example, non-standard construction), the borrowing purpose or the speed in which the funds are required. Many of these non-standard factors are becoming much more normal and we believe the lending criteria of mainstream lenders have struggled to keep up with the pace of change in society.

Customers, mortgage intermediaries, introducers and our other distribution partners come to Together because of our broad product offering and lending criteria combined with our speed of response and flexible, customized approach to lending that allows us to meet the needs of customers that mainstream lenders cannot serve effectively, if at all. Our underwriting process is based on the principles of affordability, sustainability and recoverability, and takes into consideration customer history and financial position, in-depth security reviews with valuations comparison, legal reviews, understanding of the repayment strategy, default minimums and stress buffers. By incorporating manual underwriting processes, informed by our extensive experience lending to the types of customers, the nature of security and the situations we support, we are able to carefully assess the customer and the security on their individual merits, as opposed to making our decision purely using a general credit score approach, and thereby gain a greater understanding of the nature and level of the credit risk.

In addition, mortgage intermediaries turn to Together because of our broad and flexible product offering, our experience and strong reputation, built over 45 years, and our levels of service. Our capabilities are supported by our in-house platform, from origination through to servicing and collections, all located within our head offices in Cheadle. We continually seek to extend awareness of our products and to identify new opportunities to develop our loan offerings. Our product development team works closely with mortgage intermediaries and other stakeholders in our distribution channels to refine and improve our product range and to identify new market segments where customers are underserved. By operating in markets with less competition and only lending at low LTVs, we are able to achieve an attractive appropriate risk-adjusted returns on our total loan assets. The weighted average nominal rate of new loans underwritten by us for the twelve months ended September 30, 2019 was 8.0%. Our net interest margin for the twelve months ended September 30, 2019 was 6.8%.

Broad, established and growing distribution network, supported by long-standing relationships with mortgage intermediaries and our direct routes to market. Our broad and diversified distribution channels consist of our established network of mortgage intermediaries and our direct channels. We have established long-standing and stable relationships with a wide range of mortgage intermediaries. These relationships were further strengthened during the global financial crisis as we continued to lend while management believes many of our competitors reduced their lending or exited the market altogether. Since the global financial crisis, we have continued to expand our relationships with mortgage intermediaries and have widened our reach into mortgage clubs and networks. Our aim is to identify and create mortgage relationships with the intermediaries affiliated within these clubs and networks that have the greatest specialist lending needs. In January 2019, we launched Together+, an offering that recognizes our closest mortgage intermediary relationships, based both on quality and volume, with preferential rates and increased support through marketing, products, sales and service. Our direct channels include originations through our own direct marketing channel and sales team, our professional network of lawyers, accountants, bankers, surveyors, wealth managers and other introducers and our relationships with auction houses. Our direct channels also include originations through our repeat customer base, with many customers who repeatedly return to us to support their activities.

Of the loans (by value) we extended in the year ended June 30, 2019, 68.5% were sourced from mortgage intermediaries and 31.5% were sourced from our direct channels. During the year, we originated loans through approximately 901 mortgage intermediaries (an increase from 205 mortgage intermediaries following the financial crisis in the year ended June 30, 2012 and an increase from 550 in the year ended June 30, 2018), 238 of which each generated new advances in excess of £0.5 million (an increase from 40 such mortgage intermediaries following the financial crisis in the year ended June 30, 2012 and an increase from 212 in the year ended June 30, 2018). For the year ended June 30, 2019, our largest individual mortgage intermediary accounted for 9.9% of aggregate mortgage intermediary advances and our top ten and top twenty mortgage intermediaries accounted for 35.1% and 50.5% of aggregate mortgage intermediary advances, respectively. In the year ended June 30, 2019, our largest mortgage intermediary in commercial purpose and retail purpose lending accounted for 14.3% of total commercial purpose mortgage intermediary advances and 5.3% of total retail purpose mortgage intermediary advances, respectively.

Although we are evolving our distribution to include emerging channels (including online mortgage brokers, aggregators and digital distribution), we remain committed to growing and strengthening our existing long-standing relationships with customers and mortgage intermediaries. We also recently launched our Corporate Team, which seeks to work with high net worth individuals, property investors, entrepreneurs, SMEs and developers. These customers typically have a larger minimum borrowing requirement, and often require shorter-term funding solutions with rapid turnaround to secure opportunities, and typically want a longer-term relationship with a lender that they trust to understand their requirements and can move to their timescales.

High quality, balanced and growing loan book with strong asset backing and robust credit performance. Together has a growing, well-balanced loan portfolio of £3.9 billion as of September 30, 2019, diversified across retail purpose loans (owner occupier mortgages, CBTL and regulated bridge loans) and commercial purpose loans (unregulated bridging loans, commercial term loans, buy-to-let + and development), as well as being across customer types, property types, maturity lengths, geographical spread and differing underserved markets. We have refined our underwriting process based on over 45 years of experience, including through various economic and property cycles, remaining profitable throughout. As of September 30, 2019, 66.0% of our loans are secured on residential properties and the balance are secured on commercial and semi-commercial properties. A long standing, fundamental principle of our group has been lending at low LTVs, which mitigates our risk of loss in the event of repossession and, we believe, provides our customers with an incentive to engage with us to find appropriate solutions in the event they face difficulties meeting their financial obligations. Moreover, this policy of lending at low LTVs provides us with significant protection from falling property prices, as shown by our modest levels of bad and doubtful debts charges throughout the 2008-2011 period. Despite significant growth in the loan portfolio since June 30, 2013, the weighted average indexed LTV of our loan portfolio as of September 30, 2019 was 55.0% and the weighted average indexed LTV of the Borrower Group's loan portfolio, was 58.0%. As of September 30, 2019, 97.1% of our loan portfolio and 91.7% our Borrower Group's loan portfolio had a weighted average indexed LTV less than 80.0%. For additional information in respect of the Borrower Group's loan portfolio, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Borrower Group Loan Analysis*." The weighted average LTV of new loans underwritten for the twelve months ended June 30, 2017, 2018 and 2019 and for the twelve months ended September 30, 2019 was 56.9%, 58.0%, 58.0% and 58.0%, respectively, with 2.0%, 1.6%, 3.3% and 2.9% of new loans underwritten having an LTV in excess of 80.0%, respectively, and for the three months ended September 30, 2018 and September 30, 2019, the weighted average origination LTV of new loans underwritten for such period was 58.1% and 58.1%, respectively with 4.4% and 2.8% of new loans underwritten having an LTV in excess of 80%. This compares to the weighted average origination LTV of new loans underwritten in the years ended June 30, 2006 and June 30, 2007 (immediately prior to the recent global financial crisis) of 65.6% and 65.8%, respectively.

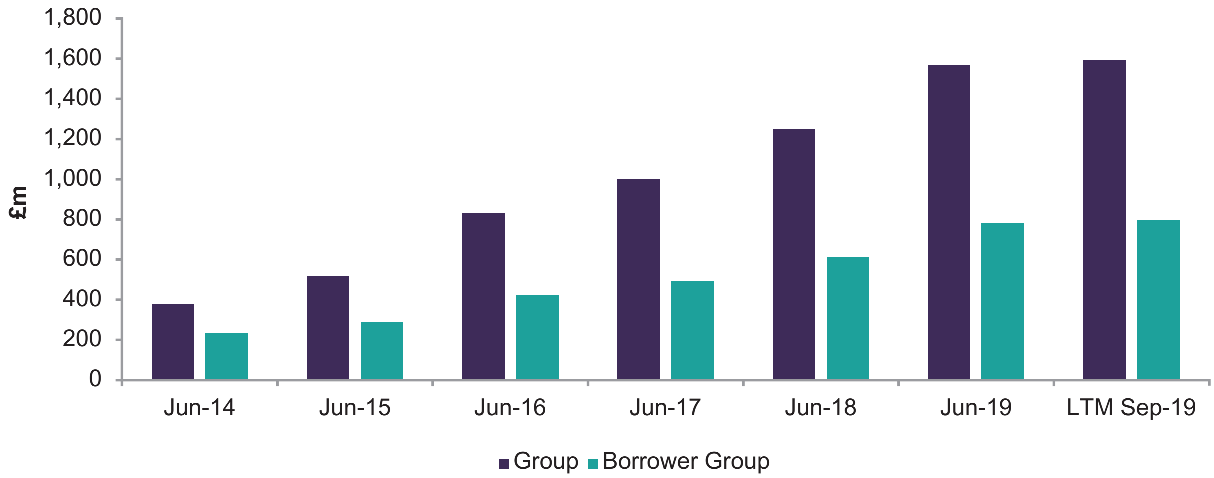
In stress testing our loan portfolio and the Borrower Group's loan portfolio, as of September 30, 2019, when comparing our loan balances, prior to the netting of allowances for impairment, to the respective indexed valuations of the properties, an assumed 20% decline to indexed valuations on a loan by loan basis would result in an additional negative equity exposure of £24.4 million and £22.5 million, respectively. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Loss Sensitivities*."

Strong and diversified sources of funding. Our business model is supported by a diversified and flexible funding structure consisting of cash from operations, the Conduit Securitizations, the Term Securitizations, the Revolving Credit Facility, the 2024 Notes and subordinated shareholder funding. In the case of the Conduit Securitizations and the Revolving Credit Facility, our lenders consist of financial institutions, including a number with whom we have long-standing relationships, and additional institutional investors which have recently joined certain of these facilities. In the past three years, we have increased the amounts committed under our Conduit Securitizations from £1,255.0 million as of June 30, 2016 to £2,234.5 million as of September 30, 2019 (increasing to £2,479.5 million following the most recent amendment of the LABS Securitization on October 30, 2019), and generally improved the terms of our Conduit Securitizations. We have also successfully issued three public residential mortgage backed securitizations in the form of TABS 1 Securitization in September 2017, the TABS 2 Securitization in November 2018 and the TABS 3 Securitization in October 2019, issuing £261.3 million, £272.6 million and £315.4 million of Rated Notes, respectively. In addition, since June 30, 2016, we have grown our committed Revolving Credit Facility from £29.0 million to £71.9 million and increased the aggregate principal amount outstanding under our Senior Secured Notes from £300 million to £725 million.

We have a track record of successfully extending maturity, increasing the size and enhancing the terms of our financing arrangements in line with our growth. Our maximum exposure to any single lending counterparty under the Conduit Securitizations and the Revolving Credit Facility as a percentage of such drawn balances as of September 30, 2019 was 21.0%. We adopt a policy of regularly extending the Conduit Securitizations and Revolving Credit Facility, and we believe that the weighted average maturity profile of such facilities would provide for a level of continuity through short economically challenging periods. Our weighted average maturity profile of our drawn facilities was 3.2 years (3.4 years after giving effect to the most recent amendment of the LABS Securitization on October 30, 2019 and the establishment of the TABS 3 Securitization on October 10, 2019 as if these events had taken place on September 30, 2019). Our diversified funding structure has allowed us to reduce our all in costs of third-party borrowing from 6.5% for the year ended June 30, 2015 to 4.4% for the twelve months ended September 30, 2019.

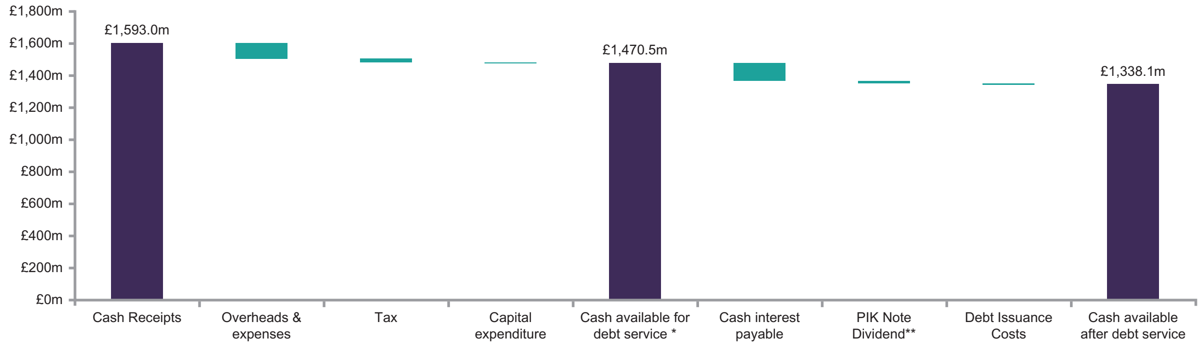
Highly cash generative. The group is highly cash generative and had £1,593.0 million of Cash Receipts for the twelve months ended September 30, 2019, comprising £318.1 million of interest and fees and £1,274.9 million of principal receipts. As of September 30, 2019, our total loan assets were £3,878.4 million. Cash generation has been increasing over the past years, reflecting the high growth of our loan book in the same period. Cash Receipts expressed as a percentage of total average loan assets were 48.0%, 47.2% and 46.2% in the years ended June 30, 2018 and 2019 and the twelve months ended September 30, 2019, respectively. The Borrower Group generated £799.1 million of Cash Receipts in the twelve months ended September 30, 2019, comprised of £91.8 million in interest and fees, £556.8 million in principal receipts and £150.5 million surplus income from the Securitizations. See "*—Overview—Our Sources of Funding*." Cash Receipts for the Borrower Group expressed as a percentage of average loan assets of the Borrower Group were 62.5%, 68.8% and 68.5% in the years ended June 30, 2018 and 2019 and the twelve months ended September 30, 2019. The group and Borrower Group had cash outflow related to overheads and expenses, tax, and capital expenditure of £122.5 million and £119.6 million, respectively, in the twelve months ended September 30, 2019, resulting in cash available for debt service and originating new advances of £1,470.5 million for the group and £679.5 million for the Borrower Group. We are able to effectively support our forecast liquidity positions by controlling the amount of new loans we underwrite in any given period. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Supplemental Cash Flow Information*."

The table below sets forth Cash Receipts by the group and the Borrower Group for the years ended June 30, 2015 to 2019 and for the twelve months ended September 30, 2019.



The tables below set forth the paid interest costs and debt issuance costs for the group and the Borrower Group for the twelve months ended September 30, 2019.

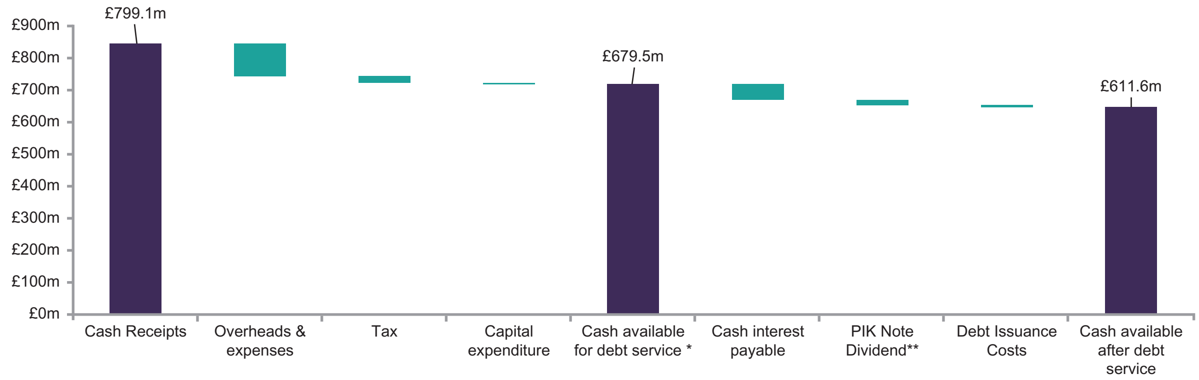
Group Cash Flow



* Cash available for debt service is cash available for debt service of the group and originating new advances as well as servicing cash interest payments in relation to the PIK Notes by way of dividends from the group.

** PIK Note dividend is the dividend paid by the group to Midco2 and in turn the PIK Notes Issuer to service cash interest on the PIK Notes.

Borrower Group Cash Flow



* Cash available for debt service is cash available for debt service of the group and originating new advances as well as servicing cash interest payments in relation to the PIK Notes by way of dividends from the group.

** PIK Note dividend is the dividend paid by the group to Midco2 and in turn the PIK Notes Issuer to service cash interest on the PIK Notes.

For the twelve months ended September 30, 2019, cash available for debt repayments and originating new advances were £1,344.9 million (representing cash available for debt service and originating new advances of £1,470.5 million less cash interest payable of £110.6 million and payment of a dividend related to the servicing of cash interest on the PIK Notes of £15.0 million but before debt issuance costs of £6.9 million). For a reconciliation of cash available for debt service and originating new advances to the nearest IFRS measure, see "*Supplemental Cash Flow Information*." Cash available for debt repayments and originating new advances are equivalent to 84.4% of total Cash Receipts of £1,593.0 million. For the twelve months ended September 30, 2019, loan advances required to maintain the size of the loan book equivalent to the size of the loan book as of September 30, 2018 are estimated to be approximately £1,231.7 million with associated debt issuance costs of approximately £4.0 million, assuming a ratio of 0.3% debt issuance costs to loan advances.

For the twelve months ended September 30, 2019, cash flows available for debt repayments and originating new advances were 5.2 times EBITDA.

Active and effective in-house arrears and collections management. We actively manage our level of arrears by employing a variety of collection strategies based on the particular circumstances of each customer, where we seek to act fairly and appropriately. Due to our active management of arrears, in addition to our strong underwriting and the conservative LTV profile of our loan assets, we had virtually no principal losses prior to 2008 and our provisions for bad and doubtful debts expensed to our profit and loss account in respect of potential loan principal losses in each of the years between 2008 and 2013 amounted to only 1% of our average total loan assets, pursuant to UK GAAP, and for the years ended June 30, 2017, and 2018 the impairment losses pursuant to IAS 39, amounted to 0.37% and 0.44% respectively, and for the year ended June 30, 2019 and the twelve months ended September 30, 2019, impairment losses pursuant to IFRS 9 amounted to 0.46% and 0.48%, of our total average total loan assets. We proactively work with our customers who are experiencing a reduced ability to pay their mortgage loans, conducting revised income and expenditure reviews and offering forbearance measures, including, for example, payment plans and assisted sale schemes. We continuously invest in developing our customer relationship management information technology ("IT") platform in our collections area, which we use to improve the effectiveness and efficiency of our collection process. This platform helps us to record and track detailed information about our customers and their circumstances including their financial position and associated affordability, enabling us to identify a way forward to work with the customer to make sustainable and affordable payments. This is facilitated through supportive and open customer dialogue. As a result of our proactive approach with our customers and an improvement in the credit quality of the customers to whom we have lent since 2008, combined with a relatively stable UK economy, annual vintage delinquency rates decreased from 4.4% for loans funded in the year ended December 31, 2009 to 0.6% for loans funded in the year ended December 31, 2018. We believe that our close management of accounts in arrears results in many customers making regular payments in line with agreed payment plans. As of September 30, 2019, of our contractual arrears greater than one month's contractual instalment, which represented 6.9% of our loan portfolio and 19.2% of the Borrower Group's loan portfolio (of which both are excluding loans past contractual term, subject to an LPA Sale or repossession order, development loans and loans for which no contractual monthly instalment is due), calculated by value, of which 67.1% and 54.0% of the group and the Borrower Group, respectively, were classified as performing arrears loans, in respect of which either arrears were less than or equal to three monthly contractual instalments or within the last three months 90% or more of contractual instalments had been received.

Strong governance structure, risk and compliance control. Together has a unique culture that has been shaped by our 45 year history and experience. Our culture and colleagues' values are deeply embedded within our senior management team and the wider organization. We aim to put our customers at the heart of what we do endeavoring to understand their situations and to design products that meet their specific needs. We seek to help customers who are in financial difficulty, or those that may be vulnerable, through pre-emptive collection strategies and the application of forbearance tools. We also undertake root cause analysis of complaints received in order to help us to improve our customers' journeys.

We have invested significantly in our governance and management structure, as we firmly believe this promotes effective risk management, supports decision making and provides strong oversight over all of our business activities. We also we believe that our focus on risk and compliance is essential to our reputation and represents good business practice in an increasingly regulated market. Our commitment to strong governance and risk and compliance control is also evidenced by our continued investment in people and our staff selection, training and retention policies, which include extensive referencing, continuous training and competency programs and performance management strategies based on qualitative appraisals and remuneration plans. Over recent years, we have continued to invest in our Enterprise Risk Management Framework and three lines of defense, most notably our second line, where we have made a number of additional appointments, including the creation of the role of Group Chief Risk Officer in the last twelve months.

Experienced and proven senior management team, combining long-serving colleagues and distinguished recent hires. Our business was co-founded by our current Chief Executive Officer, Henry Moser, in 1974. Three out of six executive members of the group's Board have served on the Board of Directors for over 18 years, each with over 25 years' service with the group. Our consistent profitability since our establishment demonstrates both our senior management team's depth of knowledge of the UK mortgage lending industry, as well as their ability to adapt to the volatile environment of several economic downturns. As part of enhancing our governance to support future growth objectives, we have significantly expanded the senior management team over the last few years, including a number of distinguished additions to the Boards of the group, the Personal Finance division and the Commercial Finance division and a number of non-executive directors who have extensive industry experience, and we will continue to consider further appointments of experienced professionals to support the long-term success of the business.

Our Strategy

Increase secured lending to underserved customers in attractive growing market segments. The UK retail and commercial purposes mortgage markets have continued to grow in recent years, in line with an overall upward movement in UK property prices along with record low unemployment. In addition, there has been a reduction in the number of products offered by mainstream lenders since the start of the financial crisis, in response to regulatory and economic trends, and certain customer segments are no longer serviced by these lenders. Combined with the increasing scale and depth of our funding facilities, enhancements to our product range, and extension to our distribution and service capabilities, we have been able to increase our lending volumes, widen our customer base and improve the credit quality of the loans in our loan portfolio. In total, our loan assets represent less than 1% of the total United Kingdom mortgage market, providing significant potential for future growth. While the UK's economic outlook currently appear less certain with Brexit imminent, we are continuing to see strong demand for our products from customers. We intend to continue to grow our loan portfolio by expanding demand for our product offerings, and supporting this by reinvesting our reserves and further increasing and diversifying our sources of funding.

In addition, we will continue to seek to identify evolving market trends and emerging market segments where we believe we are well placed to help underserved customers and build successful market positions. By listening to the feedback that our customers and mortgage intermediaries provide, we will continue to enhance our propositions, differentiate our loan offerings and seek to provide excellent service to our customers. We firmly believe that this will continue to make us an attractive partner to our customers, our mortgage intermediaries and others who introduce business to us, allowing us to secure margins that are more attractive than those available in mainstream market segments.

We have recently extended our intermediary distribution reach by successfully on-boarding 20 of the largest UK mortgage clubs and networks. This extends our reach to these important intermediaries to approximately 90% and increases significantly our potential coverage of the UK mortgage market. We have also launched "Together+", which offers exclusive access to preferential rates and increased support through marketing, products, sales and service for our particularly strategically important mortgage intermediaries. By segmenting our key relationships both within the clubs and networks, and among our long standing packager community, we are deepening our connections with those intermediaries best placed to introduce underserved customers with needs that can be satisfied by our proposition. While we will remain committed to growing our existing distribution relationships, we are also evolving our distribution to include emerging channels such as online mortgage brokers, aggregators and digital distribution, to further extend our reach to underserved customers.

Deliver positive customer outcomes by putting the customers at the heart of our business and providing them with flexible products, experienced underwriters and high levels of service. We aim to deliver positive outcomes by applying a common sense approach to lending in order to help our customers to achieve their financial ambitions. Key to this is our focus on long-term value rather than short-term gain. We will continue our past successful practices, such as looking beyond mainstream lending criteria to understand each individual customer's circumstances so as to deliver personalized lending solutions.

We offer a wide range of secured lending products and regularly review this offering against the market and in light of feedback from our customers, thus ensuring that we continue to meet their changing needs. As new technologies emerge which can help to further improve the customer journey, we are committed to investing in the right technologies to help evolve and enhance our business, while retaining a focus on the things that have made us successful. Consequently, we will look to integrate new technologies through incremental change, focusing on where we can enhance the customer and introducer journey and experience, and where we can develop or extend our IT architecture and utilization of data to improve processes and deliver increased operational efficiency. Throughout this process we will continue to learn from our customers, taking monthly 'Voice of Customer' feedback at key touchpoints throughout the loan lifecycle, carefully monitoring our Net Promoter Scores and responding to and, where appropriate, remedying and learning from any complaints.

In addition, we have established governance and oversight processes including conducting proactive internal reviews in order to help provide further assurance that products and services meet customers' expectations and are in line with regulatory requirements. Where instances are identified of activities that may have fallen short of the standards expected, a detailed assessment is carried out to understand the cause, impact and appropriate resolution which, in some cases, includes remediation.

We recognize the importance of our colleagues to the group's ongoing success and in delivering positive customer outcomes. We were first listed among the Sunday Times 100 Best Companies to Work For in 2018, placing 34th overall, and we are very proud that we featured in this list for the second year in succession in 2019. We believe this reflects our wider culture, which is supportive of positive engagement with our customers. We continue to invest in developing our people, with numerous formalized programs in place across all levels of the organization, with the intention to provide our people with the opportunity to maximize their potential within and contribution to the organization.

Maintain high asset quality with prudent underwriting based on security, low LTVs, affordability and appropriate risk-adjusted margins. Maintaining a high asset quality of our loan book remains a key focus for the group. We will continue to provide secured loans, focusing on prudent underwriting policies and low loan-to-value ratios, with appropriate affordability assessment and delivering appropriate risk adjusted margins, thereby enabling us to achieve efficient and sustainable returns. Over the past nine years, we have implemented more stringent affordability metrics to ensure our customers are able to service their loans. This increased focus on affordability correlates with a significant decline in annual vintage delinquency rates decreased from 4.4% for loans funded in the twelve months ended December 31, 2009 to 0.6% for loans funded in the twelve months ended December 31, 2018, and we maintain a continued focus on such policies which are further supported by the introduction of the Mortgage Market Review ("MMR") in April 2014 and Mortgage Credit Directive ("MCD") in March 2016 which prescribe certain minimum requirements in assessing affordability on regulated mortgage contracts. We intend to target an average origination LTV of between 55% and 65% for new loans secured primarily on properties in England, Wales and Scotland.

Our business model is based on creating long-term sustainable value. Over recent years we have delivered significant growth, building and consolidating strong positions in our key market segments and diversifying the mix of our loan book. We intend to maintain a balanced loan portfolio mix between retail and commercial purpose lending, security types and first and second lien mortgages over the medium term. Although throughout the economic cycle the Personal Finance division and the Commercial Finance division may grow at different rates, we intend to maintain focus on both divisions.

Increase scale and diversity of funding and reinvest profits to support future growth ambitions. Together's business model is underpinned by an established and flexible funding structure, comprised of our Senior Secured Notes, Revolving Credit Facilities, Conduit Securitizations, Term Securitizations and Shareholder Funds.

Our funding strategy largely centers upon the development of diversified funding sources to ensure a balanced, cost-efficient funding base that can support the planned growth of our loan book and the products we offer, providing a deep maturity profile and strong levels of liquidity. Having diverse funding sources enhances our funding flexibility, limits dependence on any one source or counterparty, mitigates refinancing risks and results in a more cost-effective strategy over the long term. We continually seek to extend both the diversity of, and the depth of maturity within, our sources of funding, something which is particularly important in more uncertain market environments. We also recognize the importance of the financial institutions and institutional investors that support these structures and we place great emphasis on developing and maintaining these strategic relationships.

We increasingly seek to match fund our broad range of products to those funding sources which best suit such product characteristics. Having multiple funding facilities permits us to compare relative funding terms, supporting our negotiation of terms, including pricing and structure efficiency, on both refinancing and raising of new facilities. During recent years, we have increased the size and depth of experience in our treasury functions to support increased activity. In line with the development of our business, we seek to provide further flexibility and diversity to our funding structure and, from time to time, amending the terms of our existing sources of funding as well as actively exploring alternative sources of funding to support our growth ambitions. We will continue to extend and refinance our existing funding channels, while also exploring alternative sources of funding to ensure that our structure is robust and supports sustainable planned growth in our lending products.

Our History

We were founded in 1974 by Henry Moser, who continues with us as our Chief Executive Officer of Together Financial Services Limited, and Barrie Pollock, who sold his minority shareholding in 2006. In our 45-year operating history, we have been profitable year on year and generally reinvested profits to facilitate growth. We have grown our business organically, without acquiring other businesses or the loan portfolios of other lenders. In 2006, Equistone Partners Europe, formerly Barclays Private Equity, and SL Capital Partners, acquired significant minority shares in our group. Equistone Partners Europe and SL Capital Partners exited their investment in November 2016. The Moser Family Shareholders indirectly own 100.0% of the voting shares of the Company. "See "*Shareholders*."

Our Operations

We offer first lien and second lien mortgage loans, for both retail and commercial purposes that are secured by residential properties, commercial properties and semi-commercial properties. First lien loans are typically used either to purchase the property by which they are secured or to refinance an existing mortgage. Second lien loans are loans secured by property against which a first mortgage has already been obtained. Prior to April 1, 2014, most second lien lending for retail purposes was regulated by the OFT as consumer credit; the regulation of consumer credit is now covered by the FCA and since March 2016 second lien mortgage loans are regulated pursuant to the same rules as first lien retail purpose lending. See "*Regulation*."

Loan Portfolio Characteristics

The table below provides certain characteristics of our retail purpose, commercial purpose and development lending as of September 30, 2019 and for the twelve months ended September 30, 2019, as applicable.

	Retail Purpose 32.0%	**Commercial Purpose[1] 62.8%**			**Development 5.2%**
		BTL+ 22.4%	**Commercial Term 16.1%**	**Unregulated Bridging 24.3%**	
Specialty	• Loans to individuals	• Loans to small and medium-sized enterprises, property investors and high net-worth and other individuals	• Loans to small and medium-sized enterprises, property investors and high net-worth and other individuals	• Loans to small and medium-sized enterprises, property investors and high net-worth and other individuals	• Loans to small and medium-sized enterprises, property investors and high net-worth individuals
Regulator	• FCA	• Unregulated	• Unregulated	• Unregulated	• Unregulated
Distribution	• Mortgage intermediaries • Direct sales	• Mortgage intermediaries • Direct sales • Professional referrals • Auction houses	• Mortgage intermediaries • Direct sales • Professional referrals • Auction houses	• Mortgage intermediaries • Direct sales • Professional referrals • Auction houses	• Mortgage intermediaries • Direct sales • Professional referrals
Security	• Residential property	• Residential property	• Commercial and semi-commercial property	• Residential property • Commercial and semi-commercial property	• Residential property • Commercial and semi-commercial property
Terms	• 1 to 40 years	• 2 to 30 years	• 2 to 30 years	• Up to 24 months	• Through to completion and sale of units
Total Loan Portfolio					
Loan Portfolio Value	• £1,240.3 million	• £870.9 million	• £624.5 million	• £943.7 million	• £201.5 million
Number of Loans	• 21,212	• 8,228	• 3,363	• 3,061	• 243
Average Inception Loan Size[2]	• £62.7 thousand	• £109.7 thousand	• £193.3 thousand	• £319.8 thousand	• £441.5 thousand
Weighted Average Indexed LTV	• 50.1%	• 58.3%	• 52.5%	• 57.1%	• 70.1%
Weighted Average Nominal Rate	• 7.5%	• 7.6%	• 8.2%	• 10.6%	• 10.8%
% of which are Fixed Rate	• 46.4%	• 5.6%	• 0.8%	• —	• —
% with initial term less than 24 months Loan Portfolio Value	• 13.5%	• —	• —	• 100.0%	• 98.7%

	Retail Purpose 32.0%	Commercial Purpose[1] 62.8%			Development 5.2%
		BTL+ 22.4%	Commercial Term 16.1%	Unregulated Bridging 24.3%	

Comprising first lien and second lien split as follows:

First Lien Loan Portfolio

Loan Portfolio Value	• £650.3 million	• £569.4 million	• £591.1 million	• £818.4 million	• £167.4 million
Number of Loans	• 6,273	• 4,415	• 3,061	• 2,604	• 169
Average Inception Loan Size[2]	• £107.3 thousand	• £133.8 thousand	• £201.0 thousand	• £327.6 thousand	• £566.7 thousand
Weighted Average Indexed LTV	• 47.6%	• 58.2%	• 52.7%	• 56.6%	• 70.5%
Weighted Average Nominal Rate	• 6.4%	• 7.4%	• 8.2%	• 10.5%	• 10.9%
% of which are Fixed Rate	• 67.7%	• 5.4%	• 0.6%	• —	• —
% with initial term less than 24 months Loan Portfolio Value	• 25.4%	• —	• —	• 100.0%	• 99.4%

Second Lien Loan Portfolio

Loan Portfolio Value	• £590.1 million	• £301.5 million	• £33.4million	• £125.2 million	• £34.2 million
Number of Loans	• 14,939	• 3,813	• 302	• 457	• 74
Average Inception Loan Size[2]	• £44.0 thousand	• £81.9 thousand	• £115.5 thousand	• £275.2 thousand	• £155.6 thousand
Weighted Average Indexed LTV	• 52.8%	• 58.4%	• 49.0%	• 60.0%	• 68.2%
Weighted Average Nominal Rate	• 8.6%	• 8.0%	• 8.7%	• 11.6%	• 10.6%
% of which are Fixed Rate	• 22.9%	• 5.9%	• 4.1%	• —	• 0.2%
% with Term less than 24 months Loan Portfolio Value	• 0.4%	• —	• —	• 100.0%	• 95.4%

Total Loans underwritten in last 12 months

Loan Portfolio Value (excluding further advances of £151.5 million)	• £614.4 million	• £367.1 million	• £259.2 million	• £651.9 million	• £54.6 million
Number of Loans	• 5,353	• 2,846	• 982	• 2,368	• 114
Average Inception Loan Size[2]	• £114.8 thousand	• £129.0 thousand	• £263.9 thousand	• £275.3 thousand	• £478.7 thousand
Weighted Average Indexed LTV	• 51.6%	• 64.3%	• 59.3%	• 59.8%	• 61.7%
Weighted Average Nominal Rate	• 6.0%	• 6.7%	• 7.2%	• 10.2%	• 10.9%
% of which are Fixed Rate	• 75.5%	• 10.7%	• 1.3%	• —	• —
% with initial term less than 24 months Loan Portfolio Value	• 30.4%	• —	• —	• 100.0%	• 99.6%

	Retail Purpose 32.0%	Commercial Purpose[1] 62.8%			Development 5.2%
		BTL+ 22.4%	Commercial Term 16.1%	Unregulated Bridging 24.3%	
Comprising first lien and second lien split as follows:					
First Lien Loans underwritten in last 12 months					
Loan Portfolio Value (excluding further advances of £112.3 million)	• £472.9 million	• £260.9 million	• £249.7 million	• £578.4 million	• £45.3 million
Number of Loans	• 3,251	• 1,694	• 907	• 2,141	• 87
Average Inception Loan Size[2]	• £145.5 thousand	• £154.0 thousand	• £275.3 thousand	• £270.1 thousand	• £520.6 thousand
Weighted Average Indexed LTV	• 49.3%	• 64.4%	• 59.5%	• 60.0%	• 63.3%
Weighted Average Nominal Rate	• 5.8%	• 6.5%	• 7.2%	• 10.1%	• 11.0%
% of which are Fixed Rate	• 86.6%	• 10.3%	• 1.3%	• —	• —
% with initial term less than 24 months Loan Portfolio Value	• 39.0%	• —	• —	• 100.0%	• 99.7%
Second Lien Loans underwritten in last 12 months					
Loan Portfolio Value (excluding further advances of £39.2 million)	• £141.6 million	• £106.2 million	• £9.5 million	• £73.6 million	• £9.3 million
Number of Loans	• 2,102	• 1,152	• 75	• 227	• 27
Average Inception Loan Size[2]	• £67.3 thousand	• £92.2 thousand	• £126.7 thousand	• £324.2 thousand	• £343.5 thousand
Weighted Average Indexed LTV	• 59.2%	• 64.0%	• 53.6%	• 58.1%	• 53.9%
Weighted Average Nominal Rate	• 6.7%	• 7.0%	• 7.5%	• 11.0%	• 10.3%
% of which are Fixed Rate	• 38.1%	• 11.8%	• 1.8%	• —	• —
% with initial term less than 24 months Loan Portfolio Value	• 1.7%	• —	• —	• 100.0%	• 98.9%

Note: LTVs were calculated per each loan on a standalone basis. In certain cases, the LTVs presented herein would differ if calculated on a per borrower basis. See "*Presentation of Financial and Other Information—Terms Relating to Our Loan Analysis.*"

(1) The aggregate average inception loan size of commercial loans is £215.7 thousand.

(2) The aggregate average inception loan size of retail, commercial purpose and development loans is £109.9 thousand.

(3) AFL, BFL, BDFL and HARPL are managing their existing respective loan portfolios and are not underwriting additional loans.

(4) Retail purpose loans underwritten in the twelve months ended September 30, 2019 of £614.4 million includes £36.2 million of CBTL loans and £187.0 million of regulated bridging loans. Such loans are segmented into first and second lien as appropriate.

(5) The retail loan portfolio value of £1,240.3 million as of September 30, 2019 includes £75.0 million of CBTL loans and £168.1 million regulated bridging loans. Such loans are segmented into first and second lien loans, as appropriate.

For a detailed analysis of the compositions of our loan portfolio and the loan portfolio of the Borrower Group (which does not include the loans held by Charles Street ABS, Lakeside ABS, Delta ABS 2, Together ABS 1, Together ABS 2, Together ABS 3 and Highfield ABS), see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Loan Analysis*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Borrower Group Loan Analysis*."

Retail Purpose Lending

As of September 30, 2019, 32.0% of our loan portfolio, calculated by value, consists of retail purpose loans, substantially all of which are secured by residential property.

Purposes

We offer retail purpose loans for a variety of purposes, which include debt consolidation, refinancing an existing mortgage, making home improvements, making large personal purchases and purchasing a new home (including chain breaks). In the year ended June 30, 2019, 20.7% of retail purpose loans were underwritten for debt consolidation, 13.8% for debt consolidation and home improvement, 10.7% for home improvement, 18.8% for large personal purchases, 22.9% for property purchases and 13.0% for other purposes.

We specialize in offering retail purpose loans to segments of the markets that are underserved and offering solutions, which includes amongst others, small-value mortgages, right to buy mortgages and, as a further example, regulated bridging loans which we introduced in February 2016 and which are typically used by customers looking to purchase a new home ahead of completing the sale of their existing home ("chain breaks"). In addition, following the introduction of the MCD, we also include CBTL loans within our retail purpose offering.

Some of our customers automatically fall outside the formulaic and automated scorecard assessment methodologies, based upon probabilities and averages, used by other lenders, as a result of, for example, having some form of credit profile event, being self-employed, having seasonal or complex income, where the loan maturity extends into retirement or where the property is of a non-standard nature (for example, certain high-rise flats, timber-framed houses and houses with thatched roofs). We undertake a full affordability, repayment and credit assessment, individually underwriting loan applications based upon the merits and demerits of each individual case. We continually seek underserved markets for our retail purpose loans by identifying trends in demands for products through various means, including through our product development team and our well-established relationships with our network of mortgage intermediaries.

Distribution

We distribute our retail purpose loans through a wide range of mortgage intermediaries across the United Kingdom and directly to end consumers, including existing customers. Historically, we have traded almost exclusively with specialist distributors, who source business either directly from end consumers or from other mortgage intermediaries or financial advisers. Recently, we have expanded our distribution to also work with mortgage networks and clubs with intentions to deepen the relationships with those mortgage networks and clubs we have arrangements with. We currently have partnership arrangements in place with the majority of mortgage networks and clubs, accounting for approximately 90% of the mortgage networks and clubs market. Such networks and clubs currently account for only a relatively small amount of our new originations.

In the year ended June 30, 2019, 92.1% of our retail loans were originated from mortgage intermediaries. We are not reliant on any one mortgage intermediaries, with no single mortgage intermediaries providing more than 5.3% of our mortgage intermediaries-sourced retail purpose business and the top ten mortgage intermediaries representing approximately 30.8% of our mortgage intermediaries-sourced retail purpose business for the year ended June 30, 2019. The nationwide reach of the mortgage intermediaries we work with provides us with a geographically diverse security portfolio.

Our relationships with mortgage intermediaries are non-exclusive, covered by full contractual agreements, including accreditation where appropriate, and are actively managed through our mortgage intermediary relationship team. Mortgage intermediaries can register to introduce business, become accredited to package business before submission, introduce business directly to us, or to an existing packager relationship. All mortgage intermediaries are assessed for suitability with consideration given to their regulatory authorizations, process capacity and knowledge and experience of secured lending. Applications are reviewed by our Intermediary Monitoring team and our risk team, which includes the evidencing of permissions.

In the case of mortgage intermediaries permitted to act for us as introducers, such mortgage intermediaries pass customer details to us and we contact those individuals to offer our products and services which, for retail purpose loans, is on an advised basis. Introducers provide initial brief customer details to our direct sales team who then provide a full advisory service to the end customer. If accepted, such individuals apply for a loan with us and our internal direct sales teams will obtain any requirements from the customers and the underwriting team will proceed to process and package the loan.

In the case of mortgage intermediaries permitted to act for us as packagers, such mortgage intermediaries collect certain information to support applications in line with our lending requirements and criteria and pass this information to us for our underwriting teams to review and check. The majority of mortgage intermediaries we work with are regulated by the FCA with full authorizations for regulated mortgage contracts and CBTL and credit brokering permissions, where appropriate. We also collaborate with certain packagers who may not have FCA advisory permissions but package loans on behalf of FCA regulated advisers who advise the customer, as applicable. As part of our underwriting checks, we ensure such advisers have the relevant permissions to give such advice. Only mortgage intermediaries who have been accredited to do so are permitted to provide mortgage illustration documentation to the customer.

In the case of mortgage intermediaries affiliated with mortgage networks, these mortgage intermediaries are known as appointed representatives ("AR"). The mortgage networks themselves hold the regulatory permissions and are responsible for upholding the regulatory standards of all AR's of the network. As part of the take on of a new mortgage network we ensure such network has all the relevant permissions. Following the AR providing certain basic customer information and us providing an initial DIP, an AR will then submit all of the information required for a full application to be made.

In the case of mortgage intermediaries affiliated with mortgage clubs, these mortgage intermediaries are known as Directly Authorized ("DA's") and hold their own individual FCA permissions. Such mortgage clubs provide their affiliated mortgage intermediaries with access to lenders and products which may not otherwise be accessible. As part of our underwriting checks on receipt of a full application, we ensure such DA's have the relevant permissions. Following the DA providing certain basic customer information and us providing an initial DIP, a DA will then submit all of the information required for a full application to be made.

Once relationships with mortgage intermediaries have been established, specialist sales teams manage the overall relationship with the broker depending on whether they are an arranger, package for us or are a member of a mortgage network or club and, for retail purpose lending, our Underwriting Relationship Managers handle day-to-day communication and activity on loan applications that have been submitted for completion.

We do not rely on any particular mortgage intermediary and regularly monitor the quality of service and information provided by each mortgage intermediary. See "*—Compliance and Quality Control*."

In the year ended June 30, 2019, we sold approximately 7.9% of our retail purpose loans directly. In respect of retail purpose loans, our direct sales team provides a full advisory service to existing and new customers. Increasingly, these applicants are sourced through our digital marketing activity.

Security

Most residential property securing our retail purpose loans is traditional housing stock, principally located in England, Scotland and Wales. As of September 30, 2019, geographically, 8.6%, 29.7% and 61.7% of the properties securing our retail purpose loans are located in the Northwest region of the United Kingdom, London region and throughout the remainder of the United Kingdom, respectively. This is broadly similar to the geographic distribution of our properties in our total loan portfolio, of which 15.4% was originated in the Northwest region of the United Kingdom, 27.7% in London and 56.9% throughout the remainder of the United Kingdom. As part of our underwriting process, we perform a valuation of the property being offered as security for the loan to assess its adequacy as security. See "*—Our Operations—Property Valuation*." Additionally, all properties securing our total loan assets are protected by buildings insurance and we typically require properties in our portfolio securing mortgage loans underwritten since then to also be protected by title insurance where appropriate. In some cases, we may not be able to obtain title insurance or complete coverage due to the specific nature of the property or due to the circumstances of the borrower, such as when the borrower does not have a permanent UK residence.

Terms

Our retail purpose loans typically have terms of one to 40 years. The weighted average initial terms for retail purpose loans held by TPFL and BFL as of September 30, 2019 were 196 months. The weighted average elapsed term of live retail purpose loans as of September 30, 2019 was 35 months. Retail purpose loans that were redeemed in the twelve months ended September 30, 2019 had an average elapsed term of 29 months. Excluding regulated bridging loans, which as a product have a shorter maturity, the average elapsed term of retail purpose loans that were redeemed in the twelve months ended September 30, 2019 were 43 months.

The table below sets forth certain information about the retail purpose loans as of September 30, 2019. For a more detailed information on the retail purposes loans, see *"Management's Discussion and Analysis of Financial Condition and Results of Operation—Borrower Group Loan Analysis*" and *"Presentation of Financial and Other Information—Terms Relating to Our Loan Analysis*."

	Loan portfolio as of September 30, 2019
Weighted Average Indexed LTV	50.1%
Average Inception Loan Size	£ 62.7 thousand
Weighted Average Inception Loan Term	196 months
Outstanding Balance	£1,240.3 million
Percentage first lien	52.4%

Motor Finance

In addition to our core retail purpose lending, in July 2015, we launched a pilot program for motor finance lending, through our subsidiary Spot Finance Limited. The pilot program was authorized by the group for up to a maximum of £6.0 million of new business lending. The pilot program ceased in December 2016 when all new loan origination was stopped.

As of September 30, 2019, Spot Finance Limited had 134 loans with a total loan balance of £0.1 million and with an average nominal rate of 12.5%. We do not include such amounts within our loan balance portfolio as such loans are currently considered as non-core. See "*Presentation of Financial and Other Information—Terms Relating to Our Loan Analysis*."

Underwriting Process

Our underwriting process, which is conducted by our Residential Underwriting and Processing Department, consists of the following stages: decision in principle (where relevant), processing, underwriting, lending decision, binding offer and funding and completion. Our individualized underwriting process can take two to eight weeks to complete.

The automated decision in principle (DIP) stage is based on the provision of certain basic customer information such as address history, income and outgoings and the undertaking of a credit search, from which the customer may obtain an "in principle" agreement that we would be able to lend, subject still to the satisfactory completion of the full underwriting process. This DIP process can either result in an 'accept' or 'refer' decision. Other than in a minority of exceptions, we do not include an automatic 'decline' category but have an underwriter review the circumstances to underpin our personalized decision making process.

The processing stage consists of checking and verifying the information and documentation provided as part of a loan application, which also form part of our "know your customer" ("KYC") measures. Additionally, we obtain authorization from each applicant to conduct credit searches (if not previously provided through a DIP process), which we use to corroborate the information that the applicant has provided. During the processing stage, we also initiate anti-fraud and anti-money laundering procedures. Examples of applicant fraud can include the applicant providing fraudulent identification documentation, false employment and financial information and unauthorized amendments to property valuation reports. All our staff members are trained to look for warning signs of fraud such as an applicant's inability to provide evidence of personal information or providing inconsistent information. Any suspicions are reported on a 'Suspicious Activity Report' that is submitted to our Financial Crime Team to investigate. We undertake a CIFAS (an organization dedicated to preventing fraud in the United Kingdom) search on each loan applicant and conduct extensive investigations when the organization produces alerts. All staff members also receive training to ensure that they understand and are able to detect signs of money laundering. Additionally, applicants are screened using the Dow Jones Watchlist in order to identify politically exposed persons, individuals recognized on sanctions lists or any adverse media about applicants. See "*Risk Factors—Risks Relating to Our Business—We depend on the accuracy and completeness of information and models, including information about customers, their properties and our loans, and any misrepresented, inaccurate or misclassified information could adversely affect our business, results and reporting of our operations and financial condition, as could the increasing prominence of financial crime.*"

The underwriting stage consists of a detailed individualized credit, affordability and/or repayment assessment, which we believe provides us with a thorough understanding of each loan application. In the underwriting process, we primarily focus on affordability, sustainability and plausibility, being the ability of the loan applicant to service and repay the requested loan through its term, the repayment strategy where the loan will not be repaid from installments and security being the adequacy of the property which will serve as security for the loan. In relation to bridging or interest only loans, an assessment is made with respect to the customers' exit strategy to ascertain plausibility. To provide assurance of compliance with our underwriting guidelines, we have in place mandate and authorization controls, a staff training and competency program as well as quality assurance sampling procedures. We calculate the loan amount that an applicant can afford on the basis of an assessment of the main components of income and expenditure, including a contingency for unexpected expenditure and a buffer for increases in interest rates where applicable. Proof of income, typically in the form of pay slips, an employer reference or, in the case of self-employed applicants, an accountant's certificate or SA302, is required. Income and expected expenditure are assessed for both plausibility and sustainability. Applications undergo an automated credit search and we have introduced an automated affordability assessment which uses applicant demographics and default minimums based on the Office of National Statistics pursuant to which certain applications get an automated 'pass' for affordability or alternatively they are referred to an underwriter. Our determination of the adequacy of proposed security is based on a valuation of the property. For additional information on our approach to the valuation of properties, see "—*Property Valuation*" below. Unlike many lenders who principally rely on scorecard or other purely automated processes in making their lending decisions, we, while adopting certain automation efficiency within our processes, are able to undertake a detailed and personalized underwriting process, which includes an in-depth assessment of a borrower's individual financial circumstances. Each loan application is individually reviewed by an underwriter, who is provided with comprehensive training, which is overseen by a dedicated operational trainer and competency supervisor. See "—*Compliance and Quality Control*."

We have a strict policy on mandate levels, and no underwriter may approve a loan for an amount or LTV greater than their mandate. If the loan falls outside the underwriter's mandate level, the application is referred to a more senior, appropriately authorized underwriter. The authorized underwriter reviews the loan synopsis, annotating his or her findings and lending rationale.

Prior to making a binding offer to a customer and subsequently funding a loan, we reconfirm certain elements of the information an applicant has provided. In addition, for non-direct applications, the applicant is contacted by the assigned underwriter for what we call a "Speak With." The Speak With is a final KYC measure, intended to prevent fraud and to ensure the applicant's understanding of the terms and conditions of the loan. During a Speak With, the underwriter asks the applicant a series of questions. The questions verify the personal details that have been previously provided by the applicant and establish that the applicant has a good understanding of the lending transaction. During a Speak With we may also identify vulnerabilities about a customer that were not otherwise apparent during the underwriting process. If the underwriter is satisfied with the applicant's responses during the Speak With, the application is approved for a binding offer by an appropriately mandated underwriter. Prior to making such an offer, our legal department also performs a review of the information in the application, such as land registry information. On completion of such prerequisite checks, a binding offer is issued (which, in relation to a property purchase, may remain subject to conditions relating to security of title) and such offer remains valid for up to and 90 days, depending on the nature and type of loan or speed of service. Once the customer accepts the offer, we process the loan for funding and completion.

Commercial Purpose Lending

As of September 30, 2019, 62.8% of our loan portfolio, calculated by value, consists of commercial purpose loans, which are secured on residential, commercial and semi-commercial properties. We offer unregulated bridging loans, BTL+ loans and commercial term loans to small and medium-sized businesses, property investors and high net worth and other individuals. In the year ended June 30, 2019, 56.1% of the unregulated bridging loans were underwritten for first lien property purchase, 19.1% for raising capital and 24.8% for other purposes. In the same period, 26.7% of the BTL+ loans were underwritten for capital raising and major purchases, 29.1% for first lien purchases (including buy-to-let properties), 21.2% for remortgages including buy-to-let properties and 23.0% for other purposes. In the same period, 21.2% of the commercial term loans were underwritten for capital raising and major purchases, 27.2% for first lien purchases, 38.8% for remortgages and 12.8% for other purposes. Our unregulated bridging loans, are for original maturities up to 24 months. Our BTL+ loans and commercial term loans are for original maturities greater than 24 months up to 30 years. Approximately 40.5% of our commercial purpose loans are unregulated bridging loans, approximately 35.1% of our commercial purpose loans are BTL+ loans and approximately 24.4% of our commercial purpose loans are commercial term loans.

Unregulated Bridging Loans

As of September 30, 2019, 24.3% of our total loan portfolio and 38.7% of our commercial purpose loan portfolio, each calculated by value, consist of unregulated bridging loans, which are secured by a mix of residential, commercial and semi-commercial properties.

Purposes

We offer unregulated bridging loans to small and medium-sized businesses, high net worth individuals and property investors to assist in bridging the gap between financings or to allow them to capitalize on business and investment opportunities that may require swift funding.

Distribution

In the year ended June 30, 2019 we distributed approximately 53.3% of our unregulated bridging loans through direct channels which consist of, *inter alios*, our network of professionals, auction houses, repeat customer base and our direct sales teams. In the year ended June 30, 2019, we distributed 46.7% of our unregulated bridging loans through our mortgage intermediaries which span across the United Kingdom.

We have made further significant investments in our commercial purpose direct channel distribution capabilities. Over the recent years we have grown the professional sector and auction channel capability, replicating the North West success across all areas of the UK. There has been a number of additional regional development manager appointments made to support this expansion, typically from previous senior commercial and corporate banking roles. During 2018, the direct sales team, including the areas of digital and telephony, were expanded due to originating new and repeat business.

These direct channels have been complemented by a formalization of our corporate channel. The corporate channel is focused on working more closely with existing corporate and repeat customers, by providing a more proactive view of their plans and requirements as they are a customer base who need the certainty of delivery and a highly professional service to support their own acquisition or growth plans. This has led to the appointment of a new Head of Corporate Relationships and a new team structure being put in place to manage these customers more effectively in key locations across the UK.

Network of Professionals

Our network of professionals consists of banking, accounting, legal, wealth management, surveyors and other professional firms that may refer businesses and high net worth individuals with whom they have relationships to us or that may approach us on behalf of their clients. For example, a bank may introduce their customer to us for a bridging loan where such customer has been pre-approved for a loan from the bank, but who may need the funds within shorter timescales than the underwriting process of that bank allows. Similarly, an accountant may introduce us to a client who is looking for funding to take advantage of a business opportunity. We have established relationships with these professionals in the course of our over 45-year operating history and keep investing heavily in establishing this vast network of professional firms. Professional advisors will generally only introduce their clients to lenders who they trust to look after their clients interest and who have established themselves as a reputable lender. Once a customer has been introduced to us, such customer may come back for future financing requirements, thereby increasing our repeat customer base. The professionals who make recommendations and introductions on our behalf typically receive no commissions or fees for doing so, as we believe that they benefit from meeting their clients' financing needs by making the introduction.

Auction Houses

We continue to have strong working and joint marketing relationships with auction houses across the United Kingdom, and with a number of auction professional bodies, such as the National Association of Valuers and Auctioneers and Essential Information Group, who are widely recognized within the auction industry. These relationships support our presence in the auction houses across the United Kingdom in order to offer financing directly to individuals and businesses bidding at the auction, predominantly on residential investment properties. We currently have formal representation at, on average, approximately 40 of the main auctions taking place across the mainland United Kingdom each month. We continue to increase our presence at these auction events through our strong, established reputation in this marketplace and digital initiatives, including our auction finance section within the Together website and the continual development of our online presence with auction properties linked directly to our origination platform. We have also continued to expand upon our exclusivity arrangements with key auction houses. Mortgage loans can be approved before (subject to conditions), or after the auction.

Mortgage Intermediaries

For the year ended June 30, 2019, 46.7% of our unregulated bridging lending was sourced from mortgage intermediaries. Once relationships with mortgage intermediaries have been established, the sales teams manage the overall relationship with the mortgage intermediary and, for commercial purpose lending, our commercial underwriters have direct contact with mortgage intermediaries for day-to-day communication and activity on loan applications that have been submitted for completion. Our commercial purpose lending distribution has recently also extended into working with the mortgage networks and clubs.

Security

As of September 30, 2019, 86.7% of our unregulated bridging loans are secured by first liens and 13.3% are secured by second liens. 44.5% and 55.5% of the properties securing our unregulated bridging loans are residential and commercial, respectively. As of September 30, 2019, geographically, 18.0%, 26.1% and 55.8% of the properties securing our unregulated bridging loans are located in the North West region of the United Kingdom, London region and throughout the remainder of United Kingdom, respectively. As part of our underwriting process, we assess each property to determine its value. See "*—Our Operations—Property Valuation*." Additionally, all properties securing our total loan assets are protected by buildings insurance and, following a change in our policy in 2006, we require properties in our portfolio securing mortgage loans underwritten since then to also be protected by title insurance where appropriate. In some cases, we may not be able to obtain title insurance or complete coverage due to the specific nature of the property or due to the circumstances of the borrower, such as when the borrower does not have a permanent UK residence. We also accept charges over additional property as security to ensure an acceptable LTV for our unregulated bridging loans.

Terms

Our unregulated bridging loans have original terms of up to 24 months. As of September 30, 2019, the weighted average initial term for unregulated bridging loans was 14 months. Due to the short-term nature of such loans, in some cases, all or part of the interest is paid on the loan repayment date as opposed to monthly installments. We generally apply an initial term of twelve months and may renew or extend the loan at the end of this period, charging a renewal fee as appropriate. By applying an initial term of twelve months and applying a fee to loans that extend beyond this term, we ensure that we maintain an annual yield on such lending similar to the yield earned on loans that are redeemed within the twelve month period where the amount can be advanced again, incorporating a new arrangement fee. Typically, loans with any interest roll up features within their initial terms convert into interest paying loans upon the approved assessment to renew or extend. The weighted average elapsed term of live unregulated bridging loans as of September 30, 2019 was 17 months. Unregulated bridging loans that were redeemed in the twelve months ended September 30, 2019 had an average elapsed term of 23 months.

The table below sets forth certain information about the unregulated bridging loans held by TCFL, BDFL, HARPL and AFL as of September 30, 2019. See "*Presentation of Financial and Other Information—Terms Relating to Our Loan Analysis*."

	Unregulated bridging loans
	Loan portfolio as of September 30, 2019
Weighted Average Indexed LTV	57.1%
Average Inception Loan Size	£319.8 thousand
Weighted Average Inception Loan Term	14 months
Outstanding Balance	£ 943.7 million
Percentage first lien	86.7%

BTL+ Loans

As of September 30, 2019, 22.4% of our loan portfolio and 35.7% of our commercial purpose loans portfolio, each calculated by value, consists of BTL+ loans, which are secured by residential properties.

Purposes

We offer BTL+ loans to small and medium-sized businesses, property investors and individuals for a variety of purposes, including buy-to-let, purchases of other investment properties, releasing equity from existing investment properties.

Distribution

In the year ended June 30, 2019, we distributed approximately 76.4% and 23.6% of our BTL+ loans through mortgage intermediaries (including recently mortgage networks and clubs) and direct sales (including repeat customers), respectively. During 2017, we created a new commercial purpose direct sales telephony function, supporting increased business activity with existing customers and we have appointed a Head of Corporate Relationships to manage larger clients.

Security

As of September 30, 2019, of our BTL+ loans, approximately 65.4% are secured by first liens and approximately 34.6% are secured by second liens, calculated by value. As of September 30, 2019, geographically, 11.1%, 37.1% and 51.9% of the properties securing our BTL+ loans are located in the North West region of the United Kingdom, London region and throughout the remainder of United Kingdom, respectively. As part of our underwriting process, we assess each property to determine its value. See "*—Our Operations—Property Valuation*." We also accept charges over additional property as security to ensure an acceptable LTV for our BTL+ loans.

Terms

Our BTL+ loans have terms of 4 to 30 years. The weighted average initial term for our BTL+ loans as of September 30, 2019 was 196 months. The weighted average elapsed term of live BTL+ loans as of September 30, 2019 was 23 months. BTL+ loans that were redeemed in the twelve months ended September 30, 2019 had an average elapsed term of 37 months. See "*Presentation of Financial and Other Information—Terms Relating to Our Loan Analysis*."

The table below sets forth certain information about the BTL+ loans held by TCFL, HARPL and BFL as of September 30, 2019.

	BTL + Loans
	Loan portfolio as of September 30, 2019
Weighted Average Indexed LTV	58.3%
Average Inception Loan Size	£109.7 thousand
Weighted Average Inception Loan Term	196 months
Outstanding Balance	£ 870.9 million
Percentage first lien	65.4%

Commercial Term Loans

As of September 30, 2019, 16.1% of our loan portfolio and 25.6% of our commercial purpose loans portfolio, each calculated by value, consists of commercial term loans, which are secured by commercial and semi-commercial properties.

Purposes

We offer commercial term loans to small and medium-sized businesses, property investors and individuals for a variety of purposes, including purchases of other investment properties, releasing equity from existing investment properties and raising capital for businesses.

Distribution

In the year ended June 30, 2019, we distributed approximately 68.9% and 31.1% of our commercial term loans through mortgage intermediaries and direct sales (including repeat customers and our network of professionals), respectively. During 2017, we created a new commercial purpose direct sales telephony function, supporting increased business activity with existing customers and we have appointed a Head of Corporate Relationships to manage larger clients.

Security

As of September 30, 2019, of our commercial term loans, approximately 94.6% are secured by first liens and approximately 5.4% are secured by second liens, calculated by value. As of September 30, 2019, geographically, 19.5%, 19.2% and 61.4% of the properties securing our commercial term loans are located in the North West region of the United Kingdom, London region and throughout the remainder of United Kingdom, respectively. As part of our underwriting process, we assess each property to determine its value. See "*—Our Operations—Property Valuation*." We also accept charges over additional property as security to ensure an acceptable LTV for our commercial term loans.

Terms

Our commercial term loans have terms of 7 to 30 years. The weighted average initial term for our commercial term loans as of September 30, 2019 was 169 months, respectively. The weighted average elapsed term of live commercial term loans as of September 30, 2019 was 24 months. Commercial term loans that were redeemed in the twelve months ended September 30, 2019 had an average elapsed term of 55 months, respectively.

The table below sets forth certain information about the commercial term loans offered by TCFL, HARPL and BFL as of September 30, 2019. See "*Presentation of Financial and Other Information—Terms Relating to Our Loan Analysis*."

	Commercial Term Loans
	Loan portfolio as of September 30, 2019
Weighted Average Indexed LTV	52.5%
Average Inception Loan Size	£193.3 thousand
Weighted Average Inception Loan Term	169 months
Outstanding Balance	£ 624.5 million
Percentage first lien	94.6%

Underwriting Process

Our underwriting process for commercial purpose lending consists of a detailed, individualized credit, affordability and/or repayment assessment similar to that undertaken for retail purpose lending, including similar underwriting guidelines, review processes and KYC measures and other controls. See "*—Retail Purpose Lending—Underwriting*." Notwithstanding, the process differs in certain respects. Commercial purpose lending applications are channeled into one of three workflow streams. For Buy-to-Let lending, we utilize an Income Coverage Ratio ("ICR") assessment to assess whether the property generates sufficient income to cover all expenses. If the rental is insufficient for such purposes, we will assess the borrower's other sources of income applying an affordability assessment. The ICR, affordability (in respect of non-rental income) and portfolio landlord assessments have been designed to comply with the PRA Buy-to-Let Underwriting Standards in this respect. For commercial purpose lending, our affordability assessment can include a review of the individual's income as well as any income an applicant receives from any other sources, such as rental properties, in order to assess the borrower's ability to meet their contractual monthly instalments. Where appropriate, the loan assessment includes a maximum net income/rental income to total secured loan repayment calculation to ensure the continuing ability of the borrower to service the loan. In the case of unregulated bridging loans or interest only loans, we also undertake an assessment of the feasibility of the planned exit strategy. The processing stage for these applications is handled by our commercial mortgage processing department. In respect of the underwriting stage, each commercial purpose loan is assigned a dedicated underwriter. The underwriter manages the progress of an application through to funding. All loans are approved by an authorized mandator.

Development Loans

As of September 30, 2019, development loans comprised 5.2% of our loan portfolio. Development loans are loans that we extend to finance the development of land or property primarily into residential units (such as houses, flats and student accommodation) with repayments typically being made out of the sale of the units. Typically such loans involve providing an initial loan amount with further stage payment advances made as the development progresses. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Loan Analysis—Development Loans*."

Due to the potential complex nature of transactions the group has a dedicated, experienced property specialist team in place to support new and existing clients. Many of the team have experience of working with development loans through the financial crisis, with a strong understanding of where potential or common complexities can arise.

Whilst the underwriting process on a development loan features many similar aspects to other commercial purpose loans, there are additional areas of further consideration at the stages of initial proposal assessment, legal instruction and at intervals post initial funding. At the initial proposal assessment stage, our team review the proposed development, focusing on key areas such as the budget, timescales, the experience, professionalism and perceived integrity of the customer (with much of our development loan activity with repeat customers with whom we have a proven track record) and their proposed contractors, location, exit strategy and plausibility, the status of any planning consent and the financial position of the potential customer. Typically, applications are reviewed against a maximum 75% limit on a Loan to Cost basis (being the amount of initial advance and further advances approved to be made through the project relative to the projected total costs including the initial purchase amount and costs to develop) and a maximum 65% limit on a Loan to Gross Development Value basis (being the amount of initial advance and further advances approved to be made through the project plus any fees and interest agreed to be rolled up, relative to the expected end market value of the asset once completed).

Prior to any initial advance we require a panel approved RICS qualified valuer to validate and support the proposed valuation, a panel approved solicitor to review the application and prepares a report on title; and a panel approved Quantity Surveyor to prepare a due diligence report on the proposal.

Once the application has been approved and agreed, the funds are released as per an agreed timetable and based upon staged completion of works being undertaken. Further advances are typically released upon a satisfactory review by a Quantity Surveyor validating the cost of works undertaken on the site, with overview undertaken by one of our relationship managers.

Customers are allocated a relationship manager who maintains regular dialogue with the customer through the phases of development, allowing the ongoing monitoring of progress, thereby providing early warning identification of any possible issues and progress as to the exit strategy as well as seeking evidence of sign off at the practical completion stage.

Property Valuation

In order to assess mortgage applications, we require "open market" valuation reports for property offered as collateral to secure mortgage loans, pursuant to which properties are valued under normal sale conditions. We have a multi-tiered property valuation system for valuing properties, typically a full Royal Institution of Chartered Surveyors ("RICS") valuation, an external valuation or an automated valuation. The type of valuation required is determined by the loan value and estimated LTV. In general, in over 80% of applications, a full RICS valuation is obtained from one of our panel members.

In a full RICS valuation, a RICS-approved surveyor visits the property relating to certain loans and examines both the interior and the exterior of the property, in addition to comparing the property with other similarly situated properties. In an external valuation, a RICS-approved surveyor conducts an examination of the exterior and outer boundary of the property, in addition to comparing the property to valuations of other similarly situated properties. Automated valuation models use computer-based statistical modeling provided by external providers to determine the current market value of a property based on statistical data including values of other similarly-located properties, aspects of the property itself and historical pricing data for the property. The choice of valuation depends on the type of property and the size and the LTV of the loan. In the case of our commercial purpose loans, in addition to an open market valuation, we also conduct a "forced sale" valuation, which assume the property must be sold within a limited timeframe. We conduct full RICS valuations for the majority of our loan applications. A real-time automated valuation model is used only for low value and low LTV lending and is only accepted where certain minimum confidence levels are achieved within the valuation model. With respect to loans originated in the year ended June 30, 2019, 81.0% of retail purpose loans and 84.1% of commercial purpose loans were supported by a full RICS valuation. For loans where we require an additional level of comfort on the valuation, we conduct a second review of the valuation through a RICS-qualified surveyor.

We engage a panel of select property surveyors with many years of experience and with whom we have trusted relationships, in respect of which we have a panel management policy that, among other considerations, looks at the professional qualifications, the level of professional indemnity insurance and performance of surveyors on the panel. We instruct our surveyors to be as conservative as appropriate in assessing properties. Valuations, including those submitted by a mortgage intermediary, must come from our panel and adhere to our criteria, with limited authorized exceptions. With limited exceptions, all property valuations are reviewed internally to ensure they are accurate and realistic and are actively challenged as appropriate. Additionally, all properties securing our total loan assets are protected by buildings insurance. In some cases, we may arrange for building insurance for borrowers if we are concerned the borrower has not insured the property. Following a change in our policy in 2006, we require properties in our portfolio securing mortgage loans underwritten since then to be protected by title insurance where appropriate. In some cases, we may not be able to obtain title insurance or complete coverage due to the specific nature of the property or due to the circumstances of the borrower, such as when the borrower does not have a permanent UK residence.

Collection and Arrears Management

We actively manage our collections and arrears book to minimize delinquency levels and credit losses through our collections and recoveries teams. We are mindful of our duty to treat our customers fairly, which is embedded in our operational terms and monitored through quality assurance reviews, performance reports and reporting to our committees. See "*Business—Risk Management.*" In line with our "Treating Customers Fairly" ethos, we seek to promote a positive communication culture and proactive account management with our customers. In addition, all of our colleagues are trained to help identify and deal with potential vulnerability and we have specialist teams to support those who are most vulnerable and in need of specific help and support. If customers are experiencing a reduced ability to pay their mortgage loans, we seek to proactively engage with them to understand their individual circumstances, offering a range of payment and forbearance measures (with recent enhancements to our approach in the application of these measures following internal reviews), including, for example, conducting income and expenditure reviews and offering reduced payment plans, reducing interest rates, offering payment holidays and providing assisted sales. In respect of our retail business we work with third-parties to provide additional support to customers with the option to refer customers for direct assistance from such third-parties including Shelter, Citizen Advice Bureau and Money Advice Trust.

In respect of our commercial business we adopt an individualized risk based approach with each customer to determine if the cause of a payment issue is short-term, medium-term or long-term and develop an appropriate approach based on the circumstances of the customer. Solutions may include reduced payment arrangements, reduction in interest rates or assisted sale of the property.

Our prudent lending approach means that our customers typically retain equity in their properties, which incentivizes them to engage with us to find appropriate and mutually acceptable solutions. We continuously invest in our customer relationship management IT platform. During 2016 and 2017, we carried out additional upgrades to further improve the customer experience and help the collection team work more efficiently. This platform has helped us to improve our collections process. The system allows us to record and track detailed information about our clients and their financial positions, allowing us to better establish the circumstances that are causing payment difficulties and to find the most appropriate sustainable solution to help the customer.

In the three months ended March 31, 2018, our personal finance collections department, working with our Credit Risk team, introduced an automated contact strategy, utilizing SMS and automated voice messages to contact our customers who are least likely to engage. This reduced the amount of manual outbound dialing required, allowing us to use our resources more efficiently and ensure we effectively engage with customers. After a successful proof of concept, this was implemented fully in April 2018 with further developments of this automated strategy delivered in the latter part of 2018.

After the first missed payment, system-generated letters are automatically sent that inform the customer of missed amounts and include requests for payment or to contact us for help. A text message is sent to all our customers with a mobile phone if the direct debit is returned unpaid. On contact with the customer, the agent will endeavor to understand the customer’s circumstances, identify any vulnerability, identify any changes in the customer’s circumstances affecting their ability to make schedule payments and, if necessary, will undertake an assessment of the customer’s financial position. In the event of continued financial hardship and inability to make scheduled payments, the matter is escalated to a more senior specialist team, to try to work with the customer to establish an appropriate way forward. We monitor the rate at which our customers adhere to payment plans known as an informal payment plan kept rate (“IPP kept rate”). By measuring this we are able to evaluate the success of our affordability assessments when establishing payment plans.

Our total loan assets have historically had a higher level of arrears than the total loan assets of banks and other mortgage lending companies, due in part to the number of our customers who have irregular incomes such as those who are self-employed. At the onset of the deterioration of the economic climate in 2008, our loan arrears increased. As a result of the increase in the emphasis that we have been placing on the ability of the borrower to service and repay the loan as part of our underwriting process, the improvement in the credit quality of the customers to whom we lend from 2008 onwards and the investment in our collections processes, alongside the improvement in economic conditions, there has been a material improvement in levels of arrears as evidenced by our absolute and vintage delinquency rates, with the amount of loans experiencing arrears greater than three months’ contractual instalments within twelve months of funding decreasing from 4.4% for loans funded in the year ended December 31, 2009 to 0.4% for loans funded in the year ended December 31, 2018. As of September 30, 2019, of our contractual arrears greater than one month’s contractual instalment, which represented 6.9% of our loan portfolio (excluding loans past contractual term, subject to an LPA Sale or repossession order, development loans and loans for which no contractual monthly instalment is due), calculated by value, of which 67.1% were performing arrears loans.

Repossessions and LPA sales

As part of our individualized risk based approach, our collection teams manage the retail and commercial purpose loans and work with each customer to determine if the cause of a payment issue is short-term, medium-term or long-term and develop an appropriate strategy based on that determination. Options may include reduced payment arrangements, extensions of term, reduction in interest rates or assisted sales of the property. For more information about how we work with our clients when payments fall in arrears, see "—*Collection and Arrears Management*." Repossession, which we conduct when a borrower persistently fails to cooperate with us or demonstrates a consistent inability to repay and no improvement is expected, is taken as a last resort. Our right to conduct a repossession is the same irrespective of whether the loan is secured by a first- or second-priority lien. We engage outside parties to conduct repossessions as and when needed. In the year ended June 30, 2019, we conducted 56 repossessions, representing 0.1% of our total loan assets, calculated by value, and placed 120 properties in LPA receivership, representing 0.1% of our total loan assets, calculated by value.

Net Promoter Score

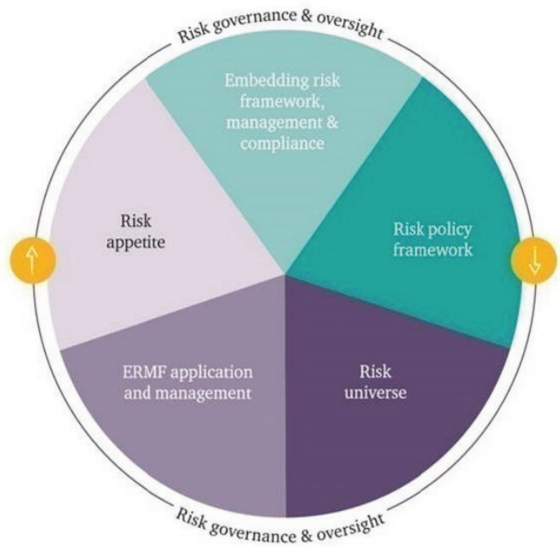
We are committed to delivering excellent services to our customers and seek feedback and monitor performance to apply best practices across our business. We have dedicated customer experience teams who have implemented activities from feedback received, which has led to increases in customer satisfaction scores.

Our in-house research team measures our Net Promoter Score ("NPS") (which consists of the collections, underwriting and service departments) by contacting customers at key touch-points throughout the loan lifecycle. For the period from July 1, 2018 to June 30, 2019, our net promoter score, which is based on a combination of loan origination and loan serving metrics, was +45 for our Personal Finance division and +35 for our Commercial Finance division. During the same time period, over 85% of customers stated they were satisfied with the service they received from us.

Risk Management

The risk vision and strategy is articulated at the group level. The group is also responsible for setting and approving the risk appetite. The dissemination of the group's risk appetite is implemented through the operation of the group's risk management framework, incorporating the group's "three lines of defense" model. This framework (the "Enterprise Risk Management Framework" or "ERMF") provides the organizational arrangements and foundation for managing risks in a consistent and structured manner while tailoring for the specific risks faced by the Personal Finance and Commercial Finance divisions. It sets out the different elements of risk management across the group and how this is governed.

Under this model, the ERMF sets out where appropriate responsibilities and accountabilities for risk management and compliance reside within each line of defense.



The components of the ERMF are set out below:

Risk Governance and Oversight

The group Board has overall responsibility for determining the strategic direction of the group and for creating the environment and structures for risk management to operate effectively. The Board delegates certain responsibilities to committees with the group Risk Committee responsible for oversight of risk management.

At the operational level, the group's system of internal controls and risk management uses the "three lines of defense" model.

The first line of defense is focused on management controls and internal control measures and comprises all managers and staff within the Personal Finance and Commercial Finance divisions and the support units at the group level, with business managers responsible for identifying, managing and owning their risks within their respective areas of the business. It also includes our operational committees including the group and divisional Executive Committees.

The second line of defense looks to ensure the first line of defense is properly designed, implemented and operating as intended by providing oversight and challenge with a focus on the implementation and maintenance of the framework. It is intended to ensure risks are assessed in a consistent manner. This consists of risk and compliance functions which are organizationally separate and independent from this first line of defense and includes:

- the group, Personal Finance and Commercial Finance Credit Risk Forums which help develop our underwriting policies, provide additional oversight of compliance with those policies and monitor our arrears management;
- the Personal Finance Executive Risk Committee which provides executive monitoring and oversight as well as review of all of the divisions' areas of risk. The committees also provide leadership in the continued embedding of a positive customer outcomes oriented culture within the division;
- the Commercial Finance Executive Committee performs a combination of both first and second line oversight activity in respect of the Commercial Finance division, including activities similar to those performed by the Personal Finance Executive Risk Committee;
- the group Executive Risk Committee which provides executive monitoring and oversight, as well as a review of all areas of risk, monitoring and reviewing mitigating actions in line with risk appetite. The group Executive Risk Committee considers activities undertaken both at group level and those within the divisions including, amongst others things, in order to ensure that we manage our fraud risk effectively and are compliant with statutory and regulatory responsibilities in relation to mitigating fraud and financial crime; and
- the group and Personal Finance Risk Committees. In respect of the group Risk Committee please see and "*Management—Committees of the Board of Directors of the Company—Risk Committee*.". The Personal Finance Risk Committee provides oversight and advice to the Personal Finance board on risk exposures and future risk strategy, including appropriateness of policies and strategies to support the long-term sustainability of the business, embedding a supportive culture in respect to risk management and that processes for risk management and internal control are adequate and effective.

The third line of defense provides independent assurance on the effectiveness and robustness of the overall Enterprise Risk Management Framework, internal control framework and governance arrangements operated by the first and second lines of defense and comprises our internal audit function which provides independent assurance reviews over the first and second lines of defense. The Personal Finance Audit Committee is responsible for the oversight of the effectiveness of the division's internal controls and risk management, the effectiveness of our internal audits within the division and the relationship with the external auditors in respect of subsidiaries of the Personal Finance division. The Audit Committee of the group (the "Group Audit Committee") performs a similar function in respect of the group. See "*Management—Committees of the Board of Directors of the Company—Audit Committee*."*Risk universe*

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

ERMF application and management

The ERMF provides a structured approach to managing the risks the group faces. Each area of the business is responsible for embedding and applying the ERMF, which includes identifying and assessing the risk and control environment.

Risk appetite

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

Risk appetite is assessed at a group level and by risk category. The group's risk appetite is defined by the Board and translated into board risk appetite metrics that can be assessed against exposures for each category of risk to monitor compliance. The group's divisions have the flexibility to set their own risk appetites but must also operate within group limits.

Embedding risk framework, management & compliance

ERMF is an integral part of the group's organizational processes and activities. Embedding the ERMF is dependent on the commitment of the:

- the group Board and senior management, who set the 'tone at the top';
- Governance committees, that provide oversight and ensure appropriate assignment of risk management responsibilities and resources within the group; and
- Colleagues, who are required to adhere to the principles of the ERMF and to have a clear understanding of their responsibilities.

Risk policy framework

There is a risk policy framework which sets out the policy requirements for monitoring and managing the principal risks.

Risk Universe

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

Financial Crime Control Framework

Our financial crime control framework incorporates policies, standards, procedures and guidance relating to anti-money laundering (including customer due diligence), counter-terrorism and fraud prevention and detection. This is supported by mandatory and targeted staff training, supervision and monitoring with support and oversight provided by the group financial crime department. Senior management oversight is provided by the Financial Crime Committee and Executive Risk Committees within which financial crime risk metrics are reported and scrutinized.

We have continued to provide training to the underwriting teams in relation to customer due diligence requirements, higher risk transactions, income verification and suspicious activity reporting.

The first line financial crime team are responsible for undertaking customer due diligence on customers with heightened risk indicators, undertaking transaction monitoring, investigating Suspicious Activity Reports (including reporting to the National Crime Agency if required) and carrying out any fraud investigations.

The second line team are responsible for ongoing risk assessments, maintaining the financial crime policies and supporting management information and regulatory horizon scanning. In addition, assurance reviews are regularly conducted by the second line of defense to ensure on-going performance of key financial crime controls. Specifically, our second line financial crime monitoring team have completed reviews of several higher risk departments. While areas for enhancement were identified, no "High" rated issues have been identified from the reviews conducted to date.

External Audits on Procedure

Pursuant to the terms of our Conduit Securitizations, with the exception of DABS 2, as set out below, loan asset reviews have been conducted annually. An external, independent reviewer is required to conduct an agreed upon procedures ("AUPs") and provide a report on the underlying loan assets within our Securitizations. The external, independent reviewer will select a minimum of 59 loans, originated in the 12 months prior to June 30. In addition, a further 20 loans are selected for review from the population of accounts that are delinquent. In each sample, the loans are selected randomly, which provides sufficient coverage of loan types. The AUPs include the testing of various static and dynamic data points to origination and servicing systems, as well as underlying loan documentation. The testing of these data points gives a base level of assurance on the accuracy of our data, and is conducted against the loan level data we provide in monthly information reports; a requirement of each of the

Securitizations. The AUPs also include a review of the securitization covenants and confirm that the figures included within the monthly information reports, which are shared with our lenders, are calculated correctly and match our underlying system reports. The scope and sample methodology is agreed in advance with each of the lenders prior to each review. Each of the historic reports has been deemed satisfactory by our lenders.

Pursuant to the terms of the DABS 2 Securitization, external loan book reviews are performed by an external, independent verifier appointed by the lender. The external verifier undertakes a review on a random sample of 20 loans sold into the securitization facility in the past quarter. The reviews are performed on a quarterly basis. Loans are assessed with reference to the commercial underwriting and processing policies as well as reviewing data integrity and file completeness for key documents. Additionally, cash administration testing is performed to ensure that customer receipts are correctly captured and recorded, and subsequently swept into the SPV in line with the facility documentation. The last review was performed in October 2019, with the next review due in January 2020. Each of the reviews performed as of the date of this offering memorandum has been deemed satisfactory by the lender.

Information Technology

Given the individualized nature of our underwriting and collections management processes, and the varied range of products offered, we have previously chosen to internally develop our core business systems, based upon an external technology platform, to provide custom fit processes and the required flexibility to run our business operations efficiently. These systems are integrated with our CRM package, which ensures a consistent and proactive management of the customer experience.

We have developed an enhanced on-line system ("My Broker Venue") which supports application submissions for mortgage intermediaries and for directly sourced business. Bespoke features include direct links to Equifax, Land Registry and Hometrack (valuations) and direct links to in-house systems within our larger mortgage intermediaries (using Application Programming Interfaces or 'APIs'). We also have automated DIP and affordability rules and the system is tailored to the individual needs of our mortgage intermediaries and customers, with differentiated journeys for our packaging mortgage intermediaries (very flexible journeys, supported by API integration), mortgage intermediaries coming through mortgage networks and clubs (a guided journey, made straightforward for infrequent users) and direct customers (a mobile first journey, available on the togethermoney.com for Auction customers). For many products we are now able to deliver a quote within thirty seconds, a decision in principle within two minutes and the creation of an application within ten minutes. Applications are submitted electronically, and mortgage intermediaries can monitor online the progress of their applications through the underwriting process.

We have created an Enterprise Data Warehouse ("EDW"), which makes available financial, customer and operational data for flexible end user analytics and reporting. The EDW supports production of management accounts and operational dashboards. Most recently we have used the EDW to support data science and machine learning based analysis of operational processes and customer behavior. The EDW is a single database that houses all of our internal loan and financial data and forms the basis for analytics, including our IFRS 9 reporting.

A number of years ago, we successfully outsourced our IT software development to an offshore company with approximately 10% of the external software developers being located on site, further supported by software developers employed by us who work alongside the outsourced capability. This model has been successfully used for over the three years that it has been in operation and has allowed us to scale up resource as and when required while still retaining ownership of software rights. Historically, we have sought to avoid one-time, large-scale changes and instead implement iterative, regular technology releases while reusing and upgrading our existing capabilities to minimize increases in operational expenditures.

Our infrastructure consists of a highly virtualized environment, which supports rapid system-wide upgrades delivering high levels of availability (99.97% in the year ended June 30, 2019) and scalability up to five times the current requirements. We use tier 1 suppliers, and have recently fully refreshed our thin client terminal services estate with an architecture designed to support graphically rich applications.

Cyber security has been a focus of significant investment for a number of years. Our systems have robust, tier 1 anti-virus and firewall protection, and all remote devices are encrypted and locked down and data storage is centralized. We run penetration tests on our externally facing systems at least annually. We have implemented innovative third party solutions for monitoring our infrastructure for cyber threats, including a machine learning capability which monitors our network for anomalous traffic, and a market leading cyber analytics capability, again monitoring activity which suggests potential threats. We use the Bitsight external security rating capability, both for vendor selection and for assessing our own cyber security capability (we are rated as "Advanced", the highest category). We also mirror our core data to a parallel remote environment which supports disaster recovery and is regularly tested. See "*Risk Factors—Risks Relating to Our Business—Interruption or loss of our information processing systems or third-party systems we use or failure to maintain secure information systems could have a material adverse effect on our business*.

Intellectual Property

In September 2015, we rebranded our operations and consolidated our existing brand names under the "Together" brand. We consolidated the trading names of Together Financial Services and each of our trading subsidiaries into one to become a more recognizable and accessible brand. The brand "Together" represents our passion for working with our customers and business partners.

We rely on copyright and trademark laws, confidentiality procedures and contractual provisions to protect our intellectual proprietary rights. We actively take steps to protect our intellectual property rights when and where we deem appropriate.

Since September 2015, we have marketed the majority of our loans and services under the "Together" trademark. We have retained trademarks related to a number of our existing legacy brand logos, all of which are registered in the United Kingdom.

As of June 30, 2019, we have also registered 192 domain names. These domain names are either used by our business to deliver services and information to our customers or held to protect trading names and brands developed by our business.

We presently have no patents or patent applications pending.

Environmental Matters

We believe that we do not have any material environmental compliance costs or environmental liabilities.

Property

We lease our two executive offices, which are located at Lakeside, Cheadle, Cheshire SK8 3GW, United Kingdom. Our facilities team is responsible for ensuring that such properties are in compliance with statutory requirements, including health and safety requirements. We are currently in an advanced stage of negotiating a long term lease of our Lake View office and entering into a new long term lease at our No. 1 Lakeside office.

Our investment property portfolio, comprised of a small number of investment properties acquired through a legacy line of business, is managed internally by a property team, supported by external specialists where appropriate.

Insurance

We maintain professional indemnity insurance up to a limit of £10.0 million and TPFL and Blemain Finance Limited, specifically, maintains ring-fenced professional indemnity insurance to meet its statutory requirements. In addition, we maintain combined public, products and employers liability insurance that provides coverage up to £5.0 million for any one public liability claim, £5.0 million in aggregate products liability claims, £10.0 million for any one employers liability claim, but with a defined limit of £5.0 million for any one employer's liability claim arising from an act of terrorism, as well as certain other insurance policies. We may also maintain buildings insurance in respect of those properties securing loans we have underwritten where the borrower has not evidenced that they have adequate buildings insurance for the underlying security. The cost of buildings insurance is charged to the relevant borrower. We also have in place contingency buildings insurance, which provides cover in the event of an incident in connection with which we can establish that the borrower has failed to maintain their own insurance and we had not been previously made aware of such lack of insurance. Additionally, following a change in our policy in 2006, we require properties in our portfolio securing mortgage loans underwritten since then to also be protected by title insurance where appropriate.

Compliance and Quality Control

We have standalone retail purpose loans and commercial purpose loans and quality control teams.

Within the Personal Finance and Commercial Finance division, there are various, ongoing quality control checks and first line quality assurance activity is completed on activities and processes that are considered to be of greater risk, including point of sale advice, underwriting, arrears management, complaints and key service activity. This activity is supplemented further by our risk and control self-assessment process with oversight and challenge from our second line risk team.

The compliance function, specific to the Personal Finance division, and the business assurance function, specific to the Commercial Finance division, provide oversight and challenge to the business ensuring we meet our regulatory obligations including ensuring fair customer outcomes. In addition, we ensure that any regulatory change is identified and implemented within the business. An annual plan is created using a risk based approach that considers a number of internal and external factors to determine the areas and risks that will be the subjects of independent thematic review during the business year. This plan is reassessed, as a minimum, half-yearly to ensure it continues to focus on the correct business risks.

We have a comprehensive and ongoing training program in place for our underwriters. We also actively manage our relationships with mortgage intermediaries.

Underwriters

We undertake regular training of our underwriters, historically using external providers where there are training requirements outside of our internal capabilities. This includes training staff on regulatory requirements including those required around GDPR and, as applicable, required by the FCA.

Our Quality Managers within our Personal Finance division and Commercial Finance division perform regular file reviews to ensure we are underwriting to the required standards we set. For our commercial purpose lending, all underwriting files are reviewed prior to funding. For our retail purpose lending, we carry out reviews on a random basis both before and after the funding stage. Such reviews include assessments to ensure; all documents are present and correctly completed, adherence to our policies and procedures and a review of each lending decision, considering the underwriter's rational and whether each applicant's circumstances were given adequate consideration. In addition we undertake sample listening to underwriter's calls with the applicants for review and assessment.

If failings are identified, remedial action is taken. This includes re-assessing the underwriters training requirements and establishing an action plan for monitoring and improving the underwriter's performance.

Mortgage Intermediaries

Our relationships with mortgage intermediaries are non-exclusive, covered by full contractual agreements and are actively managed through our mortgage intermediary relationship team. Mortgage intermediaries can apply to become accredited as "arrangers," "packagers" or be members of partner mortgage networks or clubs. All mortgage intermediaries are assessed for suitability with consideration given to their regulatory authorizations, process capacity and knowledge and experience of secured lending. Applications are reviewed by our Intermediary Monitoring team and our risk team, which includes the evidencing of permissions.

We do not rely on any particular mortgage intermediary and monitor the quality of service and information provided by mortgage intermediaries, applying a risk based approach, through a combination of file reviews and performance assessments, of both the quality of the applications and the performance of the loans that have been sourced through such mortgage intermediary. We constantly evaluate whether we wish to continue working with such mortgage intermediary through our monthly Intermediary Oversight Panel meeting. If there is suspicion of fault, wrongdoing or error on the part of a mortgage intermediary, an investigation is conducted. Where appropriate, a mortgage intermediary will be informed in order for them to investigate the matter internally. Their findings and ours will be submitted to our Intermediary Oversight Panel, a sub-committee of the Executive Risk Committee for consideration. If fault is found, we may make recommendations to the mortgage intermediary to improve their processes or policies, place the mortgage intermediary under a status of increased scrutiny or terminate our relationship with that mortgage intermediary through our 'unable to trade' list. If a mortgage intermediary, or any employee of a mortgage intermediary, is found to be guilty of any element of fraud, appropriate action is taken, which could include cessation of business with that mortgage intermediary. Any suspicion of fraud is also reported to our internal financial crime department, which decides if the matter needs to be referred to the FCA or to the National Crime Agency.

Regulatory Proceedings

In December 2012, the FSA imposed a financial penalty of £1.2 million on Cheshire Mortgage Corporation, now known as TPFL, a subsidiary within our group that is regulated by the FCA, for certain historical issues between 2004 and 2010, relating to the application of arrears fees and charges and, in a limited number of cases, not sufficiently challenging the assessment of affordability provided by the customer. Redress of £3 million was made in connection with the fees and charges review. Redress of £2.3 million was made in connection with the affordability reviews. In addition, as CEO of TPFL, Henry Moser was fined £70,000 as he was deemed, in his capacity as CEO, to be ultimately responsible for the actions of TPFL. Mr. Moser stepped down from his position as CEO of TPFL on June 5, 2013, but remains the CEO of Together Financial Services. In addition Mr. Moser was approved by the FCA to take up the roles of non-executive director of TPFL in July 2014 and of BFL in March 2016 voluntarily stepping down from these non-executive roles in June 2019. For additional information, see "*Risk Factors—Risks Relating to Our Business—We operate in the financial services sector, which is regulated, and if we fail to comply with regulatory requirements, we may not be able to conduct our business or may be subject to sanctions, substantial fines or remediation that may have a material adverse effect on our reputation, results of operations and financial condition*" and *"Risk Factors—Risks Relating to our Business—We rely on our Enterprise Risk Management Framework, which includes compliance and internal audit functions, to identify and mitigate key risks faced by our business."*

Legal Proceedings

We currently are, and from time to time in the future may become a party to claims and lawsuits in the ordinary course of our business, due to allegations such as unfair terms in our mortgage loan agreements, misrepresentation, third-party fraud and lending irresponsibly or to vulnerable borrowers. These allegations often arise as a result of contested possession claims. We also have a number of claims from firms that specialize in consumer litigation which relate to allegations of unfair relationships and breach of fiduciary duties in relation to non-disclosure of loan commissions. We robustly defend these claims, as deemed appropriate, and do not expect that they will have a material adverse effect on our financial position. While we believe our reserves are adequate, the outcome of legal and regulatory proceedings is extremely difficult to predict and we may settle claims or be subject to judgments for amounts that differ from our estimates. See "*Risk Factors–Risks Relating to our Business–Our business could suffer as a result of current or future litigation*."

PPI

In November 2014, the Supreme Court decided in Plevin, that the failure by the lender to disclose to a customer a large commission payment on a single premium PPI policy sold with a consumer credit agreement created an unfair relationship between the lender and the borrower under section 140A of the CCA. It did not define a tipping point above which the commission was deemed to be "large." The disclosure of such commission was not a requirement of the FSA's (now FCA's) Insurance: Conduct of Business sourcebook rules for the sale of general insurance (including PPI). The decision has a potential impact on the number of customers of our subsidiaries who may have a claim relating to PPI commission disclosure, mis-selling and the treatment of prior claims.

In March 2017, the FCA published its policy statement on PPI (PS17/3). The final rules imposed a deadline of August 29, 2019 for PPI complaints. The FCA's publicity campaign to advise potential complainants about the deadline for submitting complaints led to an increase in complaints and claims in the approach to the August 29, 2019 deadline. In light of this deadline, we have experienced an increase in PPI complaints in the months of June, July and August 2019. The deadline for PPI complaints has passed, and therefore we no longer accept new complaints relating to PPI. In addition, there is a risk we may receive increased legal claims in respect of PPI after the deadline, as an alternative route and as a result of the complaints route no longer being available. See "*Risk Factors—Risks Relating to Our Business—We may be required to make payments to customers pending reviews of past business practices in excess of provisions for such payments or where we do not have such provisions*."

Prior to the entry into force of GDPR, our customers incurred a fee of £10.0 in relation to DSARs. Following the entry into force of GDPR on May 25, 2018, such fee is no longer applied. Since May 25, 2018, we have been experiencing a greater number of DSARs from both current and historic customers, including as a result of publicity campaigns related to PPI. DSARs may be a precursor to litigation and, as such, the greater number of DSARs received may indicate that there will be an increase in the number of claims issued against us in the near future. "*Risk Factors—Risks Relating to Our Business—Our business could suffer as a result of current or future litigation*."

Employees

Our organizational and staff values are important attributes of our corporate culture and are carefully cultivated by our senior management. This is embodied through the Together DNA, which consists of our vision, our mission and our beliefs: our vision is to put the common sense into lending; our mission is to turn challenges into opportunities that make our customers' financial ambitions accessible; and our beliefs include the respect for people, delivering positive outcomes, engagement, creating opportunities, providing straightforward solutions, having balanced commerciality and having accountability. In recognition of how our employees view the Company and their level of engagement, on our first ever application we were recently awarded the accolade of being the 34^{th} in the "Sunday Times Top 100 Companies to Work For 2018," and received its special award for "Giving Something Back" for our commitment to corporate social responsibility, placing 9^{th} in the UK with our score for charity and 10th for community efforts. On our second submission in 2019, we positioned 52^{nd} in the "Sunday Times Top 100 Companies to Work For 2019". We offer development, training and competence programs to our employees to ensure an ongoing corporate culture in line with these values and our policy to train and support internal promotion has given many of our employees the opportunity to develop their skills and experience.

For the years ended June 30, 2017, 2018 and 2019, we had an average of 522, 663 and 740 employees, respectively. The majority of our employees are based in our offices in Cheadle, England, with a small number considered "remote," as their positions require frequent travel. None of our employees is represented by a labor union. We consider our relations with our employees to be good.

REGULATION

Regulatory Framework

We offer retail purpose loans under the "Together" brand through our subsidiary, TPFL (formerly Cheshire Mortgage Corporation Limited), which has full regulatory permissions to offer first charge and second charge mortgages to retail customers.

Until March 21, 2016, we also offered second lien and BTL mortgages through our subsidiary BFL, which continues to manage its existing loan portfolio. From March 21, 2016, any new CBTL mortgages are classified as retail purpose loans and are originated by TPFL.

Spot Finance Limited began underwriting a small amount of motor finance loans as part of a pilot program in June 2015 and ceased underwriting new loans in March 2017. Spot Finance Limited continues to hold loans previously underwritten as part of the pilot program.

Within our group, TPFL has full FCA authorization for the following regulated activities: (i) advising on, arranging and making arrangements with a view to administering and entering into, as a lender, regulated mortgage contracts; (ii) arranging and making arrangements with a view to investments (non-investment insurance contracts) (iii) credit broking; (iv) debt-counseling (not including debt management); and (v) agreeing to carry on any of the above activities. TPFL is also registered with the FCA as a lender, administrator, arranger and advisor for CBTL contracts. New second charge mortgage lending from March 21, 2016 is originated through TPFL.

As a result of the widening scope of the "regulated mortgage contract" in 2016 under the MCD (discussed below), BFL applied for permission for administering regulated mortgage contracts in relation to its second charge mortgage lending. The FCA issued an authorization letter to BFL and the Financial Services Register was updated on March 21, 2016. As a result, BFL has FCA authorization for the following activities: (i) administering a regulated mortgage contract, limited to second charge mortgages only; and (ii) agreeing to carry on the above activity. On April 24, 2018, BFL's authorization was expanded to arranging and making arrangements with a view to all regulated mortgage contracts.

Spot Finance Limited has FCA authorization for the following activities: (i) entering into regulated credit agreement as lender (excluding high-cost short-term credit, bill of sale agreement, and home collected credit agreement); (ii) exercising/having right to exercise lender's rights and duties under a regulated credit agreement (excluding high-cost short-term credit, bill of sale agreement, and home collected credit agreement); and (iii) agreeing to carry on any of the above activities.

As of September 30, 2019, 62.8% of our total loan book represented unregulated commercial purpose loans, 5.2% of our total loan book represented unregulated development loans, 1.6% represented unregulated retail purpose loans, 16.6% represented FCA-regulated first-charge residential mortgages, and 13.7% represented FCA-regulated second-charge residential mortgages. 6.4% and 14.3% of our total FCA regulated residential mortgages are CBTL and regulated bridging loans, respectively, which have been included within the above first-charge and second-charge classification, as appropriate. As of September 30, 2019, approximately 30.4% of our business operations are regulated by the FCA.

FCA Regime

The Financial Services Act 2012 contains provisions, which (among other things), on April 1, 2013, replaced the FSA with the PRA, which is responsible for micro-prudential regulation of financial institutions that manage significant risks on their balance sheets, and the FCA, which is responsible for conduct of business of all authorized firms, and prudential regulation of firms not regulated by the PRA, such as the group's regulated subsidiaries. The Financial Services Act 2012 also contains provisions enabling the transfer of regulatory authority (including consumer credit regulation) from the OFT to the FCA, which included the regulation of mortgage activity (as explained below). On April 1, 2014, the responsibility for the regulation of consumer credit under the CCA and secondary legislation thereunder transferred from the OFT to the FCA. The FCA regulates all regulated mortgage contracts (including residential mortgage lending secured by a second or subsequent lien on property) and all contracts that fall within the CCA and imposes specific obligations on mortgage lenders in respect of responsible lending. The FCA's primary objective is to ensure that the mortgage market is sound, stable, resilient, and with clear pricing information that consumers can easily understand. This primary objective is supported by their three operational objectives, namely (i) securing an appropriate degree of protection for consumers, (ii) protecting and enhancing the integrity of the UK financial system and (iii) promoting effective competition in the interests of consumers. We are required to be authorized by the FCA and comply with the rules they set under the regulatory framework in support of their objectives. These rules consist of prescriptive requirements such as those covering the sale and administration of regulated mortgage contracts but also a set of 11 principles of business setting out the fundamental obligations of authorized firms under the regulatory system. We must also ensure that customers are treated fairly and that we comply with the six consumer outcomes under the FCA's treating customers fairly framework. Over time, the FCA has focused more on principles-based regulation as simply adhering to the more prescriptive rules may not deliver fair outcomes alone for consumers. Certain pieces of secondary legislation made under the CCA, as well as OFT guidance, were replaced by the FCA Rules, although some pieces of secondary legislation and the CCA remain.

The reformed regulatory framework comprises the Financial Services and Markets Act 2000 ("FSMA") and its secondary legislation, FCA Rules and retained provisions of the CCA. Under FSMA: (i) the carrying on of servicing activities in certain circumstances by a person exercising the rights of the lender without FCA permission to do so renders the credit agreement unenforceable, except with FCA approval or without a court order; and (ii) the FCA has the power to make rules to render unenforceable contracts made in contravention of its rules on cost and duration of credit agreements or in contravention of its product intervention rules.

The EU directive on credit agreements for consumers relating to residential immovable property, the MCD, was published in February 2014 and it primarily sets the minimum regulatory requirements that Member States are required to meet in order to protect consumers taking out credit agreements relating to residential property. Member States, including the UK, were required to implement the MCD requirements by March 21, 2016. As a result, HM Treasury and the FCA combined the regulatory regimes for first and second charge mortgages (which were previously covered by the CCA regime) into a single regulatory regime. Furthermore, the UK introduced a new regulatory framework for CBTL mortgages. See "*—Regulation of Residential Mortgages*." Depending on the relevant regime, non-compliance with applicable regulation may result in customer detriment, and may have potential adverse effects for us, including financial loss, non-enforceability of certain mortgages, fines and sanctions and increased associated compliance costs.

When the FCA was created in 2013 it was given an objective to promote effective competition in consumers' interests in regulated financial services and it also has a competition duty. Together, these mandates empower the FCA to identify and address competition problems and requires it to adopt a more pro-competition approach to regulation. The FCA obtained concurrent competition powers on April 1, 2015. As a result, the FCA has powers to enforce the prohibitions on anti-competitive behavior (in relation to the provision of financial services). The FCA also has powers, in relation to the provision of financial services, to carry out market studies, and make market investigation references to the CMA. The CMA, with whom the FCA is described as a 'concurrent' regulator, also has similar powers. Regulated firms should bring their own actual and possible contraventions to the FCA's attention, as they are obliged to do under Principle 11 of the Principles for Businesses in the FCA Rules. A breach of competition law can result in significant fines. These powers are additional to the FCA's ability to use FSMA powers in pursuit of its competition objective. As a result of the FCA's competition objective, the FCA has considered it timely to consider how the mortgage market has developed and whether competition can be improved further to bring greater consumer benefits. See "*Changes to the ways in which the United Kingdom regulates the loan industry could have a material adverse effect on our business, results of operations and financial condition*". The FCA carried out a market study on how well certain aspects of the mortgage markets are working and published its final report in March 2019. Although the FCA identified that the mortgage market works well in many respects, it announced a package of measures aimed at enabling greater innovation in mortgage distribution and helping customers identify, at an earlier stage, the mortgages for which they qualify. The FCA also aims at reducing barriers to switching for those consumers who are up to date with payments and not seeking to borrow additional amounts. The market study examined two areas: (i) whether the available tools (including advice) help mortgage consumers make effective decisions at each stage of the mortgage lending process; and; (ii) whether commercial arrangements between lenders, mortgage intermediaries and other players lead to conflicts of interest or misaligned incentives to the detriment of consumers. Overall, the FCA found that competition is working well for many consumers but that there are limitations to the effectiveness of the information and tools available, with many consumers missing out on cheaper deals that are just as suitable. The FCA also found that there is also a small number of consumers on a relatively high reversion rate (the interest rate payable once an introductory rate ends), who are up-to-date with their payments, but unable to switch. For many customers this is due to changes in affordability requirements following the financial crisis, although there are also others who are unable to switch for different reasons. As a result, the FCA will aim, either through collaboration with the industry, or through rule changes, to: (i) make it easier for consumers to find the right mortgage; (ii) ensure there are a wider range of tools providing consumers with a choice about the support (including advice) that they receive; (iii) ensure that consumers choosing an intermediary can be able to do so on an informed basis; and (iv) ensure that consumers are able to switch more freely to new deals without undue barriers.

Since publication of its final report following the mortgage market study, the FCA published two further mortgage related consultations. CP19/14: Mortgage customers: proposed changes to responsible lending rules and guidance, proposed changes to the FCA rules to reduce regulatory barriers to consumers who are up-to-date with payments and not looking to borrow more switching to a more affordable mortgage. This includes those who cannot switch because of changes to lending practices during and after the 2008 financial crisis and the subsequent regulation that tightened lending standards (so-called "mortgage prisoners"). Specifically, the FCA proposed to amend its responsible lending rules and guidance so that mortgage lenders can choose to undertake a modified affordability assessment where the consumer: (i) has a current mortgage; (ii) is up-to-date with their mortgage payments; (iii) does not want to borrow additional amounts, other than to finance any relevant product fee or arrangement fee for that mortgage; and (iv) is looking to switch to a new mortgage deal on their current property. Under the modified assessment, mortgage lenders must not enter into a new regulated mortgage contract with an eligible consumer unless they can demonstrate that the new mortgage is more affordable than their present one. Additionally, the remedies package published alongside CP19/14 contained a proposal for the Single Financial Guidance Body to develop a directory to help customers make a more informed choice of mortgage intermediary and further analysis to understand more about those customers that do not switch mortgage to inform any necessary intervention. On October 28, 2019, the FCA published its policy statement, PS19/27: Changes to mortgage responsible lending rules and guidance – feedback on CP19/14 and final rules. The policy statement implemented the new modified assessment rules and came into force immediately. As part of the new modified assessment rules, mortgage lenders that use the modified assessment must tell customers the basis on which their affordability has been assessed and provide additional disclosures about potential risks. While we have not adopted the new modified assessment rules, nor are we required to at present, we are considering the new policy statement and whether we will choose to adopt the rules (or any portion thereof) into our operations in the future. The new policy statement and the new rules included therein, and any related changes implemented in our business, may impact our underwriting policies and result in higher rates of customer churn.

Additionally, the FCA also published CP19/17: Consultation on mortgage advice and selling standards, which contain proposals for changes to its mortgage advice and selling standards to address harms identified through the mortgage market study. The proposals aim to work together to ensure consumers have the information and support they need to make informed choices about how they buy a mortgage, and help ensure they get good value from advice. The policy statement following this consultation is also expected in the first quarter of 2020. The new policy statement and the new rules included therein may impact our mortgage intermediary network and our direct selling efforts.

The FCA Rules have been made under powers given to the FCA under FSMA, in accordance with which our regulated retail operations must comply. The FCA Rules include rules that impose, among other things, high level standards on the establishment and maintenance of proper systems and controls and minimum "threshold conditions" that must be satisfied for mortgage lending firms to remain authorized as well as rules on the conduct of business, the fitness and propriety of individuals performing certain functions in our business, and treating customers fairly. The FCA Rules also impose certain minimum capital and liquidity requirements on FCA regulated firms.

Conduct risk

The FCA has placed increased emphasis on compliance with the principle that a firm must pay due regard to the interests of its customers and treat them fairly. This was known as the "Treating Customers Fairly ("TCF") initiative" and formed a core part of the move towards principles-based regulation. These TCF principles are in addition to the 11 principles of business setting out the fundamental obligations of authorized firms under the regulation systems. The TCF obligation requires FCA regulated firms, among other things, to demonstrate that senior management are taking responsibility for ensuring that consumer outcomes relevant to the business are delivered through maintaining an appropriate firm culture and good practice. The FCA has extended the principles of TCF, placing an emphasis on conduct risk. See "*Risk Factors—Risks Relating to our Business—We operate in the financial services sector, which is regulated, and if we fail to comply with regulatory requirements, we may not be able to conduct our business or may be subject to sanctions, substantial fines or remediation that may have a material adverse effect on our reputation, results of operations and* *financial condition"*. Conduct risk is the risk that detriment is caused to a firm's customers due to the inappropriate execution of business activities. Conduct risk is one of the key contingent risks we face and, by its nature, touches on every part of our activities. Conduct risk failures can be very costly, both as a result of regulatory fines (due to misconduct) and/or customer remediation exercises (due to poor customer outcomes) and can also result in reputational damage. The FCA has identified three common drivers of conduct risk:

- inherent factors: these are built in features of the financial structures or the behaviors of market participants;
- structures and behaviors: these are features of the design of the financial sector and its management, which create conflicts of interest or provide incentives for poor conduct; and
- environmental challenges, change and uncertainty: these are past and current environmental factors that influence the decision we or our customers take which drive choice and behaviors.

Conduct risk builds on the foundation of TCF and looks at the wider issues relating to how a firm runs and operates its business with the customer's best interests at its heart. In line with this regulatory development, we have transitioned our TCF Committee through to our Personal Finance Executive Risk Committee, which has responsibility for monitoring of culture and conduct risks, providing assurance to the CEO, Executives, the Board and its subcommittees who each have responsibility for conduct risk oversight in accordance with our Enterprise Risk Management Framework. While Together Commercial Finance is not regulated by the FCA, we endeavor to adhere to regulatory best practice, with oversight provided by the Commercial Finance Conduct Risk and Culture committee.

Reporting

Regulated firms have an ongoing obligation to provide the FCA with certain information regularly through the GABRIEL system, which the FCA uses to monitor adherence to continuing regulatory requirements. The FCA has broad investigative and disciplinary powers, including the power to impose fines and vary or cancel regulatory permissions. Failure to comply with the FCA Rules could lead to liability for damages to third parties, disciplinary action, public censures, fines, the imposition of other penalties, customers being compensated for losses, or the revocation or variation of authorizations to conduct business, in whole or in part. See "*Risk Factors—Risks relating to our business—We rely on our Enterprise Risk Management Framework, which includes compliance and internal audit functions, to identify and mitigate key risks faced by our business*."

Systems and controls

We are committed to our obligations to take reasonable care to establish and maintain effective systems and controls for compliance with applicable requirements and standards under the regulatory system and for countering the risk that it might be used to further financial crime. We focus our attention on building and maintaining adequate policies, procedures, systems and controls to mitigate these risks. We aim to replicate many of the same standards of compliance with the high-level FCA regulations across our commercial operations, proportionate to the nature, scale and complexity of our business.

Senior Managers and Certification Regime

The SM&CR came into effect on December, 9, 2019. Following implementation of the regime, we are now in an initial period of embedding the associated policies and procedures to ensure the firm meets its on-going regulatory obligations with the SM&CR.

From March 2016, the FCA's application of the Senior Managers and Certification Regime ("SM&CR") entered into effect for banking firms and Solvency II insurers. See "*Risk Factors—Implementation of the Senior Managers and Certification Regime ("SM&CR") requires significant management attention and the SM&CR imposes ongoing requirements related to our employees*". The key features of the SM&CR are: (i) an approval regime focused on senior management, with requirements on firms to submit robust documentation on the scope of these individual's responsibilities; (ii) a statutory requirement for senior managers to take reasonable steps to prevent regulatory breaches in their areas of responsibility; (iii) a requirement on firms to certify as fit and proper any individual who performs a function that could cause significant harm to the firm or its customers, both on recruitment and at least annually thereafter; and (iv) a power for regulators to apply enforceable rules of conduct to any individual who can impact their respective statutory objectives. In October 2015, HM Treasury announced the government's intention to extend the SM&CR to all sectors of the regulated financial services industry, replacing the "approved persons" regime. Following a series of consultation papers published by the FCA in

2017 (CP17/25, CP17/40, CP17/41 and CP17/42), on July 4, 2018, the FCA and PRA published policy statements PS18/14 and PS18/16 setting out either final or near-final rules for all FCA-regulated firms on: (i) the senior managers regime: this includes definitions of the "senior management functions" which can only be carried out by persons approved by the FCA and new "prescribed responsibilities" that firms must give to their senior managers; (ii) the certification regime: this implements the requirement for firms to check and confirm at least annually that persons carrying certain specified roles at a firm are suitable for that role; and (iii) the conduct rules: this will apply additional high-level standards of behavior to employees at relevant firms, some of which apply to employees generally and some only to senior managers. There is also a three tier structure of SM&CR obligations whereby the "core regime" applies to firms generally, while an "enhanced regime" with additional SM&CR obligations applies to certain "enhanced firms" (which includes, among others, mortgage lenders (that are not banks) with 10,000 or more regulated mortgages outstanding) and a reduced set of requirements applies to a group of firms defined as "limited scope." The SM&CR for FCA solo-regulated firms came into effect on December 9, 2019. With regard to the transition of staff of FCA solo-regulated firms from the approved persons regime to the SM&CR, there was an automatic conversion of most approved persons at "core" and "limited scope" firms to corresponding senior manager functions. "Enhanced" firms were required to submit a conversion notification, a statement of responsibilities and a responsibilities map to effect the transition. Following a consultation paper in July 2018 (CP18/19), the FCA published a policy statement (PS19/7) which set out final rules on a new publicly available directory of individuals within the SM&CR, which includes a wider range of information in comparison to the current FCA register. Banking firms and insurers were required to submit data on directory individuals around September 2019. All other firms, including our Personal Finance division, were required to submit data as of December 9, 2019, following commencement of the SM&CR for FCA solo-regulated firms.

The SM&CR enhanced regime applies to our regulated entities, Together Personal Finance Limited (TPFL) and Blemain Finance Limited (BFL) and the core regime applies to Spot Finance Limited (SFL) as of implementation of the SM&CR on December 9, 2019. There has been a program of activity through a dedicated internal project team, including a number of senior management, second and third lines of defence, to ensure all regulated entities within the group were fully compliant with the SM&CR as of December 9, 2019.

Regulatory applications were submitted to the FCA on October 21, 2019, which consisted of three Form K conversion notification applications (the conversion notification forms for notifying the FCA of which individuals a firm wishes to convert) and three Long Form A applications (which need to be filed for firms that have a chairperson who is an executive director) in respect of three new SMF's allocated under the regime. These applications were submitted to the FCA in addition to all supplementary information, including management responsibilities maps for each enhanced regulated firm and statements of responsibilities for each SMF (one per regulated firm). This activity was completed prior to the FCA application deadline date of November 29, 2019.

SFL has received FCA confirmation that the Form K conversion notification application has been processed as of December 9, 2019. In respect of TPFL and BFL, whilst formal confirmation is in progress, the FCA register entry for each regulated entity details the SMFs for each firm with commencement from the start of the regime. The three Long form A applications are in progress awaiting response from the FCA. For those applications in progress, there can be no assurance that the FCA will approve the application and/or our individual candidates.

To ensure that the firms comply with all associated regulatory requirements under the SM&CR, a full traceability of the rules has been conducted within the second line of defense compliance department. A three lines of defense assurance approach has been in place throughout the project which was designed to carry out oversight of activity to ensure compliance with the SM&CR. We are now in an initial period of embedding the associated policies and procedures to ensure the relevant firms meet their on-going regulatory obligations under SM&CR. Following the recent introduction of the regime, we have established a dedicated resource to support the embedding of new processes during this initial period. Through monthly dashboards, Management Information and other controls, the firm intends to measure and assess how it is meeting the requirements of the regime. Additionally, during this initial period, it is the intention to create and implement an operating model for continued first-line oversight.

Regulation of Residential Mortgages

FSMA and its secondary legislation regulate residential mortgages in the UK. FSMA prohibits any person from carrying on a "regulated activity" by way of business in the UK unless that person is authorized or exempt (the "General Prohibition"). Under the Financial Services and Markets Act 2000 (Regulated Activities Order) 2001 (the "RAO"), regulated activities include residential mortgage activities, such as entering into, administering, or advising or arranging in respect of "regulated mortgage contracts." Agreeing to carry on any of these activities is also a regulated activity.

Under FSMA, if a regulated mortgage contract is not made by an appropriately authorized or exempt person, the person is committing a criminal offence, the regulated mortgage contract is unenforceable against the borrower and the borrower is entitled to recover any money or other property paid or transferred by him under the agreement and compensation for any loss sustained by him as a result of having parted with it. It is therefore important that TPFL, BFL and Spot Finance Limited maintain their regulatory authorizations.

The FCA's MCOB sourcebook sets out the FCA's rules for regulated mortgage activities. These rules cover, *inter alia*, certain pre-origination matters such as financial promotions and pre-application illustrations, pre-contract and start-of-contract and post-contract disclosure, responsible lending, contract changes, charges and arrears and repossessions. The MCOB sourcebook also contains conduct of business standards applicable to mortgage lenders. There are further rules for prudential and authorization requirements for mortgage firms, and for extending the appointed representatives regime to mortgages. The MCOB sourcebook's rules also contain provisions encouraging lenders to exercise forbearance and prohibit authorized firms from repossessing a property unless all other reasonable attempts to resolve the position have been considered, including extending the term of the mortgage, changing its type and deferring payments of interest. Other related requirements include an obligation to establish fair internal policies and procedures for dealing with borrowers who have fallen into arrears, the number of direct debits requests that regulated mortgage firms are allowed to make and information that firms must provide to customers who have fallen into arrears on a regulated mortgage contract, record-keeping and requirements to justify a firm's decision as to actions taken in response to a borrower that has fallen into arrears. In addition to the FCA Handbook, guidance on the FCA's financial promotion rules can also be found via the Advertising Standards Authority (ASA) and the Committee of Advertising Practice (CAP). See also "*—Mortgage Repossession*."

The MCD entered into force on March 20, 2014 and was implemented in the UK on March 21, 2016. The MCD aims to create an EU-wide mortgage credit market with a high level of consumer protection and applies to: (i) credit agreements secured by a mortgage or comparable security commonly used in a Member State on residential immovable property, or secured by a right relating to residential immovable property; (ii) credit agreements the purpose of which is to finance the purchase or retention of rights in land or in an existing or proposed residential building; and (iii) extends the EU Consumer Credit Directive (Directive 2008/48/EC) to unsecured credit agreements the purpose of which is to renovate residential immovable property involving a total amount of credit above €75 thousand. The MCD does not apply to (among others) certain equity release credit agreements to be repaid from the sale proceeds of an immovable property, or to certain credit granted by an employer to its employees. The MCD requires (among other things): standard information in advertising, standard pre-contractual information, adequate explanations to the borrower on the proposed credit agreement and any ancillary service, calculation of the annual percentage rate of charge in accordance with a prescribed formula, assessment of creditworthiness of the borrower; and a right of the borrower to make early repayment of the credit agreement. The MCD also imposes prudential and supervisory requirements for credit intermediaries and non-bank lenders.

On March 25, 2015, the Mortgage Credit Directive Order 2015 was passed in order to make the necessary legislative changes to implement the MCD into UK law. While certain provisions of the Mortgage Credit Directive Order 2015 came into force before March 21, 2016, the Mortgage Credit Directive Order 2015 took effect for most purposes on March 21, 2016. The FCA also made amendments to its Handbook in order to give effect to the MCD, including the amendment to make consumer buy to let mortgage business subject to the FCA's dispute resolution rules and within the Financial Ombudsman Service's jurisdiction. HM Treasury was obliged, by the end of 2018, to have reviewed the implementation of the MCD and publish a report of its conclusions. However, as of the date of this offering memorandum, HM Treasury has not published its report. The report must, in particular: (i) set out the objectives intended to be achieved by the regulatory system established by the Mortgage Credit Directive Order 2015; (ii) assess the extent to which those objectives are achieved; and (iii) assess whether those objectives remain appropriate and, if so, the extent to which they could be achieved with a system that imposes less regulation.

Other key changes that arose from the MCD, which impacted both regulated first and second charge retail lending, include the introduction of the new Mortgage Illustration to replace the previous Key Fact Illustration, a new Annual Percentage Rate Charge which replaced the previous APR and takes into account any charges the consumer is likely to incur during the life of the loan, enhanced rules regarding remuneration of staff and mortgage intermediaries, and further enhancements to rules regarding marketing and financial promotions to ensure these are fair, clear, and not misleading. The Key Fact Illustration was permitted to be used until March 2019 (with certain additional information) subject to the transitional provisions in the MCOB sourcebook and from March 2019 a pre-contractual information document in the format of a "European Standardised Information Sheet" is to be used instead.

Following the UK's implementation of the MCD and commencement of much of the Mortgage Credit Directive Order 2015 in March 21, 2016, a contract is a "regulated mortgage contract" under the RAO if (unless otherwise excluded by specific exemptions set out in the RAO including by virtue of the purpose of the loan being wholly or predominantly for business purposes), at the time it is entered into, the following conditions are met: (i) the borrower is an individual or trustee; and (ii) the obligation of the borrower to repay is secured by a mortgage on land in the EEA, at least 40% of which is used, or is intended to be used, (a) in the case of credit provided to an individual, as or in connection with a dwelling; or (b) in the case of credit provided to a trustee which is not an individual, as or in connection with a dwelling by an individual who is a beneficiary of the trust, or by a related person. A related person (in relation to a borrower, or in the case of credit provided to trustees, a beneficiary of the trust) is broadly the person's spouse or civil partner, near relative or a person with whom the borrower (or in the case of credit provided to trustees, a beneficiary of the trust) has a relationship which is characteristic of a spouse.

The UK's implementation of the MCD has brought second (and subsequent) charge mortgage regulation under the FCA mortgage regime. The definition of a "regulated mortgage contract" therefore comprises both first and subsequent charge residential secured loans. The UK government's policy of regulating lending secured on a borrower's home consistently meant that the it decided to change the regulatory regime of pre-2004 first charge loans regulated by the CCA (see "*Regulation—Regulatory Framework*"). The government put in place transitional provisions for existing mortgage loans so that some of the CCA protections in place when the mortgages were originally taken out are not removed retrospectively.

Although the MCD generally only applies to credit agreements entered into on or after March 21, 2016 the UK's implementation of the MCD also operates retrospectively to regulate "consumer credit back book mortgage contracts." Credit agreements originated before March 21, 2016 which were regulated by the CCA and which would have been regulated mortgage contracts had they been entered into on or after March 21, 2016, are defined by the Mortgage Credit Directive Order 2015 as "consumer credit back book mortgage contracts" and therefore constitute regulated mortgage contracts. Among a number of CCA consumer protections retained in respect of consumer credit back book mortgage contracts by the Mortgage Credit Directive Order 2015 is the continuing unenforceability of the agreement if it was rendered unenforceable by the CCA prior to March 21, 2016. Unless the agreement was irredeemably unenforceable, the lender may enforce the agreement by seeking a court order or bringing any relevant period of non-compliance with the CCA to an end in the same manner as would have applied if the agreement was still regulated by the CCA. If a consumer credit back book mortgage contract was void as a result of section 56(3) of the CCA, that agreement or the relevant part of it will remain void. Restrictions on early settlement fees were retained. If interest was not chargeable under a consumer credit back book mortgage contract due to non-compliance with section 77A of the CCA (duty to serve an annual statement) or section 86B of the CCA (duty to serve a notice of sums in arrears), once the consumer credit back book mortgage contract was regulated by FSMA under the Mortgage Credit Directive Order 2015 as of March 21, 2016, the sanction of interest not being chargeable under section 77A of the CCA and section 86D of the CCA ceases to apply, but only for interest payable under those mortgage loans after March 21, 2016. A consumer credit back book mortgage contract may also be subject to the unfair relationship protections described in "*—Unfair Contract Terms*" and "*—Consumer Protection from Unfair Trading Regulations*" below. Certain provisions of the FCA MCOB sourcebook are applicable to consumer credit back book mortgage contracts. These include the rules relating to disclosure at the start of a contract and post-sale disclosure (MCOB 7), charges (MCOB 12) and arrears, payment shortfalls and repossessions (MCOB 13). General conduct of business standards will also apply (MCOB 2). This process is subject to detailed transitional provisions that are intended to retain certain customer protections in the FCA Consumer Credit sourcebook and the CCA that are not contained within MCOB. Buy-to-let mortgages are excluded from the definition of "consumer credit back book mortgage contract." This means that if a buy-to-let mortgage was regulated by the CCA (because the amount of credit fell below the relevant financial limit in place at the time of origination and was not otherwise exempt), it will continue to be regulated by the CCA as it is not a "consumer credit back book mortgage contract." Non-compliance with the CCA, MCOB and Mortgage Credit Order 2015 and other applicable regulatory regimes may result in adverse effects on the enforceability of certain mortgages and loans and may consequently affect our business and operations and our ability to make payment in full on the 2024 Additional Notes when due.

The MCD required Member States to develop an "appropriate national framework" for buy-to-let lending if they chose to exercise discretion afforded by the MCD to not apply the MCD's provisions to their buy-to-let mortgage markets. The UK government has used the option to have a national framework for buy-to-let lending to consumers, as it stated that it was not persuaded of the case for full conduct regulation under the MCD of buy-to-let mortgage lending. The CBTL framework was implemented on March 21, 2016 and is only applicable to consumer borrowers (sometimes referred to as "accidental landlords"), the majority of buy-to-let lending in the

UK being to non-consumers. The legislative framework is set out in the Mortgage Credit Directive Order 2015. The Mortgage Credit Directive Order 2015 defines a CBTL mortgage contract as: "a buy-to-let mortgage contract which is not entered into by the borrower wholly or predominantly for the purposes of business carried on, or intended to be carried on, by the borrower." It provides that a firm that is an intermediary advises on, arranges, lends or administers CBTL mortgages must be registered with the FCA to do so.

Certain buy-to-let mortgages are still regulated by the CCA because buy-to-let loans only became exempt from CCA regulation on October 31, 2008. Buy-to-let loans originated prior to October 31, 2008, could be regulated by the CCA if the amount of credit was less than the relevant financial limit in place at the time and no other relevant CCA exemption applied. The financial limit for CCA regulation was abolished on April 6, 2008 in respect of all loans except buy-to-let loans. The financial limit of £25,000 in place at the time for CCA regulated loans was not removed for buy-to-let loans until October 31, 2008. Buy-to-let mortgages are not caught by the definition of a "consumer credit back book mortgage contract" and so any buy-to-let loans regulated by the CCA will continue to be regulated by the CCA notwithstanding the implementation of the Mortgage Credit Directive Order 2015. Non-compliance with certain provisions of the CCA may render a regulated credit agreement irredeemably unenforceable or unenforceable without a court order or an order of the appropriate regulator, or may render the borrower not liable to pay interest or charges in relation to the period of non-compliance.

If a buy-to-let mortgage is secured on a property occupied by a related person to the borrower (as defined above) then it will be a regulated mortgage contract. Otherwise, as described above, buy-to-let mortgages will either be regulated by the CBTL regime or the CCA or will be unregulated. As set out above, TPFL is registered as a Consumer buy-to-let lender, a Consumer buy-to-let administrator, a Consumer buy-to-let arranger and a Consumer buy-to-let advisor.

On September 29, 2016, the PRA issued a supervisory statement setting out minimum standards applicable to certain PRA-regulated firms carrying out buy-to-let lending (as specified in the statement) that are similar to the rules on affordability assessments, and stress testing against future interest rate increases that are already applicable to FCA-regulated firms carrying out regulated mortgage business under the MCOB sourcebook. Although the supervisory statement is applicable to PRA-regulated firms not already subject to FCA regulation, and as such not applicable to us, Together Financial Services has adopted the PRA supervisory statement's standards on interest cover ratios. From April 1, 2017 the minimum interest cover ratio increased from 120% to 125% for limited companies and basic rate tax payers. The interest cover ratio for higher rate tax payers is 145% and additional tax rate payers is 160%. Together Financial Services has taken a proportionate response in respect of the further requirements that applied to the relevant Firms from September 30, 2017. It was expected in early 2018 that the PRA will consider whether to carry out a thematic review to assess firms' implementation of these requirements, but the decision is yet to be announced. For additional information, see "*Risk Factors—Risks Relating to Our Business—Changes to the ways in which the United Kingdom regulates the loan industry could have a material adverse effect on our business, results of operations and financial condition*."

The broking of buy-to-let mortgages is no longer a regulated credit activity. However, as mentioned above, advising on, arranging, lending and administering CBTL mortgages are subject to regulation pursuant to the Mortgage Credit Directive Order 2015. This includes a prohibition on a person carrying out consumer buy-to-let mortgage business unless it is a registered consumer buy-to-let mortgage firm with the FCA.

In October 2014, the FCA published final guidance which requires mortgage lenders to limit the total number of first charge residential mortgages at loan to income ratios at or greater than 4.5 times, to no more than 15% of the total number of mortgage lender's new mortgage loans. The limit applies where either of the following conditions are met: (i) in the set of four consecutive quarters ending on June 30, 2014, the lender has entered into regulated mortgage contracts where the sum of the credit provided is or exceeds £100.0 million and the lender enters into 300 or more regulated mortgage contracts; or (ii) during two consecutive sets of four quarters (the first of which ended on June 30, 2014 (rolling quarterly thereafter) and the second of which ended on September 30, 2014 (rolling quarterly thereafter)), a firm has entered into regulated mortgage contracts under which the sum of credit provided in each set of four quarters is or exceeds £100.0 million and the firm has entered into 300 or more regulated mortgage contracts in either of those sets of four quarters. In February 2017, the FCA published its final guidance on loan to income ratios in mortgage lending. The final guidance (among other things) made the following changes to the October 2014 guidance: (i) adding a clarification exclusion to the effect that the guidance does not apply to regulated mortgage contracts that are not first charge legal mortgages; and (ii) applying the limit on a rolling four-quarter basis instead of the previous fixed quarterly limit.

Vulnerable customers

The FCA recently published a guidance consultation (GC19/3) for firms on the fair treatment of vulnerable customers in order to provide regulatory clarity for firms involved in the supply of products or services to retail customers who are actually, or are potentially, vulnerable. GC19/3 gives the FCA's view of what the principles for businesses require of firms to treat vulnerable consumers fairly, sets out the FCA's definition of vulnerable customers, the scale of the issue and the potential impact on customers of being vulnerable. The FCA also sets out the aims of the guidance, what it includes and how they expect firms to use it, how they will hold firms to account if they breach the principles for business and how they will monitor the effectiveness of the guidance. The draft guidance covers three main sections: (i) understanding the needs of vulnerable customers; (ii) ensuring staff have the skills and capabilities needed; and (iii) translating that understanding into taking practical action. The deadline for comments on GC19/3 was October 4, 2019 and the FCA plans to issue a response in the first half of 2020.

Unfair Contract Terms

As noted above, many of the provisions of the pre-existing statutory regime under the CCA and related secondary legislation continue to apply to our business and our relationships with consumers, notwithstanding the transition to the FCA and the various new requirements introduced as a result. Although this summary does not purport to provide a full description of all such current or future requirements, a key ongoing area of responsibility for any properly regulated debt collection business arises under the CRA, which entered into force on October 1, 2015 and replaced the UTCCRs, and certain provisions of the Unfair Contract Terms Act 1977 ("UCTA") (as they applied to consumers), and the interaction of the CRA and the CCA. The UTCCRs apply to contracts entered into from July 1, 1995 to September 30, 2015 and the CRA to contracts entered into from October 1, 2015 onwards.

The CRA significantly reformed and consolidates consumer law in the UK. The CRA involves the creation of a single regime out of UCTA and the UTCCRs for contracts entered into on or after October 1, 2015. The CRA has revoked the UTCCRs in respect of contracts made on or after October 1, 2015 and introduced a new regime for dealing with unfair contractual terms as follows:

- Under Part 2 of the CRA an unfair term of a consumer contract (a contract between a trader and a consumer) is not binding on a consumer (an individual acting for purposes that are wholly or mainly outside that individual's trade, business, craft or profession). Additionally, an unfair notice is not binding on a consumer. However, a consumer may rely on the term or notice if the consumer chooses to do so. A term will be unfair where, contrary to the requirement of good faith, it causes significant imbalance in the parties' rights and obligations under the contract to the detriment of the consumer. In determining whether a term is fair it is necessary to: (i) take into account the nature of the subject matter of the contract; (ii) refer to all the circumstances existing when the term was agreed; and (iii) refer to all of the other terms of the contract or any other contract on which it depends.
- Schedule 2 of the CRA contains an indicative and non-exhaustive "grey list" of terms of consumer contracts that may be regarded as unfair. Notably, paragraph 11 lists "a term which has the object or effect of enabling the trader to alter the terms of the contract unilaterally without a valid reason which is specified in the contract although paragraph 22 provides that this does not include a term by which a supplier of financial services reserves the right to alter the rate of interest payable by or due to the consumer, or the amount of other charges for financial services without notice where there is a valid reason if the supplier is required to inform the consumer of the alteration at the earliest opportunity and the consumer is free to dissolve the contract immediately.
- A term of a consumer contract which is not on the "grey list" may not be assessed for fairness to the extent that (i) it specifies the main subject matter of the contract; and/or (ii) the assessment is of the appropriateness of the price payable under the contract by comparison with the goods, digital content or services supplied under it, provided it is transparent and prominent.
- Where a term of a consumer contract is "unfair" under the CRA it will not bind the consumer (being an individual acting for purposes that are wholly or mainly outside that individual's trade, business, craft or profession). However, the remainder of the contract will, so far as practicable, continue to have effect in every other respect. Where a term in a consumer contract is susceptible of multiple different meanings, the meaning most favorable to the consumer will prevail. It is the duty of the court to consider the fairness of any given term in relation to court proceedings which relate to a term of a consumer contract. The duty will apply even where neither of the parties to proceedings have explicitly raised the issue of fairness in court proceedings.

The CMA published guidance on the unfair terms provisions in the CRA on July 31, 2015 (the "CMA Guidance"). The CMA indicated in the CMA Guidance that the fairness and transparency provisions of the CRA are regarded to be "effectively the same as those of the UTCCRs. "The document further notes that "the extent of continuity in unfair terms legislation means that existing case law generally, and that of the Court of Justice of the European Union particularly, is for the most part as relevant to the Act as it was the UTCCRs." In general, the reported case law on the UTCCRs and/or the CRA leaves the interpretation of each open to some doubt. The extremely broad and general wording of the CRA makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any mortgage or loans which have been made to borrowers covered by the CRA may contain unfair terms which may result in the possible unenforceability of the terms of the underlying mortgage loans (including in relation to early repayment charges).

Both the CCA and the CRA set out specific requirements for the entry into and ongoing management of consumer credit arrangements.

The FCA rules also contain very prescriptive provisions, set out in the Consumer Credit Sourcebook, along with certain retained provisions of the CCA, around the form and content of regulated consumer credit agreements, as well as rules around the provision of pre and post contractual information, the manner in which recovery, collection or enforcement actions should be undertaken and the advertising of consumer credit services.

The CRA contains both generic and specific provisions setting out what constitutes, and the consequences of, unfair relationships and unfair terms.

This legislation applies both to our activities and to those of any initial credit provider with whom we have a relationship. The principal aim of the legislation is consumer protection. These legal requirements oblige creditors, among other things, to:

- provide customers with credit agreement documentation, containing prescribed provisions, at the outset;
- enable customers to obtain copies of credit agreement documentation;
- provide customers with prescribed forms of post-contractual notices at prescribed periods;
- not take certain recovery, collection or enforcement action unless prescribed forms of post contractual notices have been served and a prescribed period of time has elapsed;
- ensure that an "unfair relationship" does not arise between the creditor and the customer during the term of the credit agreement; and
- ensure that their credit agreements do not contain unfair terms (any unfair terms are not binding on the customer).

The "extortionate credit" regime was replaced by an "unfair relationship" test as a result of amendments made to the CCA by the Consumer Credit Act 2006. The "unfair relationship" test applies to all existing and new credit agreements, except regulated mortgage contracts under the FSMA and also applies to (see "*—Regulation of Residential Mortgages*") consumer credit back book mortgage contracts. If a court makes a determination that the relationship between a lender and a borrower is unfair, then it may make an order, among other things, requiring the relevant seller, or any assignee such as the Issuer, to repay amounts received from such borrower. Under the CCA, a customer may request a court to determine whether there has been an "unfair relationship" between the customer and the lender. There are extensive and onerous requirements that apply when such a determination is made, and the burden of proof is on a lender to prove that an unfair relationship does not exist. In applying the "unfair relationship" test, the courts are able to consider a wider range of circumstances surrounding the transaction, including the creditor's and the lender's conduct before and after making the agreement. There is no statutory definition of the word "unfair" in the CCA as the intention is for the test to be flexible and subject to judicial discretion and it is therefore difficult to predict whether a court would find a relationship "unfair." However, the word "unfair" is not an unfamiliar term in UK legislation due to the UTCCR. The courts may, but are not obliged to, look solely to the Consumer Credit Act 2006/CCA for guidance. The principle of "treating customers fairly" under the FSMA, and guidance published by the FSA and, as of April 1, 2013, the FCA on that principle and by the OFT on the unfair relationship test, may also be relevant. It is also open to a court to make a determination under the CRA as to whether or not a specific contractual term or terms is or are unfair. If a court determines that a contractual term is unfair it is not binding on the customer. The decision in *Plevin* has clarified that compliance with the relevant regulatory rules by the creditor (or a person acting on behalf of the creditor) does not preclude a finding of unfairness, as a wider range of considerations may be relevant to the fairness of the relationship than those which would be relevant to the application of the rules.

To the extent that the credit agreement is regulated by the CCA or treated as such, the credit agreement is likely to be deemed unenforceable against the debtor if the lender does not hold the required consumer credit license at the point when the agreement is made. A credit agreement may also be unenforceable in whole or in part in cases where the lender fails to comply with certain other prescribed requirements of the CCA in relation to various detailed requirements such as the content and process governing mandatory notices in the event of default under a regulated credit agreement. The UTCCRs and the CRA apply to agreements which have not been individually negotiated, and may affect our ability to seek enforcement of certain terms of its customers' original contracts, such as rights of the lender to vary the interest rate and certain terms imposing early repayment charges and terms which give the lender a unilateral right to vary the contract or interpret any term of the contract.

Importantly, the CRA extends the application of the unfair contract terms regime to voluntary statements. Statements (whether said or written to the consumer) made voluntarily by a firm or its employees that are taken into consideration by the consumer when deciding whether to enter into a contract will now form part of the contract between the parties. This means that oral statements made by sales teams and financial promotions may form part of consumer contracts. This may also result in an enforcement action by the FCA either for breach of specific CCA or UTCCR/CRA requirements and/or non-compliance with the FCA's TCF or other principles.

MCOB rules for regulated mortgage contracts require that (i) charges for a payment shortfall are equal to or lower than a reasonable calculation of the cost of the additional administration required as a result of the customer having a payment shortfall, (ii) any charges imposed, not just those for payment shortfalls, are not excessive and (iii) any payment received from the customer is allocated in an order of priority which minimizes the amount of the payment shortfall, taking into consideration the relevant month's periodic instalment of capital or interest (or both), the payment shortfall and the interest or charges resulting from the payment shortfall.

In May 2018, the FCA consulted on new guidance relating to the fairness of variation terms in financial services consumer contracts ("GC18/2") and published its finalized guidance on December 19, 2018 ("FG18/7"). The guidance recognizes that there are benefits to certain unilateral variation clauses, and that variations relating to particular areas/carried out for particular reasons are normally fair (for example, variation clauses in respect of mortgage interest rates based upon changes to the cost of funding which comply with the provisions of MCOB), however, it emphasizes that all variation clauses can be subject to a fairness assessment. The guidance presents certain factors which are relevant to such fairness assessments, and suggests drafting elements that, if included within a variation clause, are indicators of a clause being fair or unfair. Our variation terms have been recently reviewed and updated accordingly.

The broad and general wording of the UTCCRs, the CCA and the CRA makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. Therefore, it is possible that any credit agreements which have been made to borrowers covered by the relevant regime may contain unfair terms which may result in the possible unenforceability of the terms of the underlying mortgage loans (including in relation to early repayment charges).

Consumer Protection from Unfair Trading Regulations

The European Parliament and the Council has adopted a Directive on unfair business to consumer commercial practices (the "Unfair Practices Directive"). Generally the Unfair Practices Directive applies full harmonization, which means that member states may not reduce or exceed the levels of consumer protection established in the areas to which the directive requires full harmonization. By way of exception, the Unfair Practices Directive permits member states to impose more stringent provisions in the fields of financial services and immovable property, such as mortgage loans.

The Unfair Practices Directive provides that enforcement bodies may take administrative action or legal proceedings against a commercial practice on the basis that it is "unfair" within the Unfair Practices Directive. The Unfair Practices Directive is intended to protect only collective interests of consumers, and so is not intended to give any claim, defense or right of set-off to an individual consumer.

The Consumer Protection from Unfair Trading Regulations 2008 (the "CPUTR") prohibit certain practices which are deemed "unfair" within the terms of the CPUTR. Breach of the CPUTR does not (of itself) render an agreement void or unenforceable, but the possible liabilities for misrepresentation or breach of contract in relation to the underlying credit agreement may result in irrecoverable losses on amounts to which such agreements apply. Breach of certain CPUTR provisions is a criminal offence. Furthermore, the Consumer Protection (Amendment) Regulations 2014 has amended the CPUTR so as to give consumers a right to redress for prohibited practices, including a right to unwind agreements.

In addition, the Unfair Practices Directive has been taken into account in reviewing rules under the FSMA. For example, MCOB rules for regulated mortgage contracts from June 25, 2010 (formerly these were matters of non-binding guidance) prevent the lender from: (i) repossessing the property unless all other reasonable attempts to resolve the position have failed, which include considering whether it is appropriate to offer an extension of term, or conversion to interest-only for a period, or a product switch; and (ii) automatically capitalizing a payment shortfall.

Distance Marketing

The UK Financial Services (Distance Marketing) Regulations 2004 apply to credit agreements entered into on or after October 31, 2004 by means of distance communication (i.e., without any substantive simultaneous physical presence of the originator and the borrower). A regulated mortgage contract under FSMA, if originated by a United Kingdom lender from an establishment in the UK, is not cancellable under these regulations, but is subject to related pre-contract disclosure requirements in the MCOB sourcebook. Certain other credit agreements are cancellable under these regulations if the borrower does not receive prescribed information at the prescribed time, or in any event for certain unsecured lending. Where the credit agreement is cancellable under these regulations, the borrower may send notice of cancellation at any time before the end of the 14th day after the day on which the cancellable agreement is made, where all the prescribed information has been received, or, if later, the borrower receives the last of the prescribed information.

If the borrower cancels the credit agreement under these regulations, then: (i) the borrower is liable to repay the principal and any other sums paid by the originator to the borrower under or in relation to the cancelled agreement within 30 days beginning with the day of the borrower sending notice of cancellation or, if later, the lender receiving notice of cancellation; (ii) the borrower is liable to pay interest or any early repayment charge or other charge for credit under the cancelled agreement, only if the borrower received certain prescribed information at the prescribed time and if other conditions are met; and (iii) any security is to be treated as never having had effect for the cancelled agreement. If our mortgages or loans are characterized as being cancellable under these regulations, then there could be an adverse effect our receipts, business and operations.

Mortgage Repossession

In June 2010, the FSA made changes to MCOB which effectively converted previous guidance on the policies and procedures to be applied by authorized firms (such as TPFL and BFL) with respect to forbearance in the context of regulated mortgage contracts into mandatory rules. Under these rules, a firm is restricted from repossessing a property unless all other reasonable attempts to resolve the position have failed and, in complying with such restriction, a firm is required to consider whether, given the borrower’s circumstances, it is appropriate to take certain actions. Such actions refer to (among other things) the extension of the term of the mortgage, product type changes and deferral of interest payments. While the FSA indicated that it did not expect each forbearance option referred to in these rules to be explored at every stage of interaction with the borrower, it is clear that these rules impose mandatory obligations on firms without regard to any relevant contractual obligations or restrictions which the relevant mortgage loan may be subject to as a result. The FCA has also previously published prudentially focused finalized guidance in respect of arrears (FG11/15) and finalized guidance on the treatment of customers with mortgage payment shortfalls, which covers remediation for mortgage customers who may have been affected by the way firms calculate their monthly mortgage instalments (FG17/4). There is a protocol for mortgage repossession cases in England and Wales which sets out the steps that judges will expect any lender to take before starting a claim. A number of mortgage lenders, including TPFL and BFL, have confirmed that they will delay the initiation of repossession action for at least three months after a borrower who is an owner-occupier is in arrears. The application of such a moratorium may be subject to the wishes of the relevant borrower and may not apply in cases of fraud. The Mortgage Repossessions (Protection of Tenants etc.) Act 2010 gives courts in England and Wales the same power to postpone and suspend repossession for up to two months on application by an unauthorized tenant (i.e. a tenant in possession without the lender’s consent) as generally exists on application by an authorized tenant. The lender has to serve notice at the property before enforcing a possession order.

Part I of the Home Owner and Debtor Protection (Scotland) Act 2010 imposes additional requirements on heritable creditors (the Scottish equivalent of a mortgagee) in relation to the enforcement of standard securities over residential property in Scotland. Under Part I of the Act, the heritable creditor has to obtain a court order to exercise its power of sale (in addition to initiating the enforcement process by the service of a two-month “calling up” notice), unless the borrower and any other occupiers have surrendered the property voluntarily. In applying for the court order, the heritable creditor also has to demonstrate that it has taken various preliminary steps to attempt to resolve the borrower’s position, and comply with further procedural requirements. This may have adverse effects in markets experiencing above average levels of repossession claims.

Financial Ombudsman Service

All of our regulated entities are subject to the compulsory jurisdiction of FOS. FOS provides an additional route to customers bringing a complaint in the courts. FOS acts as an independent adjudicator of the consumer complaints made to them and is empowered, upon determining a dispute in favor of a customer, to order a firm to pay fair compensation for any loss or damage it caused to the customer, or to direct a firm to take such steps in relation to the customer as FOS considers just and appropriate, irrespective of whether a similar award could be made by a court. FOS makes a decision based on what is fair and reasonable and good practice rather than strictly on the basis of compliance with the law. Certain claims brought before FOS attract a fee, which is paid by us subject to the complaint, whether or not it successfully defends such case. When a complaint is taken to FOS by a customer, we liaise with FOS to assist in their investigation and will provide additional information to FOS where requested. We also provide FOS with additional detail on their interactions with the customer, as well as explanations of firm processes, policies and practices. Any decision reached by FOS is binding on us but not the customer. We use referrals to FOS to identify any complaint trends by completing ongoing route cause analysis.

Financial Services Compensation Scheme

The Financial Services Compensation Scheme ("**FSCS**") is the UK's statutory compensation fund for customers of most financial service firms. It pays compensation, up to certain limits, to eligible customers of financial services firms that are unable, or likely to be unable, to pay claims against them. Compensation payments are, broadly speaking, directed towards those customers who are least able to sustain financial loss, and they provide substantial, but not in all cases complete, cover for the loss incurred. As well as compensating customers when regulated firms fail, the FSCS' aim is to promote confidence in the financial system by limiting the system risk that the failure of a single firm might trigger a wider loss of confidence in the relevant financial sector.

Customers of authorized mortgage firms are protected by FSCS for business conducted on or after October 31, 2004. FSCS can provide protection if a mortgage firm is unable, or likely to be unable, to pay claims against it. FSCS is triggered when a firm authorized to advise on or arrange mortgages by the FCA, goes out of business, for example if the firm goes into administration or liquidation. Once the FSCS are satisfied that a firm is unable, or likely to be unable, to pay claims against it, they will declare the firm in default. A declaration of default opens the way for the firm's customers to make a claim for compensation to the FSCS. The main area of home finance advice that may give rise to a claim falling within the remit of FSCS relates to the suitability of that advice for the customer's circumstances at the time. As a participant firm in the FSCS, we are required to contribute to the costs of the FSCS. The FSCS aims to levy firms only once in each financial year. However, if the compensation costs or specific costs it incurs or expects to incur exceed the amounts it holds to meet those costs, it may impose an interim levies at any time.

Data Protection

As a mortgage and secured lending business, we handle personal data and therefore classify as a "controller." Consequently, we must comply with the requirements established by the General Data Protection Regulation (Regulation (EU) 2016/679) ("GDPR") and Data Protection Act 2018 in relation to processing the personal data of our customers. The Information Commissioner's Office ("ICO") is an independent authority responsible for maintaining, upholding and promoting the best business practices and legislative requirements for processing personal data and safeguarding the information rights of individuals and their rights to access their personal data. Any business processing personal data, such as mortgage lenders or debt collection firms, must pay a data protection fee to the ICO, unless it is exempt. Our business maintains and processes significant amounts of personal data; therefore, we have a data protection policy and have established data protection processes to comply with the requirements of the GDPR and the Data Protection Act 2018 and the applicable guidance issued from time to time by the ICO, such as the handling of data subject access requests from individuals. The ICO is empowered to impose requirements or stop orders, issue monetary fines and prosecute criminal offenses under the Data Protection Act 2018.

The GDPR became applicable in all Member States from May 25, 2018, and made substantial changes to the EU data protection regime. The GDPR sets a higher standard for person data protection. As a controller, we are subject to new requirements under the GDPR. New obligations are also placed on entities that process data on behalf of controllers ("processors"). It is possible that we are subject to the GDPR both as "controllers" and "processors." We need to comply with and demonstrate our compliance with a set of data protection principles under the GDPR. The principles include, among others, obligations to process data lawfully, fairly and transparently, to collect data for specified, explicit and legitimate purposes, to collect the least amount of data required to fulfil the relevant purpose, to keep accurate and up to date data, to keep data in a form which permits the identification of data subjects for no longer than necessary and to process data in a secure manner. We also need to ensure that we comply with other requirements of the GDPR, which include, among other things, changes to the rules on how consent is provided by data subjects for the processing their data, providing information notices to data subjects about how their data is processed, and impact assessments on our data protection systems and policies, and an obligation to notify data breaches. The GDPR also increased the limit of fines that can be imposed as a penalty for a breach of its terms to the greater of 4% of total worldwide annual turnover or €20 million. In addition, regulators are currently particularly focused on data security and protection of personal data from systems failure or cyber-crime. See "*Risk Factors—Risks Relating to Our Business—We are subject to the GDPR relating to unauthorized disclosure of personal data that we collect and retain*" and "*Risk Factors—Risks Relating to Our Business—The Interruption or loss of our information processing systems or third-party systems we use or failure to maintain secure information systems could have a material adverse effect on our business.*"

The European Commission also intends to replace the Privacy and Electronic Communications Directive 2002/58/EC (as amended), which is implemented in the UK through the Privacy and Electronic Communications Regulations. It is intended that the current Directive will be replaced by a new Regulation; once adopted, it will apply directly in all EU Member States. The new Regulation will, if adopted, amend the EU rules in a number of areas relating to electronic communications, including the use of cookies and similar technologies and electronic marketing communications. The text of the new Regulation has not been agreed, hence it is unclear what requirements it will impose on our business and when those requirements will begin to apply. The application of any new Regulation in the UK will also depend on the timing and terms of Brexit.

Industry Bodies

TPFL is a member of UK Finance (which has assumed the industry standard making activities of the Council of Mortgage Lenders) and BFL and Spot Finance Limited are members of the Finance Leasing Association and these companies comply with the relevant standards set out by these organizations.

Regulatory Changes

Many of the regulatory obligations set out in this section are based on, or are derived from, EU measures. In June 2016, the UK public voted to leave the EU. Depending on the terms of Brexit, when finalized, some or all of our regulatory framework may be amended or modified. See "*Risk Factors—Risks Relating to Our Business—The United Kingdom's planned exit from the European Union may adversely impact our business, results of operations and financial condition*."

On April 17, 2019, the FCA published its 2019/2020 Business Plan in which it outlined its key priorities. In addition to supporting an orderly post-Brexit transition, in the retail lending sector the FCA will particularly focus on business models of some retail lending products, including some subprime credit and second change mortgage products.

MANAGEMENT

Board of Directors of the Issuer

Jerrold FinCo plc is a public limited company incorporated under the laws of England and Wales. The Issuer is a direct wholly-owned subsidiary of the Company. The following table sets forth the names, ages and titles of the members of the Board of Directors of Jerrold FinCo plc, as of the date of this offering memorandum.

Name	Year of birth	Title
Henry N. Moser	1949	Director
Gary D. Beckett	1969	Director
Marc R. Goldberg	1971	Director
John Lowe	1972	Director

Henry N. Moser founded Together Financial Services in 1974 and is responsible for all aspects of the strategic and operational development of Together Financial Services. Mr. Moser has also taken the lead in the recruitment of an experienced executive team to support him and to help manage the business. Mr. Moser's role involves particular emphasis on the strategic direction of the group and oversight of commercial loan underwriting functions.

Gary D. Beckett joined Together Financial Services in 1994 and was appointed Group Managing Director and Chief Treasury Officer in 2018, responsible for assisting the group Chief Executive Office in helping drive the strategy, promoting effective collaboration across the group and overseeing the group treasury function. Prior to his appointment as Group Managing Director and Chief Treasury Officer, Mr. Beckett served multiple roles with us, including Financial Controller (1994-2001), Head of Human Resources (1997-2004), Group Operations Director (2000-2001), Group Chief Finance Officer (2001-2018), Company Secretary (1998-2008 and 2014-2016) and had oversight of risk and governance between 2010 and 2013. Before joining Together Financial Services, Mr. Beckett had previously worked on our statutory audit at a national accountancy practice. Mr. Beckett holds a Bachelor of Arts (Honors) degree in Accountancy and Finance and is a qualified chartered accountant.

Marc R. Goldberg joined Together Financial Services in 1989 as an assistant underwriter. Mr. Goldberg was promoted to Underwriting and Product Development Manager in 1995, to Group Sales Director in 1997, to Group Commercial Director in 2009 and to Commercial Finance Chief Executive Offices in January 2016 where he oversees all aspects of commercial finance lending, as well as managing sales, underwriting and marketing. Mr. Goldberg was appointed to the Board of Directors of the Company in 2011.

John Lowe joined Together Financial Services in February 2018 as the Group Finance Director. Mr. Lowe has over 15 years' experience in financial services across a broad range of businesses, including banks, insurance companies and IFA networks. Prior to joining Together, Mr. Lowe spent 10 years at the Coventry Building Society where he undertook a number of senior roles, before ultimately being appointed as the Finance Director. Mr. Lowe has a Bachelor of Arts Degree from Oxford University and is also a qualified Chartered Accountant.

Board of Directors of the Company

The operational affairs of the group are managed by the Board of Directors of the Company. The Company is a private limited company incorporated under the laws of England and Wales. The following table sets forth the names, ages and titles of the members of the Board of Directors of the Company, as of the date of this offering memorandum.

On January 23, 2020, we announced that Gerald Grimes has been appointed as CEO Designate and member of the board of Directors of the Company as executive director starting on April 6, 2020. See "*Summary—Recent Developments.*"

Name	Year of birth	Title
Henry N. Moser	1949	Group Chief Executive Officer
Gary D. Beckett	1969	Group Managing Director and Chief Treasury Officer
Marc R. Goldberg	1971	Commercial Finance Chief Executive Officer
Peter S. Ball	1968	Personal Finance Chief Executive Officer
Marcus J.J.R. Golby	1970	Group Chief Operating Officer
John Lowe	1972	Group Finance Director
Robert M. McTighe	1953	Non-Executive Director and Chairman
Wayne Bowser	1952	Independent Non-Executive Director
Joseph M. Shaoul	1940	Non-Executive Director

The following is biographical information for each member of the Board of Directors of the Company who does not serve on the Board of Directors of the Issuer.

Peter S. Ball joined Together Financial Services in 2016 as the Chief Executive Officer of the Personal Finance division. Mr. Ball has over 25 years' experience working within the financial services sector having previously served as CEO of Harrods Bank, where he oversaw the rejuvenation of the bank. Mr. Ball's previous roles also include Product and Commercial Director of Virgin Money Group, where he was responsible for sales and financial performance across the entire product range, and Director of Partnerships at MBNA/Bank of America.

Marcus J.J.R. Golby initially joined Together Financial Services on a consultancy basis working closely with the Chief Financial Officer before assuming the role of Group Services Director in 2016. Mr. Golby assumed the role of Group Chief Operating Officer in August 2018. Mr. Golby has over 15 years' experience in the financial services sector, and has served as Chief Operating Office at RNM Financial, Interim Chief Operating Officer at Harrods Bank, and Customer Services and HR Director at Lifestyle Services Group. He has worked extensively for the HSBC Group where he undertook a number of senior roles including Director of Customer Services & Operations for Marks & Spencer Financial Services Plc, after starting his career at Coopers & Lybrand/PricewaterhouseCoopers. Mr. Golby is also a qualified Chartered Accountant and has a Master of Business Administration (MBA) Degree.

Robert M. McTighe was appointed a Non-Executive Director and Chairman in 2010. In addition Mr. McTighe also acted as interim CEO of the Personal Finance division of Together Financial Services, between October 2015 and August 2016, when Mr. Ball joined the Company as Chief Executive Officer of the Personal Finance division. Mr. McTighe previously held the positions of Chief Executive of the Global Operations division of Cable & Wireless plc and Chief Executive and Chairman of Carrier1 International and was a director of Alliance & Leicester plc. Throughout his career he has held management positions at General Electric, Motorola and Philips. Currently, Mr. McTighe holds directorships at several companies, including, Arran Isle Ltd, Openreach, the regulated arm of BT Group plc, to which he was appointed as Chairman in January 2017, and IG Group Holdings plc, of which he is expected to be appointed Chairman in February 2020. In the past he has successfully lead the turnaround of a number of companies, such as Pace, Volex Group and certain Lloyds Banking Group distressed debt positions. Additionally, Mr. McTighe was on the Board of Ofcom, the independent regulator and competition authority for the UK communications industries, for over eight years until December 31, 2015. Mr. McTighe holds a Bachelor of Science in Electrical Engineering (Honors) from University College, London.

Wayne Bowser joined Together Financial Services in 2015 as a Non-Executive Director and Chairman of both the Audit Committee and the Risk Committee. Prior to joining the Company, Mr. Bowser worked at HSBC where he was deputy head of commercial banking. Mr. Bowser has held non-executive directorships at various leading firms, in sectors including house building, motor dealership and investments. Mr. Bowser is a member of the Chartered Institute of Bankers.

Joseph M. Shaoul was appointed a Non-Executive Director in 1997. Mr. Shaoul has held a number of directorships and consultancy positions, including Managing Director of Hypo Property Services and a partner in a large Manchester based law firm for many years. Mr. Shaoul has acted as a consultant to CB Richard Ellis and for Svenska Handelsbanken, and was Chair of Atlantic House Fund Management as well as a non-executive director of Bridge Insurance Brokers Ltd and UK Land & Property Ltd. Mr. Shaoul has been a member of the Audit Committee, Risk Committee, the Nomination Committee and the Remuneration Committee since their inception. Mr. Shaoul holds a Bachelor of Law degree from Manchester University and has been admitted to practice as a solicitor since 1964.

Senior Management of the Company

The following table sets forth the names, ages and positions of the members of the Company responsible for overseeing key support functions, as of the date of this offering memorandum.

Name	Year of birth	Title
Henry N. Moser	1949	Group Chief Executive Officer
Gary D. Beckett	1969	Group Managing Director and Chief Treasury Officer
Marc R. Goldberg	1971	Commercial Finance Chief Executive Officer
Peter S. Ball	1968	Personal Finance Chief Executive Officer
Marcus J.J.R. Golby	1970	Group Chief Operating Officer
John Lowe	1972	Group Finance Director
Kevin G. A. Fisher	1959	Human Resources Director
Simon Carter	1961	Information Technology Director
Brian Jackson	1969	Personal Finance Operations Director
Paul A. Wilson	1971	Finance Director, Personal Finance
Steve Miller	1963	Group Chief Risk Officer

The following is biographical information for each of the members of our senior management team who does not serve on the Board of Directors of the Issuer or the Company.

Kevin G. A. Fisher joined Together Financial Services in 2010 as Interim HR Director and was appointed Director of Human Resources in 2011. Between 2000 and 2009, Mr. Fisher served as group HR Director of the CPP Group, overseeing employees in Asia, Europe, North and South America. Prior to joining Together Financial Services, Mr. Fisher was the founder and director of KGA People Solutions Ltd. Mr. Fisher holds a post graduate diploma and is currently a fellow of the Chartered Institute of Personnel and Development.

Simon Carter was appointed as IT Director in 2014. Mr. Carter previously served as Group Quality and Systems Director on the Executive Board of RAC plc and as an IT Director of Cooperative Financial Services. Prior to joining Together Financial Services, Mr. Carter worked as an independent consultant advising chief information officers of organizations, including TNT Express and Thomas Cook. Mr. Carter holds a Master of Arts from Oxford University and is an alumnus of London Business School.

Paul Wilson joined Together Financial Services in January 2018 as the Finance Director for the Personal Finance division. Mr. Wilson was appointed to the Board of Directors for TPFL, BFL and Spot Finance in March 2018. Mr. Wilson joined Together Financial Services from Leek United Building Society, where he was a member of the Board of Directors and held the role of Finance Director since July 2014. Previously, Mr. Wilson held various senior roles at the Co-operative Bank including Director of Group Finance. Mr. Wilson also has day to day responsibility for financial activity in the Commercial Finance division. Mr. Wilson is a Qualified Chartered Accountant.

Brian Jackson joined Together Financial Services in 2016 as Operations Director for the Personal Finance division. Mr. Jackson joined the group from British Gas where he held various roles, more latterly the Director of Collections and Recovery. Mr. Jackson has previously served in various senior positions at MBNA Bank of America, more recently as Head of Collection, Recovery, Fraud and Credit Operations.

Steve Miller joined Together Financial Services in February 2017 on an interim basis to lead enhancements to the Enterprise Risk Management Framework before he was appointed as the Head of Group Risk Framework in April 2017 on a permanent basis. Mr. Miller was appointed as Group Chief Risk Officer in October 2018. Mr. Miller has almost 20 years' experience in senior risk management roles in the banking industry, including Head of Risk Oversight Unit at the Bank of England and Director of UK Operational Risk Management at ABN Amro.

Management of our Personal Finance and Commercial Finance Divisions

We have continued to enhance our corporate governance structure throughout the year ensuring that the governance structures remain robust and that sufficient resources are established to support growth plans and changes in the regulatory environment.

Separate divisional boards were established in January 2016 to manage our Personal Finance and Commercial Finance businesses. These operational divisions enable each board to provide greater focus on the growth of its respective business segment. Each division operates with its own respective board of directors and provides greater executive bandwidth to support the group board, with the Personal Finance board having specific responsibility for our extended FCA regulated businesses. The divisions have been strengthened with the appointment of experienced non-executive directors to support the Boards. In addition, Personal Finance and Commercial Finance have developed the reporting, controls and committee structures appropriate to each business.

Personal Finance Division Management

The Personal Finance division comprises of TPFL, BFL and Spot Finance Limited, each of which is a private limited company incorporated under the laws of England and Wales. The Together Personal Finance Board is a board of directors of the Personal Finance division. All companies within the division have common directors.

In relation to the move to the SM&CR regime, we have amended the Personal Finance Board composition to operate effectively and in line with SM&CR requirements and reflecting the application and allocation of senior management functions and their associated responsibilities. This included the appointment of a new Independent Chair of the Personal Finance Board. In January 2019, David J. Bennett, previous Independent Non-Executive Director and Chair of the Personal Finance Board stepped down and was replaced with Richard J. Gregory. See "*Regulation*" and "*Risk Factors—Risks Relating to our Business—Implementation of the Senior Managers and Certification Regime ("SM&CR") requires significant management attention and the SM&CR imposes ongoing requirements related to our employees*."

The following table sets forth the names, ages and titles of the members of the Board of Directors of TPFL, BFL and Spot Finance Limited as of the date of this offering memorandum.

Name	Year of birth	Title
Richard J. Gregory	1954	Independent Non-Executive Director and Chair
Elizabeth A. Blythe	1966	Independent Non-Executive Director
John E. Hooper	1961	Independent Non-Executive Director
Gary D. Beckett	1969	Group Managing Director and Chief Treasury Officer
Peter S. Ball	1968	Personal Finance Chief Executive Officer
Paul A. Wilson	1971	Finance Director, Personal Finance

The following is biographical information for each member of the Board of Directors of TPFL, BFL and Spot Finance Limited who does not serve on the Board of Directors of the Issuer or the Company and is not a member of the senior management of the Company.

Richard J. Gregory OBE was appointed in January 2019 as Independent Non-Executive Director and Chair of the Personal Finance Board. Mr. Gregory brings with him significant banking experience having worked for the Clydesdale and Yorkshire Banking Group PLC ("CYBG") for nearly 20 years. He currently serves as a Senior Advisor to Virgin Money UK Plc. In 2017, he retired as Senior Independent Director of CYBG, a role in which he helped oversee the operational separation from National Australia Bank, and as Chair of the Risk Committee. Mr. Gregory previously served on the Board of National Australia Group Europe Ltd and on the Board's Audit and Risk committees.

Elizabeth A. Blythe was appointed in September 2019 as an Independent Non-Executive director on the Personal Finance Board. Mrs. Blythe joins Together from Skipton Building Society where she held increasingly senior roles including Finance Director of Homeloan Management Limited and more latterly as the Chief Internal Auditor for the Skipton Building Society Group. Mrs. Blythe is also a founding member and current Chair of the Mutual Sector Internal Audit Group, which shares best practice in internal audit across the building society sector, and acts as the formal negotiating body with regulators regarding issues affecting the sector. Mrs. Blythe. has over 25 years' experience in financial services and is highly experienced working in a regulated environment. Mrs. Blythe also serves as a non-executive director, including for Lhasa Limited, a global software development company (of which she is also a trustee). Mrs. Blythe. is also a qualified Chartered Accountant.

John E. Hooper was appointed in January 2020 as an Independent Non-Executive Director on the Personal Finance Board. Mr. Hooper is currently Chair of the Cumberland Building Society and a Non-Executive director and Chair of the Board Risk Committee of VTB Capital Plc and VTB Capital Holdco. Mr. Hooper has over 20 years' experience in financial services having previously been appointed as a Senior Advisor to Deloitte's

Financial Services Practice, Chief Operating Officer of Clydesdale Bank plc and a Member of the Boards of National Australia Group Europe Limited and Clydesdale Bank plc. Mr. Hooper also held a number of senior executive roles at National Australia Bank including being a member of the Group Executive Committee and CEO of nabCapital, NAB's global wholesale banking business, which included the group's specialist lending activities. It is intended that Mr. Hooper will be appointed Chair of the Risk Committee of Together Personal Finance following receipt of regulatory approval.

Commercial Finance Division Management

The Commercial Finance division comprises of TCFL, HARPL, BDFL and AFL, each of which is a privately limited company under the laws of England and Wales. The Together Commercial Finance Board is a board of directors of the Commercial Finance division. All companies within the division have common directors.

The following table sets forth the names, ages and titles of the members of the Board of Directors of the Commercial Finance division (through each of the four entities listed above) as of the date of this offering memorandum.

Name	Year of birth	Title
Robert M. McTighe	1953	Independent Non-Executive Director
Wayne Bowser	1952	Independent Non-Executive Director
Henry N. Moser	1949	Group Chief Executive Officer
Gary D. Beckett	1969	Group Managing Director and Chief Treasury Officer
Marc R. Goldberg	1971	Commercial Finance Chief Executive Officer

Board of Directors of the Company

The Board of Directors is responsible for setting risk appetite and for setting and overseeing delivery of our strategy within that risk appetite. The Board of Directors takes into account stakeholder considerations, while implementing a strong corporate governance framework. The Board ensures that we have sufficient resource to meet its objectives and to comply with all legal, regulatory and contractual considerations and ensuring that the correct culture and conduct is embedded within the organization. The Board of Directors meets a minimum of six times during the year.

The Board of Directors delegates specific powers for certain matters to committees. All committees of the Board of Directors operate within defined terms of reference and sufficient resources are made available to them to undertake their duties.

Committees of the Board of Directors of the Company

Audit Committee

Our Audit Committee comprises Mr. McTighe and Mr. Shaoul and is chaired by Mr. Bowser. Mr. Moser, Mr. Beckett and Mr. Lowe are regular attendees of the Audit Committee, along with the external audit lead partner, the Head of Internal Audit and the Company Secretary. The Audit Committee responsibilities includes monitoring the integrity of our financial statements and the effectiveness of the external audit process, monitoring internal financial controls and the systems and controls for whistleblowing and detecting fraud, ensuring compliance with accounting policies and providing independent oversight and challenge to financial reporting. It also reviews and assesses the annual internal audit work plan and receives reports on the results of their findings. It formally reports to Board on proceedings within its duties and responsibilities making recommendations on any area within its remit where action is required. The committee meets a minimum of four times during the year.

Risk Committee

Our Risk Committee comprises Mr. McTighe and Mr. Shaoul and is chaired by Mr. Bowser. Mr. Beckett, Mr. Lowe, Mr. Goldberg, Mr. Ball and Mr. Golby are regular attendees of the Risk Committee, along with the Money Laundering Reporting Officer and the Company Secretary. The Risk Committee responsibilities include reviewing our internal control and risk management systems, ensuring compliance with legal, regulatory and contractual requirements, and providing independent oversight and challenge of the Enterprise Risk Management Framework and risk appetite, and advises the Board on current risk exposures and future risk strategy of the group. The Risk Committee formally reports to the Board of Directors on proceedings and makes recommendations on any area within its remit where action is required. The Risk Committee meets a minimum of four times during the year.

Reporting directly into the Risk Committee, with its own delegated powers and responsibilities, is the Executive Risk Committee ("ERC") see "*Business—Risk Management—Risk Oversight and Governance*."

Remuneration & Nomination Committee

Our Remuneration & Nomination Committee is comprised of Mr. Shaoul and Mr. Bowser and is chaired by Mr. McTighe. Mr. Moser, Mr. Beckett, Mr. Fisher and the Company Secretary are regular attendees of the Remuneration & Nomination Committee. The principal objectives of the Remuneration & Nomination Committee are to support the Board of Directors by ensuring there is a formal, thorough and transparent procedure for the appointment of directors and senior managers, a formal, comprehensive and transparent procedure for developing and implementing policy on remuneration for senior management and for determining the remuneration packages for individual directors. Its duties include assisting the Board in relation to the group's remuneration framework, setting the principles and parameters of the group's remuneration policy, determining the individual remuneration and benefits package of the executive directors and senior managers within an appropriate framework where rewards for enhanced performance are fair and incentivize the correct behavior, and considering and making recommendations to the Board in respect of appointments to the Board of Directors and the committees of the Board of Directors. It is responsible for keeping the structure and composition of the Board under review, and also for considering succession planning, taking into account the skills and expertise required by the Board with due regard to diversity. The remuneration of the non-executive directors is a matter for the Chief Executive Officer and the Board Chair. The remuneration of the Board Chair is a matter for the Chief Executive Officer with advice from the independent non-executive directors supported by nominated members of the non-executive and executive team. The Remuneration & Nomination Committee formally reports to the Board of Directors after each meeting on matters within its duties and responsibilities. In addition, the committee makes recommendations to the Board of Directors on any area within its remit where action is required. The Remuneration & Nomination Committee meets at least three times during each year.

Compensation of Directors and Senior Management

The aggregate salary and fees, performance-related remuneration and bonuses, pension contributions and other benefits paid to the directors and senior management listed under "*—Board of Directors of the Company*," "*Personal Finance Division Management*," "*Commercial Finance Division Management*" and "*Senior Management of the Company*" (including all associated tax and national insurance) in the year ended June 30, 2019 was £9.0 million.

Share Ownership

Henry Moser, our Chief Executive Officer, controls directly or indirectly and, together with the D.L. Moser 1995 Family Settlement No 1 Trust, all of the shares of the Issuer. For further details, see "*Shareholders*."

Management Incentive Plan

The senior management share incentive plan and the senior management share option incentive plan are referred to as the "Management Incentive Plan."

Senior Management Share Incentive Plan

In January 2015, we introduced a senior management share incentive plan with respect to the shares of the Company (the "Senior Management Share Incentive Plan"). The D Shares were issued to 18 individuals, under an employee share plan, each waiving their voting rights attached to the shares and certain statutory employment rights. These shares have a right to be included in any sale of the Company's share capital where the sale of shares represents more than 25% of the voting shares of the Company on a cumulative basis. The shares can also be compulsory repurchased or transferred by the Company under certain specific circumstances, such as upon the relevant employee's departure from the Company. Since issuance of the D Shares, certain recipients have since left the Company and their shares have been transferred to the EB Trust. The Exit Transactions resulted in a partial realization of the Senior Management Share Incentive Plan.

Senior Management Share Option Incentive Plan

In January 2015, we introduced a senior management share option incentive plan with respect to the shares of the Company. Class E ordinary shares of the Company options were issued to 18 individuals. The options are exercisable where 25% of the share capital of the Company is sold on a cumulative basis, subject to certain conditions. The options can be cancelled by the Company under certain specific circumstances, such as upon the relevant employee's departure from the Company. Since issuance of the Class E share options, certain recipients have since left the Company and their corresponding options have been cancelled.

Staff Incentive Plan

A staff incentive plan was launched in June 2018 as a long-term reward and retention tool. It is directly linked to employee performance, differentiating awards in favor of those colleagues who have contributed the most to the Company, with additional Company performance measures overlaid, and is paid on the Company reaching performance milestones. At the end of the first full financial year (the year ended June 30, 2019), in which the scheme has been in place, we have reviewed the milestones and taken the decision to modify the scheme to ensure it continues to deliver our objectives. The scheme will now accrue over a six year period with payments made at two year intervals, assuming we have met the agreed milestones each financial year. The present staff incentive plan replaced a 2014 staff incentive plan which was paid out in 2016 – 2018.

Executive Long Term Incentive Plan

In the first half of 2019, we introduced a long-term incentive plan for five out of six executive members of the group's Board. The vesting of the cash payments granted by the plan is based on the achievement of certain targets relating to our business, which will be measured over a ten-year period from July 1, 2018 to June 30, 2028. The vested amounts are subject to reductions prior to payment (or, if already paid, to clawback) in certain circumstances.

SHAREHOLDERS

The Issuer's Shareholders

The Company (Together Financial Services Limited, formerly Jerrold Holdings Limited) is the sole shareholder of the Issuer, holding 100% of the Issuer's issued and outstanding shares.

The Company's Shareholders

The Company has various classes of ordinary shares in issue: A ordinary shares, B ordinary shares, C ordinary shares and D ordinary shares along with E ordinary shares which are authorized but not issued and form a senior management share option scheme. The A ordinary shares are of 50 pence par value each. The B ordinary shares are of 49.9 pence par value each. The C ordinary shares, D ordinary shares and E ordinary shares are of 1 pence par value each. The A ordinary shareholders, B ordinary shareholders and C ordinary shareholders are entitled to vote. The D and E ordinary shareholders have waived their voting rights. All of the voting shares of the Company are directly owned by Bracken Midco2 Limited and are indirectly owned by the Moser Family Shareholders.

The Exit Transactions

On November 2, 2016, the Company, Henry Moser and the D.L. Moser 1995 Family Settlement No 1 Trust (together, the "Moser Family Shareholders") indirectly acquired the equity interest held by Equistone and Standard Life Investments (together, the "Funds") in the Company. In connection with the exit by the Funds (the "Exit"), a series of holding companies was incorporated above the Company (the "Corporate Reorganization"). Following the exit by the Funds and the Corporate Reorganization, the Moser Family Shareholders own 100.0% of the share capital of the ultimate parent company, Redhill Famco Limited, and own indirectly 100.0% of the voting shares of the Company.

The Exit Financing

In connection with the Exit Transactions, on November 2, 2016, Topco, the PIK Notes Issuer, Midco2 and the Company entered into a series of financing arrangements. The PIK Notes Issuer issued the 2021 PIK Notes (repaid as part of the Holdco Refinancing in 2018) in the aggregate principal amount of £220.0 million. The Company issued certain vendor notes in the aggregate principal amount of £100.0 million which were novated to Topco as the Vendor Notes (repaid as part of the Holdco Refinancing). In addition, £17.0 million of the Original Subordinated Shareholder Loan Notes were repaid and £43.0 million of the Original Subordinated Shareholder Loan Notes were replaced by the Novated Shareholder Loan Notes. Following the novation, Famco became the issuer of the Novated Shareholder Loan Notes.

Holdco Refinancing

On September 28, 2018, the PIK Notes Issuer issued £350.0 million in principal amount of the PIK Notes and used the proceeds, together with a dividend from the Company, to repurchase and redeem the 2021 PIK Notes and made payments to its parent company to repay the Vendor Notes and made a distribution to Famco (the "Holdco Refinancing").

RELATED PARTY TRANSACTIONS

We enter into transactions with our shareholders and other entities owned by, or affiliated with, our direct and indirect shareholders in the ordinary course of business. As part of the Exit Transactions, we entered into various transactions with existing and former shareholders in connection with the Exit. The following discussion is a brief summary of certain material arrangements, agreements and transactions we have with related parties.

Ordinary Course Business Transactions

Bracken House Properties LLP

Bracken House Properties LLP, a company owned by the Moser Family Shareholders, owns the buildings, Lake View and No. 1 Lakeside, in which our offices are located at Lakeside, Cheadle, Cheshire SK8 3GW, United Kingdom. Our existing Lake View lease, which is for a term of 15 years and contains a 10-year break clause, commenced on March 1, 2012, with a rent-free period through July 31, 2012. For the year ended June 30, 2019, rent and services fees charged to us by Bracken House Properties LLP amounted to £1,354,081. £1,379,440 was paid to Bracken House Properties LLP in respect of that period (comprising £1,045,702 in respect of Lake View, £303,380 in respect of No. 1 Lakeside and £25,358 attributable to insurance payments). We are currently in an advance stage of negotiating a long term extension of the lease of our Lake View office and entering into a new long term lease of our No. 1 Lakeside office.

Centrestand Limited

Centrestand Limited is a property holding company of which 50% of the shares are owned by Henry Moser. We collect rents and pay service charges and costs on behalf of Centrestand Limited. For the year ended June 30, 2019, property management fees paid by us on behalf of Centrestand Limited amounted to £nil.

Charles Street Commercial Investments Limited

Charles Street Commercial Investments Limited is a company owned by Henry Moser. We refer to Charles Street Commercial Investments Limited potential borrowers to whom we cannot lend, for various reasons, including for falling outside our lending criteria. In addition, the Company carries out certain services on behalf of Charles Street Commercial Investments Limited, including the relevant underwriting process, collections and arrears management activities accounts preparation and treasury activities. The transactions are carried out on an arm’s length basis for a consideration of a fee. Historically, these transactions have been entered into on a case-by-case basis. We have a framework agreement in place between Charles Street Commercial Investments Limited and Together Financial Services Limited.

Sterling Property Co. Limited

Sterling Property Co. Limited, a subsidiary of Bracken House Properties, provides property management services to us for the properties we repossess or place into LPA receivership. See “*Business—Our Operations—Repossessions and LPA Sale*.” For the year ended June 30, 2019, property management fees paid by us to Sterling Property Co. Limited amounted to £22,399.

The Blemain Finance Pension Fund

The Blemain Finance Pension Fund, of which Henry Moser, our Chief Executive Officer is a trustee, operates a defined pension contribution scheme for Blemain Finance Limited, a wholly owned subsidiary of the Company. Henry Moser is one of two beneficiaries of the Blemain Finance Pension Fund. No contributions have been made to the Blemain Finance Pension Fund since 2004.

Related Party Loans

We have entered into certain loan transactions with companies owned or controlled by Henry Moser as borrowers on commercial terms. As of June 30, 2019, such loans, which were all originated prior to 2008, represented 0.2% of our total loan assets. In addition, as of June 30, 2019, a loan to a director of £0.3 million was outstanding. Such loan is interest free and repayable on demand.

Original Subordinated Shareholder Loan Notes

In the past, we issued the Original Subordinated Shareholder Loan Notes of £60.0 million to our shareholders, the proceeds of which we used to fund in part our total loan assets. Of the Original Subordinated Shareholder

Loan Notes, £40.0 million was due to D.L. Moser 1995 Family Settlement No 1 Trust, a trust for the family of Henry Moser, £8.0 million was due to Henry Moser, £9.9 million was due to Equistone Partners Europe (our former shareholder) and £2.1 million was due to Standard Life Investments (our former shareholder). The Original Subordinated Shareholder Loan Notes were repaid as part of the Exit Transactions and partly replaced with Novated Shareholder Loan Notes. See "*Shareholders—The Exit Transactions*."

Novated Shareholder Loan Notes

As part of the Exit Transactions, the Company issued £43.0 million of shareholder loan notes which were novated to Famco (the "Novated Shareholder Loan Notes"). In exchange for the novation, the Company, Midco2, the PIK Notes Issuer, Topco and Famco entered into intercompany loans by virtue of which the Company, Midco2 and the PIK Notes Issuer each borrowed £43.0 million from Midco2, the Issuer, Topco and Famco, respectively. See "*Shareholders—The Exit Transactions*."

Subordinated Shareholder Funding

As part of the Exit Transactions, Midco2 lent the Company £43.0 million in connection with the novation of the Novated Shareholder Loan Notes (the "Shareholder Loan Notes Novation Intercompany Loan"). The Shareholder Loan Notes Novation Intercompany Loan matures in 2036 and is interest free. As part of the Exit Transactions, Midco2 also lent the Company £17.0 million in connection with the partial repayment of the Original Subordinated Shareholder Loan Notes (the "Shareholder Loan Notes Repayment Intercompany Loan"). The Shareholder Loan Notes Repayment Intercompany Loan matures in September 2024 and is interest free. Lastly, Midco2 lent the Company £8.1 million in connection with a staff incentive plan and certain expenses of the Company in connection with the Exit Transactions (the "Other Shareholder Indebtedness Intercompany Loan"). The Other Shareholder Indebtedness Intercompany Loan matures in September 2024 (concurrently with the Refinancing, we intend to extend its maturity to September 2026) and is interest free.

The Shareholder Loan Notes Novation Intercompany Loan, the Shareholder Loan Notes Repayment Intercompany Loan and the Other Shareholder Indebtedness Intercompany Loan are referred to as "Subordinated Shareholder Funding." The Subordinated Shareholder Funding constitutes "deeply subordinated shareholder indebtedness" for the purposes of the Indenture.

For the purposes of inclusion within the consolidated financial statements, the Subordinated Shareholder Funding is classified as financial liabilities initially recognized at fair value. As the Subordinated Shareholder Funding is interest free, the initial fair value, which is estimated by discounting the related expected future cash flows, is lower than the nominal value. The difference between the nominal value (in an aggregate amount of £68.1 million) and the initial fair value (in an aggregate amount of £22.0 million) is deemed to be a capital contribution and represents a non-distributable reserve in total equity (as per our consolidated financial statements). As the Subordinated Shareholder Funding approaches maturity, the amortization of the fair-value discount is recognized in the income statement as an interest expense with a corresponding transfer to reduce the related non-distributable reserve.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

2024 Notes

General

On February 22, 2017, the Issuer issued £200.0 million 6 $^1/_8$% 2024 Original Notes due 2024 (the "2024 Original Notes"). Subsequently, on January 31, 2018, the Issuer issued £150.0 million 6 $^1/_8$% 2024 Additional Notes due 2024 (the "2024 Additional Notes", and together with the 2024 Original Notes, the "2024 Notes"). Neither offering was subject to the registration requirements of the U.S. Securities Act. The 2024 Notes are governed by an indenture entered into by, inter alios, Jerrold FinCo plc as issuer, Deutsche Trustee Company Limited as trustee, the Company as parent guarantor and the 2024 Notes Subsidiary Guarantors (defined below) as guarantors.

Maturity and Interest

The 2024 Notes mature on January 15, 2024. The 2024 Notes bear interest at a rate of 6.125% per annum and the Issuer pays interest on the 2024 Notes semi-annually in arrears on January 15 and July 15 of each year.

Ranking

The 2024 Notes are the senior secured obligations of the Issuer and rank *pari passu* in right of payment with all existing and future indebtedness of the Issuer that is not expressly subordinated in right of payment of the 2024 Notes. The 2024 Notes rank senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment of the 2024 Notes.

The 2024 Notes are guaranteed on a senior secured basis by the Company and each of the following subsidiaries of the Company: Blemain Finance Limited, Together Personal Finance Limited (formerly Cheshire Mortgage Corporation Limited), Factfocus Limited, General Allied Properties Limited, Harpmanor Limited, Jerrold Mortgage Corporation Limited, Together Commercial Finance Limited (formerly Lancashire Mortgage Corporation Limited), Spot Finance Limited, Supashow Limited, Classic Car Finance Limited, Bridging Finance Limited, Bridgingfinance.Co.Uk Limited, Auction Finance Limited, and Jerrold Holdings Limited (formerly Together Financial Services Limited and formerly Manchester Property Investments Limited) (the "2024 Notes Subsidiary Guarantors" and, together with the Company, the "2024 Notes Guarantors"). The guarantees rank senior in right of payment to the respective 2024 Notes Guarantor's future debt that is expressly subordinated in right of payment to such guarantee and rank *pari passu* in right of payment with the respective 2024 Notes Guarantor's existing and future debt that is not so subordinated, including such 2024 Notes Guarantor's obligations under the Revolving Credit Facility.

Subject to the terms of the Senior Secured Intercreditor Agreement (defined below), secured indebtedness up to an amount equal to 10% of the aggregate principal amount of senior secured non-securitization indebtedness (excluding senior secured non-securitization indebtedness that receives priority status) and hedging obligations may receive priority over the holders of the 2024 Notes with respect to any proceedings received upon any enforcement action over the collateral.

The 2024 Notes are secured by first-priority fixed and floating security interests in:

- all of the issued capital stock in the Issuer and each 2024 Notes Subsidiary Guarantor; and
- substantially all of the existing and future property and assets of the Issuer and the 2024 Notes Guarantors, including all real property, book debts, bank accounts, investments, uncalled capital and goodwill, intellectual property, plants and machinery and insurances and all related proceeds, claims of any kind, returns of premium and other benefits, other than collection accounts (but excluding assets of the Securitizations).

The 2024 Notes are also secured by an assignment of the proceeds loan from the Issuer to the Company with respect to the proceeds of the 2024 Notes. The 2024 Notes and the guarantees thereof may, subject to certain agreed security principles and limitations under applicable law, be released under certain circumstances.

Redemption

At any time on or prior to January 15, 2020:

- the Issuer may redeem some or all of the 2024 Notes at 100% of their principal amount plus accrued and unpaid interest, if any, plus a make-whole premium; and

- the Issuer may redeem up to 40% of the aggregate principal amount of the 2024 Notes at 106.125% plus accrued and unpaid interest with the proceeds of certain equity offerings, provided that at least 60% of the aggregate principal amount of the 2024 Notes remains outstanding.

The Issuer may redeem the 2024 Notes in whole, but not in part, at any time, if, as a result of certain changes in tax law the Issuer is or would be required to pay additional amounts with respect to the 2024 Notes. If the Issuer decides to exercise such redemption right, it must pay a price equal to 100% of the principal amount of the 2024 Notes plus interest and additional amounts, if any, to the date of redemption.

On or after January 15, 2020, the Issuer may redeem some or all of the 2024 Notes at 103.063% of the principal amount plus accrued and unpaid interest, if any. On or after January 15, 2021, the Issuer may redeem some or all of the 2021 Notes at 101.531% of the principal amount plus accrued and unpaid interest, if any. On or after January 15, 2022, the Issuer may redeem some or all of the 2024 Notes at 100% of their principal amount plus accrued and unpaid interest.

Change of Control and Asset Sale Offers

If an event treated as a change of control occurs, then the Issuer may be required to make an offer to repurchase the 2024 Notes at a purchase price in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any.

In the event of certain asset sales, after which the proceeds are not reinvested in the form envisaged by the 2024 Notes Indenture and as a result of which such proceeds exceed £20.0 million, the Issuer is required to make an offer to repurchase the 2024 Notes at 100% of the maximum principal amount that may be purchased, repaid or redeemed out of the Excess Proceeds.

Dividends

Under the terms of the 2024 Notes Indenture, the Company may not declare or pay a dividend (in cash or in kind) other than:

- a dividend in an amount not exceeding (i) 50% of the aggregate of the consolidated net income of the Company and its subsidiaries from the period commencing July 1, 2013 to the end of the Company's most recently ended fiscal quarter; plus, inter alia, (ii) 100% of any additional equity contributed to the Company in cash since February 22, 2017; less (iii) any such prior dividends. No such dividend or similar payments may be made where (i) on a *pro forma* basis, the Company and its restricted subsidiaries would be not able to incur an additional £1.00 of indebtedness without the ratio of the Company's consolidated EBITDA (as defined in the 2024 Notes Indenture) to the Company's fixed charges (excluding fixed charges related to the Securitizations) exceeding 2.00 to 1.00; or (ii) a Default or Event of Default has occurred and is continuing or would occur thereby pursuant to the 2024 Notes Indenture; or
- pursuant to customary carve outs, including a "general basket" of up to £30.0 million.

Events of default

The 2024 Notes Indenture contains customary events of default, including, without limitation, payment defaults, incurrence covenant defaults, breach of other obligations set forth in the 2024 Notes Indenture, the Senior Secured Intercreditor Agreement (defined below) or any security document with respect to the 2024 Notes after a 60 day grace period, certain cross-defaults to mortgages, indentures or other instruments in relation to indebtedness aggregating £30.0 million or more not being paid prior to the expiration of the grace period provided in the agreements related to such indebtedness or such indebtedness becoming due and payable before its specified maturity, failure to pay final judgments in excess of £30.0 million, any guarantees under the 2024 Notes being found to be unenforceable or invalid, breach of any material representation or warranty or agreement in the security documents securing the 2024 Notes or the unenforceability of the security documents securing the 2024 Notes (subject to certain limitations and grace periods), certain insolvency, winding-up or related events, the occurrence of which, with respect to certain events of default, would result in the 2024 Notes becoming due and payable or, with respect to certain other events of default, would allow noteholders to declare the 2024 Notes due and payable.

Covenants

The 2024 Notes Indenture contains covenants for the benefit of the holders of the 2024 Notes that, among other things, limit the ability of the Issuer and the Company and its restricted subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;

- pay dividends, redeem capital stock and make certain investments;
- make certain other restricted payments;
- create or permit to exist certain security interests;
- impose restrictions on the ability of the Company's subsidiaries to pay dividends or make other payments to the Issuer;
- transfer, lease or sell certain assets, including subsidiary stock;
- merge or consolidate with other entities;
- enter into certain transactions with affiliates;
- impair the security interests for the benefit of the holders of the 2024 Notes.

These limitations are, however, subject to a number of important qualifications and exceptions. If the 2024 Notes are assigned an investment grade rating by Standard & Poor's and Fitch Ratings and no default has occurred and is continuing, certain covenants, including those governing the incurrence of debt and the limitation on restricted payments, will be suspended.

Senior PIK Toggle Notes

On September 28, 2018, the PIK Notes Issuer issued £350.0 million 87/8%/10 3/8% Senior PIK Toggle Notes (the "PIK Notes"). The PIK Notes are governed by New York law. The PIK Notes will mature on October 15, 2023, unless earlier redeemed or repurchased and cancelled. The PIK Notes do not benefit from any credit support from the Company or its subsidiaries. Interest on the PIK Notes is payable semi-annually in arrears on each April 15 and October 15 of each year. The first and the last interest payment on the PIK Notes will be made in cash. For each other interest payment, the PIK Notes Issuer will be required to pay interest on the PIK Notes entirely in cash, unless certain conditions described in the PIK Notes Indenture are satisfied, in which case the PIK Notes Issuer will be entitled to pay, to the extent described therein, interest for such interest period by increasing the principal amount of the PIK Notes or by issuing PIK Notes in a principal amount equal to such interest. Interest payable on the PIK Notes accrues at a rate equal to 8.875% per annum for interest paid in cash and 10.375% per annum for interest paid in kind and capitalized yearly based on a 360-day year of twelve 30-day months.

The PIK Notes are senior obligations of the PIK Notes Issuer and effectively subordinated to all existing and future obligations of the subsidiaries of the PIK Notes Issuer, including the Notes issued hereby, the 2024 Notes, the Securitizations, borrowings outstanding under the Revolving Credit Facility, trade payables and lease obligations. The PIK Notes are secured by way of: (i) a pledge over the issued capital stock in Midco2 and (ii) an assignment of all existing and future intercompany loans in respect of which the PIK Notes Issuer is the lender. The PIK Notes are not guaranteed.

The PIK Notes Indenture contains covenants for the benefit of the holders of the PIK Notes that, inter alia, limit the ability of the PIK Notes Issuer and its restricted subsidiaries, including, among others, the Issuer, to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends, redeem capital stock and make certain investments;
- make certain other restricted payments;
- create or permit to exist certain security interests;
- enter into sale and leaseback transactions;
- impose restrictions on the ability of PIK Notes Issuer's subsidiaries to pay dividends or make other payments to the PIK Notes Issuer;
- transfer, lease or sell certain assets, including subsidiary stock;
- merge or consolidate with other entities;
- enter into certain transactions with affiliates; and
- impair the security interests for the benefit of the holders of the PIK Notes.

These covenants are in general no more restrictive on the Company and its subsidiaries than those contained in the Indenture and the 2024 Notes Indenture, with the exception that certain unsecured indebtedness of the Company and its subsidiaries is limited to an amount not to exceed the greater of £40 million and 1.3% of Total Assets (as defined therein) outstanding at any time.

These limitations are, however, subject to a number of important qualifications and exceptions. If the PIK Notes are rated BBB- or better by Fitch Ratings Limited and BBB- or better by Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, Inc. and no default has occurred and is continuing, certain covenants, including those governing the incurrence of debt and the limitation on restricted payments, will be suspended.

In order to establish the relative priority between the holders of the PIK Notes and Topco, as the lender under certain PIK Notes Issuer subordinated shareholder funding, the PIK Notes Issuer, the PIK Notes security agent and the PIK Notes trustee entered into the Subordination Deed.

Revolving Credit Facility

We entered into a revolving credit facility on November 9, 2007, as amended and restated on August 28, 2012, as amended on September 27, 2013, as amended and restated on July 28, 2014, as amended and restated on August 27, 2015, as amended on January 11, 2016, as amended and restated on November 2, 2016, as supplemented by a consent letter dated February 13, 2017 as amended and restated on June 5, 2017 (the "2017 Restatement") and as amended and restated pursuant to an amended and restatement agreement dated April 27, 2018 and as may be amended from time to time (the "Revolving Credit Facility"), with, *inter alios*, certain of our subsidiaries as borrowers, certain of our subsidiaries as guarantors and Barclays Bank PLC, Citigroup Global Markets Limited, Credit Suisse AG, London Branch, HSBC Bank plc and The Royal Bank of Scotland plc as mandated lead arrangers. The Revolving Credit Facility consists of a sterling-denominated revolving credit facility with a total commitment, as of April 2018, of £71.9 million and in addition there is an accordion facility, the commitments of which shall not be provided on more than three occasions. As of June 30, 2019, the drawn amounts pursuant to the Revolving Credit Facility were £25.0 million. The Revolving Credit Facility expires on June 15, 2021. Borrowings under the Revolving Credit Facility are available to fund general corporate and working capital purposes of the borrowers and guarantors (but cannot be used towards acquisitions of companies, businesses or undertakings or prepayment, repayment, purchase defeasance or redemption or any of our high yield Senior Secured Notes (the "HY Liabilities") or liabilities under and in respect of certain overdraft arrangements).

Repayments and Prepayments

Repayments of loans drawn under the Revolving Credit Facility and related interest payments are due and payable at the end of the interest period for each loan. The applicable interest period is selected in the relevant utilization request and will either be one, two, three or six months or any other period agreed between the Company, RBS (as Agent under the Revolving Credit Facility) and all the lenders. An interest period shall not extend beyond the Revolving Credit Facility expiry date.

Additionally, if (i) there is a change of control (under either the Revolving Credit Facility or the Senior Secured Notes), including (but not limited to) if the D.L. Moser 1995 Family Settlement No 1 Trust or another trust of the Moser Family Shareholders under certain conditions is terminated, or (ii) it becomes unlawful in any jurisdiction for a lender to perform their obligations, the lenders under the Revolving Credit Facility have the right to cancel their commitments and declare all outstanding amounts immediately due and payable.

Interest

Loans under the Revolving Credit Facility bear interest at a rate equal to the aggregate of LIBOR and a margin of 3.00% per annum.

Guarantees and Security

The Revolving Credit Facility is irrevocably and unconditionally jointly and severally guaranteed by the Issuer and each of (i) Together Financial Services Limited (formerly Jerrold Holdings Limited), Blemain Finance Limited, Together Personal Finance Limited (formerly Cheshire Mortgage Corporation Limited), Factfocus Limited, General Allied Properties Limited, Harpmanor Limited, Jerrold Mortgage Corporation Limited, Together Commercial Finance Limited (formerly Lancashire Mortgage Corporation Limited), Spot Finance

Limited, Supashow Limited, Classic Car Finance Limited, Bridging Finance Limited, Bridgingfinance.co.uk Limited, Auction Finance Limited, and Jerrold Holdings Limited (formerly Together Financial Services Limited and formerly Manchester Property Investments Limited) and (ii) any other Restricted Subsidiary that executes a Note Guarantee in accordance with the provisions of the Indenture, and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the provisions of the Senior Secured Notes Indentures and secured by charges over the collateral securing the Senior Secured Notes.

Representations

The Revolving Credit Facility requires all of the borrowers and guarantors to make a number of customary representations and warranties (subject to certain exceptions and qualifications and with certain representations and warranties being repeated at certain times), including but not limited to, status, binding obligations, non-conflict with other obligations, power and authority, validity and admissibility in evidence, governing law, deduction of tax, no proceedings pending or threatened, good title to assets, centre of main interest, intellectual property, sanctions and anti-corruption laws.

Covenants

The Revolving Credit Facility contains certain maintenance, positive, negative and incurrence covenants. The incurrence covenants largely follow those set forth in the section entitled "*Description of Notes—Certain Covenants*," subject to certain agreed exceptions. In addition, the Revolving Credit Facility contains a notes purchase condition (see "*—Note purchase condition*").

The Revolving Credit Facility also requires the Company and each guarantor and/or borrower to observe certain affirmative covenants, including, but not limited to obtaining all necessary authorizations, change of business, environmental compliance, pari passu ranking and compliance with sanctions and anti-corruption laws.

The incurrence covenants under the Revolving Credit Facility will be suspended upon the 2021 Notes and 2024 Notes and any other high yield senior secured notes obtaining a rating of "BBB-" or better by Fitch and "BBB-" or better by S&P (or, if either such entity ceases to rate such notes, the equivalent investment grade credit rating from any other "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Company as a replacement agency) provided that no default has occurred and is continuing at such time. Upon loss of such status the incurrence covenants would re-apply to the Company and each other borrower and guarantor.

The Revolving Credit Facility contains an information covenant under which, among other things, the Company is required to deliver to the Agent annual financial statements, quarterly financial statements and compliance certificates.

Financial Covenant

The Revolving Credit Facility requires the Company to ensure the consolidated senior secured gearing ratio (calculated as secured non-securitization financial indebtedness of the restricted subsidiaries on a consolidated basis (less cash and cash equivalents up to a specified amount) as a percentage of the non-securitization secured property loans held by the restricted subsidiaries (determined as total loans and advances to customers as reported under accounting principles excluding any such principal amounts held by a guarantor or borrower under any qualified securitization financing) is equal to or less than 75% at all times.

Compliance is to be tested quarterly and in limited circumstances the Company has the ability to cure a breach of the covenant.

Note Purchase Condition

Subject to certain customary carve-outs and exceptions set out in the Revolving Credit Facility, no borrower or guarantor will, purchase, prepay, defease redeem (or otherwise retire for value) any Senior Secured Notes (a "Debt Repurchase") unless:

- immediately following such prepayment, purchase, defeasance or redemption (or other retirement for value), the ranking and priority (the "Existing Ranking"), of all present and future liabilities and obligations at any time of each borrower and guarantor is maintained; and either:

- immediately following such prepayment, purchase, defeasance or redemption (or other retirement for value), the aggregate of the principal amount of HY Liabilities repaid, prepaid, purchased, defeased or redeemed (or otherwise retired for value) since the restatement date of the 2017 Restatement (other than from the proceeds of HY Liabilities) is 50% or less of the aggregate principal amount of such HY Liabilities on such restatement date; or
- to the extent that (i) the aggregate principal amount of such prepayments, purchases, defeasances or redemptions (or other retirements for value) exceeds 50% of the aggregate principal amount of such HY Liabilities on the restatement date, the loan commitments under the Revolving Credit Facility are simultaneously cancelled (and, if applicable, loans are prepaid) pro rata or (ii) the Existing Ranking is not maintained, the commitments are simultaneously cancelled (and, if applicable, loans are prepaid) in an amount equal to that required to maintain the Existing Ranking immediately following the proposed Debt Repurchase; and
- no default is continuing or would result from the prepayment, purchase, defeasance or redemption (or other retirement for value).

Events of Default

The Revolving Credit Facility contains certain standard events of default, the occurrence of which would allow a majority of the lenders to cancel their commitments, accelerate all outstanding loans, accrued interest and other amounts and declare them due and payable and to enforce the lenders' rights under the Revolving Credit Facility and certain other related documents. These events of default include, among other events and subject in certain cases to agreed grace periods, thresholds and qualifications:

- non-payment of amounts due under the applicable documents;
- failure to satisfy financial and other covenants, undertakings (including sanctions) and other obligations;
- inaccuracy of a representation or statement when made or deemed to be made;
- cross-default;
- insolvency or any proceedings or analogous processes in connection with insolvency;
- any subsidiary of the Company that is an obligor under the Revolving Credit Facility ceases to be a subsidiary of the Company;
- unlawfulness or invalidity of certain documents related to the Revolving Credit Facility;
- expropriation, attachment, sequestration, distress or execution with regard to the assets of the group;
- repudiation and rescission of certain agreements, including those related to the Revolving Credit Facility;
- any security interest (or the ranking or priority a security interest is expressed to have) becomes unenforceable;
- cessation of business;
- any document related to the Revolving Credit Facility becomes unenforceable;
- failure of any party (other than a finance party) to comply with the provisions of, or does not perform its obligations under the Senior Secured Intercreditor Agreement (defined below); and
- audit qualification.

Governing law

The Revolving Credit Facility is governed by English law.

Intercreditor Agreement

To establish the relative rights of certain of our creditors under our financing arrangements, the Issuer, the Guarantors, the lenders under the Revolving Credit Facility, The Royal Bank of Scotland plc as security agent for the Revolving Credit Facility, the Senior Secured Notes and certain hedging arrangements (the "Security Agent"), among others, entered into an amendment and restatement of an existing intercreditor agreement originally dated November 9, 2007 and as amended and restated from time to time (that intercreditor agreement, as amended and restated most recently on October 13, 2016, the "Intercreditor Agreement"), to govern the relationships and relative priorities among: (i) the lenders to the Revolving Credit Facility; (ii) the holders of high yield senior secured notes that we may issue, including the Notes, and those party to any indentures or other documents governing such high yield senior secured notes; (iii) the lenders under our overdraft arrangements; (iv) the hedge counterparties to our hedging arrangements; and (v) the creditors of our subordinated debt and intragroup debt. On or about the Issue Date, we expect that the Trustee will accede to the Intercreditor Agreement as a "High Yield Senior Secured Trustee". The lenders, holders and hedge counterparties referred to in (i) to (iv) above being the "Priority Creditors" and the indebtedness owing to those Priority Creditors under the documents referred to in (i) to (iv) above, being the Priority Debt.

General

By accepting a Note, the holder thereof will be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement. The following description is a summary of certain provisions, among others, contained in the Intercreditor Agreement that relate to the rights and obligations of the holders of the Notes and the other creditors party thereto. It does not restate the Intercreditor Agreement in its entirety nor does it describe provisions relating to all classes of debt. As such, you are urged to read the document because it, and not the discussion that follows, defines certain rights of the holders of the Notes and certain other creditors. In this discussion, capitalized terms have the meaning given to them in the Intercreditor Agreement unless the contrary is otherwise stated or the context otherwise requires.

Ranking and Priority

The Intercreditor Agreement provides that our liabilities under our indebtedness shall rank in right and priority of payment in the following order:

- first, liabilities under and in respect of (i) the Revolving Credit Facility; (ii) our high yield senior secured notes (including the 2021 Notes and 2024 Original Notes and the 2024 Additional Notes) (the "HY Liabilities"); (iii) certain overdraft arrangements; and (iv) certain hedging arrangements, pari passu without any preference among them (collectively the "Priority Liabilities"); and
- second, all other debt, including the Subordinated Shareholder Funding and intragroup debt and any debt owing by an obligor to Midco2 ("Parent Debt") (as described below) (collectively, "Subordinated Debt"), is subordinated in right and priority of payment.

The Intercreditor Agreement will provide that an amount of the liabilities in respect of the Revolving Credit Facility (or any replacement or additional credit facility), which in aggregate constitutes an amount not greater than 10% of the outstanding principal amount of the Priority Liabilities, (but excluding any Priority Liabilities that receive priority status) and certain hedging liabilities (the "Super Senior Liabilities"), will receive priority in respect of the proceeds from any Distressed Disposal (as defined in the Intercreditor Agreement) and/or the enforcement of transaction security or guarantees, in the manner described under "*—Application of Amounts Recovered*."

Except as otherwise provided by the Intercreditor Agreement, all primary obligations, all guarantees and all security created pursuant to any Revolving Credit Facility document, high yield senior secured finance document, hedging document and overdraft document (together, the "Secured Documents") will:

- rank as security for the Revolving Credit Facility, any high yield senior secured debt, any overdraft debt and any hedging debt pari passu among themselves, irrespective of the order of execution, creation, registration, notice, enforcement or otherwise; and
- secure the Revolving Credit Facility debt, any high yield senior secured debt, any overdraft debt and any hedging debt *pari passu* among themselves, irrespective of:
    - the date on which the Revolving Credit Facility debt, high yield senior secured debt, overdraft debt or hedging debt arose;
    - whether a senior finance party, overdraft lender or Hedging Bank is obliged to advance any Revolving Credit Facility debt, high yield senior secured debt, any overdraft debt or pay any hedging debt; or
    - any fluctuation in the amount, or any intermediate discharge in whole or in part, of any Revolving Credit Facility debt, high yield senior secured debt, overdraft debt or hedging debt.

The Subordinated Debt is and will remain unguaranteed and unsecured.

Permitted Payments

The Intercreditor Agreement provides that the members of our group, as applicable, may make payments in relation to the Revolving Credit Facility and any high yield senior secured debt, including the 2021 Notes and 2024 Original Notes and the 2024 Additional Notes, in accordance with their respective governing documents.

Members of our group may make payments in respect of our overdraft arrangements, as agreed under the governing documents of our overdraft arrangements, so long as certain defaults have not occurred and not otherwise prohibited by the Intercreditor Agreement.

Members of our group may make payments in respect of our hedging arrangements, as agreed under the governing documents of our hedging arrangements, so long as certain defaults have not occurred and not otherwise prohibited by the Intercreditor Agreement.

Until the discharge of all the liabilities in respect of the Revolving Credit Facility and the HY Liabilities (the "Senior Discharge Date") and subject to certain restrictions, members of our group may make certain payments in respect of certain Subordinated Debt, as agreed under the governing documents of that Subordinated Debt, so long as certain defaults have not occurred and not otherwise prohibited by the Indenture and the Intercreditor Agreement.

Until the Senior Discharge Date and subject to certain restrictions, members of our group may make certain payments in respect of our intragroup debt, in accordance with the terms of the Revolving Credit Facility and any indenture governing any high yield senior secured debt (including the Indenture), so long as certain defaults have not occurred and to the extent that such payment is not prohibited by the terms of the Indenture or by the term of any Revolving Credit Facility document.

Hedging

Pursuant to the Intercreditor Agreement, persons entering into any hedging transaction with any obligor will be entitled to share in the Security created by the Senior Security Document (as defined in the Intercreditor Agreement) provided that they are either Original Hedging Banks listed in the Intercreditor Agreement or that the Security Agent has agreed in writing to that person becoming a Hedging Bank.

Non-security Enforcement

No creditor of overdraft debt or Subordinated Debt may take any enforcement action until the Senior Discharge Date, unless required or consented to by the Security Agent acting on the instructions of the instructing group.

With respect to hedging debt, each Hedging Bank will, upon being so instructed by the Security Agent, designate an early termination date under the relevant hedging document, or terminate, or close out any transaction under, the relevant hedging document, prior to its stated maturity, or demand payment of any amount which would become payable on or following an early termination date or any such termination or close-out, if any of the following has occurred: (i) failure to pay or deliver under the relevant hedging document (subject to applicable grace periods); (ii) illegality, tax event, tax event upon merger or force majeure event; (iii) acceleration of the Revolving Credit Facility, the Notes or any other high yield senior secured debt (or declaration that the high yield senior secured debt is prematurely due and payable) or the enforcement of any security; (iv) occurrence of an insolvency event in relation to any obligor that is a hedging counterparty; and (v) if any hedging under a hedging document becomes speculative (other than simply as a result of the Revolving Credit Facility being repaid or prepaid in accordance with its terms).

Security Enforcement

The Intercreditor Agreement provides that the Security Agent may refrain from enforcing the security interests of the secured parties under the Revolving Credit Facility, any high yield senior secured debt, the overdraft arrangements and the hedging arrangements once the security has become enforceable unless the Security Agent receives proposed enforcement instructions to act otherwise that are in accordance with the security enforcement principles provided in the Intercreditor Agreement.

Instructions of the enforcement of Transaction Security may be delivered to the Security Agent by any of (i) the lenders representing in aggregate more than 66 2/3% of the outstanding Super Senior Liabilities (the "Majority

Super Senior Lenders"), or (ii) creditors representing at least 50% of the aggregate principal amount of (A) the high yield senior secured notes under one or more indentures and (B) the Revolving Credit Facility (but excluding any such credit participants as will be counted towards the Super Senior Liabilities) and (C) the overdraft voting as a single block (the "Majority Pari Passu Secured Creditors"). If the Majority Super Senior Lenders or the Majority Pari Passu Secured Creditors wish to instruct the Security Agent to commence enforcement of any Transaction Security, the agent to the senior lenders (the "Senior Agent") or the trustee under one or more indentures (the "HY Trustee") (each a "Creditor Representative"), as the case may be, shall deliver a copy of the proposed enforcement instructions to the Security Agent and each other Creditor Representative at least five business days prior to the proposed enforcement instruction date.

Following delivery of proposed enforcement instructions, the Creditor Representatives will consult with each other in good faith as to the manner of enforcement for a period of 10 business days unless: (i) the Majority Super Senior Lenders and the Majority Pari Passu Secured Creditors otherwise agree; (ii) there is an absence of conflicting enforcement instructions; (iii) an insolvency event has occurred; or (iv) the Creditor Representative who delivered the proposed enforcement instructions reasonably believes that no consultation period or, as the case may be, a shorter consultation period is necessary in order to avoid materially impairing the ability to effect the proposed enforcement or the value which would be realized on enforcement (such consultation period being the "Initial Consultation Period").

After the Initial Consultation Period:

- If the instructions delivered to the Security Agent are in accordance with the security enforcement principles and if the Security Agent has not received conflicting instructions from any other Creditor Representative, the Security Agent will act on the instructions and any further instructions as to enforcement, given by that Creditor Representative provided that any such further instructions given by that Creditor Representative are consistent with the initial instructions and the security enforcement principles.
- If the Security Agent has received conflicting security enforcement instructions, the Security Agent, subject to certain exceptions, will act on the instructions of the Majority Pari Passu Secured Creditors where such security enforcement instructions are in accordance with the security enforcement principles.
- If under either of the bullet points above, the Security Agent is required to act on the instructions of the Majority Pari Passu Secured Creditors and either (i) enforcement has not commenced within 6 months of the date of the proposed enforcement instructions; or (ii) the Super Senior Liabilities have not been irrevocably discharged and repaid in full within 6 months of the date of the proposed enforcement instructions, then if required by the Senior Agent, the Security Agent may, upon receipt of a written notice from the Senior Agent, act on the enforcement instructions of the Majority Super Senior Lenders provided that such instructions are consistent with the security enforcement principles.
- If under the first bullet point above, the Security Agent is required to act on the instructions of the Majority Super Senior Lenders and either (i) enforcement has not commenced within 6 months of the date of the proposed enforcement instructions; or (ii) the HY Liabilities have not been irrevocably discharged and repaid in full within 6 months of the date of the proposed enforcement instructions, then if required by the HY Trustee, the Security Agent may, upon receipt of a written notice from the HY Trustee, act on the enforcement instructions of the Majority Pari Passu Secured Creditors provided that such instructions are consistent with the security enforcement principles.

If the senior lenders or noteholders (acting reasonably) consider that the Security Agent is enforcing the security in a manner which is not consistent with the security enforcement principles the Creditor Representative for such lenders or noteholders will notify the other Creditor Representatives and they shall consult with the Security Agent for a period of 30 days (or such lesser period as such Creditor Representative may agree) with a view to agreeing the manner of enforcement, provided that the Creditor Representatives are not obliged to consult in this circumstance more than once in relation to each enforcement.

Security Enforcement Principles

- The Intercreditor Agreement includes a security enforcement principle with the aim of maximizing, so far as is consistent with prompt and expeditious realization of value from enforcement of the Transaction Security, the recovery by the secured parties under the under the Revolving Credit Facility, any high yield senior secured debt, the overdraft arrangements and the hedging arrangements (the "Security Enforcement Objective").

- The Transaction Security will be enforced and other action as to enforcement will be taken such that either:
  - all proceeds of enforcement are received by the Security Agent in cash for application in accordance with the order of application set forth below under "*—Application of Amounts Recovered*"; or
  - to the extent that the instructing group is the Majority Pari Passu Secured Creditors, sufficient proceeds from enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the order of application set forth below under "*—Application of Amounts Recovered*," the Super Senior Liabilities (unless the Majority Super Senior Lenders agree otherwise).
- Enforcement must be prompt and expeditious and, subject to the terms of the Intercreditor Agreement, the time frame for the realization of value from the enforcement of the Transaction Security or Distressed Disposal will be determined by the relevant instructing group provided that it is consistent with the Security Enforcement Objective.
- Where proposed enforcement of Transaction Security is:
  - over assets other than shares in a member of the group, where the aggregate book value of such assets exceeds £5,000,000 (or its equivalent); or
  - over some or all of the shares in a member of the group over which Transaction Security exists,

the Security Agent shall (unless it is incompatible with enforcement proceedings in a relevant jurisdiction) appoint a "big four" accounting firm, any reputable and independent international investment bank or other reputable and independent professional services firm with experience in restructuring and enforcement to opine as expert on: (1) the optimal method of enforcing the Transaction Security so as to achieve the Security Enforcement Objective; and (2) that the proceeds received from any such enforcement represent fair value from a financial point of view after taking into account all relevant circumstances. Such opinion will be conclusive evidence that the Security Enforcement Objective has been met.

Turnover

Until the Senior Discharge Date, if any party (subject, in the case of a High Yield Senior Secured Notes Trustee (as defined in the Intercreditor Agreement and which includes the Trustee), to actual knowledge), received or recovers any Recovery (as defined in the Intercreditor Agreement) except for any Permitted Payment that party to the Intercreditor Agreement shall: (i) within three Business Days of the receipt or recovery, notify details of that receipt or recovery to the Security Agent; (ii) hold any such Recovery received by it, up to the aggregate of all amounts which may be or become payable as Secured Debt (as defined in the Intercreditor Agreement), on trust for the Security Agent for application in accordance with the order of application set forth below under "*—Application of Amounts Recovered*"; and (iii) pay an amount equal to any such Recovery (or, where the receipt or recovery is by way of discharge by set-off, an equivalent amount), up to the aggregate of all amount which may be or become payable as Secured Debt, to the Security Agent for application in accordance with the order of application.

Application of Amounts Recovered

Subject to the rights of creditors mandatorily preferred by law applying to companies generally, proceeds of enforcement, all recoveries by the Security Agent or all other amounts paid to the Security Agent pursuant to the Intercreditor Agreement shall be applied in the following order of application:

- first, in or towards payment of:
  - any unpaid fees, costs, expenses and liabilities (including any interest thereon as provided in the documents governing security) incurred by or on behalf of the Security Agent (or any advisor, receiver, delegate, attorney or agent) and the remuneration of the Security Agent (or any advisor, receiver, delegate, attorney or agent) in connection with carrying out its duties or exercising powers or discretions under the documents governing the security in connection with the Secured Documents; and
  - any unpaid fees, costs, expenses and liabilities (including any interest thereon as provided in the documents governing any high yield senior secured debt or in any documents governing any other Priority Debt) incurred by or on behalf of the trustee under any indenture governing any high yield senior secured debt or in any documents governing any other Priority Debt (or any advisor, receiver, delegate, attorney or agent) and the remuneration of such trustee or creditor representative (or any advisor, receiver, delegate, attorney or agent) in connection with carrying out its duties or exercising powers or discretions under the documents governing such high yield senior secured debt, Priority Debt or the Intercreditor Agreement (together with VAT on all such amounts),

the above-listed amounts being on a pari passu basis as between themselves;

- second, in or towards payment to the Security Agent for application towards any unpaid costs and expenses incurred by or on behalf of any secured party in connection with such enforcement, recovery or other payment, pari passu as between themselves;
- third:
  - (A) in respect of proceeds from the enforcement of the Transaction Security or the proceeds of a Distressed Disposal (together, "Security Enforcement Recoveries"):
    - first, in or towards payment of the Super Senior Liabilities, on a pari passu basis as between themselves; and
    - second, in or towards payment of all Priority Liabilities, other than Super Senior Liabilities, on a pari passu basis as between themselves; or
  - (B) in respect of amounts other than Security Enforcement Recoveries, in or towards the balance of all Priority Liabilities, on a pari passu basis as between themselves;
- fourth, in payment or distribution to the Security Agent for application in or towards payment of the Subordinated Debt, pari passu as between themselves; and
- fifth, after the Senior Discharge Date, in payment of the surplus (if any) to the relevant person entitled to it.

Release of Security and Guarantees

If, pursuant to or for the purpose of: (i) an enforcement action taken or to be taken by the Security Agent in accordance with the Intercreditor Agreement, or (ii) any disposal permitted under the Secured Documents, the Security Agent requires any release of any guarantee or security granted by any member of the group, each party shall promptly enter into any release and/or other document and take any action which the Security Agent may reasonably require.

The Intercreditor Agreement provides that if, in connection with any enforcement action or any disposal permitted under the Secured Documents, either the Security Agent (or any receiver) (i) sells or otherwise disposes of (or proposes to sell or otherwise dispose of) any asset under any document governing that security, (ii) or a member of the group sells or otherwise disposes of (or proposes to sell or otherwise dispose of) any asset at the request of the Security Agent, or (iii) a member of the group sells or otherwise disposes of (or proposes to sell or otherwise dispose of) any asset pursuant to a disposal which is not a Distressed Disposal and which is permitted under the Secured Documents, the Security Agent is irrevocably authorized on behalf the parties to the Intercreditor Agreement to:

- release the security created pursuant to the documents governing the security over the relevant asset;
- apply the net cash proceeds of sale or disposal in or towards payment of debt in accordance with the order of application; or
- if the relevant asset comprises all of the shares in the capital of a member of the group, in its capacity as an issuer, borrower or guarantor, release such member of the group (and any of its subsidiaries that are also a borrower or guarantor) from all its past, present and future liabilities and/or obligations (both actual and contingent) as an issuer, a borrower or a guarantor of the whole or any part of the debt and require the transfer of any relevant debt due, owing or incurred by that member to one or more other members of our group.

Amendments

Until the Senior Discharge Date, no amendments are permitted under the documents governing the overdraft or hedging arrangements to the extent such amendments would conflict with the provisions of the Intercreditor Agreement and no amendments are permitted under the documents governing any Parent Debt or any Subordinated Shareholder Funding to the extent such amendment would adversely affect the holders of the Priority Liabilities.

Governing Law

The Intercreditor Agreement is governed by English law.

Securitizations

Since 2007, we have funded our business, in part, through securitization transactions. Our Securitizations currently consist of our Conduit Securitizations (the CABS Securitization, the LABS Securitization, the DABS 2

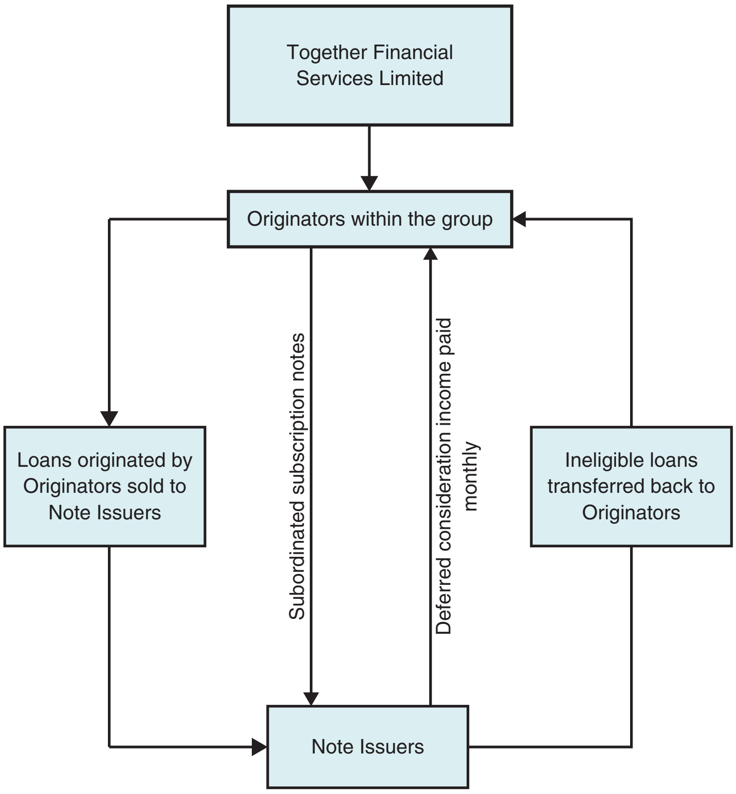
Securitization and the HABS Securitization) and our Term Securitizations (the TABS 1 Securitization, the TABS 2 Securitization and the TABS 3 Securitization). Under the Conduit Securitizations, certain of our mortgages are sold, from time to time, to special purpose vehicles, funded through the issuance of notes under private note issuance facilities. Our Term Securitizations are public capital markets residential mortgage backed securitization transactions, under which certain of our mortgages were sold to special purpose vehicles, funded through the issuance of notes.

Charles Street ABS, Lakeside ABS, Together ABS 1, Highfield ABS, Together ABS 2, Delta ABS and Together ABS 3 (following October 10, 2019), the bankruptcy-remote special purpose vehicles established for purposes of the Securitizations, are consolidated into our condensed consolidated financial statements in accordance with IFRS 10 (*Consolidated Financial Statements)*. Mortgage loans sold to Charles Street ABS, Lakeside ABS, Delta ABS 1 (in respect of periods prior to March 31, 2019 included in this offering memorandum), Together ABS 1, Highfield ABS, Together ABS 2, Delta ABS 2 and Together ABS 3 (following October 10, 2019) are maintained on the consolidated statement of financial position as assets, within loans and advances to customers and the associated interest receivable credited to the consolidated income statement. The loan notes issued by Charles Street ABS, Lakeside ABS, Delta ABS 1 (in respect of periods prior to March 31, 2019 included in this offering memorandum), Together ABS 1, Highfield ABS, Together ABS 2, Delta ABS 2 and Together ABS 3 (following October 10, 2019) to certain lenders, to finance the purchase of the loans and any interest and fees accrued on the loan notes but not yet paid in respect thereof, are maintained on the consolidated statement of financial position as liabilities due to creditors with interest and debt issuance costs expensed through the income statement.

Conduit Securitizations

Under the Conduit Securitizations, special purpose vehicles finance the purchase of mortgage loans of the group from borrowings funded through the issuance of notes to certain note purchasers (which include certain financial institutions or their affiliates and certain institutional investors, which in some cases fund, or may fund, the purchase of relevant notes issued under the Conduit Securitizations through the commercial paper market) under note issuance facility agreements, with the balance of any funding requirements provided through the issuance of subordinated subscription notes by the relevant special purpose vehicle issuer to the relevant originators within the group under subordinated note subscription agreements. The loans are sold to the special purpose vehicles by the originators pursuant to mortgage sale agreements and are serviced by the originators under Servicing agreements (subject to non-termination of the servicers). The amounts received in relation to the servicing of the mortgage loans under the Conduit Securitizations are pooled into “collection accounts” of the relevant servicers and such amounts are transferred by the relevant servicers, on a daily basis, into accounts of the relevant Conduit Securitization note issuers. On a monthly basis in respect of each Conduit Securitization, the cash administrator pursuant to the cash administration agreement will make revenue and principal payments, including fees and interest payments to creditors, in line with the relevant pre-enforcement priority of payments waterfall or post-enforcement priority of payments waterfall, as applicable. The balance of any revenue receipts are, where applicable, repaid to the originators as deferred consideration.

The below reflects a simplified overview of the Conduit Securitizations.



(1) The Conduit Securitization note issuers (Charles Street ABS, Lakeside ABS, Delta ABS 2 and Highfield ABS) are bankruptcy-remote special purpose vehicles with no recourse to the Borrower Group. We do not directly or indirectly own any of the issued share capital of Charles Street ABS, Lakeside ABS, Delta ABS 2 and Highfield ABS or their parent companies.

On November 12, 2007, we entered into a series of agreements constituting the CABS Securitization, which have been amended and/or restated from time to time (most recently on July 12, 2019). The CABS Securitization funds our retail as well as commercial purpose loan business, which, since its amendment on September 13, 2018, is based on residential property. Under the CABS Securitization, pursuant to a note issuance facility agreement, Charles Street ABS, as note issuer, issues Class A1 and Class A2 notes to certain financial institutions and issues Class B and Class C notes to certain other institutional investors (see below). The Class A, Class B and Class C notes issued under the CABS Securitization, as of the date of this offering memorandum, are rated Aa2 (Moody's) and AA (DBRS), Baa1 (Moody's) and BBB (high) (DBRS) and Ba1 (Moody's) and BB (high) (DBRS), respectively.

On August 13, 2015, we entered into a second series of agreements, in connection with the establishment of the LABS Securitization, which have been amended and/or restated from time to time (most recently on October 30, 2019). Our LABS Securitization funds primarily our commercial purpose loan business, with a focus on short-term commercial lending on both residential and commercial property. Under the LABS Securitization, pursuant to a variable funding note issuance facility agreement, Lakeside ABS, as note issuer, issues unrated variable funding notes to certain financial institutions (see below).

On January 26, 2017, we entered into a third series of agreements in connection with the establishment of the DABS 1 Securitization. On March 29, 2019, we entered into a further set of agreements in connection with the establishment of the DABS 2 Securitization, which refinanced the DABS 1 Securitization. The DABS 2 Securitization funds our unregulated bridging lending, with a focus towards commercial property. Under the DABS 2 Securitization, pursuant to a note issuance facility agreement, Delta ABS 2, as note issuer, issues unrated Class A1 and Class A2 notes to an affiliate of Goldman Sachs Private Capital (see below).

On June 27, 2018 we entered into a further series of agreements in connection with the establishment of the HABS Securitization. Our HABS Securitization funds primarily our medium and long term commercial purpose loans on commercial property. Under the HABS Securitization, pursuant to a variable funding note issuance facility agreement, Highfield ABS, as note issuer, issues unrated variable funding notes to certain financial institutions (see below).

The various agreements comprising the Conduit Securitizations are governed by English law (or Scots law, as applicable).

The DABS 2 Securitization, the CABS Securitization and the LABS Securitization are subject to specific regulatory regimes, including the applicable requirements under Regulation (EU) 2017/2402 (known as the Securitisation Regulation).

The bankruptcy-remote special purpose vehicles established for the purposes of the Conduit Securitizations are bankruptcy remote special purpose vehicles and the rights of parties to pursue legal action against such vehicles under the documents constituting the Conduit Securitizations (and against the various note purchasers under the note issuance facilities), including, for the avoidance of doubt, under the relevant mortgage sale agreements, other than those of the security trustee with regard to the deeds of charge, are limited and, in respect of any personal liability owed by any shareholder, officer, agent or director of such vehicles or any note purchaser (as applicable), entirely waived. The vehicles established for the purposes of the Conduit Securitizations and each series of transaction documents under the Conduit Securitizations (although in a number of cases share similar types of terms and conditions) are independent of each other. For example, a default under one of the Securitizations will not automatically trigger a default under any of the other Securitizations.

The following table represents a summary of the key commercial terms of each of the Conduit Securitizations as of September 30, 2019 (unless specified otherwise).

Securitization	**CABS**	**LABS**(1)	**DABS 2**	**HABS**
Structure(2)	• Class A1 and Class A2 Notes: Natwest Markets, Barclays, Lloyds, HSBC, BNPP • Class B and Class C Notes: 5 institutional investors • Subordinated Notes: Originators within the Group	• Senior Notes: Lloyds, Natixis, HSBC and BNP Paribas(3) • Subordinated Notes: Originators within the Group	• Class A1 and Class A2 Notes: Goldman Sachs Private Capital • Subordinated Notes: Originators within the Group	• Senior Notes: Barclays, Natixis, HSBC, Citigroup • Subordinated Notes: Originators within the Group
Facility size	• £1,254.5 million facility size • £1,247.2 million issued	• £500.0 million facility size • £220.0 million issued	• £200.0 million facility • £175.0 million issued	• £525.0 million facility size • £375.0 million issued
Subordinated notes balance	• £167.0 million	• £68.7 million	• £37.6 million	• £88.2 million
Maturity(3)	• Revolving period September 2022 • Full repayment September 2023	• Revolving period October 2023 • Full repayment October 2023	• Revolving period March 2022 • Full repayment March 2023	• Revolving period June 2021 • Full repayment June 2022
Loan pool collateral	• £1,386.9 million	• £265.5 million	• £210.2 million	• £451.6 million
Facility purpose	• Flexible facility to fund both retail and commercial purpose loan business on residential property	• Primarily to fund regulated and unregulated bridging loans secured on residential and commercial property	• Primarily to fund unregulated bridging loans and loans secured on commercial property	• To fund term loans backed by commercial property
Delinquency and loss rate(4)	• Delinquency rate (arrears >1m) 2.66% • Rolling 3-month average default rate 0.29%	• Delinquency rate (arrears >1m) 2.85% • Rolling 3-month average default rate 0.77%	• Delinquency rate (arrears >1m) 3.37% • Rolling 3-month average default rate 1.07%	• Delinquency rate (arrears >1m) 3.25% • Rolling 3-month average default rate 0.30%
Excess spread and subordinated debt interest (LTM)	• Average monthly excess spread of £5.4 million • Average monthly subordinated debt interest of £0.3 million	• Average monthly excess spread of £2.7 million • Average monthly subordinated debt interest of £0.2 million	• Average monthly excess spread £1.3 million(5) • Average monthly subordinated debt interest £0.1 million	• Average monthly excess spread of £1.9 million(3) • Average monthly subordinated debt interest of £0.2 million(3)

(1) Terms for the LABS Securitization presented as of October 2019 (following the most recent amendments on October 10, 2019).

(2) Certain affiliates of the listed financial institutions purchase notes issued under the relevant Conduit Securitizations.

(3) The notes issued under the Conduit Securitizations, as relevant, will begin to amortize from the end of their revolving period until their maturity date.

(4) Delinquency rate includes technical arrears. We define delinquency as being where the relevant loan is more than one month in arrears.

(5) Excess spread for the DABS 2 Securitization relates to the period between March 29, 2019 and September 30, 2019.

The Conduit Securitizations each have a revolving period whereby, subject to compliance with the terms of each note issuance facility, the proceeds of any principal loan repayment can be used to fund new loan purchases via the relevant mortgage sale agreement.

Though the terms of the agreements constituting each Conduit Securitization differ, they are generally in line with the structure outlined below.

Mortgage Sale Agreements

Pursuant to the terms of mortgage sale agreements, each between the relevant note issuer (being the Conduit Securitization SPVs), the relevant note purchasers (being certain financial institutions or conduit vehicles or affiliates of such financial institutions), the relevant originators (being companies within the Group) and other parties, the originators sell to the relevant note issuers, from time to time, English and Welsh mortgage loans, each secured by an English mortgage and collateral security, where applicable, and Scottish mortgage loans, each secured by a Scottish mortgage and other collateral security, where applicable, on trust under a Scottish declaration of trust for the benefit of the relevant Conduit Securitization SPV.

Under each of the mortgage sale agreements, such sales are subject to certain conditions, including facility headroom, borrower base headroom, eligibility criteria and certain covenants. Such eligibility criteria and covenants govern the mix and quality of the assets within the relevant Conduit Securitization and include, inter alia, in respect of the security of the loan, the enforceability of the loan agreement against the borrower, the underwriting process for the loan, regulatory compliance, insurance and governing law and, in respect of the type of loans within the relevant portfolio (for example, where relevant, the ratio of loans secured by residential property to those secured by commercial property), certain LTV criteria in respect of the underlying loans, principal balances, geographical distribution and the ratio of mortgages within a roll-up period.

The key criteria under each of the mortgage sale agreements, as set out in the relevant loan warranties, which relate to the sales on an ongoing basis under the mortgage sale agreements, are outlined below:

Securitization	CABS	LABS[2]	DABS 2	HABS
Key mortgage sale agreement criteria[1]	• no development loans or defaulted loans; • no self-certified mortgage loans; • maximum origination LTV of 95% for loans sold prior to November 2009, 90% for loans sold between November 2009 and August 2012 and 85% for loans sold thereafter; • each obligor owes no more than the lower of £4.5 million or 2% of the mortgage pool; • each loan secured by a valid charge over the relevant property and suffers from no encumbrances or is protected by title insurance; • maximum loan term of 40 years; • each loan secured by residential property located in England, Scotland or Wales; • each mortgage loan originated on or after January 1, 2002; and	• no development loans or defaulted loans; • maximum origination LTV between 70% and 75%, depending on the type of loan and security; maximum principal balance of individual loans not to exceed £4.5 million; • each loan secured by a valid charge over the relevant property and suffers from no encumbrances or is protected by title insurance; • maximum loan term of up to 25 years, for term loans secured by commercial property; • mortgages secured on commercial properties may only be first lien loans; • each mortgage loan originated on or after January 1, 2012;	• no development loans or defaulted loans; • no self-certified mortgage loans; • each loan secured by property located in England, Scotland or Wales; • each loan secured by a valid charge over the relevant property and suffers from no encumbrances or is protected by title insurance; • maximum loan size of £7.0 million; and • maximum origination LTV of 80%.	• no development, bridging or defaulted loans; • no self-certified mortgage loans; • maximum origination LTV 75%; • maximum principal balance of individual loans not to exceed £2.25 million; • each loan secured by a valid charge over the relevant property and suffers from no encumbrances or is protected by title insurance; • maximum loan term of up to 30 years; • each loan secured by commercial property located in England, Scotland or Wales; • each mortgage loan originated on or after January 1, 2012; and

Securitization	CABS	LABS[(2)]	DABS 2	HABS
	• repayment loans with an amended maturity profile and/or interest rate which had previously been interest only and are otherwise eligible loans may comprise up to 5% of the funded mortgage pool and all other loans may not be rescheduled, materially amended or subject to a moratorium.	• each mortgage loan with a principal balance in excess of £2.0 million does not exceed 70% LTV; and • loans with an amended maturity profile and/or interest rate which had previously been interest only and are otherwise eligible loans may comprise up to 5% of the funded mortgage pool and all other loans may not be rescheduled, materially amended or subject to a moratorium.		• repayment loans with an amended maturity profile and/or interest rate which had previously been interest only and are otherwise eligible loans may comprise up to 5% of the funded mortgage pool and all other loans may not be rescheduled, materially amended or subject to a moratorium.

(1) This includes key mortgage sale criteria, though does not constitute a comprehensive list.
(2) This list reflects amendments made to the mortgage sale criteria as part of the amendments to the LABS Securitization on October 30, 2019.

In the event that a loan ceases to be eligible for the Conduit Securitizations, including where a loan exceeds a prescribed level of arrears under the relevant Conduit Securitization, the relevant originator may substitute the ineligible loan for an eligible loan, repurchase the ineligible loan or subscribe to an issuance of subordinated subscription notes in order to fund the ineligible loan pursuant to the relevant subordinated note subscription agreement.

The table below provides information on the defaulted loans (primarily being loans that have reached trigger limit of arrears) relating to the CABS Securitization transferred back to the Borrower Group as of September 30, 2019 for the years ended June 30, 2017, 2018 and 2019; as indicated below.

	For the year ended June 30,		
	2017	2018	2019
	(£ millions, unless otherwise indicated)		
Principal Balance of defaulted loans transferred	34.7	46.7	30.8
Percentage of average loan balances held by Charles Street ABS during the period	3.4%	4.3%	2.6%
Status as of September 30, 2019			
Performing loans	7.5	16.2	14.2
Non-performing arrears loans	1.9	3.5	4.1
Repossession and LPA Sales	6.3	4.7	4.2
Principal Balance of defaulted loans remaining live[(1)]	**15.6**	**24.4**	**22.5**
% of Principal Balance of defaulted loans transferred remaining live[(1)]	45.0%	52.4%	73.1%
Net loan balance (after allowances for impairment) of defaulted loans remaining live[(1)]	13.9	24.9	22.3
Allowances for impairment	0.7	1.6	0.7
Weighted average indexed LTV[(2)]	50.2%	65.9%	54.8%

(1) Principal Balance of defaulted loans remaining live represents the principal balance of loans which remain within the Total Loan Portfolio as of September 30, 2019. The net loan balance (after allowances for impairment) represents the amount of such loans as of September 30, 2019 recorded within our Total Loan Portfolio including unpaid interest and fees.
(2) Represents the weighted average indexed LTV of the Principal Balance of defaulted loans live as of September 30, 2019.

Since January 1, 2013, the average principal losses on loans repurchased from Charles Street ABS have amounted to less than £0.1 million per year.

The table below provides information on the defaulted loans (primarily being loans that have reached trigger limit of arrears) relating to the LABS Securitization transferred back to the Borrower Group as of September 30, 2019, for the years ended June 30, 2017, 2018 and 2019; as indicated below.

	For the year ended June 30,		
	2017	2018	2019
	(£ in millions)		
Principal Balance of defaulted loans transferred	7.0	14.2	24.2
Percentage of average loan balances held by Lakeside ABS during the period	3.1%	6.3%	10.0%
Status as of September 30, 2019			
Performing loans	0.2	5.3	7.2
Non-performing arrears loans	0.0	0.5	0.7
Repossession and LPA Sales	1.0	3.2	8.3
Principal Balance of defaulted loans remaining live(1)	**1.2**	**9.0**	**16.2**
% of which are of the Principal Balance of defaulted loans transferred remaining live(1)	17.3%	63.2%	66.8%
Net loan balance (after allowances for impairment) of defaulted loans remaining live(1)	1.0	9.3	13.6
Allowances for impairment	0.1	0.9	0.9
Weighted average indexed LTV(2)	80.7%	77.89%	56.2%

(1) Principal Balance of defaulted loans remaining live represents the principal balance of loans which remain within the Total Loan Portfolio as of September 30, 2019. The net loan balance (after allowances for impairment) represents the amount of such loans as of September 30, 2019 recorded within our Total Loan Portfolio including unpaid interest and fees.

(2) Represents the weighted average indexed LTV of the Principal Balance of defaulted loans live as of September 30, 2019.

Since inception, the average principal losses on loans repurchased from Lakeside ABS have amounted to less than £0.1 million per year.

The table below provides information on the defaulted loans (primarily being loans that have reached trigger limit of arrears) relating to the DABS 1 Securitizations and the DABS 2 Securitization transferred back to the Borrower Group in the period from January 29, 2017 to June 30, 2017 and the years ended June 30, 2018 and 2019; as indicated below.

	DABS 1			DABS 2
	Period from January 29, 2017 to June 30, 2017(1)	For the year ended June 30, 2018	Period from July 1, 2018 to March 2019	Period from March 2019 to June 30, 2019
	(£ in millions)			
Principal Balance of defaulted loans transferred	0.0	8.6	2.4	0.1
Percentage of average loan balances held by Delta ABS during the period	0.0%	9.0%	2.3%	0.1%
Status as of September 30, 2019				
Performing loans	0.0	1.8	0.3	0.1
Non-performing arrears loans	0.0	0.0	0.0	0.0
Repossession and LPA Sales	0.0	0.0	0.5	0.0
Principal Balance of defaulted loans remaining live(2)	**0.0**	**1.8**	**0.8**	**0.1**
% of which are of the Principal Balance of defaulted loans transferred remaining live(2)	—	21.2%	33.0%	100.0%
Net loan balance (after allowances for impairment) of defaulted loans remaining live(2)	0.0	1.3	0.8	0.1
Allowances for impairment	0.0	2.2	0.1	0.0
Weighted average indexed LTV(3)	—	92.8%	88.3%	21.0%

(1) No loans were repurchased during this period.

(2) Principal Balance of defaulted loans remaining live represents the principal balance of loans which remain within the Total Loan Portfolio as of September 30, 2019. The net loan balance (after allowances for impairment) represents the amount of such loans as of September 30, 2019 recorded within our Total Loan Portfolio including unpaid interest and fees.

(3) Represents the weighted average indexed LTV of the Principal Balance of defaulted loans live as of September 30, 2019.

Since inception, the principal losses on loans repurchased from Delta ABS 2 have amounted to £nil.

The table below provides information on the defaulted loans (primarily being loans that have reached trigger limit of arrears) relating to the HABS Securitization transferred back to the Borrower Group for the year ended June 30, 2019; as indicated below. Information is not included for the period from the inception of the HABS Securitization on June 28, 2018 to June 30, 2018 as this 3-day period does not show meaningful information.

	For the year ended June 30, 2019
	(£ in millions)
Principal Balance of defaulted loans transferred	16.1
Percentage of average loan balances held by Highfield ABS during the period	5.1%
Status as of September 30, 2019	
Performing loans	6.4
Non-performing arrears loans	2.1
Repossession and LPA Sales	1.9
Principal Balances of defaulted loans transferred remaining live	**10.3**
% of which are of the Principal Balance of defaulted loans transferred remaining live(1)	64.2%
Net loan balance (after allowances for impairment) of defaulted loans remaining live(1)	9.7
Allowances for impairment	0.4
Weighted average indexed LTV(2)	52.2%

(1) Principal Balance of defaulted loans remaining live represents the principal balance of loans which remain within the Total Loan Portfolio as of September 30, 2019. The net loan balance (after allowances for impairment) represents the amount of such loans as of September 30, 2019 recorded within our Total Loan Portfolio including unpaid interest and fees.

(2) Represents the weighted average indexed LTV of the Principal Balance of defaulted loans live as of September 30, 2019.

Since inception, the principal losses on loans repurchased from Highfield ABS have amounted to £nil.

Note Issuance Facility Agreements

Pursuant to the terms of note issuance facility agreements, each between the relevant note issuer (being the Conduit Securitization SPV), the relevant note purchasers (being certain financial institutions or conduit vehicles or affiliates of such financial institutions), the relevant originators (being companies within the Group) and other parties, the relevant note issuers issue notes to the relevant note purchasers and such note purchasers agree from time to time to subscribe for such notes. Under each Conduit Securitization, the relevant notes outstanding at any time is subject to a cap, being the lower of the Conduit Securitization facility size for each class of notes and the borrowing base applicable to each class of notes. The borrowing base under each class of notes under each Conduit Securitization generally consists of the aggregate principal balance of each eligible mortgage loan multiplied by the relevant advance rate of such class of notes plus any unrestricted cash (where applicable, subject to a maximum amount) standing to the credit of the relevant control account. In the event that certain covenants or other financial metrics are not complied with, subject to applicable cure periods, the facilities contain cease purchase events or sale demand events, following which further notes may not be drawn.

Pursuant to the terms of the note issuance agreements, each Conduit Securitization issuer may only use the proceeds from its issuances of notes for the purchase of loans from the Conduit Securitization originators pursuant to the relevant mortgage sale agreement and other purposes in connection with the relevant Conduit Securitization.

The note issuance facility agreements contain standard representations and warranties, covenants, events of default, sale demand events or cease purchase events, indemnities and other provisions that are customary for facilities of this nature. Under the note issuance facility agreements, following an event of default or sale demand event/cease purchase event, the relevant note issuer may be directed to cease purchasing further mortgage loans from the relevant originators. Sale demand events/cease purchase events vary between the various Conduit Securitizations, but include portfolio breaches under the note issuance facility agreements, the excess spread rate falling below a certain threshold in respect of a consecutive three-month period and delinquency (with the exception of the DABS 2 Securitization) and default rates exceeding certain thresholds in respect of specified periods.

The interest payable on the notes issued under the note issuance facilities consist of LIBOR plus applicable margins or, in the case of commercial paper, the commercial paper rate plus applicable margins. Notes are due to be redeemed at their outstanding nominal amount upon maturity. Prior to maturity, the notes may be voluntarily prepaid or cancelled under each note issuance facility agreement, in whole or *pro rata,* subject to certain conditions.

Subordinated Note Subscription Agreements

Pursuant to the terms of subordinated note subscription agreements between the relevant note issuer, the relevant subordinated note purchasers (being companies within the group, who are also originators and servicers), and other parties, the relevant note issuers issue notes (issued to comply with applicable European credit risk retention obligations as relevant for each of the Conduit Securitizations) to the relevant subordinated note purchasers and such subordinated note purchasers subscribe for such notes from time to time.

The subordinated notes bear interest at a rate not exceeding a commercial rate of return and interest is payable monthly.

As the originators that purchase the subordinated notes are consolidated within our financial statements, subordinated subscription note purchasers, sales and repurchases are intragroup transactions, represent a net value of £nil and are not discernible at the consolidated level.

Servicing Agreements

Pursuant to the terms of servicing agreements, between the relevant note issuer, the relevant servicers and other parties, the relevant servicers agree to provide certain administration and management services in relation to the relevant loans and their respective security. Each servicer has the full power, authority and right to carry out any actions related to the administration of the relevant loans. The servicers must comply with their applicable arrears and collection policies.

Pursuant to the servicing agreements, the servicers' appointment may be terminated in certain limited scenarios, such as when the relevant servicer defaults in the payment on the due date of any payment due and payable by it under the relevant servicing agreement and such default continues without being remedied, or when the relevant servicer defaults in the performance or observance of any of its covenants and obligations under the relevant servicing agreement.

The amounts received in relation to the mortgage loans purchased under the mortgage sale agreements are pooled into collection accounts of the relevant servicers and transferred daily (within two business days of receipt) into separate control accounts under each Conduit Securitization, which are then operated in accordance with the relevant cash administration agreement (a description of which appears below).

Under certain circumstances, either pursuant to the terms of the relevant servicing deed in the case of a warm-up event under the LABS Securitization and the HABS Securitization or pursuant to separate standby servicing agreements under the CABS Securitization and DABS 2 Securitization, standby servicers in respect of the relevant loan portfolios must be appointed.

Cash Administration Agreements

Pursuant to the terms of cash administration agreements, between the relevant note issuer, the relevant note purchasers, the cash administrator (being Together Financial Services Limited), the relevant originators and servicers and other parties, the cash administrator agrees to manage the cash administration activities of the relevant note issuers, including transactions between the originators and the note purchasers.

In addition to the ongoing cash administration activities, including purchasing mortgage loans, issuing notes and covenant reporting, on a monthly basis, the cash administrator makes payments from the relevant note issuer's control account in relation to revenue and principal receipts pursuant to the relevant pre-enforcement priority of payments (as outlined in the relevant cash administration agreement) or the post-enforcement priority of payments (as outlined in the relevant deed of charge), as applicable, which includes interest or fees due to creditors and, where applicable, the balance of any revenue receipts being paid to the originators as deferred consideration. Under the relevant cash administration agreements for each Conduit Securitization, except for the DABS 2 Securitization, a cash reserve in respect of the relevant Conduit Securitization is held, which, under certain circumstances, can be used to cover shortfalls in funds from collections necessary to cover the relevant priority of payments.

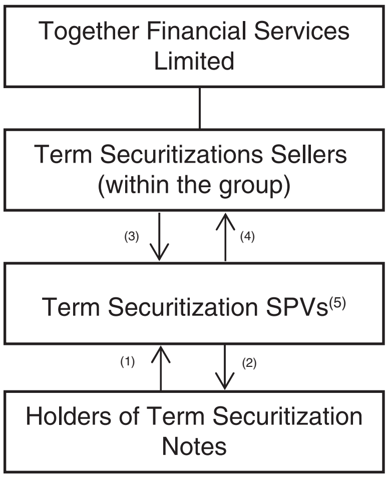
Hedging

We currently hedge an amount of interest rate exposure related to certain fixed rate mortgages under the CABS Securitization pursuant to an interest rate swap entered into on July 12, 2019 (a portion of the notional amount of which was terminated on October 20, 2019 in connection with the repurchase and re-transfer of certain mortgage loans concurrent with the closing of the TABS 3 Securitization). The hedging in place relates only to certain mortgage loans under the CABS Securitization (and not to any other mortgage loans of the Borrower Group).

Term Securitizations

Under our Term Securitizations, which comprise the TABS 1 Securitization, the TABS 2 Securitization and the TABS 3 Securitization transactions described below, special purpose vehicles financed the purchase of mortgage loans of the group primarily through the issuance of notes to public investors. The loans were sold to the special purpose vehicles pursuant to mortgage sale agreements but the sellers (companies within the group) still service them under the Term Securitizations' servicing arrangements.

The below reflects a simplified overview of the Term Securitizations.



(1) Term Securitization notes subscription proceeds.
(2) Principal and interest on the Term Securitization notes.
(3) Sale of a mortgage portfolio to the relevant Term Securitization SPV issuer.
(4) Initial consideration for the sale of the mortgage portfolio and residual payments. Ineligible loans may be sold back to the relevant sellers in certain limited circumstances (see "*—Sale of Mortgages*" below).
(5) Together ABS 1, Together ABS 2 and Together ABS 3 are bankruptcy-remote special purpose vehicles with no recourse to the Borrower Group. We do not directly or indirectly own any of the issued share capital of Together ABS 1, Together ABS 2 or Together ABS 3 or their parent companies.

On September 29, 2017, we entered into a series of agreements (the "TABS 1 Securitization") related to a securitization vehicle, Together Asset Backed Securitisation 1 plc ("Together ABS 1"), primarily focused on the securitization of certain of our residential mortgage loans and their related security.

On November 8, 2018, we entered into a series of agreements (the "TABS 2 Securitization") related to a securitization vehicle, Together Asset Backed Securitisation 2018-1 plc ("Together ABS 2"), primarily focused on the securitization of certain of our residential mortgage loans and their related security.

On October 10, 2019, we entered into a series of agreements (the "TABS 3 Securitization") related to a securitization vehicle, Together Asset Backed Securitisation 2019-1 plc ("Together ABS 3"), primarily focused on the securitization of certain of our residential mortgage loans and their related security.

The various agreements comprising the Term Securitizations are governed by English law (or Scots law, as applicable).

The TABS 3 Securitization is subject to specific regulatory regimes, including the applicable requirements under Regulation (EU) 2017/2402 (known as the Securitisation Regulation).

The bankruptcy-remote special purpose vehicles established for the purposes of the Term Securitizations and each series of transaction documents under the Term Securitizations (although in a number of cases share similar types of terms and conditions) are independent of each other. The rights of parties to pursue legal action against such vehicles under the documents constituting the Term Securitizations, including, for the avoidance of doubt, under the relevant mortgage sale agreements, other than those of the security trustee with regard to deeds of charge, are limited and, in respect of any personal liability owed by any shareholder, officer, agent or director of such vehicles, entirely waived.

Each Term Securitization SPV issued the relevant Rated TABS Notes, which are listed on Euronext Dublin, to certain qualified investors for the aggregate initial gross purchase price presented in the relevant table below under "*TABS 1 Securitization Notes*," "*TABS 2 Securitization Notes*" and "*TABS 3 Securitization Notes*." The sellers, being originators within the group who sold the relevant mortgage loans pursuant to the relevant mortgage sale agreement, purchased the Class Z notes under each Term Securitization (issued to comply with the applicable European credit risk retention obligations for each Term Securitization) and the Company purchased the Class R notes under each Term Securitization (representing a part amortizing liquidity reserve). In addition, the sellers hold the relevant residual certificates, pursuant to which residual payments are made but they are under no obligation to retain ownership of these certificates.

TABS 1 Securitization Notes:

As part of the TABS 1 Securitization, to fund the purchase of the relevant mortgages, Together ABS 1 issued seven different classes of notes (together, the "TABS 1 Notes") and residual certificates with the following characteristics on September 19, 2017, the date of the issuance of the TABS 1 Notes and residual certificates:

Class of Notes	**Initial Principal Amount**	**Issue Price**	**Credit Enhancement[1]**	**WAL[2]**	**Reference Rate/Fixed Rate**	**Margin (payable up to and including the optional redemption date)**	**Step-up Margin (payable after the optional redemption date)**	**Ratings (Moody's/ DBRS)**
	(£ in millions)							
Rated TABS 1 Notes								
Class A	222.75	100%	19.0%	2.52	Three Month LIBOR	1% per annum	2% per annum	Aaa(sf)/ AAA(sf)
Class B	11.0	100%	15.0%	3.96	Three Month LIBOR	1.5% per annum	2.5% per annum	Aa1(sf)[3]/ AA(sf)
Class C	11.0	100%	11.0%	3.96	Three Month LIBOR	2% per annum	3% per annum	A1(sf)[3]/ A(high) (sf)
Class D	11.0	100%	7.0%	3.96	Three Month LIBOR	2.4% per annum	3.4% per annum	Baa3(sf)/ BBB (sf)
Class E	5.5	100%	5.0%	3.96	Three Month LIBOR	4% per annum	5.25% per annum	B2(sf)/ BB (high) (sf)
Other TABS 1 Notes								
Class R	5.225	100%	N/A	N/A	N/A	N/A	N/A	Not Rated
Class Z	13.787	100%	N/A	N/A	N/A	N/A	N/A	Not Rated
Total	**280.262**	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Residual Certificates	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Not Rated

(1) Exclusive of 2.0% reserve fund balance, which can be used as credit enhancement following a post-enforcement event.

(2) Based on 15% CPR and call option exercised in full on the optional redemption date (the interest payment date falling in September 2021).

(3) In January 2019, Moody's upgraded its ratings for the TABS 1 Class B and Class C notes (from Aa2 (sf) and A2 (sf), respectively) following the addition of a sequential and non-amortizing additional reserve fund to the TABS 1 Securitization in October 2018.

The final maturity date for the Class A, Class B, Class C, Class D, Class E, Class R and Class Z Notes issued under the TABS 1 Securitization is the interest payment date falling in March 2049. As of June 30, 2019, £155.1 million of Rated TABS 1 Notes were outstanding, with a principal balance of assets of £168.9 million. The optional redemption call date for the Rated TABS 1 Notes is the interest payment date falling in September 2021, after which date the step-up margin is payable and residual payments under the Residual Certificates will cease.

TABS 2 Securitization Notes:

As part of the TABS 2 Securitization, to fund the purchase of the relevant mortgages, Together ABS 2 issued six different classes of notes (together, the "TABS 2 Notes") and residual certificates with the following characteristics on November 8, 2018, the date of the issuance of the TABS 2 Notes and residual certificates:

Class of Notes	Initial Principal Amount	Issue Price	Credit Enhancement(1)	WAL(2)	Reference Rate/Fixed Rate	Margin (payable up to and including the optional redemption date)	Step-up Margin (payable after the optional redemption date)	Ratings (Moody's/ DBRS)
	(£ in millions)							
Rated TABS 2 Notes								
Class A	225.2	100%	21.5%	2.34	Three Month LIBOR	1.18% per annum	2.36% per annum	Aaa(sf)/ AAA(sf)
Class B	12.2	100%	17.3%	3.93	Three Month LIBOR	1.65% per annum	2.65% per annum	Aa1(sf)/ AA (high) (sf)
Class C	12.2	100%	13.0%	3.93	Three Month LIBOR	2.10% per annum	3.10% per annum	Aa3(sf)/ A(high) (sf)
Class D	23.0	100%	5.0%	3.93	Three Month LIBOR	2.75% per annum	3.75% per annum	Baa2(sf)/ BBB (high) (sf)
Other TABS 2 Notes								
Class R	7.221	100%	N/A	N/A	N/A	N/A	N/A	Not Rated
Class Z	14.348	100%	N/A	N/A	N/A	N/A	N/A	Not Rated
Total	**294.169**	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Residual Certificates	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Not Rated

(1) Exclusive of 2.5% reserve fund balance, which can be used as credit enhancement before an enforcement event.

(2) Based on 17.5% CPR and call option exercised in full on the optional redemption date (the interest payment date falling in November 2022).

The final maturity date for the Class A, Class B, Class C, Class D, Class R and Class Z Notes issued under the TABS 2 Securitization is the interest payment date falling in July 2050. As of September 30, 2019, £211.6 million of Rated TABS 2 Notes were outstanding, with a principal balance of assets of £225.9 million. The optional redemption call date for the Rated TABS 2 Notes is the interest payment date falling in November 2022, after which date the step-up margin is payable and residual payments under the Residual Certificates will cease.

TABS 3 Securitization Notes:

As part of the TABS 3 Securitization, to fund the purchase of the relevant mortgages, Together ABS 3 issued seven different classes of notes (together, the "TABS 3 Notes") and residual certificates with the following characteristics on October 10, 2019, the date of the issuance of the TABS 3 Notes and residual certificates:

Class of Notes	Initial Principal Amount	Issue Price	Credit Enhancement(1)	WAL(2)	Reference Rate/Fixed Rate	Margin (payable up to and including the optional redemption date)	Step-up Margin (payable after the optional redemption date)	Ratings (Moody's/ DBRS)
	(£ in millions)							
Rated TABS 3 Notes								
Class A	262.3	100%	21.0%	2.39	Compounded Daily SONIA	1.27% per annum	2.54% per annum	Aaa(sf)/ AAA(sf)
Class B	14.9	100%	16.5%	3.93	Compounded Daily SONIA	1.75% per annum	2.75% per annum	Aa1(sf)/ AA (high)(sf)
Class C	13.3	100%	12.5%	3.93	Compounded Daily SONIA	2.05% per annum	3.05% per annum	A1(sf)/ A(high)(sf)
Class D	19.9	100%	6.5%	3.93	Compounded Daily SONIA	2.55% per annum	3.55% per annum	Baa3(sf)/ BBB (high)(sf)
Class E	5.0	100%	5.0%	3.93	Compounded Daily SONIA	3.70% per annum	4.70% per annum	Ba2(sf)/ BBB (low)(sf)
Other TABS 3 Notes								
Class R	8.185	100%	N/A	N/A	N/A	N/A	N/A	Not Rated
Class Z	16.624	100%	N/A	N/A	N/A	N/A	N/A	Not Rated
Total	**340.209**	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Residual Certificates	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Not Rated

(1) Exclusive of 2.5% reserve fund balance, which can be used as credit enhancement before an enforcement event.

(2) Based on 17.5% CPR and call option exercised in full on the optional redemption date (the interest payment date falling in September 2023).

The final maturity date for the Class A, Class B, Class C, Class D, Class E Class R and Class Z Notes issued under the TABS 3 Securitization is the interest payment date falling in July 2061. On October 10, 2019, we entered into the TABS 3 Securitization, pursuant to which we sold residential mortgages with an aggregate principal balance of £332.0 million, primarily funded through the issuance of £315.4 million of Rated TABS 3 Notes. The optional redemption call date for the Rated TABS 3 Notes is the interest payment date falling in September 2023, after which date the step-up margin is payable and residual payments under the Residual Certificates will cease.

Mortgage Sale Agreements

Pursuant to the terms of mortgage sale agreements, each between the relevant Term Securitization SPV, the relevant sellers (being the originators and companies within the Group) and other parties, the sellers sold, assigned or otherwise transferred to the relevant Term Securitization SPV portfolios of English and Welsh residential mortgage loans, each secured by an English mortgage and collateral security, where applicable, and sell and hold portfolios of Scottish residential mortgage loans each secured by a Scottish mortgage and other collateral security, where applicable, on trust under a Scottish declaration of trust for the benefit of the relevant Term Securitization SPV.

Together ABS 1 has paid to the TABS 1 Securitization sellers the initial gross purchase price of £275.0 million and deferred consideration consisting of residual payments based on any amounts generated by the loans sold to Together ABS 1 in excess of the amounts payable under the priority of payments (which is outlined in the cash administration agreement) as described in the TABS 1 Securitization mortgage sale agreement. Together ABS 2 has paid to the TABS 2 Securitization sellers the initial gross purchase price of £268.9 million and deferred consideration consisting of residual payments based on any amounts generated by the loans sold to Together ABS 2 in excess of the amounts payable under the priority of payments as described in the TABS 2 Securitization mortgage sale agreement. Together ABS 3 has paid to the TABS 3 Securitization sellers the initial gross purchase price of £332.0 million and deferred consideration consisting of residual payments based on any amounts generated by the loans sold to Together ABS 3 in excess of the amounts payable under the priority of payments as described in the TABS 3 Securitization mortgage sale agreement.

Under the mortgage sale agreements, legal title to the mortgage loans and their collateral security remains with each relevant Term Securitization seller until the occurrence of a Perfection Event (as defined in each of the mortgage sale agreements), which include the following: (i) the occurrence of an insolvency event; (ii) the requirement for the relevant seller to perfect legal title to the mortgage loan (a) by law, (b) by order of a court of competent jurisdiction or (c) by a regulatory authority which has jurisdiction over a relevant servicer; (iii) a relevant seller calling for perfection by serving notice in writing to that effect on the relevant SPV issuer, and the security trustee; (iv) the occurrence of a relevant servicer termination event where (a) servicing has not been moved within the Borrower Group following the expiry of all applicable grace periods; or (b) no replacement relevant servicer has been appointed in accordance with the provisions of the relevant servicing deed; (v) the security created under or pursuant to a deed of charge or any material part of that security being, in the opinion of the security trustee (acting reasonably), in jeopardy; (vi) the delivery of an enforcement notice by the note trustee on the relevant SPV issuer; or (vii) it becoming unlawful in any applicable jurisdiction for a relevant seller to hold legal title in respect of any mortgage loan or its collateral security in the portfolio.

Each interest in a mortgage purchased by the relevant issuer from the relevant sellers was required to meet certain eligibility criteria, including, *inter alia*, in respect of the security of the loan, the enforceability of the loan agreement against the borrower, the underwriting process for the loan, regulatory compliance, insurance and governing law. In the event of material non-compliance at the time of sale with such eligible criteria for any loan sold to the issuers, the relevant seller may be required to repurchase or substitute such non-compliant loan. Substitution or repurchase may also be required if a loan is non-compliant in certain other limited circumstances (which circumstances do not include, for the avoidance of doubt, where the relevant mortgage loan falls into arrears or certain other events that might trigger a repurchase under some or all of the Conduit Securitizations) as provided by the relevant mortgage sale agreement.

The key criteria under each of the mortgage sale agreements, which were made by the relevant sellers within the group upon the sale of the mortgages under the TABS 1 Securitization, the TABS 2 Securitization and the TABS 3 Securitization, as set out in the relevant loan warranties, are outlined below:

Securitization	TABS 1	TABS 2	TABS 3
Type of loans sold	A pool of first and second charge owner-occupied and buy-to-let residential mortgages	A pool of first and second charge owner-occupied and buy-to-let residential mortgages	A pool of first and second charge owner-occupied and buy-to-let residential mortgages
Key mortgage sale agreement criteria[(1)]	• each loan secured by residential property located in England, Scotland or Wales; • each loan secured by a valid charge over the relevant property and suffers from no encumbrances or is protected by title insurance; • each mortgage loan has a maximum term of 35 years; • no mortgage loan has been in arrears for a period of longer than 3 months; • each mortgage loan was originated on or after January 1, 2015; • no mortgage loan is subject to a fixed rate of interest; • all borrowers are individuals or UK incorporated registered limited companies; and • no mortgage loan is a self-certified mortgage loan	• each loan secured by residential property located in England, Scotland or Wales; • each loan secured by a valid charge over the relevant property and suffers from no encumbrances or is protected by title insurance; • each mortgage loan originated by Blemain has a maximum term of no longer than 30 years and each mortgage loan originated by TCFL and TPFL has a maximum term of no longer than 40 years; • no mortgage loan has been in arrears for a period of longer than 3 months; • each mortgage loan was originated on or after January 1, 2015; • all borrowers are individuals or UK incorporated registered limited companies; and • no mortgage loan is a self-certified mortgage loan	• each loan secured by residential property located in England, Scotland or Wales; • each loan secured by a valid charge over the relevant property and suffers from no encumbrances or is protected by title insurance; • each mortgage loan originated by TCFL has a maximum term of no longer than 30 years and each mortgage loan originated by TPFL has a maximum term of no longer than 40 years; • no mortgage loan has been in arrears for a period of longer than 3 months; • each mortgage loan was originated on or after January 1, 2018; • all borrowers are individuals or UK incorporated registered limited companies; and • no mortgage loan is a self-certified mortgage loan

(1) This includes key mortgage sale criteria, though does not constitute a comprehensive list.

Pursuant to the mortgage sale agreements, the relevant seller may substitute or repurchase a mortgage and the respective collateral security by making a cash payment and/or substituting the mortgage and respective collateral with another such that the aggregate principal amount of the new mortgage and security is equal to the principal balance of the mortgage and security being substituted or repurchased. If the relevant seller opts to substitute the mortgage with a new mortgage, such new mortgage and the portfolio as a whole must meet certain conditions, including with respect to, *inter alia,* the percentage of the portfolio with payments of three months or more in arrears, certain LTV levels of the portfolio and the percentage of buy-to-let mortgage loans and second-lien mortgage loans in the portfolio.

Servicing Deeds

Pursuant to the terms of servicing deeds between the relevant Term Securitization SPV, the relevant servicers (being the sellers, companies within the Group) and other parties, the relevant servicers provide certain administration and management services in relation to the relevant loans and their respective security.

The Term Securitizations sellers receive a fee based on the outstanding principal amount of mortgages each originator services as consideration for acting in this role.

Each relevant servicer has the full power, authority and right to carry out any actions related to the administration of the relevant loans. The servicers must comply with their applicable arrears and collection policy.

Pursuant to the servicing deeds, the servicers' appointment may be terminated in certain limited scenarios, such as when the relevant servicer defaults in the payment on the due date of any payment due and payable by it under the relevant servicing deed and such default continues without being remedied, or when the relevant servicer defaults in the performance or observance of any of its covenants and obligations under the relevant servicing deed.

The relevant servicers' liability in contract, tort (including negligence or breach of statutory or regulatory duty) or otherwise in respect of each Term Securitization servicing deed is limited to £1,500,000 in aggregate for so long as the relevant Term Securitization originators are appointed as servicers and cannot include any claim for any increased costs and expenses, loss of profit, business, contracts, revenues or anticipated savings or for any special indirect or consequential damage of any nature whatsoever. The relevant servicers' limitation on liability does not apply as a result of the breach of certain standby servicing agreement or the fraud, willful default or gross negligence of the relevant servicer.

Cash Administration Agreements

Pursuant to the terms of cash administration agreements, between the relevant Term Securitization SPV, the cash administrator (being Together Financial Services Limited), the relevant servicers and other parties, the cash administrator manages the cash administration activities of the relevant Term Securitization SPVs.

In addition to the ongoing cash administration activities, on a monthly basis, the cash administrator makes payments from the relevant Term Securitization SPV in relation to revenue and principal receipts pursuant to the relevant pre-enforcement priority of payments (as outlined in the relevant cash administration agreement) or the post-enforcement priority of payments (as outlined in the relevant deed of charge), as applicable, which includes interest or fees due to creditors and, where applicable, the balance of any remaining amounts to be applied as residual payments to the holders of the residual certificates.

Under the relevant cash administration agreements of each of the Term Securitizations, a part amortizing reserve fund is held in a designated bank account, which, under certain circumstances, can be used to cover shortfalls in funds from collections necessary to cover the relevant priority of payments.

Hedging

We currently hedge an amount of interest rate exposure related to certain fixed rate mortgages under the TABS 2 Securitization and the TABS 3 Securitization pursuant to interest rate caps entered into on November 8, 2018 and October 10, 2019, respectively. The hedging in place relates only to certain fixed rate mortgage loans under the TABS 2 Securitization and the TABS 3 Securitization, as applicable (and not to any other mortgage loans of the Borrower Group).

DESCRIPTION OF NOTES

Jerrold FinCo plc (the "*Issuer*") will issue £435 million aggregate principal amount of 4⅞% Senior Secured Notes due 2026 (the "*Notes*") under an indenture, to be dated as of February 10, 2020 (the "*Indenture*"), between, among others, the Issuer, Together Financial Services Limited (the "*Company*") Deutsche Trustee Company Limited, as trustee (the "*Trustee*"), and The Royal Bank of Scotland plc, as security agent, in a private transaction that is not subject to the registration requirements of the U.S. Securities Act of 1933, as amended (the "*U.S. Securities Act*"). Unless the context requires otherwise, references in this "Description of Notes" to the Notes include the Notes and any Additional Notes (as defined below) that are issued. The terms of the Notes include those set forth in the Indenture. The Indenture will not be qualified under, incorporate or include or be subject to, the U.S. Trust Indenture Act of 1939, as amended, including Section 316(b) thereof. The Issuer intends to use the proceeds from the offering of the Notes as set out in "*Use of Proceeds*."

The following description is a summary of the material provisions of the Indenture and the Notes and refers to the Intercreditor Agreement and the Security Documents. This does not restate those agreements in their entirety. You should read the Indenture, the Notes, the Intercreditor Agreement and the Security Documents because they, and not this description, define your rights as holders of the Notes. Copies of the Indenture, the form of Note, the Security Documents and the Intercreditor Agreement are available as set forth below under "*—Additional Information*."

Certain defined terms used in this description but not defined below under "*—Certain Definitions*" have the meanings assigned to them in the Indenture. You can find the definitions of certain terms used in this description under the subheading "*—Certain Definitions*." In this description, the term "Company" refers only to Together Financial Services Limited and not to any of its Subsidiaries.

The registered holder of a Note will be treated as the owner of it for all purposes. Generally, only registered holders will have rights under the Indenture.

Brief Description of the Notes and the Note Guarantees

The Notes

The Notes:

- will be general obligations of the Issuer;
- will, together with the obligations under the 2024 Notes, the Revolving Credit Facility and certain Hedging Obligations, be secured by first-priority Liens over the Collateral, but will receive proceeds from enforcement of the Liens over the Collateral only after any obligations under the Revolving Credit Facility and certain priority Hedging Obligations have been paid in full;
- will rank *pari passu* in right of payment with all existing and future Indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes, including Indebtedness incurred under the 2024 Notes, the Revolving Credit Facility and certain Hedging Obligations;
- will rank senior in right of payment to all existing and future Indebtedness of the Issuer that is subordinated in right of payment to the Notes, if any;
- will be guaranteed by the Guarantors;
- will be effectively subordinated to any existing and future Indebtedness that is secured by property or assets that do not secure the Notes, including the Existing Qualified Securitization Financings;
- will be effectively senior to all existing and future obligations of the Issuer that are unsecured or secured by liens junior to the Liens securing the Notes to the extent to the value of the Collateral, including the Subordinated Shareholder Loan Notes, which are secured on a junior basis over the assets securing the Notes; and
- will be structurally subordinated to all obligations of the Company's Subsidiaries that are not Guarantors, including the obligations of the Securitization Subsidiaries under the Existing Qualified Securitization Financings.

Under the terms of the Intercreditor Agreement, the holders of the Notes will receive proceeds from distressed disposals and from the enforcement of the Collateral only after certain super senior priority obligations have been repaid in full, including (i) obligations under the Revolving Credit Facility and (ii) certain Hedging Obligations.

We estimate that, as of September 30, 2019, we would have had approximately £219.3 million "restricted payment" capacity under the "build-up basket" under the Indenture and the 2024 Notes Indenture and the Revolving Facility Agreement. On or about October 11, 2019, the Company made a dividend payment of £15.6 million to the Parent HoldCo of the Company for the purposes of servicing the interest payment due on the £350.0 million aggregate principal amount of the PIK Note Issuer's 8 $^{7}/_{8}$%/10 $^{3}/_{8}$% Senior PIK Toggle Notes. Our restricted payments capacity is not necessarily an indication of our cash position on such date or any date in the future.

The Note Guarantees

The Notes will initially be guaranteed by Together Financial Services Limited (formerly Jerrold Holdings Limited), Blemain Finance Limited, Together Personal Finance Limited (formerly Cheshire Mortgage Corporation Limited), Factfocus Limited, General Allied Properties Limited, Harpmanor Limited, Jerrold Mortgage Corporation Limited, Together Commercial Finance Limited (formerly Lancashire Mortgage Corporation Limited), Spot Finance Limited, Supashow Limited, Classic Car Finance Limited, Bridging Finance Limited, Bridgingfinance.co.uk Limited, Auction Finance Limited and Jerrold Holdings Limited (formerly Together Financial Services Limited and formerly Manchester Property Investments Limited). The Note Guarantee of each Guarantor:

- will be a general obligation of that Guarantor;
- will, together with such Guarantor's obligations under its guarantee of the 2024 Notes, its guarantee of the Revolving Credit Facility and its guarantee of certain Hedging Obligations, be secured by first-priority Liens over the Collateral, but will receive proceeds from enforcement of the Liens over the Collateral only after any obligations under the Revolving Credit Facility and certain priority Hedging Obligations have been paid in full;
- will rank *pari passu* in right of payment with all existing and future Indebtedness of such Guarantor that is not expressly subordinated in right of payment to such Note Guarantee, including its obligations under its guarantee of the 2024 Notes, its guarantee of the Revolving Credit Facility and its guarantee of certain Hedging Obligations;
- will rank senior in right of payment to all future Indebtedness of such Guarantor that is subordinated in right of payment to such Note Guarantee, if any;
- will rank effectively senior to all existing and future obligations of such Guarantor that are unsecured or secured by Liens junior to the Liens securing the Note Guarantees to the extent of the value of the Collateral;
- will be structurally subordinated to all existing and future Indebtedness of any Guarantor's subsidiaries that do not guarantee the Notes; and
- will be effectively subordinated to all Existing Qualified Securitization Financings and any Qualified Securitization Financings entered into in the future.

All of the Company's subsidiaries other than the Issuer and certain dormant and non-material subsidiaries will guarantee the Notes. None of the Securitization Subsidiaries will guarantee the Notes. As of and for the twelve months ended September 30, 2019, the Issuer and the Guarantors together represented 100% of our Adjusted EBITDA (defined as EBITDA *less* interest costs attributable to the Securitization Subsidiaries) and owned 100% of our consolidated Total Assets (excluding assets owned by the Securitization Subsidiaries).

The Notes and the Note Guarantees will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of the Company's non-guarantor Subsidiaries, including Indebtedness of the Securitization Subsidiaries, which are orphan entities that are the obligors pursuant to the Existing Qualified Securitization Financings. Any right of the Issuer or any Guarantor to receive assets of any of the Company's non-guarantor Subsidiaries upon that non-guarantor Subsidiary's liquidation or reorganization (and the consequent right of the holders of the Notes to participate in those assets) will be effectively subordinated to the claims of that non-guarantor Subsidiary's creditors, except to the extent that the Issuer or such Guarantor is itself recognized as a creditor of the non-guarantor Subsidiary, in which case the claims of the Issuer or such Guarantor, as the case may be, would still be subordinated in right of payment to any security in the assets of the non-guarantor Subsidiary and any Indebtedness of the non-guarantor Subsidiary senior to that held by the Issuer or such Guarantor. Each of the Securitization Subsidiaries is a special purpose securitization orphan company used in connection with an Existing Qualified Securitization Financing, and none of the Securitization Subsidiaries is owned by the Company. Consequently, the Notes and the Note Guarantees will be effectively subordinated to the claims of the creditors of the Securitization Subsidiaries in relation to their respective assets.

As of the Issue Date, all of the Company's Subsidiaries will be "Restricted Subsidiaries" for the purposes of the Indenture. However, under the circumstances described below under the caption "*—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*," the Company will be permitted to designate Restricted Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not guarantee the Notes.

Principal, Maturity and Interest

On the Issue Date, the Issuer will issue £435.0 million in aggregate principal amount of Notes. The Issuer may issue additional notes ("*Additional Notes*") under the Indenture from time to time after this offering. Any issuance of Additional Notes is subject to all of the covenants in the Indenture, including the covenant described below under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*." The Issuer will issue the Notes in denominations of £100,000 and integral multiples of £1,000 in excess thereof. The Notes and any Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase, except as otherwise provided in the Indenture; *provided*, that if any Additional Notes that are subsequently issued are not fungible with the relevant series of Notes offered hereby for U.S. federal income tax purposes, such Additional Notes shall be issued with a separate ISIN. Unless the context otherwise requires, references to the "Notes" for all purposes of the Indenture and this "Description of Notes" includes references to any Additional Notes that are issued. The Notes will mature on January 15, 2026.

Interest on the Notes will accrue at the rate of 4.875% per annum. Interest on the Notes will be payable semi-annually in arrears on January 15 and July 15, commencing on July 15, 2026 (each, an "Interest Payment Date"). Interest on overdue principal and interest, including Additional Amounts (as defined herein), if any, will accrue at a rate that is 1% higher than the interest rate on the Notes. The Issuer will make each interest payment to the holders of record on the Business Day immediately preceding the related Interest Payment Date, in the case of Global Notes, and January 1 and July 1 of each year immediately preceding the related Interest Payment Date, in the case of Definitive Registered Notes.

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. The interest amount will be calculated by applying the applicable rate to the aggregate principal outstanding of the Notes.

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more paying agents (each, a "*Paying Agent*") for the Notes, including a Paying Agent in London. The initial Paying Agent will be Deutsche Bank AG, London Branch.

The Issuer will also maintain one or more registrars (each, a "*Registrar*"). The initial Registrar will be Deutsche Bank Luxembourg S.A. in Luxembourg. The Issuer will also maintain a transfer agent (the "*Transfer Agent*") in Luxembourg. The initial Transfer Agent will be Deutsche Bank Luxembourg S.A. in Luxembourg. The Registrar and the Transfer Agent will maintain a register reflecting ownership of Definitive Registered Notes outstanding from time to time and will make payments on and facilitate transfers of Definitive Registered Notes on behalf of the Issuer.

The Issuer may change the Paying Agents, the Registrars or the Transfer Agents without prior notice to the holders of the Notes. For so long as the Notes are listed on the Official List of Euronext Dublin and admitted for trading on the Global Exchange Market and the rules of Euronext Dublin so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having a general circulation in Dublin (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of Euronext Dublin (*www.ise.ie*).

Transfer and Exchange

Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act ("*Rule 144A*") will initially be represented by one or more global Notes in registered form without interest coupons attached (the "*144A Global Note*"), and Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act ("*Regulation S*") will initially be represented by one or more global Notes in registered form without interest coupons attached (the "*Regulation S Global Note*" and, together with the 144A Global Notes, the "*Global Notes*").

The Notes will be subject to certain restrictions on transfer and certification requirements, as described under "*Notice to Investors*."

Ownership of interests in the Global Notes (the "*Book-Entry Interests*") will be limited to persons that have accounts with Euroclear Bank SA/NV ("*Euroclear*") or Clearstream Banking, S.A. ("*Clearstream*") or Persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Notice to Investors*." In addition, transfers of Book-Entry Interests between participants in Euroclear or Clearstream will be effected by Euroclear or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Note only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Whilst the Notes may only be traded in denominations of £100,000 and multiples of £1,000, for the purpose of Euroclear and Clearstream, the denominations are considered as £1. For the avoidance of doubt, Euroclear and Clearstream are not required to monitor or enforce the minimum amount. Any transferors and transferees shall refer to "*Notice to Investors*" and observe the transfer restrictions included therein.

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof, to persons who take delivery thereof in the form of Definitive Registered Notes. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, furnish certain certificates and opinions, and pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any Taxes payable in connection with such transfer or exchange.

Notwithstanding the foregoing, the Issuer is not required to register the transfer of any Definitive Registered Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any Interest Payment Date; or

(4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer.

Additional Amounts

All payments made by or on behalf of the Issuer (or any successor of the Issuer) under or with respect to the Notes (whether or not in the form of Definitive Registered Notes) or any of the Guarantors under or with respect to any Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Issuer or any Guarantor (including any successor entity) is then incorporated or organized, engaged in business for tax purposes, or otherwise resident for tax purposes or any political subdivision thereof or therein or (2) any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including, without limitation, the jurisdiction of any Paying Agent) or any political subdivision thereof or therein (each, a "*Tax Jurisdiction*") will at any time be required by law to be made from any payments made by or on behalf of the Issuer under or with respect to the Notes or any of the Guarantors under or with respect to any Note Guarantee, including payments of principal, redemption price, purchase price, or interest or premium, if any, the Issuer or the relevant Guarantor, as applicable, will pay such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments after such withholding or deduction (including any such withholding or deduction from such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided, however*, that no Additional Amounts will be payable with respect to:

(1) any Taxes that would not have been imposed but for the existence of any present or former connection between the holder or the beneficial owner of the Notes (or a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such holder or beneficial owner, if such holder or beneficial owner is an estate, trust, partnership or corporation) and the relevant Tax Jurisdiction (including being a resident, citizen or national of, or incorporated or engaged in business in, such jurisdiction for tax purposes), other than any connection arising solely from the acquisition or holding of such Note, the exercise or enforcement of rights under such Note, the Indenture or under a Note Guarantee or the receipt of any payments under or in respect of such Note, the Indenture or a Note Guarantee;

(2) any Taxes imposed as a result of the presentation of a Note for payment (where Notes are in the form of Definitive Registered Notes and presentation is required) either (i) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period) or (ii) which would not have been imposed if the holder had presented the Note to another Paying Agent in a member state of the European Union;

(3) any estate, inheritance, gift, sales, personal property, transfer or similar Taxes;

(4) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Notes or with respect to any Note Guarantee;

(5) any Taxes imposed or withheld by reason of the failure of the holder or beneficial owner of Notes to comply with any reasonable written request by or on behalf of the Issuer addressed to the holder and made at least 30 days before any such withholding or deduction would be payable to satisfy any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Tax Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the holder or beneficial owner is legally entitled to provide such certification or documentation;

(6) any Taxes imposed pursuant to (a) Sections 1471 through 1474, including Section 1471(b), of the U.S. Internal Revenue Code of 1986, as amended (the "*Code*") as of the Issue Date (or any amended or successor version of such Sections that are substantively comparable), any regulations or agreements thereunder, official interpretations thereof, or any agreement entered into pursuant to Section 1471(b)(1) of the Code, (b) any intergovernmental agreement entered into in connection with the implementation of clause (a), or (c) any law, regulation or other official guidance enacted in any jurisdiction implementing any such intergovernmental agreement; or

(7) any combination of items (1) through (6) above.

In addition, no Additional Amounts shall be paid with respect to any payment to any holder that is a fiduciary, partnership or person other than the sole beneficial owner of such Notes to the extent that the beneficiary or settlor with respect to such fiduciary, the member of such partnership or the beneficial owner of such Notes would not have been entitled to Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Notes directly.

In addition to the foregoing, the Issuer and the Guarantors will also pay and indemnify each holder or beneficial owner for any present or future stamp, issue, registration, court or documentary Taxes, or any other excise or property Taxes, charges or similar levies (including penalties, interest and any other reasonable expenses related thereto) which are levied by any Tax Jurisdiction on the execution, delivery, issuance, registration of, or by any jurisdiction on the enforcement of, any of the Notes, the Indenture, any Note Guarantee or any other document or instrument referred to therein (provided that the Issuer shall not be required to pay any such stamp, issue, registration or other Taxes imposed on a transfer of the Notes following the initial sale of the Notes by the initial purchasers), or the receipt of any payments with respect thereto (limited, solely in the case of Taxes attributable to the receipt of any payments with respect thereto, to any such Taxes levied by any Tax Jurisdiction that are not excluded under clauses (1) through (3) or (5) through (6) above or any combination thereof).

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Note Guarantee, each of the Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee and Paying Agents on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises, or if the Issuer becomes aware of such obligation, less than 45 days prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify the Trustee and Paying Agents as soon as practicable thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer's Certificate(s) must also set forth any other information necessary to enable the Paying Agents to pay such Additional Amounts on the relevant payment date. The Issuer and the relevant Guarantor will provide the Trustee with documentation satisfactory to the Trustee evidencing the payment of Additional Amounts. The Trustee and Paying Agents shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

The Issuer or the relevant Guarantor will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Issuer or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Issuer or the relevant Guarantor will furnish to the Trustee, within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Issuer or a Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee) by such entity. Upon reasonable request, copies of Tax receipts or other evidence of payments, as the case may be, will be made available by the Trustee to the holders or beneficial owners of the Notes.

Whenever in the Indenture or in this "Description of Notes" there is mentioned, in any context, the payment of amounts based upon the principal amount outstanding of the Notes or of principal, premium or interest or of any other amount payable under, or with respect to, any of the Notes or any Note Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the Indenture and any transfer by a holder or beneficial owner of its Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is incorporated, organized or engaged in business or otherwise resident for tax purposes or any jurisdiction from or through which any payment on the Notes (or any Note Guarantee) is made and any political subdivision thereof or therein.

Note Guarantees

The Notes will be guaranteed by each Guarantor. These Note Guarantees will be joint and several obligations of the Guarantors. Each Note Guarantee is a guarantee of the Issuer's obligations under the Notes, subject to the contractual limitations discussed below.

The obligations of the Guarantors will be contractually limited under the applicable Note Guarantees to reflect limitations under applicable law as described under the caption "*Risk Factors—Risk Relating to the Notes—Laws relating to preference, transactions at an undervalue, misfeasance and corporate benefit may adversely affect the validity and enforceability of payments under the senior guarantee and pledge of security of the Notes by the Company and the other Guarantors*."

The obligations of each Guarantor under its Note Guarantee and the Liens it has granted to secure its Note Guarantee and the Notes will be limited to an amount not to exceed the maximum amount that can be guaranteed by such Guarantor without resulting in its obligations under its Note Guarantee and any Liens granted on its assets being voidable or unenforceable under applicable law relating to fraudulent transfer or under similar laws affecting the rights of creditors generally, and will be limited to the maximum amount otherwise permitted by applicable law. In particular, each Note Guarantee and each Lien will be limited as required to comply with corporate benefit, maintenance of share capital and other legal restrictions applicable to the Guarantors and the respective shareholders. By virtue of these limitations, a Guarantor's obligations under its Note Guarantee and any Liens granted on its assets constituting Collateral could be significantly less than the amounts payable in respect of the Notes. See "*Risk Factors—Risk Relating to the Notes—Laws relating to preference, transactions at an undervalue, misfeasance and corporate benefit may adversely affect the validity and enforceability of payments under the senior guarantee and pledge of security of the Notes by the Company and the other Guarantors*."

The Note Guarantee of a Guarantor will be released:

(1) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary, if the sale or other disposition does not violate the "Asset Sale" provisions of the Indenture;

(2) in connection with any sale or other disposition of Capital Stock of that Guarantor (or Capital Stock of any Parent Holdco of such Guarantor (other than the Company)) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary, if the sale or other disposition does not violate the "Asset Sale" provisions of the Indenture and the Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;

(3) if the Company designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;

(4) in connection with certain enforcement actions taken by the creditors under certain of our secured Indebtedness in accordance with the Intercreditor Agreement as described below under "*—Intercreditor Agreement*";

(5) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions "*—Legal Defeasance and Covenant Defeasance*" and "*—Satisfaction and Discharge*";

(6) upon the full and final payment of the Notes and performance of all Obligations of the Issuer and the Guarantors under the Indenture and the Notes;

(7) as described under the caption "*—Amendment, Supplement and Waiver*";

(8) with respect to the Note Guarantee of any Guarantor that was required to provide such Note Guarantee pursuant to the covenant described under the caption "*—Certain Covenants—Additional Guarantees*," upon such Guarantor being unconditionally released and discharged from its liability with respect to the Indebtedness giving rise to the requirement to provide such Note Guarantee, so long as no Default or Event of Default would arise as a result and no other Indebtedness guaranteed by, or incurred by, the relevant Guarantor would have required that such Guarantor provide a Note Guarantee pursuant to the terms of the Indenture or Intercreditor Agreement immediately after the release of such Note Guarantee; or

(9) in connection with a Permitted Reorganization.

Upon any occurrence giving rise to a release of a Note Guarantee, as specified above, the Trustee, subject to receipt of certain documents from the Issuer and/or Guarantor, will execute any documents reasonably required in order to evidence or effect such release, discharge and termination in respect of such Note Guarantee. Neither the Issuer, the Trustee nor any Guarantor will be required to make a notation on the Notes to reflect any such release, discharge or termination.

Security

General

The obligations under the Notes, the 2024 Notes, the Revolving Credit Facility, certain Hedging Obligations and certain future Indebtedness not prohibited by the Indenture (subject to the Intercreditor Agreement and any Additional Intercreditor Agreement), if any, will be secured equally and ratably by first-priority Liens over the Collateral, however, any proceeds received upon any distressed disposal with respect to, or enforcement over, any of the Collateral will only be applied in repayment of the Notes, and all other debt secured on a priority basis with the Notes (including the 2024 Notes), after all liabilities in respect of the obligations under the Revolving Credit Facility and certain priority Hedging Obligations and certain future indebtedness permitted by the Indenture (subject to the Intercreditor Agreement or any Additional Intercreditor Agreement), if any, have been paid from such recoveries. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*." The Collateral will be pledged pursuant to the Security Documents to the Security Agent on behalf of the holders of the secured obligations that are secured by the Collateral, including holders of the Notes.

The Collateral will include first-priority fixed and floating security interests in (1) all of the issued Capital Stock in the Issuer and each Guarantor (other than the Company), (2) substantially all of the existing and future property and assets of the Issuer and the Guarantors (but excluding Securitization Assets), including all real property, book debts, bank accounts, investments, uncalled capital and goodwill, intellectual property, plants and machinery and insurances and all related proceeds, claims of any kind, returns of premium and other benefits, other than collection accounts and (3) an assignment of the Proceeds Loan and the 2024 Notes Proceeds Loan. Any additional security interests that may in the future be pledged to secure obligations under the Notes, the Note Guarantees and the Indenture would also constitute Collateral.

Each holder of Notes, by accepting a Note, shall be deemed (1) to have authorized the Trustee to accede to the Intercreditor Agreement and the Security Agent to enter into the Security Documents and the Intercreditor Agreement and (2) to be bound thereby. Each holder of Notes, by accepting a Note, appoints the Trustee or the Security Agent, as the case may be, as its agent under the Security Documents, the Intercreditor Agreement, and authorizes it to act as such.

The holders of the Notes are not a party to the Security Documents, and therefore holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The holders may only act through the Security Agent, as applicable. The Security Agent will agree to any release of the security interest created by the Security Documents that is in accordance with the Indenture and the Intercreditor Agreement without requiring any consent of the holders. The Trustee, together with the 2024 Notes Trustee and the representative of any other Indebtedness *pari passu* with the Notes, will have the ability to direct the Security Agent to commence enforcement action under the Security Documents in certain circumstances. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The proceeds from the sale of the Collateral may not be sufficient to satisfy the obligations owed to the holders of the Notes and the creditors of any other Indebtedness secured thereby. No appraisals of the Collateral have been made in connection with this offering of the Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, it may not be possible to sell the Collateral may not be able to be sold in a short period of time, if at all. See "*Risk Factors—Risks Relating to the Notes—The value of the collateral securing the Notes may not be sufficient to satisfy our obligations under the Notes.*"

Security Documents

The Issuer and each of the Guarantors have entered into the Security Documents granting first-priority fixed and floating charges over substantially all of the property and assets of the Issuer and the Guarantors. Subject to the terms of, and limitations under, the Security Documents, these security interests will secure the payment and performance when due of the obligations of the Issuer and the Guarantors under the Notes, the Indenture and the Note Guarantees.

Subject to the terms of the Indenture, the 2024 Notes Indenture, the Revolving Credit Facility and the Security Documents, the Issuer and the Guarantors will have the right to remain in possession and retain exclusive control of the Collateral securing the Notes, to freely operate the property and assets constituting the Collateral and to collect, invest and dispose of any income therefrom (including any and all dividends, distributions or similar cash and non-cash payments in respect of Capital Stock of the Guarantors that is part of the Collateral).

Release

The Issuer and the Guarantors will be entitled to the release of the Liens over the property and other assets constituting the Collateral securing the Notes and the Note Guarantees under any one or more of the following circumstances:

(1) in connection with any sale, assignment, transfer, conveyance or other disposition of such property or assets to a Person that is not (either before or after giving effect to such transaction) the Company or

any of its Restricted Subsidiaries, if the sale or other disposition does not violate the "Asset Sale" provisions of the Indenture;

(2) in the case of a Guarantor that is released from its Note Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) if the Company designates any of its Restricted Subsidiaries to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the Capital Stock of such Restricted Subsidiary and the property and assets of such Restricted Subsidiary;

(4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions "*—Legal Defeasance and Covenant Defeasance*" and "*—Satisfaction and Discharge*";

(5) in connection with certain enforcement actions taken by the creditors under certain of our secured Indebtedness in accordance with the Intercreditor Agreement as described below under "*—Intercreditor Agreement*";

(6) in connection with a Permitted Reorganization;

(7) upon the full and final payment of the Notes and performance of all Obligations of the Issuer and the Guarantors under the Indenture and the Notes;

(8) as described under the caption "*—Amendment, Supplement and Waiver*";

(9) upon a release of the Lien (the "*Initial Lien*") that resulted in the creation of the Lien (the "*Notes Lien*") under the covenant described under the caption "*—Certain Covenants—Liens*" so long as immediately after the release of the Notes Lien there is no other Indebtedness secured by a Lien on the property and assets that was the subject of the Initial Lien and Notes Lien that would result in the requirement for the Notes and/or the Note Guarantees to be secured on such property or assets; or

(10) as otherwise permitted in accordance with the Indenture and the Security Documents.

The Trustee and the Security Agent will take all necessary action requested by the Issuer to effectuate any release of any Collateral securing the Notes, in accordance with the provisions of the Indenture and the relevant Security Document.

The Company and its Restricted Subsidiaries may, from time to time, sell some or all of their assets forming, at the time, part of the Collateral in connection with a Qualified Securitization Financing (including the Existing Qualified Securitization Financings), in which case all Liens on such assets shall be automatically and unconditionally released without the consent of the Trustee, the Security Agent or the holders of the Notes.

Upon any occurrence giving rise to a release of a Lien, as specified above, the Security Agent shall execute any documents reasonably required in order to evidence or effect such release, discharge or termination.

Intercreditor Agreement

To establish the relative rights of certain creditors of the Issuer and Guarantors under their financing arrangements, including, without limitation, the Notes, the 2024 Notes, the Revolving Credit Facility, certain Hedging Obligations and Deeply Subordinated Shareholder Indebtedness, the Issuer, each Guarantor, the agent under the Revolving Credit Facility, the 2024 Notes Trustee, the Security Agent and the Trustee have entered into, or will enter into, the Intercreditor Agreement. Pursuant to the terms of the Intercreditor Agreement, any obligations under the Notes, the Note Guarantees, the 2024 Notes, the guarantees of the 2024 Notes, the Revolving Credit Facility and Hedging Obligations with respect to interest rate and foreign currency exchange rate hedging that are permitted to be incurred by clause (8) of the definition of Permitted Debt and are secured by the Collateral will be secured equally and ratably by, subject to Permitted Collateral Liens, a first priority interest in the Collateral; *provided*, *however*, that the holders of Notes will only receive proceeds from the enforcement of Collateral after certain super senior priority obligations have been paid in full, including (i) obligations under the Revolving Credit Facility and (ii) certain Hedging Obligations. In addition, the terms of the Intercreditor Agreement provide that any obligations under Deeply Subordinated Shareholder Indebtedness will be subject to customary payment blockage, enforcement standstill and turnover provisions and will be subordinated in right of payment to all Obligations under the Notes, the 2024 Notes, the Revolving Credit Facility and certain Hedging Obligations. Please see "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

Pursuant to the Intercreditor Agreement, each of the Issuer and the Guarantors will promptly enter into any release and/or other document and take any action which the Security Agent may reasonably require if the Security Agent requires any release of any Note Guarantee or security over the Collateral pursuant to or for the purpose of (1) any Enforcement Action (as defined in the Intercreditor Agreement) taken or to be taken by the Security Agent in accordance with the Intercreditor Agreement or (2) any disposal not prohibited by the Indenture, the Revolving Credit Facility and the terms of any other secured debt (including the 2024 Notes). Please see "*Description of Certain Financing Arrangements—Intercreditor Agreement.*"

The Proceeds Loan

Upon the issuance of the Notes, the Issuer, as lender, and the Company, as borrower, will enter into the Proceeds Loan under a proceeds loan agreement (the "*Proceeds Loan Agreement*") pursuant to which the Issuer will loan to the Company the proceeds from the issuance of the Notes.

The Proceeds Loan will be denominated in pounds sterling in an aggregate principal amount equal to the aggregate principal amount of the Notes. The Proceeds Loan will bear interest at a rate at least equal to the interest rate of the Notes. Interest on the Proceeds Loan will be payable semi-annually in arrears with sufficient time in advance to permit the Issuer to make payments of interest on the Notes. The maturity date of the Proceeds Loan will be the same maturity date as the maturity date of the Notes. The Proceeds Loan will be an unsecured obligation of the Company.

Except as otherwise required by law, all payments under the Proceeds Loan Agreement will be made without deduction or withholding for, or on account of, any applicable Tax. In the event that the Company is required to make any such deduction or withholding, it shall gross-up each payment to the Issuer to ensure that the Issuer receives and retains a net payment equal to the payment which it would have received had no such deduction or withholding been made.

The Proceeds Loan will provide that the Company will make all payments pursuant thereto on a timely basis in order to ensure that the Issuer can satisfy its payment obligations under the Notes and the Indenture, taking into account the administrative and timing requirements under the Indenture with respect to amounts payable on the Notes.

The Proceeds Loan will be assigned by way of security to the Security Agent for the benefit of holders of the Notes described under the caption "*—Security*."

Optional Redemption

At any time prior to January 15, 2022, the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of Notes issued under the Indenture, upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 104.875% of the principal amount of the Notes redeemed, plus accrued and unpaid interest and Additional Amounts (if any) to, but not including, the date of redemption (subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant Interest Payment Date), with funds in an aggregate amount not to exceed the net cash proceeds of one or more Equity Offerings; *provided* that:

(1) at least 50% of the aggregate principal amount of the Notes originally issued under the Indenture (excluding Notes held by the Company and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 180 days of the date of the closing of such Equity Offering.

At any time prior to January 15, 2022, the Issuer may on any one or more occasions redeem all or a part of the Notes upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, subject to the rights of holders of the Notes on the relevant record date to receive interest due on the relevant Interest Payment Date.

Except pursuant to the preceding two paragraphs and except as described under "*—Redemption for Changes in Taxes*," the Notes will not be redeemable at the Issuer's option prior to January 15, 2022.

On or after January 15, 2022, the Issuer may on any one or more occasions redeem all or a part of Notes upon not less than 10 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on January 15 of the years indicated below, subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant Interest Payment Date:

Year	Redemption Price
2022	102.43750%
2023	101.21875%
2024 and thereafter	100.000%

In connection with any tender offer for the Notes, if the holders of not less than 90% of the aggregate principal amount outstanding of the Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered and not withdrawn by such holders, all of the holders of the Notes that remain outstanding will be deemed to have consented to a redemption of the Notes on the terms set forth in this paragraph and, accordingly, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such tender offer expiration date, to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price (excluding any early tender fee) offered to each other holder of Notes in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest and Additional Amounts, if any, thereon, to, but excluding, such redemption date.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

In connection with any redemption of Notes (including with the proceeds from an Equity Offering), any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent. In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice may state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied (*provided, however*, that, in any case, such redemption date shall be no more than 60 days from the date on which such notice is first given), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed. Notwithstanding anything else in the Indenture or the Notes to the contrary, redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture.

The Issuer or its affiliates may at any time and from time to time purchase Notes. Any such purchases may be made through open market or privately negotiated transactions with third parties or pursuant to one or more tender or exchange offers or otherwise, upon such terms and at such prices as well as with such consideration as the Issuer or any such affiliates may determine.

Redemption for Changes in Taxes

The Issuer may redeem the Notes, in whole but not in part, at its discretion at any time upon giving not less than 10 nor more than 60 days' prior notice to the holders of the Notes (which notice will be irrevocable and given in accordance with the procedures described in "*—Selection and Notice*"), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest (if any) to, but not including, the date fixed by the Issuer for redemption (a "*Tax Redemption Date*") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders of the Notes on the relevant record date to receive interest due on the relevant Interest Payment Date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes, the Issuer or relevant Guarantor is or would be required to pay Additional Amounts (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and the Issuer or relevant Guarantor cannot avoid any such payment obligation by taking reasonable measures available (including making payment through a Paying Agent located in another jurisdiction but provided that reasonable measures shall not include changing the jurisdiction of incorporation of the Issuer or any Guarantor), and the requirement arises as a result of:

(1) any amendment to, or change in, the laws or any regulations or rulings promulgated thereunder of a relevant Tax Jurisdiction which change or amendment has not been publicly announced before, and becomes effective on or after, the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date); or

(2) any amendment to, or change in, an official written interpretation or application of such laws, treaties, regulations or rulings (including by virtue of a holding, judgment, order by a court of competent jurisdiction or a change in published administrative practice) which amendment or change has not been publicly announced before, and becomes effective on or after, the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date) (each of the foregoing clause (1) and this clause (2), a "*Change in Tax Law*").

The Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Issuer or relevant Guarantor would be obligated to pay Additional Amounts if a payment in respect of the Notes was then due. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officer's Certificate stating that the obligation to pay such Additional Amounts cannot be avoided by the Issuer or relevant Guarantor taking reasonable measures available to it; and (b) a written opinion of independent tax counsel to the Issuer of recognized standing qualified under the laws of the relevant Tax Jurisdiction and reasonably satisfactory to the Trustee (such approval not to be unreasonably withheld) to the effect that the Issuer or relevant Guarantor has or will become obligated to pay such Additional Amounts as a result of a Change in Tax Law which would entitle the Issuer to redeem the Notes hereunder.

The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion of counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders.

Sinking Fund

The Issuer is not required to make sinking fund payments with respect to the Notes.

Repurchase at the Option of Holders

Change of Control

If a Change of Control occurs, each holder of Notes will have the right to require the Issuer to repurchase all or any part (equal to £100,000 or in integral multiples of £1,000; *provided* that Notes of £100,000 or less may only be redeemed in whole and not in part) of that holder's Notes pursuant to a Change of Control Offer on the terms set forth in the Indenture. In the Change of Control Offer, the Issuer will offer a payment in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes repurchased to the date of purchase (the "*Change of Control Payment*"), subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant Interest Payment Date; *provided*, *however*, that the Issuer shall not be obligated to repurchase Notes as described under this heading "Change of Control," in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes and given notice of redemption as described under "Optional Redemption" and that all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes and given notice of redemption as described under "Optional Redemption" and all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail a notice to each holder of the Notes at such holder's registered address or otherwise deliver a notice in accordance with the procedures described under "—*Selection and Notice*," stating that a Change of Control Offer is being made and offering to repurchase Notes on the date (the "*Change of Control Payment Date*") specified in the notice, which date will be no earlier than 30 days and no later than the later of 60 days from the date such notice is mailed or delivered and the date of the completion of the Change of Control, pursuant to the procedures required by the Indenture and described in such notice. The Issuer will comply with the requirements of Rule 14e-1 under the U.S. Exchange Act and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the

Indenture, the Issuer will comply with any applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Issuer.

The Paying Agent will cause to be delivered to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee (or an authentication agent) will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders of the Notes to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The ability of the Issuer to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would require the Issuer to offer to repurchase the 2024 Notes under the terms of the 2024 Notes Indenture, would require Bracken Midco1 plc to offer to repurchase the 2023 PIK Notes under the terms of the 2023 PIK Notes Indenture; would constitute a mandatory prepayment event and/or a default due to a breach of undertaking under the Revolving Credit Facility and may impact certain of our Existing Qualifying Securitization Financings. In addition, certain events that may constitute a change of control under the Revolving Credit Facility may not constitute a Change of Control under the Indenture. The future Indebtedness of the Company and its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of the Notes of their right to require the Issuer to repurchase the Notes could cause a default under such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the ability of the Issuer to pay cash to the holders of the Notes upon a repurchase may be limited by its then-existing financial resources. The Issuer will be dependent upon the Company, and as such will be subject to the then-existing financial resources of the Company. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control if a definitive agreement is in place for the Change of Control or an offer or other transaction that if consummated would result in a Change of Control has been publicly announced and, if applicable, not withdrawn at the time the Change of Control Offer is made.

The definition of "Change of Control" includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Issuer to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Company and its Restricted Subsidiaries taken as a whole to another Person or group may be uncertain.

The provisions under the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the consent of the holders of a majority in principal amount of the Notes prior to the occurrence of the Change of Control.

If and for so long as the Notes are listed on the Official List of Euronext Dublin and admitted for trading on the Global Exchange Market and the rules of Euronext Dublin so require, the Issuer will publish a public announcement with respect to the results of any Change of Control Offer in a leading newspaper of general circulation in Dublin (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of Euronext Dublin (*www.ise.ie*).

Asset Sales

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:

(1) the Company (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) except in the case of a Permitted Asset Swap, at least 75% of the consideration received in the Asset Sale by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities (other than any liabilities that are expressly subordinated in right of payment to the Notes, any Note Guarantee and/or the Proceeds Loan), as recorded on the balance sheet of the Company or any Restricted Subsidiary (or, in relation to contingent liabilities, to the extent provisions have been taken on the balance sheet of the Company or any Restricted Subsidiary), that are assumed by the transferee of any such assets and as a result of which the Company and its Restricted Subsidiaries are no longer obligated with respect to such liabilities or are indemnified against further liabilities;

(b) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of the Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion;

(c) any Capital Stock or assets of the kind referred to in clauses (2), (3) or (4) of the next paragraph of this covenant;

(d) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that the Company and each other Restricted Subsidiary are released from any guarantee of such Indebtedness in connection with such Asset Sale;

(e) consideration consisting of Indebtedness of the Issuer or any Guarantor (other than any Indebtedness that is expressly subordinated in right of payment to the Notes, any Note Guarantee and/or the Proceeds Loan) received from Persons who are not the Company or any Restricted Subsidiary that is subsequently cancelled;

(f) any Designated Non-Cash Consideration received by the Company or any of its Restricted Subsidiaries in such Asset Sales having an aggregate Fair Market Value, when taken together with all other Designated Non-Cash Consideration received pursuant to this clause (f) that is at that time outstanding, not to exceed the greater of £46.0 million and 1.2% of Total Assets of the Company at the time of the receipt of such Designated Non-Cash Consideration (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or

(g) a combination of the consideration specified in sub-clauses (a) through (f) of this clause (2).

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Company (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds (at the option of the Company or Restricted Subsidiary):

(1) (a) to repay, repurchase, prepay or redeem (i) any Indebtedness of the Issuer or any Guarantor incurred pursuant to clause (1) of the second paragraph of the covenant entitled "*—Incurrence of Indebtedness and Issuance of Preferred Stock*" that is secured by a Lien on the Collateral and that is not subordinated in right of payment to the Notes or any Note Guarantee; (ii) Indebtedness of a Restricted Subsidiary that is not the Issuer or a Guarantor or Indebtedness of the Company or a Restricted Subsidiary that is secured by a Lien on assets or property which do not constitute Collateral; or (iii) the Notes pursuant to (x) an offer, on a *pro rata* basis, to all holders of Notes at a purchase price equal to at least 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (a "*Notes Offer*") or (y) the redemption provisions set forth in the Indenture; or (b) to make an Asset Sale Offer (as defined below) to all holders of the Notes and holders of other Indebtedness that is *pari passu* with the Notes or any Note Guarantees (including, but not limited to, the 2024 Notes), that is secured by a Lien on the Collateral and that is not subordinated in right of payment to the Notes or any Note Guarantee;

(2) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary;

(3) to make a capital expenditure;

(4) to fund loan assets in the ordinary course of business and acquire other assets (other than Capital Stock) not classified as current assets under IFRS that are used or useful in a Permitted Business;

(5) pursuant to a binding commitment to apply the Net Proceeds pursuant to clause (1), (2), (3), (4) or (6) of this paragraph; *provided* that such binding commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment until the earlier of (x) the date on which such acquisition or expenditure is consummated, and (y) the 180th day following the expiration of the aforementioned 365-day period; or

(6) any combination of the foregoing,

provided that if the assets sold or transferred in such Asset Sale constituted Collateral, the Issuer shall pledge or shall cause the applicable Restricted Subsidiary to pledge any assets (including without limitation any acquired Capital Stock) acquired with the Net Proceeds of such Asset Sale to secure the Notes on a first-priority basis.

Pending the final application of any Net Proceeds, the Company (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute "*Excess Proceeds*." On the 366th day (or (i) such earlier date as the Issuer may elect or (ii) such later date as set forth in clause (5) of the first paragraph of this covenant), if the aggregate amount of Excess Proceeds exceeds £25.0 million, within ten Business Days thereof, the Issuer will make an offer (an "*Asset Sale Offer*") to all holders of Notes and may make an offer to all holders of other *Pari Passu* Indebtedness to purchase, prepay or redeem the maximum principal amount of Notes and such other *Pari Passu* Indebtedness (*plus* all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price for the Notes in any Asset Sale Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts (if any) to, but not including, the date of purchase, prepayment or redemption, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant Interest Payment Date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company and its Restricted Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other *Pari Passu* Indebtedness tendered into (or to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds or if the aggregate principal amount of Notes tendered pursuant to a Notes Offer exceeds the amount of the Net Proceeds so applied, the Trustee will select the Notes and such other *Pari Passu* Indebtedness, if applicable, to be purchased on a *pro rata* basis (or in the manner described under "*—Selection and Notice*"), based on the amounts tendered or required to be prepaid or redeemed. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Issuer will comply with the requirements of Rule 14e-1 under the U.S. Exchange Act and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to a Change of Control Offer, an Asset Sale Offer or a Notes Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control, Asset Sale or Notes Offer provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control, Asset Sale or Notes Offer provisions of the Indenture by virtue of such compliance.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, in the case of Notes issued in certificated form, the Paying Agent (or the Registrar, as applicable) will select Notes for redemption on a *pro rata* basis or based on a method that most nearly approximates a *pro rata* selection as the Issuer deems fair and appropriate, unless such other method is otherwise required by law, applicable stock exchange requirements or clearing system requirements and, in the case of Notes issued in global form, as discussed under "*Book-Entry; Delivery and Form*." Notes will be selected in compliance with the relevant depositary's requirements and in compliance with applicable law and any applicable stock exchange requirements. Neither the Paying Agent nor the Registrar shall be liable for any selections made in accordance with this paragraph.

No Notes of £100,000 or less can be redeemed in part. Notices of redemption will be delivered at least 10 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be delivered more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture.

If the Notes are to be redeemed in part only, the notice of redemption that relates to that partial redemption of the Notes will state the portion of the principal amount of Notes to be redeemed. If any Definitive Registered Notes are selected for partial redemption in connection therewith, a new Note in principal amount equal to the unredeemed portion of the original Definitive Registered Note will be issued in the name of the holder of Definitive Registered Notes upon cancellation of the original Definitive Registered Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

If the Issuer elects to redeem the Notes or portions thereof and, in connection with a satisfaction and discharge of the Indenture, instructs that the Trustee distribute to the Holders of the Notes amounts deposited in trust with the Trustee (which, for the avoidance of doubt, will include accrued and unpaid interest to the date fixed for redemption) prior to the date fixed for redemption in accordance with the provisions set forth under "*—Satisfaction and Discharge*," the applicable redemption notice will state (i) that Holders of the Notes will receive such amounts deposited in trust with the Trustee prior to the date fixed for redemption and (ii) such earlier payment date.

For Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in satisfaction of the delivery requirement. So long as any Notes are listed on Euronext Dublin and admitted for trading on the Global Exchange Market and the rules of Euronext Dublin so require, any such notice to the holders of the relevant Notes shall also be published in a newspaper having a general circulation in Dublin (which is expected to be *The Irish Times*) or, to the extent and in the manner permitted by such rules, posted on the official website of Euronext Dublin (*www.ise.ie*) and, in connection with any redemption, the Issuer will notify Euronext Dublin of any change in the principal amount of Notes outstanding.

Certain Covenants

Restricted Payments

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Company's or any of its Restricted Subsidiaries' Equity Interests in their capacity as holders (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company or any Deeply Subordinated Shareholder Indebtedness and other than dividends or distributions payable to the Company or a Restricted Subsidiary);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company or any Parent Holdco of the Company;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Issuer or any Guarantor that is expressly contractually subordinated in right of payment to the Notes or to any Note Guarantee (excluding any intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries), except (i) a payment of interest or principal at the Stated Maturity thereof or (ii) the purchase, repurchase or other acquisition of Indebtedness purchased in anticipation of satisfying a sinking fund obligation, principal installment or scheduled maturity, in each case, due within one year of the date of such purchase, repurchase or other acquisition;

(4) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Deeply Subordinated Shareholder Indebtedness (other than any payment of interest thereon in the form of additional Deeply Subordinated Shareholder Indebtedness); or

(5) make any Restricted Investment,

(all such payments and other actions set forth in these clauses (1) through (5) above being collectively referred to as "*Restricted Payments*"), unless, at the time of any such Restricted Payment:

(a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(b) the Company would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable Relevant Testing Period, have been permitted to incur at least £1.00 of additional Indebtedness pursuant to the Fixed Charge Corporate Debt Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*"; and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries since the July 1, 2013 (and not returned or rescinded) (including Restricted Payments permitted by clauses (1), (11) and (13) of the next succeeding paragraph but excluding all other Restricted Payments permitted by the next succeeding paragraph), is less than the sum, without duplication, of:

    (i) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from the beginning of the fiscal quarter commencing July 1, 2013 to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

    (ii) 100% of the aggregate net cash proceeds and the Fair Market Value of property, assets or marketable securities received by the Company since the Issue Date as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Company (other than Disqualified Stock and Excluded Contributions) or from the issue or sale of convertible or exchangeable Disqualified Stock of the Company or convertible or exchangeable debt securities of the Company, in each case, that have been converted into or exchanged for Equity Interests of the Company (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Company) or from the issuance or sale of Deeply Subordinated Shareholder Indebtedness (other than an issuance or sale to a Subsidiary of the Company); *plus*

    (iii) to the extent that any Restricted Investment that was made after the Issue Date is (a) sold, disposed of or otherwise cancelled, liquidated or repaid, 100% of the aggregate amount received in cash and the Fair Market Value of the property and marketable securities received by the Company or any Restricted Subsidiary, or (b) made in an entity that subsequently becomes a Restricted Subsidiary, 100% of the Fair Market Value of the Restricted Investment of the Company and its Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary; *plus*

    (iv) to the extent that any Unrestricted Subsidiary of the Company designated as such after the Issue Date is redesignated as a Restricted Subsidiary or is merged or consolidated into the Company or a Restricted Subsidiary, or all of the assets of such Unrestricted Subsidiary are transferred to the Company or a Restricted Subsidiary, the Fair Market Value of the property received by the

Company or Restricted Subsidiary or the Company's Restricted Investment in such Subsidiary as of the date of such redesignation, merger, consolidation or transfer of assets, to the extent such investments reduced the Restricted Payments capacity under this clause (c) and were not previously repaid or otherwise reduced; *plus*

(v) 100% of any dividends or distributions received by the Company or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, to the extent that such dividends or distributions were not otherwise included in the Consolidated Net Income of the Company for such period (other than to the extent such dividends or distributions were from a Permitted Investment and will increase the amount available under the applicable clause of the definition of "Permitted Investment"); *plus*

(vi) upon the full and unconditional release of a Restricted Investment that is a guarantee made by the Company or one of its Restricted Subsidiaries to any Person (other than the Company or a Restricted Subsidiary), an amount equal to the amount of such guarantee to the extent such amount reduced the restricted payments capacity under this clause (c) and were not previously repaid or otherwise reduced and is not otherwise included in the preceding clauses (iii) or (iv).

The preceding provisions will not prohibit:

(1) the payment of any dividend or the consummation of any redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the Indenture;

(2) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of, the substantially concurrent sale or issuance (other than to a Subsidiary of the Company) of Equity Interests of the Company (other than Disqualified Stock) or Deeply Subordinated Shareholder Indebtedness or substantially concurrent contribution of common equity capital to the Company (other than through Excluded Contributions); *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(3) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer or any Guarantor that is contractually subordinated to the Notes or to any Note Guarantee in exchange for or with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness;

(4) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Equity Interests or Deeply Subordinated Shareholder Indebtedness of the Company or any Restricted Subsidiary or any Parent Holdco (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Company to any Parent Holdco to permit any Parent Holdco to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Equity Interests of the Company, any Restricted Subsidiary or any Parent Holdco (including any options, warrants or other rights in respect thereof) held by any current or former officer, director, employee or consultant of the Company, any of its Restricted Subsidiaries or any Parent Holdco of the Company pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests or Deeply Subordinated Shareholder Indebtedness may not exceed £10.0 million in any calendar year (with unused amounts in any calendar year being carried over to succeeding calendar years); and *provided*, *further*, that such amount in any calendar year may be increased by an amount not to exceed the cash proceeds from the sale of Equity Interests of the Company or a Restricted Subsidiary or Deeply Subordinated Shareholder Indebtedness of the Company received by the Company or a Restricted Subsidiary during such calendar year, in each case, from members of management, officers, employees, directors or consultants of the Company, any of its Restricted Subsidiaries or any Parent Holdco of the Company to the extent the cash proceeds from the sale of Equity Interests or Deeply Subordinated Shareholder Indebtedness have not otherwise been applied to the making of Restricted Payments pursuant to clause (c)(ii) of the preceding paragraph or clause (2) of this paragraph and are not Excluded Contributions;

(5) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

(6) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Company or any preferred stock of any Restricted Subsidiary

incurred in accordance with the covenant described below under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(7) payments of cash, dividends, distributions, advances or other Restricted Payments by the Company or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (a) the exercise of options or warrants or (b) the conversion or exchange of Capital Stock of any such Person;

(8) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Company or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Equity Interests of the Company or any Parent Holdco (other than Disqualified Stock), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan, employee benefit trust or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Equity Interests of the Company or any Parent Holdco (other than Disqualified Stock); *provided* that the total aggregate amount of Restricted Payments made under this clause (8) does not exceed £10.0 million in any calendar year with unused amounts from such calendar year (but not including unused amounts from any prior calendar year) being available for use during the immediately succeeding calendar year;

(9) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary to the holders of its Equity Interests (other than the Company or any Restricted Subsidiary) then entitled to participate in such dividends on a *pro rata* basis;

(10) Restricted Payments that are made with Excluded Contributions;

(11) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, the declaration and payment by the Company of, or loans, advances, dividends or distributions to any Parent Holdco of the Company to pay, dividends on the Capital Stock of the Company or any Parent Holdco, following a Public Equity Offering that results in a Public Market of the Capital Stock of the Company or any Parent Holdco, in an amount per annum not to exceed the greater of (a) 6.0% of the net cash proceeds received by the Company from such Public Equity Offering or contributed to the equity (other than through the issuance of Disqualified Stock or through an Excluded Contribution) of the Company or loaned as Deeply Subordinated Shareholder Indebtedness to the Company and (b) 6.0% of the Market Capitalization of the IPO Entity; *provided* that in the case of clause (b) of this paragraph, after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Senior Secured Non-Securitization Leverage Ratio of the Company and its Restricted Subsidiaries shall be equal to or less than 2.5 to 1.00;

(12) the payment of any Securitization Fees and purchases of Securitization Assets and related assets in connection with Securitization Repurchases relating to a Qualified Securitization Financing (including the Existing Qualified Securitization Financings for so long as they constitute Qualified Securitization Financings);

(13) so long as no Default or Event of Default has occurred and is continuing, other Restricted Payments in an aggregate amount not to exceed £50.0 million since the Issue Date;

(14) dividends or other distributions of capital stock, Indebtedness or other securities of Unrestricted Subsidiaries; or

(15) dividends, loans, advances or distributions to any Parent Holdco or other payments by the Company or any Restricted Subsidiary in amounts equal to (without duplication):

    (a) the amounts required for any Parent Holdco, without duplication, to pay any Parent Expenses or any Related Taxes; or

    (b) amounts constituting or to be used for purposes of making payments (i) of fees and expenses incurred in connection with the Transactions or disclosed in this Offering Memorandum or (ii) to the extent specified in clauses (4), (5), (10) and (13) of the second paragraph under "*—Transactions with Affiliates*".

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or any

Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. Indebtedness that is unsecured shall not be deemed to be subordinate or junior to secured Indebtedness by virtue of its nature as unsecured Indebtedness.

For purposes of the covenant described above, if any Investment or Restricted Payment (or a portion thereof) would be permitted pursuant to one or more provisions described above and/or one or more of the exceptions contained in the definition of "Permitted Investments", the Company or any Restricted Subsidiary may divide and classify such Investment or Restricted Payment (or a portion thereof) in any manner that complies with this covenant and may later divide and reclassify any such Investment or Restricted Payment so long as the Investment or Restricted Payment (as so divided and/or reclassified) would be permitted to be made in reliance on the applicable exception as of the date of such reclassification.

Incurrence of Indebtedness and Issuance of Preferred Stock

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "*incur*") any Indebtedness (including Acquired Debt), and the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; *provided*, *however*, that the Company may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, the Issuer may incur Indebtedness (including Acquired Debt) or issue preferred stock and the Guarantors (other than the Company) may incur Indebtedness (including Acquired Debt) or issue preferred stock, if the Fixed Charge Corporate Debt Coverage Ratio for the Company for the Relevant Testing Period would have been at least 2.0 to 1.0, in each case, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or preferred stock had been issued, as the case may be, at the beginning of such Relevant Testing Period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "*Permitted Debt*"):

(1) the incurrence by the Issuer and the Guarantors of Indebtedness under any Credit Facility in an aggregate principal amount at any one time outstanding under this clause (1) not to exceed (i) the greater of (x) £230.0 million and (y) 6.0% of Total Assets of the Company, *plus* (ii), in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing;

(2) Indebtedness of the Company or any Restricted Subsidiary under the 2024 Notes and the guarantees thereof and all other Indebtedness (other than Indebtedness pursuant to the Notes and the Note Guarantees, the Revolving Credit Facility and the Existing Qualified Securitization Financing) outstanding on the Issue Date after giving effect to the use of proceeds from the offering of the Notes;

(3) the incurrence by the Issuer and the Guarantors of Indebtedness represented by the Notes (other than Additional Notes) and the related Note Guarantees (including any future Note Guarantees);

(4) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness representing Capital Lease Obligations, mortgage financings or purchase money obligations incurred for the purpose of financing all or any part of the purchase price, lease expense, rental payments or cost of design, construction, installation or improvement of property, plant or equipment or other assets (including Capital Stock) used or useful in a Permitted Business or (b) Indebtedness otherwise incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Permitted Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate principal amount, including all Indebtedness incurred or issued to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4), not to exceed £32.5 million at any time outstanding;

(5) the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the Indenture to be incurred under the first paragraph of this covenant or clause (2), (3), (5) or (14) of this paragraph;

(6) the incurrence by the Company or any Restricted Subsidiary of intercompany Indebtedness between or among the Company or any Restricted Subsidiary; *provided* that:

(a) if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be (except in respect of the intercompany current liabilities incurred in the ordinary course of business in connection with the cash management operations of the Company and its Restricted Subsidiaries) unsecured and expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes, in the case of the Issuer, or the Note Guarantee, in the case of a Guarantor; and

(b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the issuance by any Restricted Subsidiary to the Company or to any of its Restricted Subsidiaries of preferred stock; *provided* that:

(a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Company or a Restricted Subsidiary; and

(b) any sale or other transfer of any such preferred stock to a Person that is not either the Company or a Restricted Subsidiary,

will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (7);

(8) the incurrence by the Company or any Restricted Subsidiary of Hedging Obligations not for speculative purposes (as determined in good faith by the Company or such Restricted Subsidiary, as the case may be);

(9) (a) the guarantee by the Company or any of its Restricted Subsidiaries of Indebtedness of the Company or any Restricted Subsidiary to the extent that the guaranteed Indebtedness was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or a Note Guarantee, then the guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed; or (b) without limiting the covenant described under *"—Liens*," Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Company or any of its Restricted Subsidiaries so long as the incurrence of such Indebtedness is not prohibited by the terms of the Indenture;

(10) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, unemployment insurance (including premiums related thereto), pension obligations, vacation pay, health, disability or other employee benefits, other types of social security, insurance companies, hire-purchase agreements for equipment, software or other assets in the ordinary course of business, bankers' acceptances and performance, indemnity, judgment, appeal, advance payment, VAT, customs or other tax (including interest and penalties with respect thereto), surety bonds or other guarantees or other similar bonds, instruments or obligation and completion guarantees and warranties provided by the Company or a Restricted Subsidiary or relating to liabilities, obligations or guarantees incurred in the ordinary course of business or in respect of any governmental requirement in the ordinary course of business; (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations incurred in the ordinary course of business or in respect of any governmental requirement, *provided, however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing; (c) the financing of insurance premiums in the ordinary course of business; (d) any customary cash management, cash pooling or netting or setting off arrangements, including customary credit card facilities, in the ordinary course of business; and (e) Indebtedness representing (i) deferred compensation to current or former directors, officers, employees, members of management, managers and consultants of any Parent Holdco, the Company or any of its Subsidiaries in the ordinary course of business or (ii) any other Investment or acquisition permitted hereby;

(11) (a) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument

inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within 30 Business Days; (b)(i) customer deposits and advance payments received for good faith commercial reasons from customers for goods or services purchased in the ordinary course of business or consistent with past practice and (ii) Indebtedness consisting of obligations owing under any customer or supplier incentive, supply, license or similar agreements entered into for good faith commercial reasons in the ordinary course of business or consistent with past practice; (c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions incurred in the ordinary course of business of the Company and the Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Company and the Restricted Subsidiaries; and (d) Indebtedness incurred by the Company or a Restricted Subsidiary in connection with bankers' acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case incurred or undertaken in the ordinary course of business;

(12) Indebtedness represented by guarantees of any Management Advances;

(13) Indebtedness incurred in any Qualified Securitization Financing;

(14) Indebtedness (a) of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary of the Company or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or any of its Restricted Subsidiaries or (b) incurred to provide all or any portion of the funds used to consummate the transaction or series of related transactions pursuant to which (i) such Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary of the Company or (ii) any assets are acquired and related liabilities are assumed by the Company or any Restricted Subsidiary; *provided, however*, with respect to this clause (14), that at the time of the acquisition or other transaction pursuant to which such Indebtedness was deemed to be incurred (x) the Company would have been able to incur at least £1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving effect to the incurrence of such Indebtedness pursuant to this clause (14) or (y) the Fixed Charge Corporate Debt Coverage Ratio of the Company would not be less than it was immediately prior to giving effect to such acquisition or other transaction;

(15) Indebtedness arising from agreements of the Company or any of its Restricted Subsidiaries providing for customary indemnification, obligations in respect of earn-outs or other adjustments of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Equity Interests of a Subsidiary; *provided* that the maximum liability of the Company and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Company and its Restricted Subsidiaries in connection with such disposition;

(16) Indebtedness of the Company and its Restricted Subsidiaries in respect of (a) letters of credit, surety, performance or appeal bonds, completion guarantees, judgment, advance payment, customs, VAT or other tax guarantees or similar instruments issued in the ordinary course of business of such Person and not in connection with the borrowing of money, including letters of credit or similar instruments in respect of self-insurance and workers compensation obligations, and (b) any customary cash management, cash pooling or netting or setting off arrangements, including customary credit card facilities, entered into in the ordinary course of business; *provided, however*, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing;

(17) the incurrence of Indebtedness by the Company or any of its Restricted Subsidiaries in an aggregate principal amount at any time outstanding, including all Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (17), not to exceed £50.0 million provided that the aggregate principal amount of such Indebtedness that may be incurred pursuant to this clause (17) by Restricted Subsidiaries that are not Guarantors or the Issuer shall not exceed £10 million; and

(18) Indebtedness of the Company and any of its Restricted Subsidiaries in an aggregate outstanding principal amount which, when taken together with any Permitted Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness incurred pursuant to this clause (18) and then outstanding, will not exceed 100% of the net cash proceeds received by the Company from the issuance

or sale (other than to a Restricted Subsidiary) of its Deeply Subordinated Shareholder Indebtedness or Capital Stock (other than Disqualified Stock or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution) of the Company, in each case, subsequent to the Issue Date; *provided*, *however*, that (a) any such net cash proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (2), (4) and (11) of the second paragraph of the covenant described above under "—*Restricted Payments*" to the extent the Company or any of its Restricted Subsidiaries incurs Indebtedness in reliance thereon and (b) any such net cash proceeds that are so received or contributed shall be excluded for purposes of incurring Indebtedness pursuant to this clause (18) to the extent the Company or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (2), (4) and (11) of the second paragraph of the covenant described under "—*Restricted Payments*" in reliance thereon.

For purposes of determining compliance with this "*Incurrence of Indebtedness and Issuance of Preferred Stock*" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (18) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Company, in its sole discretion, will be permitted to classify such item of Indebtedness on the date of its incurrence and only be required to include the amount and type of such Indebtedness in one of such clauses and will be permitted on the date of such incurrence to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in the first and second paragraphs of this covenant and from time to time to reclassify all or a portion of such item of Indebtedness**,** in any manner that complies with this covenant. Indebtedness under the Revolving Credit Facility outstanding on the Issue Date will initially be deemed to have been incurred on such date in reliance on clause (1) of the definition of Permitted Debt and may not be reclassified.

The accrual of interest or preferred stock dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness, the reclassification of commitments or obligations not treated as Indebtedness due to a change in accounting principles, and the payment of dividends on preferred stock or Disqualified Stock in the form of additional shares of the same class of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this covenant.

The amount of Indebtedness that may be incurred pursuant to any provision of the second paragraph of this covenant or secured pursuant to the covenant set forth under *"—Liens*" shall be deemed to include all amounts necessary to renew, refund, redeem, refinance, replace, restructure, defease or discharge any such Indebtedness incurred and/or secured pursuant to such provisions, including after giving effect to additional Indebtedness in an amount equal to the aggregate amount of fees, underwriting discounts, premia and other costs and expenses incurred in connection with such renewal, refund, redemption, refinancing, replacement, restructuring, defeasance or discharge.

Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included.

The principal amount of any Disqualified Stock of the Company or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof.

For purposes of determining compliance with any sterling-denominated restriction on the incurrence of Indebtedness or Liens, the sterling equivalent principal amount of Indebtedness denominated in a different currency shall be utilized, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred in the case of term Indebtedness or first committed or first incurred (whichever yields the lower sterling equivalent), in the case of indebtedness incurred under a revolving credit facility; *provided, however*, that (i) if such Indebtedness is incurred to refinance other Indebtedness denominated in a currency other than sterling, and such refinancing would cause the applicable sterling-denominated restrictions to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such sterling-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and (2) if any such Indebtedness that is denominated in a different currency is subject to a Currency Exchange Protection Agreement with respect to sterling, the amount of such Indebtedness expressed in sterling will be calculated so as to take account of the effects of such Currency Exchange Protection Agreement; and (ii) the sterling equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date.

The principal amount of any refinancing Indebtedness incurred in the same currency as the Indebtedness being refinanced will be the sterling equivalent of the Indebtedness refinanced determined on the date such Indebtedness was originally incurred, except that to the extent that:

(1) such sterling equivalent was determined based on a Currency Exchange Protection Agreement, in which case the refinancing Indebtedness will be determined in accordance with the preceding sentence; and

(2) the principal amount of the refinancing Indebtedness exceeds the principal amount of the Indebtedness being refinanced, in which case the sterling equivalent of such excess will be determined on the date such refinancing Indebtedness is being incurred.

For purposes of determining compliance with any Total Asset percentage restriction on the incurrence of Indebtedness, the amount of such Total Assets will be the Total Assets determined on the date of the incurrence of such Indebtedness. Notwithstanding any other provision of this covenant or any provision of the covenant set forth in "*—Liens*," the maximum amount that the Company or a Restricted Subsidiary may incur and/or secure pursuant to this covenant and/or the covenant set forth in "*—Liens*" measured by reference to Total Assets shall not be deemed to be exceeded, with respect to such incurrence or grant of Lien, due solely to the result of fluctuations in the amount of Total Assets (and, for the avoidance of doubt, such Indebtedness and such Lien will be permitted to be refinanced or replaced notwithstanding that, after giving effect to such refinancing or replacement, such excess will continue).

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

(1) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

    (i) the Fair Market Value of such assets at the date of determination; and

    (ii) the amount of the Indebtedness of the other Person.

Anti-Layering

Neither the Issuer nor any Guarantor will incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Note Guarantee and, if applicable, the Proceeds Loan on substantially identical terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness.

Liens

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind securing Indebtedness upon any of their property or assets, now owned or hereafter acquired, except (1) in the case of any property or asset that does not constitute Collateral, (a) Permitted Liens or (b) if such Lien is not a Permitted Lien, to the extent that all payments due under the Indenture, the Notes and the Note Guarantees are secured on an equal and ratable *pari passu* basis with the obligations so secured (and if such obligations so secured are subordinated in right of payment to either the Notes or any Note Guarantee, on a senior priority basis) until such time as such obligations are no longer secured by a Lien; and (2) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of (a) the Company to make payments on the Proceeds Loan or (b) any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Company or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Company or any Restricted Subsidiary;

(2) make loans or advances to the Company or any Restricted Subsidiary; or

(3) sell, lease or transfer any of its properties or assets to the Company or any Restricted Subsidiary,

provided that (x) the priority of any preferred stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill period to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness (other than the Proceeds Loan) incurred by the Company or any Restricted Subsidiary, in each case, shall not be deemed to constitute such an encumbrance or restriction.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) any agreements as in effect on the Issue Date and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in (a) those agreements or (b) comparable transactions at the time of determination (as determined in good faith by the Company) and where, in the case of this sub-clause (b), the Company determines at the time of such amendment, restatement, modification, renewal, supplement, refund, replacement or refinancing that such encumbrances or restrictions will not adversely affect, in any material respect, the Company's ability to make principal or interest payments on the Notes, a Note Guarantee, the Proceeds Loan or compliance by the Issuer or any Guarantor with its obligations under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents, the Proceeds Loan or any Credit Facility;

(2) the Indenture, the Notes, the Note Guarantees, the 2024 Notes Indenture, the 2024 Notes, the guarantees of the 2024 Notes, the Revolving Credit Facility, the Intercreditor Agreement, the Security Documents and the Existing Qualified Securitization Financings, in each case, as in effect on the Issue Date;

(3) agreements governing other Indebtedness permitted to be incurred under the provisions of the covenant described above under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*" and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that (a) the restrictions therein are not materially less favorable, taken as a whole, to the holders of the Notes than in comparable financings (as determined in good faith by the Company), (b) the restrictions therein are not materially less favorable to the holders of the Notes than in the agreements listed in clause (2) above or (c) where the Company determines when such Indebtedness is incurred that such encumbrances or restrictions will not adversely affect, in any material respect, the ability of the Issuer or the Guarantors, as applicable, to make principal or interest payments on the Notes, a Note Guarantee, the Proceeds Loan or compliance by the Issuer or any Guarantor with its obligations under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents, the Proceeds Loan or any Credit Facility (as determined in good faith by the Issuer);

(4) applicable law, rule, regulation or order or the terms of any license, authorization, concession or permit;

(5) any agreement or instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition, consolidation or other combination with or into, the Company or any of its Restricted Subsidiaries (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;

(6) customary non-assignment and similar provisions in contracts, leases, licenses and other similar agreements or instruments entered into in the ordinary course of business;

(7) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;

(8) with respect to a Restricted Subsidiary (or any of its property or assets), encumbrances or restrictions imposed pursuant to an agreement entered into for the direct or indirect sale or disposition of the Capital Stock or all or substantially all of the property and assets of such Restricted Subsidiary (or the property or assets that are subject to such restrictions) to a Person pending the closing of such sale or disposition;

(9) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in comparable financings at the time of determination (as determined in good faith by the Company) and would not otherwise restrict the payment of amounts due in respect of the Notes, a Note Guarantee, the Proceeds Loan or compliance by the Issuer or any Guarantor with its obligations under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents, the Proceeds Loan or any Credit Facility;

(10) any Liens permitted to be incurred under the provisions of the covenant described above under the caption "*—Liens*";

(11) customary provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements in the ordinary course of business (including agreements entered into in connection with a Restricted Investment), which limitation is applicable only to the assets that are the subject of such agreements;

(12) restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under contracts entered into in the ordinary course of business;

(13) a Qualified Securitization Financing (or effected in connection therewith);

(14) any Hedging Obligations;

(15) (a) any mortgages, charges, pledges or other security agreements not prohibited by the Indenture or securing Indebtedness of the Company or a Restricted Subsidiary not prohibited by the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, pledges or other security agreements; or (b) any customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary; and

(16) any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (1) through (15) or in this clause (16) or under any Additional Intercreditor Agreement; *provided* that the terms and conditions of any such encumbrances or restrictions are not materially less favorable, taken as a whole, to the holders of the Notes than those contained in (a) the agreement so extended, renewed, refinanced or replaced or (b) comparable transactions at the time of determination (as determined in good faith by the Company) and where, in the case of this sub-clause (b), the Company determines at the time of such amendment, restatement, modification, renewal, supplement, refund, replacement or refinancing that such encumbrances or restrictions would not otherwise restrict the payment of amounts due in respect of the Notes, a Note Guarantee, the Proceeds Loan or compliance by the Issuer or any Guarantor, in any material respect, with its obligations under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents, the Proceeds Loan or any Credit Facility.

Merger, Consolidation or Sale of Assets

The Company

The Company will not, directly or indirectly: (A) consolidate or merge with or into another Person (whether or not the Company is the surviving corporation) or (B) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole, in either case, in one or more related transactions, to another Person, unless:

(1) either: (a) the Company is the surviving Person; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made is an entity organized or existing under the laws of any member state of the European Union, the United Kingdom, Switzerland, Guernsey, Jersey, the Isle of Man, the British Virgin Islands, Canada, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger with the Company (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of the Company under its Note Guarantee, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Proceeds Loan and the Security Documents to which the Company is a party;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) the Company or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable Relevant Testing Period, (a) be permitted to incur at least £1.00 of additional Indebtedness pursuant to the Fixed Charge Corporate Debt Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*" or (b) have a Fixed Charge Corporate Debt Coverage Ratio of not less than the Fixed Charge Corporate Debt Coverage Ratio immediately prior to giving *pro forma* effect to such transaction; and

(5) the Company delivers to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officer's Certificate and opinion of counsel, in each case, stating that such consolidation, merger or transfer and such supplemental indenture comply with this covenant and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture and its Note Guarantee and the Proceeds Loan each constitute legal, valid and binding obligations of the Company or the Person formed by or surviving any such consolidation or merger (as applicable) enforceable in accordance with their terms.

Subsidiary Guarantors

A Guarantor (other than a Guarantor whose Note Guarantee is to be released in accordance with the terms of the Note Guarantee and the Indenture as described under "*—Note Guarantees*") will not, directly or indirectly: (A) consolidate or merge with or into another Person (whether or not such Guarantor is the surviving corporation) or (B) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of such Guarantor and its Subsidiaries that are Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) either:

   (a) such Guarantor is the surviving Person; or

   (b) the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of such Guarantor under its Note Guarantee, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents to which it is a party;

(2) immediately after giving *pro forma* effect to such transaction or transactions (and treating any Indebtedness which becomes an obligation of the surviving corporation as a result of such transaction as having been incurred by the surviving corporation at the time of such transaction or transactions), no Default or Event of Default exists; and

(3) the Company delivers to the Trustee an Officer's Certificate and opinion of counsel, in each case, stating that such consolidation, merger or transfer and such supplemental indenture comply with this covenant and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture and the Note Guarantee constitute legal, valid and binding obligations of the Guarantor or the Person formed by or surviving any such consolidation and merger (as applicable) enforceable in accordance with their terms.

In addition, neither the Issuer nor any Guarantor will, directly or indirectly, lease all or substantially all of the properties and assets of it and its Subsidiaries which are Restricted Subsidiaries taken as a whole, in one or more related transactions, to any other Person.

The Issuer

The Issuer will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not such Issuer is the surviving corporation) or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of such Issuer and its Subsidiaries that are Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (a) the Issuer is the surviving Person; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made is an entity organized or existing under the laws of any member state of the European Union, the United Kingdom, Switzerland, Guernsey, Jersey, the Isle of Man, the British Virgin Islands, Canada, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger with the Issuer (if other than the Issuer) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of such Issuer under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Proceeds Loan and the Security Documents to which it is a party;

(3) immediately after giving *pro forma* effect to such transaction or transactions (and treating any Indebtedness which becomes an obligation of the surviving corporation as a result of such transaction as having been incurred by the surviving corporation at the time of such transaction or transactions), no Default or Event of Default exists;

(4) the Company (or a successor company, if applicable) would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable Relevant Testing Period, (a) be permitted to incur at least £1.00 of additional Indebtedness pursuant to the Fixed Charge Corporate Debt Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*" or (b) have a Fixed Charge Corporate Debt Coverage Ratio of not less than the Fixed Charge Corporate Debt Coverage Ratio immediately prior to giving *pro forma* effect to such transaction; and

(5) the Company delivers to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officer's Certificate and opinion of counsel, in each case, stating that such consolidation, merger or transfer and such supplemental indenture comply with this covenant and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture and the Notes constitute legal, valid and binding obligations of the Issuer or the Person formed by or surviving any such consolidation and merger (as applicable) enforceable in accordance with their terms.

General

This "*Merger, Consolidation or Sale of Assets*" covenant will not apply to (1) any consolidation or merger of any Restricted Subsidiary that is not a Guarantor into the Issuer or a Guarantor, (2) any consolidation or merger among Guarantors (other than the Company), (3) any consolidation or merger among the Issuer and any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor is an entity organized or existing under the laws of any member state of the European Union, the United Kingdom, Switzerland, Guernsey, Jersey, the Isle of Man, the British Virgin Islands, Canada, any state of the United States or the District of Columbia and clauses (2) and (5) of the third paragraph of this covenant will be complied with, (4) any consolidation or merger of a Guarantor into the Company and (5) the Issuer, the

Company and its Restricted Subsidiaries may enter into a Permitted Reorganization. Clauses (3) and (4) of the first paragraph, clause (2) of the second paragraph and clause (3) and (4) of the third paragraph of this covenant will not apply to any merger or consolidation of the Issuer or any Guarantors with or into an Affiliate solely for the purpose of reincorporating the Issuer or such Guarantor in another jurisdiction.

Transactions with Affiliates

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, make any payment to or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Company (each, an "*Affiliate Transaction*") involving aggregate payments or consideration in any single Affiliate Transaction or series of related Affiliate Transactions in excess of £10.0 million, unless:

(1) the Affiliate Transaction is on terms that are not materially less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction on an arm's-length basis by the Company or such Restricted Subsidiary with an unrelated Person; and

(2) the Company delivers to the Trustee with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of £15.0 million, a resolution of the Board of Directors of the Company set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the Company.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any employment agreement, collective bargaining agreement, consultant agreement, employee benefit arrangements or indemnity arrangements with any employee, consultant, officer or director of the Company or any Restricted Subsidiary, including under any stock option, stock appreciation rights, stock incentive or similar plans, entered into in the ordinary course of business;

(2) transactions between or among the Company and/or its Restricted Subsidiaries (or an entity that becomes a Restricted Subsidiary as a result of such transaction) or between or among Restricted Subsidiaries;

(3) transactions with a Person (other than an Unrestricted Subsidiary of the Company) that is an Affiliate of the Issuer solely because the Company owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(4) payment of reasonable fees and reimbursements of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Company or any of its Restricted Subsidiaries or any Parent Holdco;

(5) any issuance of Equity Interests (other than Disqualified Stock) of the Company to Affiliates of the Company or options, warrants or other rights to acquire such Equity Interests, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved or ratified by the Board of Directors of the Company;

(6) any Restricted Payment that is permitted pursuant to the covenant described above under the caption "*—Restricted Payments*" and any agreement or arrangement pursuant to which such Restricted Payments are made;

(7) any Permitted Investment (other than Permitted Investments described in clauses (3), (11) and (15) of the definition thereof);

(8) the incurrence of any Deeply Subordinated Shareholder Indebtedness;

(9) transactions pursuant to, or contemplated by, any agreement in effect on the Issue Date and transactions pursuant to any amendment, modification or extension to such agreement, so long as such amendment,

modification or extension, taken as a whole, is not materially more disadvantageous to the holders of the Notes than the original agreement as in effect on the Issue Date;

(10) (a) Management Advances (and any waiver or related transaction thereto); and (b) Parent Expenses;

(11) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services or providers of employees or other labor, in each case, in the ordinary course of business and otherwise in compliance with the terms of the Indenture that are fair to the Company or the Restricted Subsidiaries, in the reasonable determination of the members of the Board of Directors of the Company or the senior management thereof, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated Person;

(12) any transaction effected as part of a Qualified Securitization Financing;

(13) execution, delivery and performance of any Tax Sharing Agreement or the formation or maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business (provided that any payments made pursuant to such Tax Sharing Agreement or other arrangement described in this clause (13) that constitute Restricted Payments may be made only to the extent the relevant payment is paid in respect of Related Taxes);

(14) any pledge of Capital Stock of Unrestricted Subsidiaries;

(15) any sale of assets or other disposition to an Unrestricted Subsidiary that complies with clauses (1) and (2) of the first paragraph of the covenant described above under "*—Repurchase at the Option of the Holders—Asset Sales*";

(16) transactions with Unrestricted Subsidiaries in the ordinary course of business; and

(17) (a) any contribution to the equity of the Company in exchange for Equity Interests (other than Disqualified Stock and Preferred Stock) or (b) any investments by any of the Permitted Holders in securities of any Restricted Subsidiary (and the payment of reasonable out-of-pocket expenses of the Permitted Holders in connection therewith) so long as the investment is being offered by the Restricted Subsidiary generally to non-affiliated third party investors on the same or more favorable terms.

Additional Guarantees

Notwithstanding anything to the contrary in the Indenture, the Company will not, and will not cause or permit any of its Restricted Subsidiaries that are not Guarantors or the Issuer to, directly or indirectly, guarantee the payment of, assume or in any manner become liable with respect to any other Indebtedness of the Issuer or a Guarantor unless such Restricted Subsidiary executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will guarantee the Notes on a basis senior to or *pari passu* with such Restricted Subsidiary's guarantee of such other Indebtedness.

Notwithstanding the foregoing, the Company shall not be obligated to cause such Restricted Subsidiary to Guarantee the Notes to the extent and for so long as the incurrence of such Guarantee may reasonably be expected to give rise to or result in (a) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws, rules or regulations (or analogous restrictions) of any applicable jurisdiction which, in any case, cannot be prevented or otherwise avoided through measures reasonably available to the Company or the Restricted Subsidiary (including "whitewash" or similar procedures) or (b) any risk or liability for the officers, directors or shareholders of such Restricted Subsidiary; *provided* that the Company will procure that the relevant Restricted Subsidiary becomes a Guarantor at such time as such restriction would no longer apply to the providing of the Note Guarantee or no longer would prohibit such Restricted Subsidiary from becoming a Guarantor (or prevent the Company from causing such Restricted Subsidiary to become a Guarantor).

Each additional Note Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Future Guarantees of the Notes granted pursuant to this provision shall be released at the option of the Company upon such Guarantor being unconditionally released and discharged from its liability with respect to the Indebtedness giving rise to the requirement to provide such Note Guarantee, so long as no other Indebtedness guaranteed by, or incurred by, the relevant Guarantor would have required that such Guarantor provide a Note

Guarantee pursuant to the terms of the Indenture immediately after the release of such Note Guarantee. The Trustee and the Security Agent shall each take all necessary actions to effectuate any release of a Guarantee of the Notes in accordance with these provisions.

No Impairment of Security Interest

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, take or knowingly or negligently omit to take, any action which action or omission would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the incurrence of Liens on the Collateral permitted by the definition of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the holders of the Notes, and the Company will not, and will not cause or permit any of its Restricted Subsidiaries to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the holders of the Notes and the other beneficiaries described in the Security Documents and the Intercreditor Agreement, any interest whatsoever in any of the Collateral, except the Company and its Restricted Subsidiaries may amend, extend, renew, restate, supplement, release or otherwise confirm, retake, modify or replace any Security Documents for the purposes of undertaking a Permitted Reorganization; *provided* that (a) nothing in this provision will restrict the discharge or release of the Collateral in accordance with the Indenture, the Security Documents and the Intercreditor Agreement and (b) the Company and its Restricted Subsidiaries may incur Permitted Collateral Liens; and *provided further, however*, that no Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, unless contemporaneously with such amendment, extension, replacement, restatement, supplement, modification or renewal, the Company delivers to the Trustee one of the following: (1) a solvency opinion from an internationally recognized investment bank or accounting firm, in form and substance reasonably satisfactory to the Trustee confirming the solvency of the Company and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, supplement, modification or replacement; (2) a certificate from the Board of Directors or chief financial officer of the Company (acting in good faith), in the form set forth as an exhibit to the Indenture, that confirms the solvency of the Person granting such Lien after giving effect to any transaction related to such amendment, extension, renewal, restatement, replacement, supplement, modification or release or (3) an opinion of counsel, in form and substance reasonably satisfactory to the Trustee (subject to customary exceptions and qualifications), confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens securing the Notes created under the Security Documents so amended, extended, renewed, restated, supplemented, modified or replaced are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement.

At the direction of the Company and without the consent of the holder of Notes, the Security Agent may from time to time enter into one or more amendments to the Security Documents to: (i) cure any ambiguity, omission, defect or inconsistency therein, (ii) (but subject to compliance with the first paragraph of this covenant) provide for Permitted Collateral Liens, (iii) add to the Collateral or (iv) make any other change thereto that does not adversely affect the rights of the holders of the Notes in any material respect.

In the event that the Company complies with this covenant, the Trustee and the Security Agent will (subject to customary protections and indemnifications) consent to such amendment, extension, renewal, restatement, supplement, modification or replacement with no need for instructions from holders of the Notes.

Limitation on Issuer Activities

Notwithstanding anything contained in the Indenture, the Issuer shall not engage in any business activity or undertake any other activity, except any activity: (1) related to the offering, sale, issuance and servicing, listing, purchase, redemption, amendment, exchange, refinancing, incurring or retirement of the Notes, the incurrence of Indebtedness represented by the Notes (including any Additional Notes), the 2024 Notes or other Indebtedness of the Issuer not prohibited by the Indenture, including intercompany indebtedness, lending or otherwise advancing the proceeds thereof (including pursuant to the Proceeds Loan) and performance of the terms and conditions and exercise of any rights related to such Indebtedness (to the extent such activities are not otherwise prohibited under the Indenture) and any other activities in connection therewith or complementary or useful thereto; (2) undertaken with the purpose of, and directly related to, fulfilling any other obligations under any Indebtedness of the Issuer (including, without limitation, the Notes and the 2024 Notes) not prohibited by the Indenture (including for the avoidance of doubt, any repurchase or purchase, repayment, redemption or prepayment of such Indebtedness or entering into and termination of Hedging Obligations not prohibited by the Indenture); (3) undertaken with the purpose of, and directly related to, fulfilling the obligations of the Issuer under any Security Document to which it is a party or any other document relating to the Notes (including Additional Notes) and the 2024 Notes or the making of Restricted Payments in accordance with the covenant described under the caption "—*Restricted Payments*"; (4) related to the making of Investments in the Notes (including any Additional Notes) and any other Indebtedness permitted to be incurred by the Issuer and not otherwise prohibited by the terms of the Indenture; (5) related to the granting of Permitted Liens and Permitted Collateral Liens over its assets to secure the Indebtedness of any Restricted Subsidiary if the grant of such Liens were otherwise permitted by the Indenture; (6) related or reasonably incidental to the establishment and/or maintenance of the Issuer's corporate existence; (7) related to the paying or receiving of dividends or making of distributions, or investing amounts received by the Issuer, in each case, in such manner not otherwise prohibited by the Indenture; (8) involving the provision of administrative services; (9) conducting activities directly related, or reasonably incidental to, any transaction undertaken in accordance with the provisions described under "—*Merger, Consolidation or Sale of Assets*"; (10) related to any purchase agreement, and/or any other document (including the Intercreditor Agreement) entered into in connection with the issuance of the Notes or any other Indebtedness not prohibited by the Indenture; (11) related to the investments in and ownership and disposition of cash and Cash Equivalents; (12) reasonably related to the foregoing; and (13) not specifically enumerated above that is *de minimis* in nature.

Limitations on Amendments of the Proceeds Loan; Payment of Proceeds Loan

Neither the Company nor the Issuer will (1) change the Stated Maturity of the principal of, or any installment of interest on, the Proceeds Loan; (2) reduce the rate of interest on the Proceeds Loan; (3) change the currency for payment of any amount under the Proceeds Loan; (4) prepay or otherwise reduce or permit the prepayment or reduction of the Proceeds Loan (save to facilitate a corresponding payment or repurchase of principal on the Notes); (5) assign or novate the Proceeds Loan or any rights or obligations under the Proceeds Loan Agreement (other than to secure the Notes and the Note Guarantee or other Permitted Collateral Lien or in connection with a transaction that is subject to the covenants described under the caption "—*Merger, Consolidation or Sale of Assets*" and is completed in compliance therewith); or (6) amend, modify or alter the Proceeds Loan and/or Proceeds Loan Agreement in any manner adverse to the holders of the Notes in any material respect. Notwithstanding the foregoing, the Proceeds Loan may be prepaid or reduced to facilitate or otherwise accommodate or reflect a repayment, redemption or repurchase of outstanding Notes. The Company shall make payments under and in accordance with the Proceeds Loan and the Issuer shall accept such payments.

Collateral

The Company will, and will procure that each of its Subsidiaries will, at its own expense, use reasonable best efforts to execute and do all such acts and things and provide such assurances as may be reasonably required (1) for registering any Security Documents in any required register and for perfecting or protecting the security intended to be afforded by such Security Documents and (2) if such Security Documents have become enforceable, for facilitating the realization of all or any part of the assets which are subject to such Security Documents and for facilitating the exercise of all powers, authorities and discretions vested in the Security Agent or in any receiver of all or any part of those assets. The Company will use reasonable efforts to, and will use reasonable efforts to procure that each of its Subsidiaries will, execute all transfers, conveyances, assignments and releases of that property whether to the Security Agent or to its nominees and give all notices, orders and directions which the Security Agent may reasonably request.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of the Company may designate any Restricted Subsidiary (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business consolidation transfer, or investment therein, but excluding the Issuer) to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Company and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption "—*Restricted Payments*" or under one or more clauses of the definition of Permitted Investments, as determined by the Company. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

Any designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be evidenced to the Trustee by furnishing to the Trustee a copy of a resolution of the Company's Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complies with the preceding conditions. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*," the Issuer will be in default of such covenant. The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary*; provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is not prohibited by the covenant described under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*," calculated on a *pro forma* basis as if such designation had occurred at the beginning of the applicable Relevant Testing Period; and (2) no Default or Event of Default would be in existence following such designation.

Financial Calculations in Respect of Transactions

When calculating the availability under any basket or ratio under the Indenture in connection with any transaction (including, for the avoidance of doubt and without limitations, any incurrence or assumption of Indebtedness or Liens, the making of any Restricted Payment or Investments, any Asset Sale, any acquisition, merger, consolidation, amalgamation or other business combination and any transaction requiring the testing of any basket based on the Total Assets), the date of determination of such basket or ratio and of any Default or Event of Default shall, at the option of the Company, be the date the definitive agreements for such transaction are entered into, and such baskets or ratios shall be calculated with such pro forma adjustments as are appropriate and consistent with the pro forma provisions set forth in the definition of Fixed Charge Corporate Debt Coverage Ratio after giving effect to such transaction and other transactions to be entered into in connection therewith (including any incurrence of Indebtedness and the use of proceeds thereof) as if they occurred at the beginning of the applicable period for purposes of determining the ability to consummate any such transaction (and not for purposes of any subsequent availability of any basket or ratio), and, for the avoidance of doubt, (x) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in the Consolidated Net Income or Total Assets of the Company or that arising from an asset or a target company subject to such transaction) subsequent to such date of determination and at or prior to the consummation of the relevant transaction, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the transaction is permitted hereunder and (y) such baskets or ratios shall not be tested at the time of consummation of such transaction or related transactions; *provided* that if the Company elects to have such determinations occur at the time of entry into such definitive agreement, any such transactions (including any incurrence of Indebtedness and the use of proceeds therefrom) shall be deemed to have occurred on the date the definitive agreements are entered and outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement and before the consummation of such transaction. To the extent the date of determination of a basket or ratio is tested prior to the date of consummation of a transaction, such basket or ratio shall be deemed utilized to the same extent until the earlier of the date of consummation of such transaction or the date such transaction is terminated or expires without consummation.

Payments for Consent

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Company and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, to exclude holders of Notes in any jurisdiction or any category of holders of Notes where (1) the solicitation of such consent, waiver or amendment, including in connection with any tender or exchange offer, or (2) the payment of the consideration therefor could reasonably be interpreted as requiring the Company or any of its Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws or listing requirements (including, but not limited to, the United States federal securities laws and the laws of the European Union or any of its member states and the laws of the United

Kingdom), which the Company in its sole discretion determines (acting in good faith) (a) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction); or (b) such solicitation would otherwise not be permitted under applicable law in such jurisdiction or with respect to such category of holders of Notes.

Maintenance of Listing

Each of the Issuer and the Guarantors will use its commercially reasonable efforts to obtain the listing of the Notes on the Official List of Euronext Dublin and to admit the Notes for trading on the Global Exchange Market as promptly as practicable and will use its commercially reasonable efforts to maintain the listing of the Notes on the Official List of Euronext Dublin for so long as such Notes are outstanding; *provided* that if at any time the Issuer determines that it will not maintain such listing, it will obtain prior to the delisting of the Notes from the Global Exchange Market, and thereafter use its best efforts to maintain, a listing of such Notes on another "recognised stock exchange" as defined in Section 1005 of the Income Tax Act 2007 of the United Kingdom.

Reports

For so long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(1) within 120 days following the end of each fiscal year of the Company beginning with the fiscal year ending June 30, 2020, annual reports containing the following information: (a) audited consolidated balance sheet of the Company as of the end of the most recent fiscal year (and comparative information as of the end of the prior fiscal year) and audited consolidated statements of income and cash flow of the Company for the most recent fiscal year (and comparative information for the prior fiscal year), including consolidated note disclosure to such financial statements and the report of the independent auditors on the financial statements; (b) *pro forma* income statement and balance sheet information of the Company (which need not comply with Article 11 of Regulation S-X under the U.S. Exchange Act), together with explanatory notes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case, the Company will provide, in the case of a material acquisition, acquired company financials)); (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the business, management and shareholders of the Company, material affiliate transactions and material debt instruments (unless such contractual arrangements were described in a previous annual or quarterly report, in which case the Company need describe only any material changes); (e) loan portfolio analysis; and (f) material operational risk factors and material recent developments;

(2) within 60 days following the end of each of the first three fiscal quarters in each fiscal year of the Company beginning with the fiscal quarter ending December 31, 2019, quarterly reports, containing the following information: (a) an unaudited condensed consolidated balance sheet of the Company as of the end of such quarter and unaudited statements of income and cash flow of the Company for the quarterly and year to date periods ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with consolidated note disclosure; (b) *pro forma* income statement and balance sheet information of the Company (which need not comply with Article 11 of Regulation S-X under the U.S. Exchange Act), together with explanatory notes, for any acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case, the Issuer will provide, in the case of a material acquisition, acquired company financials); (c) an operating and financial review of the unaudited condensed consolidated financial statements, including a discussion of the consolidated financial condition and results of operations of the Company and any material change between the current quarterly period and the corresponding period of the prior year; (d) loan portfolio analysis; and (e) material recent developments; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring of the Company and its Restricted Subsidiaries, taken as a whole, or any changes of the Chief Executive Officer, Chief

Financial Officer or other Managing Director at the Company or change in auditors of the Company or any other material event that the Company announces publicly, a report containing a description of such event,

provided, however, that the reports set forth in clauses (1), (2) and (3) above will not be required to (i) contain any reconciliation to U.S. generally accepted accounting principles or (ii) include separate financial statements for any Guarantors or non-guarantor Subsidiaries of the Company.

In addition, if the Company has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the notes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

Except as provided for above, no report needs to include separate financial statements for the Company or Subsidiaries of the Company or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum.

In addition, for so long as any Notes remain outstanding, the Issuer has agreed that it will furnish to the holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

Contemporaneously with the furnishing of each such report discussed above, the Issuer will also (a) file a press release with the appropriate internationally recognized wire services in connection with such report and (b) post such report on the Company's website. The Issuer will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and so long as the Notes are listed on the Official List of Euronext Dublin and admitted for trading on the Global Exchange Market and the rules of Euronext Dublin so require, at the offices of the Paying Agent in London.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. GAAP.

Additionally, in the event that, and for so long as, the equity securities of the Company, the Issuer or any Parent Holdco are listed on the Main Market of the London Stock Exchange (or one or more of the equivalent regulated markets in the European Union) and the Company, the Issuer or such Parent Holdco is subject to the Admission and Disclosure Standards applicable to issuers of equity securities admitted to trading on the Main Market of the London Stock Exchange (or the equivalent standards applicable to issuers of equity securities admitted to trading on one or more of the equivalent regulated markets in the European Union), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Company, the Issuer or such Parent Holdco is required to file with the London Stock Exchange pursuant to such Admission and Disclosure Standards (or the applicable standards of one or more of the equivalent regulated markets in the European Union). Such reports shall disclose in reasonable detail the differences between the consolidated financial statements of the Company or the Parent Holdco and those of the Issuer. Upon complying with the foregoing requirements, and provided, that such requirements require the Company to prepare and file annual reports, information, documents and other reports with the Main Market of the London Stock Exchange, or one or more of the equivalent regulated markets in the European Union, as applicable, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs; *provided* that the Issuer provides the reports set forth in paragraph (2) above with respect to its first and third fiscal quarters.

Delivery of any information, documents and reports to the Trustee pursuant to this "*Reports*" covenant is for informational purposes only and the Trustee's receipt shall not constitute constructive notice of any information contained therein, including the Issuer's compliance with any of its covenants under the Indenture (as to which the Trustee is entitled to rely exclusively on an Officer's Certificate).

Suspension of Certain Covenants when Notes Rated Investment Grade

If on any date following the Issue Date:

(1) the Notes have achieved Investment Grade Status; and

(2) no Default or Event of Default shall have occurred and be continuing on such date,

then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (such period, the "*Suspension Period*"), the covenants specifically listed under the following captions in this Offering Memorandum will no longer be applicable to the Notes and any related default provisions of the Indenture will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries:

(1) "*—Repurchase at the Option of Holders—Asset Sales*";

(2) "*—Restricted Payments*";

(3) "*—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(4) "*—Anti-Layering*";

(5) "*—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*";

(6) "*—Designation of Restricted and Unrestricted Subsidiaries*";

(7) "*—Transactions with Affiliates*";

(8) "*—Additional Guarantees*"; and

(9) clause (4) of the first paragraph of the covenant described under "*—Merger, Consolidation or Sale of Assets*."

Such covenants and any related default provisions will again apply according to their terms from the first day on which the Notes cease to have Investment Grade Status. Such covenants will not, however, be of any effect with regard to the actions of the Company and the Restricted Subsidiaries properly taken during the continuance of the Suspension Period*; provided* that (1) with respect to the Restricted Payments made after any such reinstatement, the amount of Restricted Payments will be calculated as though the covenant described under the caption "*—Restricted Payments*" had been in effect prior to, but not during, the Suspension Period and (2) all Indebtedness incurred, or Disqualified Stock or preferred stock issued, during the Suspension Period will be deemed to have been incurred or issued pursuant to clause (2) of the second paragraph of the covenant described under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*." Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero. In addition, the Indenture will also permit, without causing a Default or Event of Default, the Issuer, the Company or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after the end of the Suspension Period as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the end of the Suspension Period.

There can be no assurance that the Notes will ever achieve or maintain Investment Grade Status.

Events of Default and Remedies

Each of the following is an "*Event of Default*:"

(1) default for 30 days in the payment when due of interest or Additional Amounts, if any, with respect to the Notes;

(2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes;

(3) failure by the Issuer or relevant Guarantor to comply with the provisions described under the caption "*—Certain Covenants—Merger, Consolidation or Sale of Assets*";

(4) failure by the Issuer or relevant Guarantor for 60 days after written notice (a) to the Issuer by the Trustee or (b) to the Issuer and the Trustee by the holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the agreements in the Indenture (other than a default in performance, or breach, of a covenant or agreement which is specifically dealt with in the preceding clauses (1), (2) or (3));

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries), whether such Indebtedness or guarantee now exists, or is created after the Issue Date, if that default:

(a) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*"); or

(b) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates £30.0 million or more;

(6) failure by the Company or any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of £30.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments shall not have been discharged or waived and there shall have been a period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of an appeal, waiver or otherwise, shall not have been in effect;

(7) except as permitted by the Indenture (including with respect to any limitations), any Note Guarantee of a Guarantor that is a Significant Subsidiary or any group of Guarantors that, taken together, would constitute a Significant Subsidiary is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor that is a Significant Subsidiary or any group of Guarantors that, taken together, would constitute a Significant Subsidiary, or any Person acting on behalf of any such Guarantor or Guarantors, denies or disaffirms its obligations under its Note Guarantee;

(8) (i) any security interest created by any Security Document with respect to Collateral with an aggregate value exceeding £15.0 million shall be declared invalid or unenforceable (except as permitted by the terms of the Indenture, the Intercreditor Agreement and the Security Documents) or any assertion by the Company or any of its Restricted Subsidiaries that any Collateral with an aggregate value exceeding £15.0 million is not subject to a valid, perfected security interest (except as permitted by the terms of the Indenture, the Intercreditor Agreement and the Security Documents); or (ii) the repudiation by the Company or any of its Restricted Subsidiaries of any of its material obligations under any Security Document in relation to property or assets with an aggregate value exceeding £10.0 million; and

(9) certain events of bankruptcy or insolvency described in the Indenture with respect to the Issuer, any Guarantor or any of the Company's Restricted Subsidiaries that is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

However, a default under clauses (5) or (6) of this paragraph will not constitute an Event of Default until the Trustee or the holders of 25% in principal amount of the outstanding Notes under the Indenture notify the Issuer of the default.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Issuer, any Guarantor or any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice or other act on the part of the Trustee or any holders of Notes. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes by written notice to the Issuer (and to the Trustee if such notice is given by the holders) may and the Trustee, upon the written request of such holders, subject to being indemnified and/or secured to its satisfaction, shall declare all amounts in respect of the Notes to be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (5) above has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (5) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (i) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (ii) all existing Events of Default, except non-payment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

The Intercreditor Agreement provides for a consultation between the applicable creditor representatives, including the creditor representative with the creditors under the Revolving Credit Facility prior to the Security Agent acting on certain enforcement instructions. See "*—Description of Certain Financing Arrangements—Intercreditor Agreement*."

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or Additional Amounts or premium, if any.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of Notes unless such holders have offered to the Trustee indemnity and/or security satisfactory to the Trustee against any loss, liability or expense. Except (subject to the provisions described under "*—Amendment, Supplement and Waiver*") to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such holder has previously given the Trustee notice that an Event of Default is continuing;

(2) holders of at least 25% in aggregate principal amount of the then outstanding Notes have requested, in writing, that the Trustee pursue the remedy;

(3) such holders have offered the Trustee security and/or indemnity satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the offer of security and/or indemnity; and

(5) holders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The holders of not less than a majority in aggregate principal amount of the Notes outstanding may, on behalf of the holders of all outstanding Notes, waive any current or past Default or Event of Default under the Indenture and its consequences, except a continuing Default or Event of Default in the payment of principal, interest or Additional Amounts or premium, if any on any Note held by a non-consenting holder (which may only be waived with the consent of each holder of Notes affected unless holders of not less than 90% in then outstanding principal amount waives such Default or Event of Default).

The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture substantially in the form attached to the Indenture.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Issuer or any Guarantor, as such, will have any liability for any obligations of the Issuer or the Guarantors under the Notes, the Indenture and the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under applicable securities laws.

Legal Defeasance and Covenant Defeasance

The Issuer may at any time elect to have all of its obligations discharged with respect to the outstanding Notes and all obligations of the Guarantors discharged with respect to their Note Guarantees ("*Legal Defeasance*") except for:

(1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, or interest (including Additional Amounts) or premium, if any, on, such Notes when such payments are due from the trust referred to below;

(2) the Issuer's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer's and the Guarantors' obligations in connection therewith; and

(4) the Legal Defeasance and Covenant Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that are described in the Indenture ("*Covenant Defeasance*") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, all Events of Default described under "*—Events of Default and Remedies*" (except those relating to payments on the Notes or, solely with respect to the Issuer, bankruptcy or insolvency events) will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Issuer must irrevocably deposit with the Trustee (or such other entity designated by the Trustee for this purpose), in trust, for the benefit of the holders of the Notes, cash in sterling, non-callable U.K. Government Securities or a combination of cash in sterling and non-callable U.K. Government Securities, in amounts as will be sufficient to pay the principal of, or interest (including Additional Amounts and premium, if any) on the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, the Issuer must deliver to the Trustee an opinion reasonably acceptable to the Trustee of United States counsel confirming that (a) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee an opinion reasonably acceptable to the Trustee of United States counsel confirming that the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) the Issuer must deliver to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of Notes over the other creditors of the Issuer or the Guarantors with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer, the Guarantors or others; and

(5) the Issuer must deliver to the Trustee an Officer's Certificate and an opinion of counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, Supplement and Waiver

Except as provided otherwise in the next three succeeding paragraphs, the Indenture, the Notes, the Note Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture, the Notes, the Note Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement or any Security Document may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Unless consented to by the holders of at least 90% of the aggregate principal amount of then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), without the consent of each holder of Notes affected, an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting holder):

(1) reduce the percentage of principal amount of Notes whose holders must consent to an amendment, supplement or waiver;

(2) (a) reduce the principal of or change the fixed maturity of any Note or (b) reduce the purchase price payable upon the redemption of any such Note or (c) change the time (other than notice periods) at which any such Note may be redeemed, in the case of each (b) and (c) as described above under "*—Optional Redemption*" and "*—Redemption for Changes in Taxes*";

(3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;

(4) impair the right to institute suit for the enforcement of any payment on or with respect to such holder's Notes or any guarantee in respect thereof;

(5) waive a Default or Event of Default in the payment of principal of, or interest, Additional Amounts or premium, if any, on, the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the Payment Default that resulted from such acceleration);

(6) make any Note payable in a currency other than that stated in the Notes;

(7) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of Notes to receive payments of principal of, or interest, Additional Amounts or premium, if any, on, the Notes;

(8) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described above under the caption "*—Repurchase at the Option of Holders*");

(9) release any Guarantor from any of its obligations under its Note Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement;

(10) release all or substantially all of the Collateral from Liens granted for the benefit of the holders of Notes, except in accordance with the terms of the relevant Security Document, the Indenture and the Intercreditor Agreement; or

(11) make any change in the preceding amendment and waiver provisions.

For the avoidance of doubt, no amendment to or deletion of, or actions taken in compliance with, the covenants described under "*—Certain Covenants*," shall be deemed to impair or affect any rights of holders of the Notes to receive payment of principal of, or premium, if any, or interest on, the Notes.

Notwithstanding the preceding, without the consent of any holder of Notes, the Issuer, the Guarantors, the Trustee and the Security Agent (in the case of the Security Documents only) may amend or supplement the Indenture, the Notes, the Note Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement or any Security Document:

(1) to cure any ambiguity, defect, omission, error or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes; *provided* that such uncertificated Notes shall be in "registered form" for the purposes of Section 163(f) of the Code;

(3) to provide for the assumption of the Issuer's or a Guarantor's obligations to holders of Notes and Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Issuer's or such Guarantor's assets, as applicable;

(4) to make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any such holder in any material respect;

(5) to conform the text of the Indenture, the Note Guarantees or the Notes to any provision of this Description of Notes to the extent that such provision in this Description of Notes was intended to be a verbatim recitation of a provision of the Indenture, the Note Guarantees or the Notes;

(6) to release any Note Guarantee in accordance with the terms of the Indenture;

(7) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture as of the Issue Date;

(8) to allow any Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the Notes;

(9) to enter into additional or supplemental Security Documents;

(10) to add additional parties to the Intercreditor Agreement, any Additional Intercreditor Agreement or any Security Document to the extent permitted hereunder or thereunder; or

(11) to evidence and provide the acceptance of the appointment of a successor Trustee or the Security Agent under the Indenture or to evidence and provide the acceptance of the appointment of a Security Agent under the Intercreditor Agreement, any Additional Intercreditor Agreement or any Security Document.

The consent of the holders of Notes is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

A consent to any amendment or waiver under the Indenture by any holder of Notes given in connection with a tender of such holder's Notes will not be rendered invalid by such tender.

In formulating its opinion on such matters, the Trustee and the Security Agent shall be entitled to rely absolutely on such evidence as each deems appropriate, including an opinion of counsel and an Officer's Certificate.

Additional or Amended Intercreditor Agreement

The Indenture will provide that, subject to the covenants contained therein, at the request of the Issuer or the Company, at or prior to any time that the Issuer or a Guarantor incurs or guarantees any Indebtedness permitted to be secured by a Lien on the Collateral pursuant to the definition of Permitted Collateral Liens, the Issuer, the Guarantors, the Security Agent and the Trustee shall either amend and/or restate the Intercreditor Agreement or enter into with the creditors and/or agents of creditors with respect to such Indebtedness an additional intercreditor agreement (each, an "*Additional Intercreditor Agreement*") on substantially the same terms as the Intercreditor Agreement (or an amendment or restatement of the Intercreditor Agreement in lieu thereof), in either such case, to permit such Indebtedness to be subject to (and benefit from) substantially similar terms with respect to the release of the Collateral and Note Guarantees, enforcement of security interests, turnover, limitations on enforcement and other rights and limitations of the creditors of Senior Secured Non-Securitization Indebtedness as contained in the Intercreditor Agreement in effect as of the Issue Date (or, in the case of any such terms, terms more favorable to the holders of the Notes). Only one such intercreditor agreement shall be outstanding at any one time or, if more than one such intercreditor agreement is outstanding at any one time, the collective terms of such intercreditor agreements must not conflict and must be no more disadvantageous to the holders of the Notes than if all such Indebtedness was a party to one such agreement.

The Indenture will also provide that, at the direction of the Issuer or the Company and without the consent of the holders of the Notes, the Trustee and the Security Agent shall upon the direction of the Issuer or the Company from time to time enter into one or more amendments and/or restatements of the Intercreditor Agreement or any such Additional Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency therein; (2) increase the amount or types of Indebtedness covered by any such agreement that are permitted to be incurred under the Indenture by the Issuer or any Guarantors that is subject to any such agreement (including but not limited to the addition of provisions relating to new Indebtedness and additional parties thereto and the amendment of the definition of discharge date to include such Indebtedness); (3) add Guarantors thereto or amend the guarantee release provisions of the Intercreditor Agreement or any such Additional Intercreditor Agreement to align them with the guarantee release provisions set forth under "*—Note Guarantees*"; (4) further secure the Notes (including any Additional Notes); or (5) make any other such change thereto that does not adversely affect the rights of holders of the Notes in any material respect. Except as otherwise permitted under "*—Amendment, Supplement and Waiver,*" the Issuer or the Company will not otherwise direct the Trustee and the Security Agent to enter into any amendment and/or restatements of the Intercreditor Agreement or, if applicable, any Additional Intercreditor Agreement.

The Issuer or the Company may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment and/or restatement of the Intercreditor Agreement or, if applicable, any Additional Intercreditor Agreement does not impose any personal obligations on the Trustee or the Security Agent, as applicable, or adversely affect the rights, duties, liabilities or immunities of the Trustee or the Security Agent, as applicable, under the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement.

The Indenture will provide that each holder of a Note, by accepting such Note, will be deemed to have agreed to and accepted the terms and conditions of each Intercreditor Agreement and Additional Intercreditor Agreement and any amendment referred to in the preceding paragraphs and the Trustee or the Security Agent will not be required to seek the consent of any holders of Notes to perform its obligations under and in accordance with the above provisions and each holder of a Note shall be deemed to have directed the Trustee and the Security Agent to enter into each Intercreditor Agreement, Additional Intercreditor Agreement or amendments thereto contemplated in the above provisions.

Satisfaction and Discharge

The Indenture and the rights of the Trustee and the holders of the Notes under the Security Documents will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

(1) either:

(a) all Notes that have been authenticated and delivered, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer or discharged from such trust as provided for in the Indenture, have been delivered to the Paying Agent for cancellation; or

(b) all Notes that have not been delivered to the Paying Agent for cancellation have become due and payable by reason of the delivery of a notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer or otherwise or will become due and payable within one year or are able to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Paying Agent in the name and at the expense of the Issuer, and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee (or such other entity designated by the Trustee for this purpose) as trust funds in trust solely for the benefit of the holders, cash in sterling, non-callable U.K. Government Securities or a combination of cash in sterling and non-callable U.K. Government Securities, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Paying Agent for cancellation for principal, premium and Additional Amounts, if any, and accrued interest to the date of maturity or redemption;

(2) the Issuer or any Guarantor has paid or caused to be paid all sums payable by the Issuer and the Guarantors under the Indenture; and

(3) the Issuer has delivered irrevocable instructions to the Trustee and the Paying Agent under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver an Officer's Certificate and an opinion of independent counsel to the Trustee stating that all conditions precedent in the Indenture relating to satisfaction and discharge of the Indenture have been satisfied; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)). If requested by the Issuer, the Trustee may distribute any amounts deposited in trust to the holders prior to maturity or the redemption date, as the case may be; *provided, however*, that the Holders shall have received at least five Business Days' notice from the Issuer of such earlier payment date (which may be included in a notice of redemption).

Judgment Currency

Any payment on account of an amount that is payable in sterling which is made to or for the account of any holder or the Trustee in lawful currency of any other jurisdiction (the "*Judgment Currency*"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Issuer or any Guarantor, shall constitute a discharge of the Issuer or the Guarantor's obligation under the Indenture and the Notes or Note Guarantee, as the case may be, only to the extent of the amount of sterling that such holder or the Trustee, as the case may be, could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of sterling that could be so purchased is less than the amount of sterling originally due to such holder or the Trustee, as the case may be, the Issuer and the Guarantors shall indemnify and hold harmless the holder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture or the Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

Concerning the Trustee

The Issuer shall deliver written notice to the Trustee as soon as reasonably practicable after becoming aware of the occurrence of a Default or an Event of Default. If the Trustee becomes a creditor of the Issuer or any Guarantor, the Indenture will limit the right of the Trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; *however*, if it acquires actual knowledge that it has any conflicting interest it must eliminate such conflict within 90 days or resign as Trustee.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture will provide that in case an Event of Default occurs and is continuing, of which a responsible officer of the Trustee has written notice, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee security and/or indemnity satisfactory to it against any loss, liability or expense.

The Issuer and the Guarantors jointly and severally will indemnify the Trustee for certain claims, liabilities and expenses incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance and administration of the Indenture, including, without limitation, in connection with distributing trust funds to Holders at the request of the Company (and in accordance with the Indenture) as set forth under "—*Satisfaction and Discharge*."

Listing

Application will be made to list the Notes on the Official List of Euronext Dublin and to admit the Notes to trading on the Global Exchange Market. There can be no assurance that the application to list the Notes on the Official List of Euronext Dublin and to admit the Notes for trading on the Global Exchange Market will be approved and settlement of the Notes is not conditioned on obtaining this listing.

Additional Information

Anyone who receives this Offering Memorandum may, following the Issue Date, obtain a copy of the Indenture, the form of Note, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement without charge by writing to Head of Treasury, Together Financial Services Limited, Lake View, Lakeside, Cheadle, Cheshire SK8 3GW, United Kingdom.

So long as the Notes are listed on the Official List of Euronext Dublin and admitted for trading on the Global Exchange Market and the rules of Euronext Dublin so require, copies, current and future, of all of the Issuer's annual audited consolidated financial statements and the Issuer's unaudited consolidated interim financial statements, as applicable, and this Offering Memorandum may be obtained, free of charge, during normal business hours at the offices of the Paying Agent in London.

Governing Law

The Indenture, the Notes and the Note Guarantees will be governed by, and construed in accordance with, the laws of the State of New York. The Intercreditor Agreement, the Security Documents and the Proceeds Loan are or will be governed by English law.

Consent to Jurisdiction and Service of Process

The Indenture will provide that the Issuer and each Guarantor, will appoint Corporation Service Company as its authorized agent, which is presently located at 1133 Avenue of the Americas, Suite 3100, New York, New York 10036, United States of America as its agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Note Guarantees brought in any U.S. federal or New York state court located in the City of New York and will submit to such jurisdiction.

Enforceability of Judgments

Since all of the assets of the Issuer and the Guarantors are outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, may not be collectable within the United States. Please see "*Service of Process and Enforcement of Civil Liabilities*."

Prescription

Claims against the Issuer or any Guarantor for the payment of principal or Additional Amounts, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed six years after the applicable due date for payment of interest.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"*2023 PIK Notes*" means the £350.0 million aggregate principal amount of $8^{7}/_{8}$% / $10^{3}/_{8}$ Senior PIK Toggle Notes due 2023 issued by Bracken Midco1 plc on September 28, 2018 pursuant to the 2023 PIK Notes Indenture.

"*2023 PIK Notes Indenture*" means the Indenture, dated as of September 28, 2018, by and among Bracken Midco1 plc, Deutsche Bank Trustee Company Limited, as trustee, Deutsche Bank AG, London Branch, as paying agent, Deutsche Bank Luxembourg S.A., as registrar and transfer agent, and Deutsche Bank AG, London Branch, as security agent, as may be amended from time to time.

"*2024 Notes*" means the £200.0 million aggregate principal amount of $6^{1}/_{8}$% Senior Secured Notes due 2024 issued by the Issuer on February 22, 2017 together with the £150.0 million aggregate principal amount of additional $6^{1}/_{8}$% Senior Secured Notes due 2024 issued by the Issuer on January 31, 2018, in each case, pursuant to the 2024 Notes Indenture.

"*2024 Notes Indenture*" means the Indenture, dated as of February 22, 2017, by and among the Issuer, Deutsche Bank Trustee Company Limited, as trustee, Deutsche Bank AG, London Branch, as principal paying agent, Deutsche Bank Luxembourg, as registrar and transfer agent, Royal Bank of Scotland plc, as security agent, and the guarantors party thereto, as may be amended from time to time.

"*2024 Notes Proceeds Loan*" means the loans made by the Issuer to the Company for the amount of the gross proceeds received by the Issuer from the two offerings of the 2024 Notes, pursuant to the 2024 Notes Proceeds Loan Agreement.

"*2024 Notes Proceeds Loan Agreement*" means the loan agreement made as of February 22, 2017 by and between the Company, as borrower, and the Issuer, as lender, as amended on January 31, 2018.

"*2024 Notes Trustee*" means the trustee under the 2024 Notes Indenture.

"*Acquired Debt*" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "*controlling*," "*controlled by*" and "*under common control with*" have correlative meanings.

"*Applicable Premium*" means, with respect to any Note on any redemption date, the greater of:

(1) 1.0% of the principal amount of the Note; or

(2) the excess of:

(a) the present value at such redemption date of (i) the redemption price of the Note at January 15, 2022 (such redemption price being set forth in the table appearing under the caption "*—Optional Redemption*"), *plus* (ii) all required interest payments due on the Note through January 15, 2022 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Gilt Rate as of such redemption date plus 50 basis points; over

(b) the principal amount of the Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer may engage.

For the avoidance of doubt, calculation of the Applicable Premium shall not be a duty or obligation of the Trustee, the Registrar or any Paying Agent.

"*Asset Sale*" means:

(1) the sale, lease, conveyance or other disposition of any assets by the Company or any of its Restricted Subsidiaries; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption "*—Repurchase at the Option of Holders—Change of Control*" and/or the provisions described above under the caption "*—Certain Covenants—Merger, Consolidation or Sale of Assets*" and not by the provisions described under the caption "*—Repurchase at the Option of Holders—Asset Sales*"; and

(2) the issuance of Equity Interests by any Restricted Subsidiary or the sale by the Company or any of its Restricted Subsidiaries of Equity Interests in any Subsidiary of the Company (in each case, other than directors' qualifying shares and Preferred Stock of Restricted Subsidiaries issued in compliance with the covenant described under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" of any Restricted Subsidiary of the Company (other than to the Company or another Restricted Subsidiary)).

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves the disposition of assets having a Fair Market Value of less than or equal to the greater of £15.0 million or 0.4% of Total Assets of the Company;

(2) a transfer of assets or Equity Interests between or among the Company and any Restricted Subsidiary;

(3) an issuance of Equity Interests by a Restricted Subsidiary to the Company or to another Restricted Subsidiary or as part or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Company or in connection with a Permitted Reorganization;

(4) the sale, lease, exchange or other transfer of accounts receivable, inventory or other assets in the ordinary course of business and any sale or other disposition of damaged, worn-out, obsolete, unnecessary or unsuitable assets or assets that are no longer useful or economically practicable to maintain in the conduct of the business of the Company and its Restricted Subsidiaries (including allowing any registrations or any applications for registration of any intellectual property or other intellectual property rights to lapse or become abandoned) and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;

(5) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;

(6) the granting of Liens not prohibited by the covenant described above under the caption "*—Certain Covenants—Liens*";

(7) the sale or other disposition of cash or Cash Equivalents;

(8) (a) a Restricted Payment that does not violate the covenant described above under the caption "*—Certain Covenants—Restricted Payments*" or a Permitted Investment or (b) solely for purposes of the second paragraph of the covenant described under "*—Certain Covenants—Asset Sales*", asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(9) the disposition of accounts receivables, note receivables or other current assets held for sale in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(10) the foreclosure, condemnation or any similar action with respect to any property or other assets or a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(11) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Company or any Restricted Subsidiary to such Person) related to such assets;

(12) any sale, transfer or other disposition of Securitization Assets and related assets in connection with or related to any Qualified Securitization Financing;

(13) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(14) the lease, assignment, license, sublicense or sublease of any real or personal property in the ordinary course of business;

(15) any exchange of assets for Related Business Assets (including a combination of Related Business Assets and a de minimis amount of cash or Cash Equivalents) of comparable or greater market value than the assets exchanged, as determined in good faith by the Company;

(16) dispositions of Investments (including Equity Interests) in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements or rights of first refusal between, the joint venture parties set forth in joint venture arrangements and similar binding arrangements between such entities; and

(17) dispositions of property to the extent that (a) such property is exchanged for credit against the purchase price of similar replacement property that is purchased within 90 days of such disposition or (b) the proceeds of such Asset Sale are applied within 90 days of such disposition to the purchase price of such replacement property (which replacement property is purchased within 90 days of such disposition).

"*Asset Sale Offer*" has the meaning assigned to that term in the Indenture governing the Notes.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the U.S. Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "*Beneficially Owns*" and "*Beneficially Owned*" have corresponding meanings.

"*Board of Directors*" means:

(1) with respect to a corporation, the Board of Directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the Board of Directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Business Day*" means a day other than a Saturday, Sunday or other day on which banking institutions in London or New York or a place of payment under the Indenture are authorized or required by law to close.

"*CABS*" means Charles Street Conduit Asset Backed Securitization 1 Limited.

"CABS Securitization" means the series of agreements entered into on November 12, 2007, as amended, extended, restated, modified, renewed, novated, replaced or supplemented from time to time, including the note issuance facility, entered into by, among others, the Company, as cash administrator, CABS, as note issuer and The Royal Bank of Scotland plc, as facility agent, security trustee and standby cash administrator.

"*Capital Lease Obligation*" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet (excluding the notes thereto) prepared in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"*Cash Equivalents*" means:

(1) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the European Union, the United States of America, the United Kingdom or Switzerland (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the European Union, the United States of America, the United Kingdom or Switzerland, as the case may be, and which are not callable or redeemable at the issuer's option and which have a credit rating of "A" or better from S&P and "A2" or better from Moody's;

(2) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits and similar instruments with maturities of 12 months or less from the date of acquisition issued by a bank or trust company which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the European Union or of the United States of America or any state thereof or of the United Kingdom or Switzerland; *provided* that such bank or trust company has capital, surplus and undivided profits aggregating in excess of £250,000,000 (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated "Baa1" or higher by Moody's or "BBB+" or higher by S&P or the equivalent rating category of another internationally recognized rating agency;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;

(4) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within one year after the date of acquisition;

(5) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (4) of this definition; and

(6) any investments classified as cash equivalents under IFRS.

"*Change of Control*" means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries, taken as a whole, to any Person (including any "person" (as that term is used in Section 13(d)(3) of the U.S. Exchange Act)) other than the Permitted Holders (other than any such sale, lease, transfer, conveyance or other disposition of all or substantially all of the assets of the Company to an Affiliate of the Company for the purpose of reincorporating the Company in another jurisdiction provided that such transaction complies with the covenant described under the caption "*—Certain Covenants—Merger, Consolidation or Sale of Assets*");

(2) the adoption of a plan relating to the liquidation or dissolution of either the Company or the Issuer;

(3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any "person" (as defined above)), other than the Permitted Holders, becomes the Beneficial Owner, directly or indirectly, of more than 50% of the issued and outstanding Voting Stock of the Company, measured by voting power rather than number of shares; or

(4) the first day on which the Company shall fail to directly own 100% of the issued and outstanding Voting Stock and Capital Stock of the Issuer or otherwise ceases to control the Issuer.

"*Change of Control Offer*" has the meaning assigned to that term in the Indenture governing the Notes.

"*Collateral*" means (1) the rights, property and assets of each of the Issuer and the Guarantors for which a Lien has been created to secure the Notes and the Note Guarantees pursuant to the Security Documents and (2) any other right, property or asset in which a security interest has been or will be granted pursuant to any Security Document to secure the Obligations under the Indenture, the Notes or any Note Guarantee.

"*Consolidated EBITDA*" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such Relevant Testing Period plus the following to the extent deducted in calculating such Consolidated Net Income, without duplication:

(1) provision for taxes based on income or profits of such Person and its Subsidiaries which are Restricted Subsidiaries for such Relevant Testing Period; *plus*

(2) the Non-Securitization Fixed Charges of such Person and its Subsidiaries which are Restricted Subsidiaries for such Relevant Testing Period; *plus*

(3) depreciation, amortization (including, without limitation, amortization of intangibles and deferred financing fees) and other non-cash charges and expenses (including without limitation write downs and impairment of property, plant, equipment and intangibles and other long-lived assets and the impact of purchase accounting on such Person and its Restricted Subsidiaries for such Relevant Testing Period) of such Person and its Subsidiaries (excluding any such non-cash charge or expense to the extent that it represents an accrual of or reserve for cash charges or expenses in any future Relevant Testing Period or amortization of a prepaid cash charge or expense that was paid in a prior period) for such Relevant Testing Period; *plus*

(4) gains or losses arising in such Relevant Testing Period in respect of income statement charges for expected credit loss allowance for financial assets classified as Stage 1 or Stage 2 under the three-stage model for impairment adopted by such Person in accordance with IFRS 9; *plus*

(5) any expenses, charges or other costs related to the issuance of any Capital Stock, any Permitted Investment, acquisition, disposition, recapitalization, listing or the incurrence of Indebtedness (other than with respect to any Qualified Securitization Financing except to the extent such expenses, charges and other costs are incurred by the Company and/or its Restricted Subsidiaries other than a Securitization Subsidiary) permitted to be incurred under the covenant described above under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" (including refinancing thereof) whether or not successful, including (i) such fees, expenses or charges related to any incurrence of Indebtedness (other than with respect to any Qualified Securitization Financing except to the extent such expenses, charges and other costs are incurred by such Person and/or its Restricted Subsidiaries other than a Securitization Subsidiary) and (ii) any amendment or other modification of any incurrence (other than any incurrence with respect to any Qualified Securitization Financing except to the extent such expenses, charges and other costs are incurred by the Company and/or its Restricted Subsidiaries other than a Securitization Subsidiary); *plus*

(6) any foreign currency translation losses (including losses related to currency re-measurements of Indebtedness) of such Person and its Restricted Subsidiaries; *plus*

(7) (a) any extraordinary, exceptional or unusual loss or charge, or (b) any non-cash charges or reserves in respect of any integration; *plus*

(8) the amount of any minority interest expense (other than with respect to any Qualified Securitization Financing) consisting of subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Restricted Subsidiary in such Relevant Testing Period or any prior period, except to the extent of dividends declared or paid on, or other cash payments in respect of, Equity Interests held by such parties; *plus*

(9) all expenses incurred directly in connection with any early extinguishment of Indebtedness (other than with respect to any Qualified Securitization Financing unless paid by such Person and its Restricted Subsidiaries other than a Securitization Subsidiary); *minus*

(10) any foreign currency translation gains (including gains related to currency remeasurements of Indebtedness) of such Person and its Restricted Subsidiaries; *minus*

(11) any extraordinary, exceptional or unusual gain; *minus*

(12) extraordinary, exceptional or unusual non-cash items increasing such Consolidated Net Income for such Relevant Testing Period (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (11) of the definition of Consolidated Net Income), other than the reversal of a reserve for cash charges in a future period in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with IFRS.

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Subsidiaries which are Restricted Subsidiaries for such period, on a consolidated basis (excluding the net income (loss) of any Unrestricted Subsidiary), determined in accordance with IFRS (or generally accepted accounting principles in the United Kingdom for periods prior to July 1, 2015) and without any reduction in respect of preferred stock dividends; *provided* that:

(1) the net income (loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary which is a Subsidiary of the Person;

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph under the caption "*—Certain Covenants—Restricted Payments*," any net income (loss) of any Restricted Subsidiary (other than any Guarantor and the Issuer) will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Company (or any Guarantor that holds the Equity Interests of such Restricted Subsidiary, as applicable) by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture or (c) contractual restrictions in effect on the Issue Date with respect to the Restricted Subsidiary (including under the 2024 Notes, 2024 Notes Indenture, the Revolving Credit Facility and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements, *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to dividends and other payment restrictions than those contained in comparable financings at the time of determination (as determined in good faith by the Company) and would not otherwise restrict the payment of amounts due in respect of the Notes, a Note Guarantee or the Proceeds Loan or compliance by the Issuer or any Guarantor with its Obligations under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents, the Proceeds Loan or any Credit Facility) and (d) other restrictions with respect to such Restricted Subsidiary that would not materially adversely affect the ability of the Issuer or any Guarantor to service or repay the Notes, except that the Company's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than any Guarantor or the Issuer), to the limitation contained in this clause);

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Company or any Restricted Subsidiaries (including pursuant to any sale leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Issuer) will be excluded;

(4) any one-time non-cash charges or any amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of, or merger or consolidation with, another Person or business or resulting from any reorganization or restructuring involving the Company or its Subsidiaries will be excluded;

(5) the cumulative effect of a change in accounting principles will be excluded;

(6) any extraordinary, exceptional or nonrecurring gains or losses or any charges in respect of any restructuring (including, for the avoidance of doubt, the restructuring of Indebtedness or Qualified Securitization Financing), redundancy or severance (in each case as determined in good faith by the Company) will be excluded;

(7) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations will be excluded;

(8) any non-cash compensation charge or expenses arising from any grant of stock, stock options or other equity-based awards will be excluded;

(9) any goodwill or other intangible asset impairment charges will be excluded;

(10) all deferred financing costs written off and premium paid in connection with any early extinguishment of indebtedness (including, for the avoidance of doubt, other expenses incurred directly in connection with thereof) and any net gain or loss from any write-off or forgiveness of indebtedness will be excluded;

(11) the impact of any capitalized interest (including accreting or pay-in-kind interest or, for the avoidance of doubt, any other non-cash movements (including the unwinding of any fair value adjustments recognized on initial recognition)) on any Deeply Subordinated Shareholder Indebtedness will be excluded; and

(12) any non-cash gains or losses in respect of changes in the net present value of expected cash flows due to non-substantial modifications on Indebtedness or any Qualified Securitization Financing and the subsequent unwind of such gains or losses will be excluded.

"*Consolidated Senior Secured Gearing Ratio*" means, with respect to any Person as of any date of determination, the amount (stated as a percentage) equal to the quotient of (1) the Consolidated Senior Secured Non-Securitization Leverage of such Person on such date *divided by* (2) the Non-Securitization Net Loan Assets of such Person on such date.

"*Consolidated Senior Secured Non-Securitization Leverage*" means, with respect to any Person as of any date of determination, the sum, without duplication, of the total amount of Senior Secured Non-Securitization Indebtedness of such Person and its Restricted Subsidiaries on a consolidated basis, less the amount of cash and Cash Equivalents that would be stated on the balance sheet of the Company and its Restricted Subsidiaries as of such date in accordance with IFRS up to an amount not to exceed £50.0 million.

"*Consolidated Senior Secured Non-Securitization Leverage Ratio*" means, with respect to any Person, the ratio of (1) the Consolidated Senior Secured Non-Securitization Leverage of such Person on such date to (2) the LTM EBITDA, in each case for the Relevant Testing Period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the Relevant Testing Period for which the Consolidated Senior Secured Non-Securitization Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Senior Secured Non-Securitization Leverage Ratio is made (the "*Calculation Date*"), then the Consolidated Senior Secured Non-Securitization Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer or Company) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the Relevant Testing Period.

In addition, for purposes of calculating the Consolidated Senior Secured Non-Securitization Leverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the Relevant Testing Period or subsequent to such Relevant Testing Period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer or Company and may include anticipated expense and cost reduction synergies) as if they had occurred on the first day of the Relevant Testing Period;

(2) the LTM EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such Relevant Testing Period; and

(4) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such Relevant Testing Period.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that, in each case, does not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

   (a) for the purchase or payment of any such primary obligation; or

   (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*continuing*" means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"*Credit Facility*" means, one or more debt facilities, instruments or arrangements incurred (including the Revolving Credit Facility and overdraft facilities) or commercial paper facilities or indentures or trust deeds or note purchase agreements, in each case, with banks, other institutions, funds or investors, providing for revolving credit loans, term loans, performance guarantees, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit, bonds, notes, debentures or other corporate debt instruments or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustees or other banks or institutions and whether provided under the Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facilities" shall include any agreement or instrument (1) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Company as additional borrowers, issuers or guarantors thereunder, (3) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Exchange Protection Agreement*" means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar or agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates as to which such Person is a party.

"*DABS 2*" means Delta Asset Backed Securitisation 2 Limited.

"*DABS 2 Securitization*" means the series of agreements entered into on March 29, 2019, as amended, extended, restated, modified, renewed, novated, replaced or supplemented from time to time, including the note issuance facility agreement, entered into by, among others, the Company, as cash administrator, DABS 2, as note issuer, Elavon Financial Services DAC, UK Branch, as facility agent and U.S. Bank Trustees Limited, as security trustee.

"*Deeply Subordinated Shareholder Indebtedness*" means, collectively, any subordinated shareholder debt provided to the Company by any direct or indirect Parent Holdco of the Company or any Permitted Holder, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Deeply Subordinated Shareholder Indebtedness; *provided* that such Deeply Subordinated Shareholder Indebtedness:

(1) does not (including upon the happening of any event) mature or require (including upon the happening of any event) any amortization or other payment of principal (including pursuant to a sinking fund or otherwise) prior to the six-month anniversary of the maturity of the Notes (other than through conversion or exchange of any such security or instrument for Equity Interests of the Issuer (other than Disqualified Stock) or for any other security or instrument meeting the requirements of this definition);

(2) does not (including upon the happening of any event) require the payment of cash interest prior to the six-month anniversary of the maturity of the Notes;

(3) does not (including upon the happening of any event) provide for the acceleration of its maturity nor confers on its shareholders any right (including upon the happening of any event) to declare a default or event of default, accelerate, place on demand or exercise any remedies or take any enforcement action, in each case, prior to the six-month anniversary of the maturity of the Notes;

(4) is not secured by a Lien on any assets of the Company or a Restricted Subsidiary and is not guaranteed by any Subsidiary of the Company;

(5) is subordinated in right of payment to the prior payment in full in cash of the Notes, any Note Guarantee and the Proceeds Loan in the event of any default, bankruptcy, reorganization, liquidation, winding up or other disposition of assets of the Company at least to the same extent as Parent Debt (as defined in the Intercreditor Agreement) is subordinated to the Notes under the Intercreditor Agreement and shall be deemed Parent Debt under the Intercreditor Agreement (or such comparable term in any Additional Intercreditor Agreement); and

(6) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for Capital Stock (other than Disqualified Stock) of the Company,

provided, *however*, that after any event or circumstance that results in such Indebtedness ceasing to qualify as Deeply Subordinated Shareholder Indebtedness, such Indebtedness shall constitute an incurrence of such Indebtedness by the Company, and any and all Restricted Payments made through the use of the net proceeds from the incurrence of such Indebtedness since the date of the original issuance of such Deeply Subordinated Shareholder Indebtedness shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Deeply Subordinated Shareholder Indebtedness; provided that such amendments may not amend the terms of such Deeply Subordinated Shareholder Indebtedness in a manner that would conflict with items (1) to (6) above. For the avoidance of doubt, the loans entered into between Bracken Midco2 Limited and the Company in connection with the 2016 Exit Transactions, as may be amended or supplemented from time to time, will be deemed to be Deeply Subordinated Shareholder Indebtedness; *provided* that any amendment or supplement to such a loan will not amend such loan in a manner that such amendment would violate any of the conditions (1) through (6) of this definition.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the Fair Market Value of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as "Designated Non-Cash Consideration" pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Non-Cash Consideration.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the six-month anniversary of the date that the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "*—Certain Covenants—Restricted Payments*." For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock, such Fair Market Value to be determined as set forth herein.

"*Eligible Loan Assets*" means, with respect to any Person as of any date of determination, the principal of, or accrued interest or other amounts due on, loans held by or repayable to such Person and/or its Restricted Subsidiaries in the ordinary course of business; *provided*, that (a) at least 90% of such assets used to calculate "Eligible Loan Assets" are secured on freehold, heritable or leasehold property in England, Wales, Scotland or Northern Ireland in respect of which such loan was made (excluding any such principal loan amounts that (1) are held by an obligor under any Qualified Securitization Financing; or (2) constitute Securitization Assets or that otherwise are subject to a Lien to secure any Obligations under any Qualified Securitization Financing); and (b) such assets are subject to either a fixed or floating charge pursuant to a Security Document.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*Equity Offering*" means a public or private sale of Capital Stock (other than Disqualified Stock) of the Company or a Parent Holdco of the Company pursuant to which the net cash proceeds are contributed to the Company in the form of a subscription for, or a capital contribution in respect of, Capital Stock (other than Disqualified Stock) of the Company or as Deeply Subordinated Shareholder Indebtedness of the Company.

"*Excluded Contributions*" means the net cash proceeds, property or assets received by the Company after the Issue Date from:

(1) contributions to its Equity Interests; and

(2) the sale (other than to a Subsidiary of the Company) of Capital Stock (other than Disqualified Stock) of the Company,

in each case, designated as "Excluded Contributions" pursuant to an Officer's Certificate (which shall be designated no later than the date on which such Excluded Contribution has been received by the Company or its Restricted Subsidiaries), the net cash proceeds of which are excluded from the calculation set forth in the clause (c)(ii) of the first paragraph of the covenant described under the caption "*—Certain Covenants—Restricted Payments.*"

"*Existing Qualified Securitization Financings*" means the obligations of CABS, LABS, DABS 2, HABS, TABS 1, TABS 2 and TABS 3 under the CABS Securitization, the LABS Securitization, the DABS 2 Securitization, the HABS Securitization, the TABS 1 Securitization, the TABS 2 Securitization and the TABS 3 Securitization, respectively.

"*Fair Market Value*" means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party, determined in good faith by the Company's Chief Executive Officer, Chief Financial Officer or responsible accounting or financial officer of the Issuer.

"*Fitch*" means Fitch Ratings Limited or any successor to the rating agency business thereof.

"*Fixed Charge Corporate Debt Coverage Ratio*" means, with respect to any specified Person for any Relevant Testing Period, the ratio of (1) the LTM EBITDA to (2) the Non-Securitization Fixed Charges of such Person for such Relevant Testing Period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the Relevant Testing Period for which the Fixed Charge Corporate Debt Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Corporate Debt Coverage Ratio is made (the "*Calculation Date*"), then the Fixed Charge Corporate Debt Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer or Company) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable Relevant Testing Period; *provided*, *however*, that the *pro forma* calculation of Non-Securitization Fixed Charges shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" (other than clause (14) of such paragraph thereof, the incurrence of which itself is subject to the Fixed Charge Corporate Debt Coverage Ratio) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" (other than clause (14) of such paragraph thereof).

In addition, for purposes of calculating the Fixed Charge Corporate Debt Coverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the Relevant Testing Period or subsequent to such Relevant Testing Period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer or Company and may include anticipated expense and cost reduction synergies) as if they had occurred on the first day of the Relevant Testing Period;

(2) the LTM EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Non-Securitization Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Non-Securitization Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such Relevant Testing Period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during Relevant Testing Period; and

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire Relevant Testing Period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness).

"*Gilt Rate*" means, with respect to any redemption date, the yield to maturity as of such redemption date of U.K. Government Securities with a fixed maturity (as compiled by the Office for National Statistics and published in the most recent Financial Statistics that have become publicly available at least two Business Days in London prior to such redemption date (or, if such Financial Statistics are no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to January 15, 2022; *provided*, *however*, that if the period from such redemption date to January 15, 2022 is less than one year, the weekly average yield on actually traded U.K. Government Securities denominated in sterling adjusted to a fixed maturity of one year shall be used.

"*guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business, of all or any part of any Indebtedness (whether arising by agreements to keep-well, to take or pay or to maintain financial statement conditions, pledges of assets or otherwise).

"*Guarantors*" means, collectively, each of (i) Together Financial Services Limited (formerly Jerrold Holdings Limited), Blemain Finance Limited, Together Personal Finance Limited (formerly Cheshire Mortgage Corporation Limited), Factfocus Limited, General Allied Properties Limited, Harpmanor Limited, Jerrold Mortgage Corporation Limited, Together Commercial Finance Limited (formerly Lancashire Mortgage Corporation Limited), Spot Finance Limited, Supashow Limited, Classic Car Finance Limited, Bridging Finance Limited, Bridgingfinance.co.uk Limited, Auction Finance Limited, and Jerrold Holdings Limited (formerly Together Financial Services Limited and formerly Manchester Property Investments Limited) and (ii) any other

Restricted Subsidiary that executes a Note Guarantee in accordance with the provisions of the Indenture, and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the provisions of the Indenture.

"*HABS*" means Highfield Asset Backed Securitisation 1 Limited.

"*HABS Securitization*" means the series of agreements entered into on June 27, 2018, as amended, extended, restated, modified, renewed, novated, replaced or supplemented from time to time, including the note issuance facility, entered into by, among others, the Company, as cash administrator, HABS, as note issuer and HSBC Bank plc, as facility agent, security trustee and standby cash administrator.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates, including Currency Exchange Protection Agreements, or commodity prices.

"*IFRS*" means International Financial Reporting Standards (formerly International Accounting Standards) endorsed by the European Union (as constituted as of the Issue Date), or, at the election of the Company, by the United Kingdom if the United Kingdom is no longer a member of the European Union), or any variation thereof with which the Company is required to comply as in effect on the Issue Date, or, solely, with respect to the covenant described under the heading "—Certain Covenants—Reports," as in effect from time to time. Except as otherwise set forth in this Description of Notes, all ratios and calculations contained in this Indenture shall be computed in accordance with IFRS (to the extent applicable); *provided* that, at any date after the Issue Date, the Issuer may make an irrevocable election to establish that "IFRS" shall mean, except as otherwise specified herein, IFRS as in effect on a date that is on or prior to the date of such election. Notwithstanding the foregoing, the impact of IFRS 16 (Leases) and any successor standard thereto shall be disregarded with respect to all ratios, calculations, baskets and determinations based upon IFRS to be calculated or made, as the case may be, pursuant to the Indenture and (without limitation) any lease, concession or license of property that would be considered an operating lease under IFRS as in effect for the Company and its Subsidiaries as of June 30, 2019 and prior periods and any guarantee given by the Company or any Restricted Subsidiary in the ordinary course of business solely in connection with, and in respect of, the obligations of the Company or any Restricted Subsidiary under any such operating lease shall be accounted for in accordance with IFRS as in effect for the Company and its Restricted Subsidiaries as of June 30, 2019 and prior periods, notwithstanding any modification or interpretative changes thereto that may occur after the adoption of IFRS 16 (leases).

"*Indebtedness* " means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables):

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments for which such Person is responsible or liable;

(3) representing reimbursement obligations in respect of letters of credit, bankers' acceptances or similar instruments (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of incurrence);

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than one year after such property is acquired or such services are completed; and

(6) representing Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit and any Hedging Obligations (to the extent not included on a balance sheet prepared in accordance with IFRS)) would appear as a liability upon a balance sheet (excluding the notes thereto) of the specified Person prepared in accordance with IFRS. In addition, the term "*Indebtedness*" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by the specified Person of any Indebtedness of any other Person.

The term "*Indebtedness*" shall not include:

(1) Deeply Subordinated Shareholder Indebtedness;

(2) any lease of property which would be considered an operating lease under IFRS in effect for the Company and its Subsidiaries as of June 30, 2019 and prior periods and any guarantee given by the Company or a Restricted Subsidiary in the ordinary course of business solely in connection with, and in respect of, the obligations of the Company or a Restricted Subsidiary under any operating lease;

(3) Contingent Obligations in the ordinary course of business;

(4) in connection with the purchase by the Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing;

(5) for the avoidance of doubt, any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;

(6) obligations under or in respect of Qualified Securitization Financings (including, for the avoidance of doubt, any hedging related thereto);

(7) obligations arising in connection with the payment of any annual insurance premiums or software licenses by installments; or

(8) non-cash gains or losses in respect of changes in in respect of any Indebtedness as a result of IFRS 9.

"*Indenture*" means the Indenture for the Notes, as it may be amended or modified, supplemented from time to time.

"*Intercreditor Agreement*" means the intercreditor agreement, dated as of November 9, 2007 and as amended, restated or otherwise modified or varied from time to time and most recently on October 13, 2016, made between, among others, the Security Agent, the agent for the Revolving Credit Facility and the other parties named therein, and to which the Trustee will accede on the Issue Date.

"*Investment Grade Status*" shall occur when the Notes are rated "BBB-" or better by Fitch and "BBB-" or better by S&P (or, if either such entity ceases to rate the Notes, the equivalent investment grade credit rating from any other "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Company as a replacement agency).

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other obligations, but excluding advances or extensions of credit to customers or suppliers made in the ordinary course of business), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as Investments on a balance sheet (excluding the notes thereto) prepared in accordance with IFRS. If the Company or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Company's Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "*—Certain Covenants—Restricted Payments*." The acquisition by the Company or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption "*—Certain Covenants—Restricted Payments*." Except as otherwise provided in the Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value and, to the extent applicable, shall be determined based on the equity value of such Investment and reduced by any dividend, distribution, interest payments, return of capital, repayment or other amount received in cash by the Company or any Restricted Subsidiary.

"*IPO Entity*" means the Company or any Parent Holdco or any successor of the Company or any Parent Holdco, in each case, to the extent that it consummates a Public Equity Offering.

"*Issue Date*" means on or about February 10, 2020.

"*LABS*" means Lakeside Asset Backed Securitization 1 Limited.

"*LABS Securitization*" means the series of agreements entered into on August 13, 2015, as amended, extended, restated, modified, renewed, novated, replaced or supplemented from time to time, including the note issuance facility, entered into by, among others, the Company, as cash administrator, LABS, as note issuer, HSBC Bank plc, as facility agent and liquidity provider and HSBC Corporate Trustee Company (UK) Limited, as security trustee.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement or any lease in the nature thereof.

"*LTM EBITDA*" means, with respect to any Person, the Consolidated EBITDA of such Person and its Restricted Subsidiaries measured for the Relevant Testing Period ending prior to the date of such determination, in each case, with such pro forma adjustments giving effect to such Indebtedness, acquisition or Investment, as applicable, since the start of such Relevant Testing Period and as are consistent with the pro forma adjustments set forth in the definition of "Fixed Charge Corporate Debt Coverage Ratio."

"*Management Advances*" means loans or advances made to, or guarantees with respect to loans or advances made to, directors, officers or employees of the Company or any Restricted Subsidiary: (1)(a) in respect of travel, entertainment or moving-related expenses incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Capital Stock or Deeply Subordinated Shareholder Indebtedness (or similar obligations) of the Company, its Restricted Subsidiaries or any direct or indirect parent of the Company with (in the case of this sub-clause (b)) the approval of the Board of Directors for bona fide or ordinary course of business purposes; (2) in respect of moving-related expenses incurred in connection with any closing or consolidation of any facility or office; or (3) in the ordinary course of business and (in the case of this clause (3)) not exceeding £5.0 million in the aggregate outstanding at any time.

"*Market Capitalization*" means an amount equal to (1) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend *multiplied* by (2) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Moody's*" means Moody's Investors Service, Inc.

"*Net Proceeds*" means the aggregate cash proceeds received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration or Cash Equivalents substantially concurrently received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, and all distributions and other payments required to be made to minority interest holders (other than the Company or any of its Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Sale, and any reserve for adjustment or indemnification obligations in respect of the sale price of such asset or assets established in accordance with IFRS.

"*Non-Recourse Debt*" means Indebtedness as to which neither the Company nor any of its Restricted Subsidiaries (1) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (2) is directly or indirectly liable as a guarantor or otherwise.

"*Non-Securitization Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense (net of interest income attributable to cash deposits) of such Person and its Subsidiaries which are Restricted Subsidiaries for such period (other than any consolidated interest expense attributable to any Qualified Securitization Financing), whether paid or accrued, including, without limitation, amortization of debt discount (but not debt issuance costs, commissions, fees and expenses), non-cash interest payments (but excluding any non-cash gains or losses in respect

of Hedging Obligations or any ineffectiveness recognized related to qualifying hedge transactions or the fair value or changes therein recognized in for derivatives that do not qualify as hedge transactions in the mark-to-market valuation of Hedging Obligations or other derivative instruments and any non-cash gains or losses in respect of changes in the net present value of expected cash flows due to non-substantial modifications on Indebtedness or any Qualified Securitization Financing and the subsequent unwind of such gains or losses), the interest component of deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations (excluding interest relating to any lease of property which would be considered an operating lease under IFRS as in effect for the Company and its Subsidiaries as of June 30, 2019), commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings (and, for the avoidance of doubt, excluding any of the foregoing with respect to any Qualified Securitization Financing); *plus*

(2) the consolidated interest expense (but excluding such interest on Deeply Subordinated Shareholder Indebtedness) of such Person and its Subsidiaries which are Restricted Subsidiaries that was capitalized during such period (other than any consolidated interest expense attributable to any Qualified Securitization Financing). For the avoidance of doubt, any non-cash movements, including the unwind of any fair value adjustments recognized on initial recognition attributable to any Deeply Subordinated Indebtedness shall be excluded; *plus*

(3) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Subsidiaries which are Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Subsidiaries which are Restricted Subsidiaries (other than any interest on Indebtedness attributable to any Qualified Securitization Financing); *plus*

(4) net payments and receipts (if any) pursuant to interest rate Hedging Obligations (excluding amortization of fees) with respect to Indebtedness (other than any interest attributable to any Qualified Securitization Financing); *plus*

(5) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of any Restricted Subsidiary, other than dividends on Equity Interests payable to such Person or a Restricted Subsidiary or such Person.

Notwithstanding the foregoing, any fees and expenses with respect to the repayment, repurchase, prepayment or redemption of Indebtedness will not be deemed Non-Securitization Fixed Charges.

"*Non-Securitization Net Loan Assets*" means, with respect to any Person as of any date of determination, the aggregate value of the Eligible Loan Assets which would appear as assets on the consolidated balance sheet of such Person and its Restricted Subsidiaries as of such determination date after deducting any specific allowances for impairment in respect of credit losses for such assets classified as Stage 3 (for the avoidance of doubt, without deducting Stage 1 and Stage 2 expected credit losses) under the three-stage impairment model for impairments adopted by the Company and its Subsidiaries pursuant to IFRS 9 with respect to such Eligible Loan Assets and without deducting any gains or losses in respect of hedge accounting adjustments for Eligible Loan Assets pursuant to IFRS 9.

"*Note Guarantee*" means the guarantee by each Guarantor of the Issuer's obligations under the Indenture and the Notes, executed pursuant to the provisions of the Indenture.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) incurred by any Parent Holdco in connection with reporting obligations under or otherwise incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Company or any Restricted Subsidiary, including in respect of any reports filed with respect to the U.S. Securities Act, U.S. Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent Holdco owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Company and its Subsidiaries;

(3) obligations of any Parent Holdco in respect of director and officer insurance (including premiums therefor) to the extent relating to the Company and its Subsidiaries;

(4) fees and expenses payable by any Parent Holdco in connection with the 2016 Exit Transactions;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent Holdco related to the ownership or operation of the business of the Company or any of its Restricted Subsidiaries or (b) costs and expenses with respect to any litigation or other dispute relating to the 2016 Exit Transactions or the ownership, directly or indirectly, by any Parent Holdco;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Company and its Subsidiaries or any Parent Holdco or any other Person established for purposes of or in connection with the 2016 Exit Transactions or which holds directly or indirectly any Capital Stock or Deeply Subordinated Shareholder Indebtedness of the Company, in an amount not to exceed £3.0 million in any fiscal year; and

(7) expenses incurred by any Parent Holdco in connection with any Public Equity Offering or other sale of Capital Stock or Indebtedness:

(a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Company or a Restricted Subsidiary;

(b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or

(c) otherwise on an interim basis prior to completion of such offering so long as any Parent Holdco shall cause the amount of such expenses to be repaid to the Company or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"*Parent Holdco*" means any Person (other than a natural person) which legally and beneficially owns more than 50% of the Voting Stock and/or Capital Stock of another Person, either directly or through one or more Subsidiaries.

"*Pari Passu Indebtedness*" means (1) any Indebtedness of the Issuer that ranks *pari passu* in right of payment to the Notes and (2) any Indebtedness of a Guarantor that ranks *pari passu* in right of payment to the Note Guarantee of such Guarantor.

"*Permitted Asset Swap*" means the purchase and sale or exchange of Related Business Assets or a combination of Related Business Assets and cash or Cash Equivalents between the Company or any of its Restricted Subsidiaries and another Person; *provided* that such purchase and sale or exchange must occur within 90 days of each other and any cash or Cash Equivalents received must be applied in accordance with the covenant described under *"—Certain Covenants—Asset Sales*."

"*Permitted Business*" means (1) any businesses, services or activities engaged in by the Company or any of its Restricted Subsidiaries on the Issue Date, (2) any businesses, services and activities engaged in by the Company or any of the Restricted Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof and (3) any other type of financial service or activity.

"*Permitted Collateral Liens*" means:

(1) Liens on the Collateral to secure the Notes and the Note Guarantees issued on the Issue Date;

(2) Liens on the Collateral to secure any Indebtedness that is (i) Pari Passu Indebtedness and (ii) not prohibited under the first paragraph of the covenant described above under the caption "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock" or described under clause (1) or clause (17) of the definition of "Permitted Debt"; *provided* that on the date of the incurrence or issuance of such Indebtedness and on a pro forma basis (including a pro forma application of the net proceeds therefrom) the Consolidated Senior Secured Gearing Ratio of the Company is equal to or less than (A) 80 %, or (B) if on the date of the incurrence or issuance of such Indebtedness the Notes are rated "BB" or better by Fitch and "BB" or better by S&P (or, if either such entity ceases to rate the Notes, the equivalent credit rating from any other "nationally recognized statistical rating organization" within the meaning of Rule 15c3-l(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Company as a replacement agency) and a rating of "BB" or better is reissued or confirmed by each of Fitch and

S&P (or such other rating agency as referred to above, as the case may be) taking into account such incurrence or issuance of such Indebtedness and the granting of the Permitted Collateral Lien, 85%; *provided* that all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes and the Note Guarantees on a senior or pari passu basis; *provided*, *further*, that Indebtedness permitted to be incurred by clause (1) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Indebtedness" up to an amount equal to 15 % of the aggregate principal amount of Senior Secured Non-Securitization Indebtedness (excluding any Senior Secured Non-Securitization Indebtedness that receives priority status or any Indebtedness that is Senior Secured Non-Securitization Indebtedness pursuant to clause (2) of the definition thereof) may receive priority in respect of the proceeds from distressed disposals and/or the enforcement of the Collateral not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Issue Date pursuant to the Intercreditor Agreement; *provided*, *further*, that each of the parties thereto will have entered into the Intercreditor Agreement as "Secured Parties" (or the corresponding term in any Additional Intercreditor Agreement);

(3) Liens on the Collateral to secure Indebtedness that is (i) not prohibited under the first paragraph of the covenant described above under the caption "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" or described under clause (1) or clause (17) of the definition of "Permitted Debt"; *provided* that the aggregate principal amount of such Indebtedness shall not exceed £115.0 million at any one time outstanding; *provided* that all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes and the Note Guarantees on a senior or pari passu basis; *provided*, *further*, that Indebtedness permitted to be incurred by clause (1) of the second paragraph of the covenant described under "*— Certain Covenants—Limitation on Indebtedness*" up to an amount equal to 15% of the aggregate principal amount of Senior Secured Non-Securitization Indebtedness (excluding any Senior Secured Non-Securitization Indebtedness that receives priority status or any Indebtedness that is Senior Secured Non-Securitization Indebtedness pursuant to clause (2) of the definition thereof) may receive priority in respect of the proceeds from distressed disposals and/or the enforcement of the Collateral not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Issue Date pursuant to the Intercreditor Agreement; *provided*, *further*, that each of the parties thereto will have entered into the Intercreditor Agreement as "Secured Parties" (or the corresponding term in any Additional Intercreditor Agreement);

(4) Liens on the Collateral to secure the 2024 Notes outstanding on the Issue Date (including the guarantees thereof); *provided* that all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes and the Note Guarantees on a senior or pari passu basis; *provided*, *further*, that each of the parties thereto will remain a party to the Intercreditor Agreement as "Secured Parties" (or the corresponding term in any Additional Intercreditor Agreement);

(5) Liens on the Collateral to secure Permitted Refinancing Indebtedness incurred in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace or discharge, any Indebtedness which is secured by a Lien on the Collateral pursuant to the preceding clause (1), clause (2), clause (4) or this clause (5); *provided* that all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes and the Note Guarantees with the same or a higher priority with respect to the Permitted Refinancing Indebtedness substantially similar to that of the Indebtedness which is being exchanged, renewed, refunded, refinanced, replaced or discharged; *provided*, *further*, that each of the parties thereto will have entered into the Intercreditor Agreement;

(6) Liens on the Collateral securing Hedging Obligations which are permitted to be incurred by clause (8) of the second paragraph of the covenant described above under the caption "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock" that relate solely to Indebtedness; *provided* such Hedging Obligations may be entitled to receive proceeds of an enforcement of the Collateral in priority of the Notes in a manner not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Issue Date pursuant to the Intercreditor Agreement; *provided*, *further*, that each of the parties thereto will have entered into the Intercreditor Agreement as "Hedging Banks" (or the corresponding term in any Additional Intercreditor Agreement).

(7) Liens on the Collateral securing Indebtedness on a junior basis to the Notes, *provided* that all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes and the Note Guarantees on a senior basis; *provided*, *further*, that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement with rights and

obligations substantially similar to the rights and obligations of a "Noteholder" as described in the Intercreditor Agreement as in effect on the Issue Date; and

(8) Liens on the Collateral existing on the Issue Date and Liens on the Collateral described in one or more of clauses (2), (3), (7), (8), (9), (12), (13), (14), (15), (16), (17), (18), (20), (21), (22), (24), (25) and (28) of the definition of "Permitted Liens" and that, in each case, would not materially interfere with the ability of the Security Agent to enforce any Lien over the Collateral.

"Permitted Holders" means, collectively (1) Henry Moser and (2) Related Parties. Any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"Permitted Investments" means:

(1) any Investment in the Company or in a Restricted Subsidiary;

(2) any Investment in cash and Cash Equivalents;

(3) any Investment by the Company or any Restricted Subsidiary in a Person, if as a result of such Investment:

(a) such Person becomes a Restricted Subsidiary; or

(b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that did not violate the covenant described above under the caption "— Repurchase at the Option of Holders— Asset Sales";

(5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company or any Parent Holdco of the Company or Deeply Subordinated Shareholder Indebtedness;

(6) any Investments received in compromise or resolution of (a) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Company or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (b) litigation, arbitration or other disputes;

(7) any Investment in connection with a Qualified Securitization Financing, including Investments of funds held in accounts permitted or required by the arrangements governing such Qualified Securitization Financing or any related Indebtedness;

(8) Investments in receivables or other assets owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business;

(9) Investments represented by Hedging Obligations, which obligations are permitted by clause (8) of the second paragraph of the covenant entitled "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock";

(10) Investments in the Notes, the 2024 Notes and any Additional Notes and any other Indebtedness of the Company or any Restricted Subsidiary and Investments pursuant to the Proceeds Loan and the 2024 Notes Proceeds Loan;

(11) any guarantee of Indebtedness permitted to be incurred by the covenant entitled "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock";

(12) any Investment existing on, or made pursuant to binding commitments existing on, the Issue Date and any Investment consisting of an extension, modification or renewal of any such Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the Issue Date or (b) not prohibited by the Indenture;

(13) Investments acquired after the Issue Date as a result of the acquisition by the Company or any Restricted Subsidiary of another Person, including by way of a merger, amalgamation or consolidation with or into the Company or any of its Restricted Subsidiaries in a transaction that is not prohibited by

the covenant entitled "—Certain Covenants—Merger, Consolidation or Sale of Assets" after the Issue Date to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(14) Management Advances;

(15) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (15) that are at the time outstanding not to exceed the greater of £90.0 million and 2.3% of Total Assets of the Company; *provided* that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described above under the caption "—Certain Covenants—Restricted Payments," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (3) of the definition of "Permitted Investments" and not this clause;

(16) any transaction constituting an Investment that is permitted by, and made in accordance with, the provisions of the second paragraph of the covenant described under "—Certain Covenants—Transactions with Affiliates" (except those described in clauses (3), (6), (7), (9), (10), (11), (14) and (15) of such paragraph); and

(17) non-cash Investments made in order to consummate a Permitted Tax Restructuring.

"Permitted Liens" means:

(1) (a) Liens in favor of the Company or any Restricted Subsidiary and (b) Liens securing Indebtedness or other obligations of the Company or a Restricted Subsidiary owing to the Company or another Restricted Subsidiary;

(2) (a) Liens on property (including Capital Stock) of a Person existing at the time such Person becomes a Restricted Subsidiary, is a Subsidiary of a Restricted Subsidiary or is merged with or into or consolidated with the Company or any Restricted Subsidiary; *provided* that such Liens were in existence prior to the contemplation of such Person becoming a Restricted Subsidiary or such merger or consolidation, were not incurred in contemplation thereof and do not extend to any assets (and improvements on such assets) other than those of the Person that becomes a Restricted Subsidiary or is merged with or into or consolidated with the Company or any Restricted Subsidiary; and (b) Liens on assets at the time the Company or any of its Restricted Subsidiary acquired the assets, including any acquisition by means of a merger, amalgamation or consolidation with or into the Company or such Restricted Subsidiary; *provided*, *however*, that such Liens are not created or Incurred in connection with, or in contemplation of, such acquisition; *provided*, *further*, that such Liens are limited to all or a portion of the assets (and improvements on such assets) that secured (or, under the written arrangements under which the Liens arose, could secure) the obligations to which such Liens relate;

(3) (a) Liens to secure the performance of public or statutory obligations, trade contracts, insurance, surety or appeal bonds, workers' compensation laws and obligations, unemployment insurance loans or similar obligations, leases (including, without limitation, statutory and common law landlord's liens), performance bonds, surety, stay and appeal bonds or other obligations of a like nature incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations) or in connection with bids, tenders, contracts (other than for payment of Indebtedness); and (b) Liens in favor of the issuers of performance and surety bonds, bid, indemnity, warranty, release, appeal or similar bonds or with respect to regulatory requirements or letters of credit or bankers' acceptances issued and completion of guarantees provided for, in each case, pursuant to the request of and for the account of such Person in the ordinary course of its business;

(4) Liens to secure Indebtedness permitted by clause (4) of the second paragraph of the covenant entitled "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock" covering only the assets acquired with or financed by such Indebtedness;

(5) Liens securing Indebtedness under Hedging Obligations incurred in compliance with the covenant entitled "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock";

(6) Liens existing on, or provided for or required to be granted on, the Issue Date;

(7) Liens for taxes, assessments or governmental charges, levies or claims that (a) are not yet due and payable or (b) are being contested in good faith by appropriate proceedings and for which adequate

reserves have been made (to the extent required by IFRS) or for property taxes on property such Person or one of its Subsidiaries has determined to abandon if the sole recourse for such tax, assessment, charge, levy or claim is to such property;

(8) Liens imposed by law, such as carriers', warehousemen's, landlord's, materialmen's, repairmen's, construction contractors', mechanics' and solicitors' or other like Liens, in each case, incurred in the ordinary course of business;

(9) survey exceptions, encumbrances, ground leases, easements or reservations of, or rights of others for, licenses, rights-of-way, servitudes, sewers, electric lines, drains, telegraph and telephone lines, cable and television lines and other similar purposes, or zoning, building codes or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(10) (a) Liens created for the benefit of (or to secure) the Notes (or the Note Guarantees) (b) Liens pursuant to the Intercreditor Agreement and the security documents entered into pursuant to the Indenture or the Revolving Credit Facility Agreement; (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing as among the holders and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement; and (d) Permitted Collateral Liens;

(11) Liens to secure any Permitted Refinancing Indebtedness (excluding Liens to secure Permitted Refinancing Indebtedness initially secured pursuant to clause (35) of this definition) permitted to be incurred under the Indenture; *provided, however*, that the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (*plus* improvements, accessions, proceeds or dividends or distributions in respect thereof);

(12) Liens on insurance policies and proceeds thereof, or other deposits or other security provided, to secure insurance premium financings;

(13) filing of Uniform Commercial Code financing statements under U.S. state law (or similar filings under other applicable laws) in connection with operating leases or consignments in the ordinary course of business;

(14) bankers Liens, rights of set-off or similar rights and remedies as to deposit accounts, Liens or attachments arising out of judgments or awards not constituting an Event of Default and notices of lis pendens and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(15) Liens (a) of a collection bank arising under Section 4-210 of the Uniform Commercial Code, or any comparable or successor provision, on items in the course of collection; (b) attaching to pooling, commodity trading accounts or other commodity brokerage accounts Incurred in the ordinary course of business; and (c) in favor of banking or other financial institutions or entities, or electronic payment service providers, arising as a matter of law encumbering deposits (including the right of set-off) and which are within the general parameters customary in the banking or finance industry;

(16) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge, repayment or redemption of Indebtedness;

(17) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(18) Liens on vehicles or equipment of the Company or any of its Restricted Subsidiaries granted in the ordinary course of business;

(19) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor or the Issuer securing Indebtedness of any Restricted Subsidiary that is not a Guarantor or the Issuer that is permitted by the covenant described under *"—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(20) leases (including operating leases), licenses, grants of software, subleases, sublicenses, occupancy agreements or assignment of assets in the ordinary course of business;

(21) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of assets entered into in the ordinary course of business;

(22) Liens on Securitization Assets and related assets incurred in connection with any Qualified Securitization Financing;

(23) (a) Liens on assets or property of the Company or any Restricted Subsidiary for the purpose of securing Capital Lease Obligations or purchase money obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (i) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clause (17) of the second paragraph of the covenant described covenant described under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*"; and (ii) any such Lien may not extend to any assets or property of the Company or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property or (iii) any interest or title of a lessor under any Capital Lease Obligation or operating lease;

(24) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Company or any Restricted Subsidiary has easement rights or on any real property leased by the Company or any Restricted Subsidiary and subordination or similar agreements relating thereto and (b) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(25) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(26) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities (including in relation to pooled deposits, sweep accounts to permit satisfaction of overdrafts or similar obligations);

(27) Liens (including put and call arrangements) on Capital Stock or other securities of any Unrestricted Subsidiary;

(28) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of the Company or any Restricted Subsidiary's business or operations as Liens only for Indebtedness to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;

(29) (a) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Company or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15% of the net proceeds of such disposal, (b) Liens solely on any cash earnest money deposits made by the Company or any Restricted Subsidiary in connection with any letter of intent or other agreement in respect of any Permitted Investment and (c) Liens on advances of cash or Cash Equivalents in favor of the seller of any property to be acquired in a Permitted Investment to be applied against the purchase price for such Investment;

(30) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(31) Liens on any proceeds loan made by the Company or any Restricted Subsidiary in connection with any future incurrence of Indebtedness not prohibited by the Indenture and securing that Indebtedness;

(32) Liens created on any asset of the Company or a Restricted Subsidiary established to hold assets of any stock option plan or any other management or employee benefit or incentive plan or unit trust of the Company or a Restricted Subsidiary securing any loan to finance the acquisition of such assets;

(33) Liens on (a) escrowed proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or (b) on cash set aside at the time of the incurrence of any Indebtedness or (c) government securities purchased with such cash, in either case of (b) or (c) only, to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(34) any extension, renewal, refinancing or replacement, in whole or in part, of any Lien described in the foregoing clauses (2) and (6) and this clause (35); *provided* that any such Lien is limited to all or part

of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or under the written arrangements under which the original Lien arose could secure) the relevant Indebtedness; and

(35) other Liens incurred securing Indebtedness that does not exceed the greater of £23.0 million and 0.6% of Total Assets of the Company at any one time outstanding.

"Permitted Refinancing Indebtedness" means any Indebtedness Incurred by, or Disqualified Stock or Preferred Stock issued by, the Company or any of its Restricted Subsidiaries that is Incurred or issued in exchange for, or the net proceeds of which are used to renew, refund, redeem, refinance, replace, exchange, defease, discharge or extend other Indebtedness, Disqualified Stock or Preferred Stock of the Company or any of its Restricted Subsidiaries (other than intercompany Indebtedness (other than any proceeds loan)) (including Indebtedness of a Restricted Subsidiary that refinances Indebtedness of the Company or the Issuer and Indebtedness or any Restricted Subsidiary that refinances Indebtedness of another Restricted Subsidiary), including Indebtedness that refinances Permitted Refinancing Indebtedness; *provided* that:

(1) the aggregate principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness renewed, refunded, refinanced, redeemed, replaced, exchanged, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has (a) a final maturity date that is either (i) no earlier than the final maturity date of the Indebtedness being renewed, refunded, refinanced, redeemed, replaced, exchanged, defeased or discharged or (ii) after the final maturity date of the Notes and (b) has a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being renewed, refunded, refinanced, redeemed, replaced, defeased or discharged;

(3) if the Indebtedness being renewed, refunded, refinanced, redeemed, replaced, defeased or discharged is contractually subordinated in right of payment to the Notes or the Note Guarantees, as the case may be, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes or the Note Guarantees, as the case may be, on terms at least as favorable to the holders of Notes or the Note Guarantees, as the case may be, as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, redeemed, replaced, exchanged, defeased or discharged; and

(4) if the Issuer or any Guarantor was the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, redeemed, defeased or discharged, such Indebtedness is incurred either by the Issuer or a Guarantor.

Permitted Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"*Permitted Reorganization*" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction, in each case, including all transactions related thereto involving the Issuer, the Company or any Restricted Subsidiary (a "Reorganization") that is made on a solvent basis; *provided* that:

(1) any payments or assets distributed in connection with such Reorganization remain within the Company and its Restricted Subsidiaries;

(2) if any shares or other assets of an entity subject to reorganization form part of the Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral; and

(3) the Security Agent and the Trustee shall take any action necessary to effect any release of Note Guarantees of Restricted Subsidiaries as reasonably requested by the Company in connection such Reorganization; provided that reasonably promptly after completion of the Reorganization, Note Guarantees are provided by such Restricted Subsidiaries of the Company to the extent necessary to procure that such Note Guarantees will (taken as a whole together with any pre-existing Note Guarantees that were not released in connection with such Reorganization) have substantially similar value (as determined in good faith by the Board of Directors or senior management of the Company) to the Note Guarantees (taken as a whole) prior to such Reorganization.

Promptly upon consummation of a Permitted Reorganization, the Issuer will file with the Trustee a copy of the resolution of the Board of Directors of the Issuer, the Company or the applicable Restricted Subsidiary authorizing such Permitted Reorganization and an Officer's Certificate certifying that such Permitted Reorganization complied with the terms of the Indenture and did not result in a Default or Event of Default.

"*Permitted Tax Restructuring*" means any reorganization and other activities related to tax planning and tax reorganization entered into prior to, on or after the date hereof so long as such Permitted Tax Restructuring is not materially adverse to the holders of the Notes (as determined by the Company in good faith).

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, limited liability company or government (or any agency or political subdivision thereof) or other entity.

"Proceeds Loan" means the loan made by the Issuer to the Company for the amount of the gross proceeds received by the Issuer from the offering of the Notes on the Issue Date, pursuant to the Proceeds Loan Agreement.

"Proceeds Loan Agreement" means that certain loan agreement, dated as of the Issue Date, by and between the Issuer, as lender, and the Company, as borrower, as amended from time to time to the extent not prohibited by the Indenture.

"Public Equity Offering" means, with respect to any Person, a public offering of the ordinary shares or common equity of such Person that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

"Public Market" means any time after:

(1) a Public Equity Offering has been consummated; and

(2) at least 20% or such other minimum percentage of public float required by the relevant stock exchange or listing authority of the total issued and outstanding ordinary shares or common equity of the Company (or a Parent Holdco of the Company) has been distributed to investors other than the Permitted Holders or any other direct or indirect shareholders of the Company as of the Issue Date.

"Qualified Securitization Financing" means any financing pursuant to which the Company or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to any other Person, or grant a security interest in, any accounts receivable (and related assets and/or security) in any aggregate principal amount equivalent to the Fair Market Value of such accounts receivable (and related assets and/or security) of the Company or any of its Restricted Subsidiaries; *provided* that (1) the covenants, events of default and other provisions applicable to such financing shall be on market terms (as determined in good faith by the Company's Board of Directors or senior management) at the time such financing is entered into, (2) the interest rate applicable to such financing shall be a market interest rate (as determined in good faith by the Company's Board of Directors or senior management) at the time such financing is entered into and (3) such financing shall be non-recourse to the Company or any of its Restricted Subsidiaries (other than CABS, LABS, DABS 2, HABS, TABS 1, TABS 2, TABS 3 or other transferees of such accounts receivable and related assets) except to a limited extent customary for such transactions.

"Refinancing" means the issuance of the Notes and the use of proceeds thereof as described in "*Use of Proceeds*" in this Offering Memorandum and the payment or incurrence of any fees, expenses or charges associated with any of the foregoing.

"Related Business Assets" means non-current assets used or useful in a Permitted Business; *provided* that any assets received by the Company or a Restricted Subsidiary in exchange for assets transferred by the Company or a Restricted Subsidiary will not be deemed to be Related Business Assets if they consist of securities of a Person, unless (a) such Person is, or upon receipt of the securities of such Person, such Person would become, a Restricted Subsidiary and (b) such person is a Permitted Business.

"Related Parties" means:

(1) any majority owned Subsidiary or immediate family member (including spouses, children and other descendants) of any Permitted Holder;

(2) in the case of an individual, any spouse (or former spouse), family member or relative of such individual, any trust or partnership for the benefit of one or more such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiary of any thereof; and

(3) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding a 50% or more controlling interest of which, respectively, consist of any one or more Permitted Holders and/or such other Persons referred to in the preceding clauses (1) and (2).

"Related Taxes" means:

(1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent Holdco), required to be paid (provided such Taxes are in fact paid) by any Parent Holdco by virtue of its:

  (a) being organized or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Company or any of the Company's Subsidiaries);

  (b) issuing or holding Deeply Subordinated Shareholder Indebtedness;

  (c) being a holding company parent, directly or indirectly, of the Company or any of the Company's Subsidiaries;

  (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Company or any of the Company's Subsidiaries; or

  (e) having made any payment in respect to any of the items for which the Company is permitted to make payments to any Parent Holdco pursuant to the covenant described under the caption "—Certain Covenants—Restricted Payments"; or

(2) if and for so long as the Company is a member of a group filing a consolidated or combined tax return with any Parent Holdco, any Taxes measured by income for which such Parent Holdco is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Company and its Restricted Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Company and its Restricted Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Company and its Subsidiaries with such amount reduced by the amount of any such Taxes paid by the Company and its Restricted Subsidiaries); *provided* that, payments for Taxes attributable to the income of any Unrestricted Subsidiaries shall be limited to amounts received from the Unrestricted Subsidiaries.

"*Relevant Testing Period*" means, for purposes of the calculation of any applicable financial covenant, test, basket or ratio (including those based on LTM EBITDA, Fixed Charge Corporate Debt Coverage Ratio and/or Consolidated Senior Secured Non-Securitization Leverage), the most recently completed four consecutive fiscal quarters ending on the last day of the most recent fiscal quarter (or fiscal year, if later) for which the Company has determined that it has internal consolidated financial statements available.

"Restricted Investment" means an Investment other than a Permitted Investment.

"Restricted Subsidiary" means any Subsidiary of the Company that is not an Unrestricted Subsidiary.

"Revolving Credit Facility" means the revolving credit facility made available to the Company under the Revolving Facility Agreement.

"Revolving Facility Agreement" means the £71.9 million facility agreement, dated as of November 9, 2007 and as amended and restated from time to time, by and among the Company, as borrower, The Royal Bank of Scotland plc and HSBC Bank plc, as lenders, and The Royal Bank of Scotland plc, as arranger, agent and security agent, as amended, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

"S&P" means Standard & Poor's Global Ratings or any of its successors or assigns that is a "nationally recognized statistical rating organization."

"SEC" means the United States Securities and Exchange Commission.

"Securitization Assets" means any accounts receivable, loan advances, royalty or revenue streams from sales of loans, receivables or other revenue streams in the ordinary course of business subject to a Qualified Securitization Financing.

"Securitization Fees" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not the Company or a Restricted Subsidiary in connection with any Qualified Securitization Financing.

"Securitization Repurchase" means the repurchase by a seller of Securitization Assets in a Qualified Securitization Financing arising as a result of a breach of or in order to comply with a representation, warranty or covenant or meet any eligibility criteria or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"Securitization Subsidiary" means CABS, LABS, DABS 2, HABS, TABS 1, TABS 2, TABS 3 or any other subsidiary or special purpose vehicle through which a Qualified Securitization Financing is operated.

"Security Agent" means The Royal Bank of Scotland plc, as security agent pursuant to the Intercreditor Agreement, or any successor or replacement security agent acting in such capacity.

"Security Documents" means (1) the fixed and floating charge dated on or around the Issue Date between, inter alios, the Issuer, the Guarantors and the Security Agent, (2) the fixed and floating charge dated January 24, 2017 between, inter alios, the Issuer, the guarantors of the 2024 Notes and the 2024 Notes Security Agent with respect to the 2024 Notes, (3) the fixed and floating debenture dated November 15, 2007 between, inter alios, the Issuer, the Guarantors and the Security Agent, (4) the declaration of trust dated on or about November 9, 2007 made by certain of the Issuer and the Guarantors in favor of, inter alios, the Security Agent, and (5) any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time and pursuant to which the Collateral is pledged, assigned or granted to or on behalf of the Security Agent for the benefit of the holders of the Notes and the Trustee or notice of such pledge, assignment or grant is given.

"Senior Secured Non-Securitization Indebtedness" means, as of any date of determination, without double counting, the principal amount of any Indebtedness that is secured by a Lien on the Collateral on a basis pari passu with or senior to the security in favor of the Notes or the Note Guarantees (other than any indebtedness secured by a Lien on any Securitization Assets or that is otherwise subject to a Lien to secure an Obligation under any Qualified Securitization Financing) (excluding Hedging Obligations entered into not for speculative purposes (as determined in good faith by the Company)).

"Significant Subsidiary" means, at the date of determination, any Restricted Subsidiary that together with its Subsidiaries that are Restricted Subsidiaries (1) for the most recent fiscal year, accounted for more than 10% of the consolidated revenues of the Company or (2) as of the end of the most recent fiscal year, was the owner of more than 10% of the consolidated assets of the Company.

"Stated Maturity" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"sterling" means British pounds sterling, the lawful currency of the United Kingdom.

"Subsidiary" means, with respect to any specified Person:

(1) any corporation, association or other business entity (other than a partnership, joint venture or limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to

any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof);

(2) any partnership, joint venture or limited liability company or similar entity of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity;

(3) any corporation, association, partnership, limited liability company or other business entity which is required pursuant to IFRS to be consolidated in the consolidated financial statements of such Person; and

(4) any subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006 and any company which would be a subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006.

"Tax" means any tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and any other additions thereto, and, for the avoidance of doubt, including any withholding or deduction for or on account of Tax). "Taxes" and "Taxation" shall be construed to have corresponding meanings.

"Tax Sharing Agreement" means any tax sharing or profit or loss pooling or similar agreement with customary or arm's length terms entered into with any parent company or any Unrestricted Subsidiary.

"Total Assets" means, with respect to any specified Person as of any date, the total assets of such Person, calculated on a consolidated basis in accordance with IFRS, excluding all intra-group items and investments in any Subsidiaries of such Person of or by such Person or any of its Restricted Subsidiaries as shown on the most recent balance sheet (excluding the footnotes thereto) of such Person for which internal financial statements are available.

"*TABS 1*" means Together Asset Backed Securitization 1 plc.

"*TABS 1 Securitization*" means the series of agreements entered into on September 28, 2017, as amended, extended, restated, modified, renewed, novated, replaced or supplemented from time to time, including the trust deed, entered into by, among others, TABS 1, as issuer and U.S. Bank Trustees Limited as note trustee and security trustee.

"*TABS 2*" means Together Asset Backed Securitization 2018-1 plc.

"*TABS 2 Securitization*" means the series of agreements entered into on November 8, 2018, as amended, extended, restated, modified, renewed, novated, replaced or supplemented from time to time, including the trust deed, entered into by, among others, TABS 2, as issuer and U.S. Bank Trustees Limited as note trustee and security trustee.

"*TABS 3*" means Together Asset Backed Securitization 2019-1 PLC.

"*TABS 3 Securitization*" means the series of agreements entered on or about October 10, 2019, as amended, extended, restated, modified, renewed, novated, replaced or supplemented from time to time, including the trust deed, entered into by, among others, TABS 3, as issuer and U.S. Bank Trustees Limited as note trustee and security trustee.

"U.K. Government Securities" means direct obligations of, or obligations guaranteed by, the United Kingdom, and the payment for which the United Kingdom pledges its full faith and credit.

"U.S. Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

"U.S. Securities Act" means the U.S. Securities Act of 1933, as amended.

"Unrestricted Subsidiary" means any Subsidiary of the Company (other than the Issuer or any successor to the Issuer) that is designated by the Board of Directors of the Company as an Unrestricted Subsidiary pursuant to the covenant described under "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries" and any Subsidiary of an Unrestricted Subsidiary; but only to the extent that such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any Subsidiary of the Company which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary.

"Voting Stock" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amounts of such Indebtedness.

BOOK-ENTRY, DELIVERY AND FORM

General

The Notes sold outside the United States pursuant to Regulation S will initially be represented by one or more global notes in registered form without interest coupons attached (the "Regulation S Global Notes"). The Regulation S Global Notes will be deposited, on the Issue Date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

The Notes sold within the United States to QIBs pursuant to Rule 144A will initially be represented by one or more global notes in registered form without interest coupons attached (the "144A Global Notes," and together with the Regulation S Global Notes, the "Global Notes"). The 144A Global Notes will be deposited, on the Issue Date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the 144A Global Notes (the "144A Book-Entry Interests") and ownership of interests in the Regulation S Global Notes (the "Regulation S Book-Entry Interests," and, together with the 144A Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear or Clearstream or persons that hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. The Book-Entry Interests in the Global Notes will be issued only in denominations of £100,000 and in integral multiples of £1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream will credit on their respective book-entry registration and transfer systems the account of a participant with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or "holders" of Notes under the Indenture for any purpose.

So long as the Notes are held in global form, Euroclear and Clearstream, as applicable (or their respective nominees), will be considered the sole holders of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of Euroclear and Clearstream and the participants through which they own Book-Entry Interests in order to transfer their interests or to exercise any rights of holders under the Indenture.

Neither the Issuer, the Trustee, any Paying Agent, the Transfer Agent nor the Registrar under the Indenture nor any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, Euroclear and Clearstream, as applicable, will distribute the same amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear and Clearstream, if fewer than all the applicable Notes are to be redeemed at any time, Euroclear and Clearstream will credit the accounts of participants on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate; *provided*, *however*, that no Book-Entry Interest of less than £100,000 principal amount at maturity may be redeemed.

Payments on Global Notes

The Issuer will make payments of amounts owing in respect of the Global Notes (including principal, premium, if any, interest, additional interest and additional amounts) to the Paying Agent. The Paying Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective customary procedures.

Under the terms of the Indenture, the Issuer, the Trustee, the Paying Agent, the Transfer Agent and the Registrar will treat the registered holder of the Global Notes (i.e., the common depositary for Euroclear or Clearstream or their respective nominees) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer, the Trustee, any Paying Agent, the Transfer Agent nor the Registrar or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- any other matter relating to the actions and practices of Euroclear, Clearstream or any participant or indirect participant; or
- the common depositary, Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name."

Currency and Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes, will be paid to holders of interest in such Notes through Euroclear or Clearstream in pounds sterling.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. Nevertheless, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form and to distribute such Definitive Registered Notes (as defined below) to their respective participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be affected in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes (as defined below) for any reason, including to sell the Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

The Rule 144A Global Notes will bear a legend to the effect set forth in "*Notice to Investors*." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in "*Notice to Investors*."

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note only upon receipt by the Trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Subject to the foregoing, and as set forth in "*Notice to Investors*," Book-Entry Interests may be transferred and exchanged as described under "*Description of Notes—Transfer and exchange*," as applicable. Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note of the same denomination will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of Notes—Transfer and exchange,*" and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Notice to Investors*."

Issuance of Definitive Registered Notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive definitive Notes in registered form (the "Definitive Registered Notes"):

- if Euroclear and Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days; or
- if the owner of a Book-Entry Interest requests such exchange in writing delivered through either Euroclear or Clearstream following an event of default under the indenture.

In such an event, the registrar will issue Definitive Registered Notes, registered in the name or names of the owner and issued in any approved denominations, requested by or on behalf of Euroclear or Clearstream, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in "*Notice to Investors*," unless that legend is not required by the applicable indenture or applicable law.

To the extent permitted by law, we, the Trustee, the Paying Agent, the Transfer Agent and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

We will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Issuer, the initial purchasers, the Trustee, the Paying Agent, the Transfer Agent nor the Registrar are responsible for those operations or procedures.

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

As Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Global Notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement Under the Book-Entry System

The Notes represented by the Global Notes are expected to be admitted to trading on the Global Exchange Market and listed on the Official List of Euronext Dublin. The Issuer expects that secondary trading in any Global Notes will also be settled in immediately available funds. Euroclear participants and Clearstream participants may not deliver instructions directly to the common depositary.

Although Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee, any Paying Agent, the Transfer Agent nor the Registrar will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in pounds sterling. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where the accounts of both the purchaser and the seller are located to ensure that settlement can be made on the desired value date.

NOTICE TO INVESTORS

The Notes have not been, and will not be, registered under the U.S. Securities Act or any state securities laws and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Notes offered hereby or are being offered and sold only to QIBs in reliance on Rule 144A under the U.S. Securities Act and outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

In addition, until 40 days after the later of the commencement of the Offering and the closing date, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the initial purchasers as follows:

(1) It understands and acknowledges that the Notes and the guarantees have not been registered under the U.S. Securities Act or any other applicable securities law, are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any state securities law, including sales pursuant to Rule 144A, and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities law, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraph (5) below.

(2) It is not an "affiliate" (as defined in Rule 144 under the U.S. Securities Act) of the Issuer or any Guarantor acting on behalf of the Issuer or any Guarantor and it is either:

  (i) a QIB and is aware that any sale of Notes to it will be made in reliance on Rule 144A and the acquisition of Notes will be for its own account or for the account of another QIB; or

  (ii) purchasing the Notes outside the United States in an offshore transaction in accordance with Regulation S.

(3) It acknowledges that neither the Issuer, the Guarantors nor the initial purchasers, nor any person representing the Issuer, the Guarantors or the initial purchasers, have made any representation to it with respect to the offering or sale of any Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It acknowledges that neither the initial purchasers nor any person representing the initial purchasers makes any representation or warranty as to the accuracy or completeness of the information contained in this offering memorandum. It also acknowledges it has had access to such financial and other information concerning us, the Issuer, the Guarantors, the Indenture, the Notes, the Guarantees and the Security Documents as you deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer, the Guarantors and the initial purchasers.

(4) It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act.

(5) Each holder of Notes issued in reliance on Rule 144A agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes only (i) to the Issuer, (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act, (iii) for so long as the Notes are eligible pursuant to Rule 144A under the U.S. Securities Act, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the U.S. Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the U.S. Securities Act, or (v) pursuant to any other available

exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and in compliance with any applicable state securities laws and any applicable local laws and regulations, and further subject to the Issuer's and the Trustee's rights prior to any such offer, sale or transfer pursuant to clause (iv) or (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them.

(6) Each purchaser acknowledges that each Rule 144A note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

(7) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.

(8) It acknowledges that until 40 days after the commencement of the offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.

(9) It acknowledges that the Registrar will not be required to accept for registration of transfer any Notes except upon presentation of evidence satisfactory to us and the Trustee that the restrictions set out therein have been complied with.

(10) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the initial purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set out under "*Plan of Distribution*."

It acknowledges that we, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Notes is no longer accurate, it will promptly notify the initial purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

Each person located in a Member State of the European Economic Area to whom any offer of the Notes is made, or who receives any communication in respect of an offer of the Notes, or who initially acquires any Notes, or to whom the Notes are otherwise made available will be deemed to have represented, warranted, acknowledged and agreed to and with each initial purchaser and the Issuer that it is not a retail investor. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

CERTAIN TAX CONSIDERATIONS

United Kingdom Tax Considerations

The following is a general description of certain UK tax consequences relating to the Notes and is based on current UK tax law and HM Revenue & Customs ("HMRC") published practice, both of which may be subject to change, possibly with retrospective effect. It does not purport to be a complete analysis of all UK tax considerations relating to the Notes, does not purport to constitute legal or tax advice, relates only to persons who are the absolute beneficial owners of Notes and who hold Notes as a capital investment, and does not deal with certain classes of persons (such as brokers or dealers in securities and persons connected with the Issuer) to whom special rules may apply. If you are subject to tax in any jurisdiction other than the United Kingdom or if you are in any doubt as to your tax position, you should consult an appropriate professional advisor.

Interest on the Notes

Payment of Interest on the Notes

Interest on the Notes will be payable without withholding or deduction for or on account of UK income tax provided the relevant Notes are and remain listed on a "recognized stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the "ITA"). The Irish Stock Exchange is a recognized stock exchange for these purposes. Securities such as the Notes will be treated as listed on the Irish Stock Exchange if they are included in the Official List of Euronext Dublin and are admitted to trading on the Global Exchange Market of the Irish Stock Exchange.

Interest on the Notes may also be paid without withholding or deduction for or on account of UK income tax where the Issuer reasonably believes at the time the payment is made that (i) the person beneficially entitled to the interest is a UK resident company or a non-UK resident company that carries on a trade in the United Kingdom through a permanent establishment and the payment is one that the non-UK resident company is required to bring into account when calculating its profits subject to UK corporation tax or (ii) the person to whom the payment is made is one of the further classes of bodies or persons, and meets any relevant conditions, set out in sections 935-937 of the ITA, provided that in either case HMRC has not given a direction, the effect of which is that the payment may not be made without that withholding or deduction.

In other cases, an amount must generally be withheld from payments of interest on the Notes on account of UK income tax at the basic rate (currently 20%), unless another relief or exemption applies (for instance, in connection with a direction by HMRC under an applicable double taxation treaty).

Holders of the Notes who are individuals may wish to note that HMRC has power to obtain information (including, in certain cases, the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays certain amounts in respect of the Notes to, or receives certain amounts in respect of the Notes for the benefit of, an individual. Such information may, in certain circumstances, be exchanged by HMRC with the tax authorities of other jurisdictions.

Further UK Tax Issues

Interest on the Notes constitutes UK source income for tax purposes and, as such, may be subject to UK tax by way of assessment (including self-assessment) even where paid without withholding or deduction.

However, interest with a UK source received without withholding or deduction for or on account of UK income tax will not be chargeable to UK tax in the hands of a holder of Notes (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless (i) that holder of Notes is a company which carries on a trade in the United Kingdom through a permanent establishment in the United Kingdom or, if not such a company, carries on a trade, profession or vocation in the United Kingdom through a branch or agency, and (ii) the interest is received in connection with, or the relevant Notes are attributable to, that permanent establishment, branch or agency. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such holders of Notes.

Payments by Guarantor

If a Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes) such payments may be subject to UK withholding tax at the basic rate (currently 20%), subject to such relief as may be available under an applicable double taxation treaty, or to any other exemption which may apply. Such payments by a Guarantor may not be eligible for the exemption for interest paid on Notes that are listed on a "recognized stock exchange" described above.

UK Corporation Tax Payers

In general, holders of Notes which are within the charge to UK corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Notes (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment.

Other UK Tax Payers

Taxation of Chargeable Gains

The Notes will constitute "qualifying corporate bonds" within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a holder of a Note will not give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains. For certain other possible UK tax consequences of a disposal of Notes by a holder of Notes, please see "—*Taxation of Discount*" below.

Accrued Income Profits

On a disposal of Notes by a holder of Notes, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules relating to accrued income profits as set out in Part 12 of the ITA if that holder of the relevant Notes is resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the relevant Notes are attributable. Holders of Notes are advised to consult their own professional advisors for further information about the accrued income scheme.

Taxation of Discount

Dependent, among other things, on the discount (if any) at which the Notes are issued, the Notes may be deemed to constitute "deeply discounted securities" for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005. If the Notes are deemed to constitute deeply discounted securities, individual holders of the relevant Notes who are resident for tax purposes in the United Kingdom or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the relevant Notes are attributable generally will be liable to UK income tax on any gain made on the sale or other disposal (including redemption) of the relevant Notes. Holders of Notes are advised to consult their own professional advisers if they require any advice or further information relating to "deeply discounted securities".

Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

No UK stamp duty or SDRT is payable on issue of, or on a transfer of, or agreement to transfer, Notes.

U.S. Federal Income Tax Considerations

The following discussion is a general summary of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Notes. This discussion is generally limited to U.S. holders (as defined below) who are treated as purchasing the Notes in this offering for cash at their "issue price" (i.e., the first price at which a substantial amount of the Notes is sold for money to persons other than bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and will hold the Notes as capital assets. It does not address the special situations that may apply to particular holders including, but not limited to, tax-exempt entities, holders subject to the U.S. federal alternative minimum tax or the Medicare tax on net investment income, U.S. expatriates, dealers in securities, traders in securities who elect to apply a mark-to-market method of accounting, certain financial institutions, insurance companies, regulated investment companies, persons subject to special tax accounting rules as a result of any item of gross income with respect to the Notes and/or the Notes being taken into account in an "applicable financial statement", entities or arrangements treated as partnerships or other pass-through entities, persons whose "functional currency" is not the U.S. dollar and persons who hold the Notes in connection with a "straddle," "hedging," "conversion" or other risk reduction transaction. This discussion does not address the tax considerations relevant to U.S. holders of the Notes under any state, local or foreign tax laws or any other tax laws other than the U.S. federal income tax laws.

The discussion below is based upon the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations promulgated thereunder ("Regulations"), court decisions, revenue rulings and administrative pronouncements of the Internal Revenue Service (the "IRS") currently in force, all as of the date of the offering, and all of which are subject to change or changes in interpretation. Prospective investors should particularly note that any such change or changes in interpretation could have retroactive effect so as to result in U.S. federal income tax consequences different from those discussed below.

As used herein, the term "U.S. holder" means a beneficial owner of Notes that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or any other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons control all the substantial decisions of the trust or (ii) a valid election is in place to treat the trust as a U.S. person.

If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. A potential investor in the Notes that is a partnership for U.S. federal income tax purposes and partners in such partnership should consult their own tax advisors regarding the U.S. federal income tax consequences of holding and disposing of the Notes.

Prospective investors are urged to consult their own tax advisors with respect to the particular tax consequences to them of the purchase, ownership and disposition of the Notes, including the tax consequences under any state, local, foreign and other tax laws.

Potential Contingent Payment Debt Instrument Treatment

In certain circumstances the Issuer may be required to make payments on a Note that would change the yield of the Note. See "*Description of Notes—Additional Amounts*," "*Description of Notes—Repurchase at the Option of Holders—Change of Control*" and "*Description of Notes—Optional Redemption*." This obligation may implicate the provisions of Treasury regulations relating to contingent payment debt instruments ("CPDIs"). According to the applicable Treasury regulations, certain contingencies will not cause a debt instrument to be treated as a CPDI if such contingencies, as of the date of issuance, are "remote or incidental" or certain other circumstances apply. The Issuer intends to take the position that the Notes are not CPDIs. The Issuer's position is binding on a holder, unless such holder discloses its contrary position in the manner required by applicable Treasury regulations. This determination, however, is not binding on the IRS and if the IRS were to challenge this determination, a holder may be required to accrue income on the Notes that such holder owns in excess of stated interest, regardless of the holder's method of accounting, and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of such Notes before the resolution of all contingencies. If the Notes are not CPDIs but such contingent payments were required to be made, it would affect the amount and timing of the income that a U.S. holder recognizes. U.S. holders are urged to consult their own tax advisors regarding the potential application to the Notes of the CPDI rules and other rules above and the consequences thereof. The remainder of this discussion assumes that the Notes will not be treated as CPDIs.

Payments of Stated Interest

Payments of stated interest (including any amounts withheld and any Additional Amounts paid in respect of withholding taxes imposed on payments on the Notes) on a Note will be includible in the gross income of a U.S. holder as ordinary interest income at the time the interest is received or accrued, depending on the U.S. holder's method of accounting for U.S. federal income tax purposes.

A cash method U.S. holder that receives a payment of stated interest denominated in pounds sterling will recognize interest income equal to the U.S. dollar value of the interest payment, based on the spot rate of exchange on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. A cash method U.S. holder will not recognize exchange gain or loss on the receipt of the interest income but may recognize exchange gain or loss upon the actual disposition of the pounds sterling so received.

An accrual method U.S. holder that receives a payment of stated interest denominated in pounds sterling may determine the amount of income recognized with respect to a payment of stated interest denominated in pounds sterling in accordance with either of two methods. Under the first method, the accrual method U.S. holder will accrue interest income on the Notes in pounds sterling and translate that amount into U.S. dollars at the average spot rate of exchange in effect during the interest accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the U.S. holder's taxable year). Alternatively, an accrual method U.S. holder may make an election (which must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS) to translate accrued interest income at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year in the case of a partial accrual period), or at the spot rate on the date of receipt, if that date is within five business days of the last day of the accrual period. An accrual method U.S. holder generally will recognize exchange gain or loss with respect to accrued interest income on the date the interest payment actually is received. The amount of exchange gain or loss to be recognized by the holder will be an amount equal to the difference, if any, between the U.S. dollar value of the interest payment received (determined on the basis of the spot rate on the date the interest income is received) in respect of the accrual period and the U.S. dollar value of the interest income that has accrued during the accrual period (as determined above), regardless of whether the payment is in fact converted into U.S. dollars at that time. This exchange gain or loss generally will be treated as U.S.-source ordinary income or loss and generally will not be treated as an adjustment to interest income or expense.

Stated interest paid on the Notes (including any amounts withheld and any Additional Amounts paid in respect of withholding taxes imposed on payments on the Notes) generally will constitute foreign-source income. For purposes of computing allowable foreign tax credits for U.S. federal income tax purposes, interest generally will be treated as "passive category" income. The rules relating to foreign tax credits are complex and U.S. holders should consult their own tax advisors regarding the availability of a foreign tax credit and the application of the foreign tax credit limitations to their particular situation.

Disposition of the Notes

Upon the sale, exchange or other taxable disposition of a Note, a U.S. holder generally will recognize gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued and unpaid interest, which, will be taxable as ordinary interest income in accordance with the U.S. holder's method of tax accounting as described above) and the U.S. holder's adjusted tax basis in the Note.

A U.S. holder's adjusted tax basis in a Note generally will equal the cost of the Note to the holder, increased by any OID previously accrued by the holder with respect to such Note. The cost of a Note purchased with pounds sterling generally will be the U.S. dollar value of the pounds sterling purchase price on the date of purchase, calculated at the exchange rate in effect on that date. The amount realized generally will equal the amount of any cash plus the fair market value of any property received in exchange for the Notes, translated into U.S. dollars at the spot rate of exchange on the date of disposition. If the Notes are traded on an established securities market, a cash method taxpayer and an electing accrual method taxpayer generally will determine the U.S. dollar value of the amount realized with respect to the Notes so traded by translating that amount at the spot rate of exchange on the settlement date of the sale or other taxable disposition, and will determine the U.S. dollar value of the cost of the Notes so traded at the spot rate of exchange on the settlement date of the purchase. If an accrual method taxpayer makes this election, the election must be applied consistently by the taxpayer from year to year and once made cannot be revoked without the consent of the IRS. If the relevant holder is an accrual basis U.S. holder that does not make the special settlement date election, such holder will recognize foreign currency exchange gain or loss to the extent that there are exchange rate fluctuations between the disposition date and the settlement date, and such gain or loss generally will constitute U.S. source ordinary income or loss.

Gain or loss recognized by a U.S. holder upon the sale, exchange or other taxable disposition of a Note that is attributable to fluctuations in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Such gain or loss generally will equal the difference between the U.S. dollar value of the U.S. holder's purchase price of the Note in pounds sterling determined on the date of the sale, exchange or other taxable disposition, and the U.S. dollar value of the U.S. holder's purchase price of the Note in pounds sterling determined on the date the U.S. holder acquired the Note (or, in each case, on the settlement date, if the Notes are traded on an established securities market and the holder is either a cash basis U.S. holder or an electing accrual basis U.S. holder). The amount of foreign exchange gain or loss upon a sale, exchange or other taxable disposition (including with respect to accrued and unpaid interest) will be realized by a U.S. holder only to the extent of the total gain or loss realized by the U.S. holder on the sale, exchange or other taxable disposition of the Note, and will generally be treated as from sources within the United States for U.S. foreign tax credit limitation purposes.

Any gain or loss recognized by a U.S. holder not attributable to foreign currency gain or loss recognized on the sale, exchange or other taxable disposition of a Note will generally be U.S.-source capital gain or loss and will be long-term capital gain or loss if the Note has been held for more than one year at the time of the sale or other taxable disposition. In the case of an individual U.S. holder and certain other non-corporate U.S. holders, any such gain is currently subject to preferential U.S. federal income tax rates if such U.S. holders satisfy certain prescribed minimum holding periods. The deductibility of capital losses is subject to significant limitations.

Receipt of Pounds Sterling

A U.S. holder of a Note will receive pounds sterling in payment for interest or principal. The tax basis of any pounds sterling received by a U.S. holder generally will equal the U.S. dollar equivalent of such pounds sterling at the spot rate of exchange on the date the pounds sterling are received. Upon any subsequent exchange of pounds sterling for U.S. dollars, a U.S. holder generally will recognize exchange gain or loss equal to the difference between the amount of U.S. dollars received and the U.S. holder's tax basis in the pounds sterling. Upon any subsequent exchange of pounds sterling for property (including non-U.S. currency), a U.S. holder generally will recognize exchange gain or loss equal to the difference between the U.S. dollar value of the pounds sterling exchanged for such property based on the U.S. dollar spot rate of exchange for such pounds sterling on the date of the exchange and the U.S. holder's tax basis in the pounds sterling so exchanged. Any such exchange gain or loss generally will be treated as U.S.-source ordinary income or loss.

Reportable Transactions

A U.S. holder that recognizes exchange loss with respect to the Notes would be required to report the loss on IRS Form 8886 (Reportable Transaction Disclosure Statement) if the loss exceeds the thresholds set forth in the Regulations. For individuals and trusts, this loss threshold is U.S. $50,000 in any single year. For other types of taxpayers and other types of losses, the thresholds are higher. Prospective investors are urged to consult their own tax advisors regarding the application of these rules to the acquisition, holding or disposition of the Notes.

U.S. Information Reporting and Backup Withholding

Payments of interest (and accrued OID, if any) and proceeds paid from the sale or other disposition of the Notes may be subject to information reporting to the IRS and possible U.S. backup withholding. Backup withholding will not apply to a U.S. holder who furnishes a correct taxpayer identification number and makes any other required certification, or who is otherwise exempt from backup withholding. U.S. holders who are required to establish their exempt status generally must provide IRS Form W-9 (Request for Taxpayer Identification Number and Certification). Backup withholding is not an additional tax. Any amounts withheld from a payment to a holder under the backup withholding rules may be credited against a holder's U.S. federal income tax liability, and a holder may obtain a refund of any excess amounts withheld by filing the appropriate claim for refund with the IRS in a timely manner and furnishing any required information.

Foreign Financial Asset Reporting

Certain U.S. holders are required to report information to the IRS with respect to their ownership of "specified foreign financial assets," which may include the Notes, unless certain requirements are met. Investors who fail to report required information could become subject to substantial penalties. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of these rules on their investment in the Notes.

FATCA Withholding

Pursuant to Sections 1471 to 1474 of the Code and Regulations thereunder (provisions commonly referred to as "FATCA"), a "foreign financial institution" may be required to withhold U.S. tax on certain passthru payments made on or after the date that is two years after the publication of final Regulations defining the term "foreign passthru payment" to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after the date on which applicable final regulations defining "foreign passthru payments" are filed generally will be "grandfathered" and exempt from withholding unless the obligations are materially modified after that date. Accordingly, if the Issuer is treated as a "foreign financial institution," FATCA could apply to payments on the Notes only if there was a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. Many non-U.S. governments have entered into agreements with the United States to implement FATCA in a manner that alters the rules described above. Holders should therefore consult their own tax advisors on how these rules may apply to their investment in the Notes.

PLAN OF DISTRIBUTION

The initial purchasers are Credit Suisse Securities (Europe) Limited, Barclays Bank PLC, Citigroup Global Markets Limited, Goldman Sachs International, HSBC Bank plc and J.P. Morgan Securities plc. We have agreed to sell to the initial purchasers, and the initial purchasers have agreed to purchase from us, pursuant to a purchase agreement between the Company, the Subsidiary, the Guarantors, the Issuer and the initial purchasers (the "Purchase Agreement"), the principal amount of the Notes as set forth below:

Initial Purchasers	Principal Amount of the Notes
Credit Suisse Securities (Europe) Limited	£164,900,000
Barclays Bank PLC	£164,900,000
Citigroup Global Markets Limited	£ 26,300,000
Goldman Sachs International	£ 26,300,000
HSBC Bank plc	£ 26,300,000
J.P. Morgan Securities plc	£ 26,300,000
Total	£435,000,000

The obligations of the initial purchasers under the Purchase Agreement, including their agreement to purchase Notes from us, are several and not joint.

The initial purchasers initially propose to offer the Notes for resale at the issue price that appears on the cover of this offering memorandum. The initial purchasers may change the prices at which the Notes are offered and any other selling terms at any time without notice. The initial purchasers may offer and sell Notes through certain of their affiliates, who are qualified broker-dealers under applicable law, including in respect of sales into the United States.

The Purchase Agreement provides that the obligations of the initial purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel and our counsel.

The Purchase Agreement provides that we will indemnify and hold harmless the initial purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the initial purchasers may be required to make in respect thereof. We have agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 45 days after the date the Notes are issued, to not, and to cause our subsidiaries "(except the Term Securitization SPVs and the Conduit Securitization SPVs)" to not, without having received the prior written consent provided for in the Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any debt securities issued by the Issuer or certain of the Issuer's subsidiaries.

The Notes and the guarantees have not been, and will not be, registered under the U.S. Securities Act and may not be offered or sold within the United States except to QIBs in reliance on Rule 144A and outside the United States in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under "Notice to Investors."

This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

Each initial purchaser has represented, warranted and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

This offering memorandum has been prepared on the basis that any offer of the securities referred to herein in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in a Member State of Notes which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for the Issuer or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, in each case, in relation to such offer. Neither the Issuer nor the initial purchasers have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the joint bookrunners to publish a prospectus for such offer. The expression "Prospectus Regulation" means Regulation (EU) 2017/1129. This paragraph is subject to the paragraph below.

The Notes are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering, selling or distributing the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering, selling or distributing the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

Each of the initial purchasers has represented and agreed that it has not offered, sold, distributed or otherwise made available and will not offer, sell, distribute or otherwise make available any Notes to any retail investor in the European Economic Area. The expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe to the Notes.

Solely for the purposes of the product approval process of Credit Suisse Securities (Europe) Limited and Barclays Bank PLC (the "Manufacturers"), the target market assessment in respect of the Notes described herein has led to the conclusion that: (i) the target market for such Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU; and (ii) all channels for distribution of such Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the Manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the Manufacturers' target market assessment) and determining appropriate distribution channels.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the initial purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this offering memorandum and resale of the Notes. See "*Notice to Investors*."

The Issuer and the Guarantors have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S. Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities for which there currently is no market. We will apply, through our listing agent, to list the Notes on the Official List of Euronext Dublin and trade the Notes on the Global Exchange Market thereof.

The initial purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The initial purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the initial purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act.

Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "*Risk Factors—Risks Relating to the Notes—An active trading market may not develop for the Notes*."

In connection with the offering of the Notes, Credit Suisse Securities (Europe) Limited (or persons acting on its behalf) (the "Stabilizing Manager") may over-allot the Notes or effect transactions with a view to supporting the market price of the Notes during the stabilization period at a level higher than that which might otherwise prevail. However, stabilization action may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than 30 days after the date on which the issuer received the proceeds of the issue, or no later than 60 days after the date of allotment of the Notes, whichever is the earlier. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager (or persons acting on its behalf) in accordance with all applicable laws and rules and will be undertaken at the offices of the Stabilizing Manager (or persons acting on its behalf) and on the Global Exchange Market of Euronext Dublin.

The Issuer expects that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this offering memorandum, which will be seven business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "T + 7"). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this offering memorandum or the next four succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

The initial purchasers or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, commercial purpose lending, transaction and clearing services, consulting and financial advisory services to us and our affiliates in the ordinary course of business for which they may receive customary advisory and transaction fees and expense reimbursement. In connection with the offering, the initial purchasers are not acting for anyone other than the Issuer and will not be responsible to anyone other than the Issuer for providing the protections afforded to their clients, nor for providing advice in relation to the offering. Certain of the initial purchasers are lenders under the Revolving Credit Facility, and these initial purchasers expect to receive some of the proceeds from the Offering in connection with the Company's repayment of amounts outstanding under this facility. See "*Use of Proceeds*." In addition, some of the initial purchasers are note purchasers or lenders or arrangers under certain of our Securitizations.

LEGAL MATTERS

Certain legal matters in connection with the offering will be passed upon for us by Milbank LLP, as to matters of U.S. federal, New York State and English law. Certain legal matters in connection with the offering will be passed upon for the initial purchasers by Latham & Watkins (London) LLP, as to matters of U.S. federal, New York State and English law.

INDEPENDENT AUDITOR

The consolidated financial statements of Together Financial Services as of and for the years ended June 30, 2017, 2018 and 2019, prepared in accordance with IFRS included in this offering memorandum have been audited by Deloitte LLP, independent auditor, as stated in their reports appearing herein. The independent auditor's report for Together Financial Services Limited for the years ended June 30, 2017, 2018 and 2019 is included on page F-150, F-106 and F-48, respectively.

In accordance with guidance issued by The Institute of Chartered Accountants in England and Wales, the independent auditor's reports state that: they were made solely to the members of Together Financial Services as a body in accordance with Chapter 3 of Part 16 of the Companies Act of 2006; the independent auditor's work was undertaken so that the independent auditor might state to the members of Together Financial Services those matters that were required to be stated to them in an auditor's report and for no other purpose; and, to the fullest extent permitted by law, the independent auditor does not accept or assume responsibility to anyone other than Together Financial Services and its members as a body for its audit work or the opinions it has formed. The independent auditor's reports for Together Financial Services Limited for the years ended June 30, 2017, 2018 and 2019 were unqualified.

Investors in the Notes should understand that in making these statements, the independent auditor confirmed that it does not accept or assume any liability to parties (such as the purchasers of the Notes) other than to Together Financial Services and its members as a body with respect to the report and to the independent auditor's audit work and opinions. The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the U.S. Securities Act or in a report filed under the U.S. Exchange Act. If a U.S. court (or any other court) were to give effect to such limiting language, the recourse that investors in the Notes may have against the independent auditor based on its report or the consolidated financial statements to which it relates could be limited.

The Group Audit Committee recently undertook a competitive tender process for the appointment of a new statutory auditor. The Group Audit Committee delegated the management of the tender to a sub-committee led by the Chair of the Group Audit Committee and provided regular updates to the Board of Directors of the Company on its progress. The Chair of the Personal Finance Audit Committee represented the Personal Finance Audit Committee in reaching a decision. On completion of the tender, Ernst & Young LLP has been appointed as auditor for the group for the year ended June 30, 2020. At such time, Deloitte LLP will cease to be the group's independent auditors.

WHERE YOU CAN FIND MORE INFORMATION

Each purchaser of the Notes from the initial purchasers will be furnished with a copy of this offering memorandum and any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum acknowledges that (i) such person has been afforded an opportunity to request from us, and has received, all additional information considered to be necessary to verify the accuracy and completeness of the information herein; (ii) such person has not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with its investigation of the accuracy of such information or its investment decision; and (iii) except as provided in clause (i), no person has been authorized to give any information or to make any representation concerning the Notes other than those contained herein, and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the initial purchasers.

We are not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act. For so long as any of the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and the Issuer is neither subject to Section 13 or 15(d) of the U.S. Exchange Act, nor exempt from reporting pursuant to Rule 12g3 2(b) under the U.S. Exchange Act, it will, upon the request of any such person, furnish to any holder or beneficial owner of Notes, or to any prospective purchaser designated by any such registered holder, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act. Any such request should be directed to: Company Secretary, Lake View, Lakeside, Cheadle, Cheshire SK8 3GW, United Kingdom.

Pursuant to the Indenture and so long as the Notes are outstanding, the Issuer will furnish periodic information to holders of the Notes. See "*Description of Notes—Certain Covenants—Reports*." For so long as the Notes are listed on the Official List of Euronext Dublin for trading on the Global Exchange Market thereof and the rules of that exchange so require, copies of such information, the organizational documents of the Issuer and each Guarantor, the most recent audited consolidated financial statements of Together Financial Services, the Indenture (which includes the guarantees and the form of the Notes), the Intercreditor Agreement (as defined herein) and the Security Documents (as defined herein) will be available for review (during normal business hours) on any business day at the specified office of the Paying Agent. See "*Listing and General Information*."

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a public limited company incorporated under the laws of England and Wales and each of the Guarantors is a private limited company incorporated under the laws of England and Wales. All the directors and executive officers of the Issuer and the Guarantors live outside the United States. All the assets of the directors and executive officers of the Issuer and the Guarantors are located outside the United States. As a result, it may not be possible for you to serve process on such persons, the Issuer or the Guarantors in the United States or to enforce judgments obtained in U.S. courts against them or the Issuer based on civil liability provisions of the securities laws of the United States.

The United States and England currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters.

Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in England. In order to enforce any such U.S. judgment in England, proceedings must first be initiated before a court of competent jurisdiction in England. In such an action, the English court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is stated below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by an English court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to English conflicts of laws principles;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a debt for a definite sum of money;
- the U.S. judgment not contravening English public policy;
- the U.S. judgment not being for a sum payable in respect of tax, or other charges of a like nature in respect of a penalty or fine;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of Section 5 of the Protection of Trading Interests Act 1980;
- the U.S. judgment not having been obtained by fraud or in breach of English principles of natural justice;
- judgment is not given in proceedings brought in breach of an agreement for settlement of disputes;
- there not having been a prior inconsistent decision of an English court between the same parties; and
- the English enforcement proceedings being commenced within three years from the date of the U.S. judgment.

Subject to the foregoing, investors may be able to enforce in England judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. Nevertheless, there can be no assurance that those judgments will be recognized or enforceable in England. In addition, it is questionable whether an English court would accept jurisdiction and impose civil liability if the original action was commenced in England, instead of the United States, and predicated solely upon U.S. federal securities laws.

LISTING AND GENERAL INFORMATION

Listing

An application will be made for the Notes to be admitted to the Official List of Euronext Dublin and to be admitted for trading on the Global Exchange Market thereof. It is expected that such admission will become effective after the Issue Date.

For as long as the Notes are listed on the Global Exchange Market of Euronext Dublin, copies of the following documents may be inspected and obtained at the registered office of the paying agent in London during normal business hours on any business day:

- the articles of association of the Issuer and each Guarantor;
- the audited consolidated financial statements of Together Financial Services for the preceding two years (which include the financial information of Guarantors and the subsidiaries of Together Financial Services that will not guarantee the Notes);
- the Indenture governing the Notes (which includes the guarantees and form of the Notes);
- the Intercreditor Agreement; and
- the Security Documents.

The issuance of the Notes was authorized by the Board of Directors of the Issuer on January 23, 2020. The giving of the guarantees has been authorized pursuant to applicable corporate formalities. The total expenses related to the admission of the Notes to trading on the Global Exchange Market are expected to be less than €10,000.

Except as disclosed in this offering memorandum, we have not been involved in any governmental, legal or arbitration proceeding relating to claims or amounts that are material and may have or have had during the 12 months preceding the date of this offering memorandum, a significant effect on our financial condition nor so far as we are aware is any such litigation or arbitration pending or threatened.

As of the date of this offering memorandum, the most recent audited consolidated financial statements available for Together Financial Services were as of and for the year ended June 30, 2019. Except as disclosed in this offering memorandum, there has been no material adverse change in our prospects since June 30, 2019.

Except as disclosed in this offering memorandum, there are no material potential conflicts of interest between any member of the Board of Directors of the Issuer and the Issuer or his duties to the Issuer.

The Trustee is Deutsche Trustee Company Limited, and its address is Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom. The Trustee will be acting in its capacity of trustee for the holders of the Notes and will provide such services to the holders of the Notes as described in the Indenture governing the Notes.

Clearing Information

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below.

	ISIN	Common Code
Rule 144A Global Notes	XS2112899377	211289937
Regulation S Global Notes	XS2112899021	211289902

Issuer and Guarantor Information

All subsidiaries of the Company other than the Issuer and certain dormant and non-material subsidiaries are Subsidiary Guarantors. The group's audited consolidated financial statements include both guarantor and non-guarantor companies. As of and for the twelve months ended September 30, 2019, the Issuer had EBITDA of £0.0 million, representing 0.0% of our consolidated EBITDA (consolidated EBITDA was £256.4 million) and total assets of £12.5 million, representing 0.3% of our consolidated total assets (consolidated total assets were £4.0 billion) and the Guarantors had EBITDA of £256.4 million, representing 100.0% of our EBITDA.

Jerrold FinCo plc

The Issuer, Jerrold FinCo plc, registration number 04949914, was formed on October 31, 2003 as a private limited company under the laws of England and Wales and was re-registered on March 13, 2013 as a public limited company under the laws of England and Wales. The Issuer's registered office is located at Lake View, Lakeside, Cheadle, Cheshire SK8 3GW, United Kingdom and its telephone number is +44-161-956-3200. The members of the Board of Directors of the Issuer may be reached at the registered address of the Issuer.

At the settlement date, the Guarantors will be the companies listed below. The guarantees of the Guarantors are joint and several, full and unconditional (subject to any limitations on such guarantees by virtue of applicable local law).

Together Financial Services Limited

Together Financial Services Limited was previously registered under the name Jerrold Holdings Limited. It was renamed on January 9, 2017. Together Financial Services Limited, registration number 02939389, is a private company formed under the laws of England and Wales on June 15, 1994. Its registered office is located at Lake View, Lakeside, Cheadle, Cheshire SK8 3GW, United Kingdom and its telephone number is +44-161-956-3200.

Blemain Finance Limited

Blemain Finance Limited, registration number 01185052, is a private company formed under the laws of England and Wales on September 24, 1974. Its registered office is located at Lake View, Lakeside, Cheadle, Cheshire SK8 3GW, United Kingdom and its telephone number is +44-161-956-3200.

Together Personal Finance Limited

Together Personal Finance Limited was previously registered under the name Cheshire Mortgage Corporation Limited. It was renamed on January 9, 2017. Together Personal Finance Limited, registration number 02613335, is a private company formed under the laws of England and Wales on May 22, 1991. Its registered office is located at Lake View, Lakeside, Cheadle, Cheshire SK8 3GW, United Kingdom and its telephone number is +44-161-956-3200.

Factfocus Limited

Factfocus Limited, registration number 01402330, is a private company formed under the laws of England and Wales on November 28, 1978. Its registered office is located at Lake View, Lakeside, Cheadle, Cheshire SK8 3GW, United Kingdom and its telephone number is +44-161-956-3200.

General Allied Properties Limited

General Allied Properties Limited, registration number 03099840, is a private company formed under the laws of England and Wales on September 8, 1995. Its registered office is located at Lake View, Lakeside, Cheadle, Cheshire SK8 3GW, United Kingdom and its telephone number is +44-161-956-3200.

Harpmanor Limited

Harpmanor Limited, registration number 01954109, is a private company formed under the laws of England and Wales on November 4, 1985. Its registered office is located at Lake View, Lakeside, Cheadle, Cheshire SK8 3GW, United Kingdom and its telephone number is +44-161-956-3200.

Jerrold Mortgage Corporation Limited

Jerrold Mortgage Corporation Limited, registration number 00521009, is a private company formed under the laws of England and Wales on June 25, 1953. Its registered office is located at Lake View, Lakeside, Cheadle, Cheshire SK8 3GW, United Kingdom and its telephone number is +44-161-956-3200.

Together Commercial Finance Limited

Together Commercial Finance Limited was previously registered under the name Lancashire Mortgage Corporation Limited. It was renamed on January 9, 2017. Together Commercial Finance Limited, registration number 02058813, is a private company formed under the laws of England and Wales on September 26, 1986. Its registered office is located at Lake View, Lakeside, Cheadle, Cheshire SK8 3GW, United Kingdom and its telephone number is +44-161-956-3200.

Spot Finance Limited

Spot Finance Limited, registration number 01998543, is a private company formed under the laws of England and Wales on March 11, 1986. Its registered office is located at Lake View, Lakeside, Cheadle, Cheshire SK8 3GW, United Kingdom and its telephone number is +44-161-956-3200.

Supashow Limited

Supashow Limited, registration number 02544317, is a private company formed under the laws of England and Wales on September 28, 1990. Its registered office is located at Lake View, Lakeside, Cheadle, Cheshire SK8 3GW, United Kingdom and its telephone number is +44-161-956-3200.

Classic Car Finance Limited

Classic Car Finance Limited, registration number 03237779, is a private company formed under the laws of England and Wales on August 14, 1996. Its registered office is located at Lake View, Lakeside, Cheadle, Cheshire SK8 3GW, United Kingdom and its telephone number is +44-161-956-3200.

Bridging Finance Limited

Bridging Finance Limited, registration number 03166982, is a private company formed under the laws of England and Wales on March 1, 1996. Its registered office is located at Lake View, Lakeside, Cheadle, Cheshire SK8 3GW, United Kingdom and its telephone number is +44-161-956-3200.

Bridgingfinance.Co.Uk Limited

Bridgingfinance.co.uk Limited, registration number 04159852, is a private company formed under the laws of England and Wales on February 14, 2001. Its registered office is located at Lake View, Lakeside, Cheadle, Cheshire SK8 3GW, United Kingdom and its telephone number is +44-161-956-3200.

Auction Finance Limited

Auction Finance Limited, registration number 04949929, is a private company formed under the laws of England and Wales on October 31, 2003. Its registered office is located at Lake View, Lakeside, Cheadle, Cheshire SK8 3GW, United Kingdom and its telephone number is +44-161-956-3200.

Jerrold Holdings Limited

Jerrold Holdings Limited was previously registered under the names Together Financial Services Limited and Manchester Property Investments Limited. It was renamed on September 28, 2015 and on January 9, 2017, respectively. Jerrold Holdings Limited, registration number 04950229, is a private company formed under the laws of England and Wales. Its registered office is located at Lake View, Lakeside, Cheadle, Cheshire SK8 3GW, United Kingdom and its telephone number is +44-161-956-3200.

The members of the Board of Directors of the Issuer may be reached at the registered address of the Issuer.

INDEX TO FINANCIAL STATEMENTS

Interim management report

The directors present their interim management report and the unaudited interim consolidated condensed financial statements for the three months ended 30 September 2019. These financial statements are prepared for Together Financial Services Limited and its subsidiaries, trading as Together ('the Group').

Business review

Business model and strategy

The Group's principal activity continues to be the provision of mortgage finance, secured on property and land within the United Kingdom. The directors do not expect any significant change to the activities of the Group.

A number of key performance indicators (KPIs) are monitored in order to review and assess performance, position and liquidity, and to measure performance against strategic objectives. The definitions of KPIs are unchanged from the Annual Report and Accounts for the year ended 30 June 2019.

	As at 30 September 2019	**As at 30 September 2018**	**As at 30 June 2019**
Loans and advances to customers (£m)	3,878.4	3,011.4	3,694.5
Shareholder funds (£m)	814.9	718.8	789.9
Net debt gearing (%)	78.6	76.0	78.0
Weighted average indexed LTV of portfolio (%)	55.0	54.4	54.3

	For the three months ended 30 September 2019	**For the three months ended 30 September 2018**	**For the year ended 30 June 2019**
Average monthly lending volumes (£m)	176.2	137.5	165.2
Weighted average LTV of originations (%)	58.1	58.1	58.0
Net interest margin (%)	6.4	7.2	6.8
Interest receivable (£m)	92.5	82.2	343.1
Impairment charge (£m)	5.5	4.3	15.4
Profit before tax (£m)	31.5	30.4	130.3
Interest cover ratio	2.0:1	2.1:1	2.2:1
Cost-to-income ratio (%)	39.3	36.2	36.2
Return on equity (%)	13.8	14.9	14.9
Cost of risk (%)	0.58	0.57	0.45

Results and dividends

The unaudited consolidated interim condensed financial statements and related notes for the three months ended 30 September 2019 are set out on pages 9 to 35. Profit before tax of £31.5m has increased by 3.7% compared with £30.4m for the three month period to 30 September 2018. Strong loan book growth has resulted in a 12.5% increase in interest receivable and similar income. This increase primarily results from growth in the size of the loan book offset by a reduction in the average interest rate earned on the loan book due to the impact of new originations rates, reflecting increased market competition, and the continued run-off of the higher yielding back book of loans. This has resulted in a reduction in net interest margin from 7.2% to 6.4%. Cost-to-income ratio of 39.3% is higher than prior year comparative of 36.2%. The current period includes additional charges of £3.0m for customer provisions, which is equivalent to 4.9 percentage points of the increase in the cost-to-income ratio. Further detail on customer provisions is set out in Note 15 to the financial statements.

The Company has not paid a dividend in the period (three months ended 30 September 2018: £15.0m).

Position

As shown in the unaudited consolidated statement of financial position on page 10, loans and advances to customers have increased by 28.8% to £3,878.4m compared with £3,011.4m at 30 September 2018. Shareholder's funds have increased by 13.4% to £814.9m compared with £718.8m at 30 September 2018.

Net debt gearing has increased to 78.6% (30 September 2018: 76.0%) reflecting the fact that the Group continues to fund its loan book through reserves, subordinated debt and increased levels of external borrowings. The subordinated debt is treated as equity for the purposes of calculating the Group's gearing ratio.

Liquidity and funding

The Group's sources of funding are unchanged from the Annual Report and Accounts for the year ended 30 June 2019 except as discussed below.

On 10 October 2019, the Group completed its third residential-mortgage-backed securitisation, Together Asset Backed Securitisation 2019-1 PLC (TABS 3). The transaction successfully raised £315.4m of external funding against a loan portfolio of £332.0m that was 79.0% funded by notes rated as AAA.

On 30 October 2019, the Group announced the successful refinancing of the Lakeside Asset Backed Securitisation facility increasing its size from £255m to £500m extending the maturity date to 2023 and adding two new banks to the facility.

Macroeconomic conditions

The Group is impacted by general business and economic conditions in the United Kingdom. Current economic indicators are little changed from those set out in the annual report for the year to 30 June 2019: inflation, house prices, employment and GDP growth are at levels similar to those at the year end. Whilst Bank Base Rate is also unchanged, market expectations for future interest rates have fallen overall but continue to show some volatility, heavily influenced by political events relating to Brexit and international trade tensions. The deferral of the Brexit deadline from 31 October 2019 to 31 January 2020 and the recently announced December general election mean that political and macroeconomic uncertainty persists. Note 9 to the financial statements sets out the macroeconomic assumptions made in deriving expected credit losses (ECLs).

The Group continues to see strong demand from customers. The Group's strong financial position, through-the-cycle experience, diversified funding base and low-LTV lending all provide significant mitigation from uncertain economic times and the Group remains well placed to deliver on its growth plans.

Regulatory, compliance and legal considerations

The companies within the Group's Personal Finance division undertake lending which is authorised and regulated by the Financial Conduct Authority (FCA). Further information in respect of regulatory matters can be found within the principal risks and uncertainties section of this report and within Note 15 to the financial statements.

The Group's approach to engaging with the regulator is one of openness and transparency, treating any enquiries with urgency, following an established process for communicating proactively where appropriate. The Personal Finance division has a Board and management team which is committed to ensuring that this is effective through the right culture, clear and aligned goals, and people with the relevant skills and experience.

The Group is focused on readiness for the Senior Managers and Certification Regime (SM&CR), which the Financial Conduct Authority is extending to all regulated firms in December 2019. Preparations are well advanced and applications to the FCA have been submitted.

Principal risks and uncertainties

There are a number of risks and uncertainties which could have an impact on the Group. To identify and mitigate these risks the Group utilises an enterprise risk-management framework (ERMF), which is unchanged from the Annual Report and Accounts for the year ended 30 June 2019.

Interim management report (continued)

Principal risks and uncertainties (continued)

Strategic risk

Strategic risk is the risk of failure to achieve objectives that impact the long term interest of stakeholders, or from an inability to adapt to the external environment.

The Group's strategy and approach to managing and mitigating strategic risk is unchanged from the Annual Report and Accounts for the year ended 30 June 2019.

Credit risk

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

The Group's approach to managing and mitigating credit risk is unchanged from the Annual Report and Accounts for the year ended 30 June 2019.

Note 9 to the financial statements provides detail on expected credit losses for the period ended 30 September 2019.

Liquidity and funding risk

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

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

An overview of the Group's sources of funding is set out in the Annual Report and Accounts for the year ended 30 June 2019, and the Group's activities during the period are included within the Business review above.

The Group's approach to managing and mitigating liquidity and funding risk is unchanged from the Annual Report and Accounts for the year ended 30 June 2019.

The ability of the Group to service its debts is measured using an interest cover ratio, being EBITDA[1] divided by interest payable. This is 2.0:1 for the three months ended 30 September 2019 which is in line with the comparative period (three months ended 30 September 2018: 2.1:1).

The weighted average maturity[2] of the Group's existing debt facilities is 3.0 years at 30 September 2019 (30 September 2018: 4.1 years). As at 30 September 2019, the earliest maturity on existing facilities is Lakeside ABS (January 2021) which has now been refinanced and extended to 2023. 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.

Market risk

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

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

1 Earnings before interest, tax, depreciation and amortisation

2 Weighted average maturity calculation is based on carrying value of the facility at a period end date, and the maturity date. For amortising facilities, the call date is used for this calculation.

Principal risks and uncertainties (continued)

Market risk (continued)

The Group's approach to managing and mitigating interest-rate risk is unchanged from the Annual Report and Accounts for the year ended 30 June 2019 and the Group's sensitivity to this risk has not materially changed.

Note 8 to the financial statements details the Group's use of derivatives to mitigate interest rate risk.

Capital risk

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

The Group's approach to managing and mitigating capital risk is unchanged from the Annual Report and Accounts for the year ended 30 June 2019.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes conduct and compliance risk and the associated reputational damage that can arise, but given their significance, these risks are classified as separate principal risks.

The Group's approach to managing and mitigating operational risk is unchanged from the Annual Report and Accounts for the year ended 30 June 2019.

Conduct and compliance risk

Conduct risk is the risk arising from business activities that fail to deliver appropriate and consistent outcomes for customers and stakeholders. Compliance risk is the risk arising from the failure to comply with existing or new legislation, or regulations in the markets within which the Group operates.

The Group's approach to managing and mitigating conduct and compliance risks is unchanged from the Annual Report and Accounts for the year ended 30 June 2019.

As a result of undertaking internal reviews within the regulated division[3] during the year to 30 June 2019, instances were identified where, for certain customers in arrears, the outcome may have been improved if different forbearance tools had been applied. In addition, some past written communications with customers should have been clearer and more complete in instances where balances are not expected to be repaid by the customer by the contractual maturity date, using their current repayment schedule.

The Personal Finance division has continued to focus on the resolution of these matters, providing regular updates on progress to the FCA. Changes to operational processes for the application of forbearance and for communicating more clearly with customers have already been implemented. Experienced third-parties have been appointed to support this activity, including providing additional resource and support in establishing an appropriate assurance framework. Disclosures in respect of this, including uncertainties concerning the estimated impact, can be found in Note 15 to the financial statements.

Employee consultation

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

[3] The regulated division refers to the Personal Finance division which comprises Together Personal Finance Limited, Blemain Finance Limited and Spot Finance Limited

Disabled employees

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

Environment

As the Group operates in the financial services sector, its actions do not have a significant environmental impact. However, the Group does recognise the importance of the environment, and acts to minimise its impact where appropriate, including recycling and reducing energy consumption.

Statement of going concern

The directors are required to prepare the interim financial statements on the going-concern basis unless it is inappropriate to presume that the Group will continue in business.

The director's regularly review performance against the annual plan, and consider the Group's current position and future projections including forecast funding and liquidity positions. Based on this regular review and the continued strong profitability, the directors have a reasonable expectation that the Group will have sufficient resources to continue to meet its liabilities as they fall due for the foreseeable future. Accordingly, the directors of the Company have adopted the going-concern basis in preparing these unaudited consolidated interim financial statements.

Directors

The directors of the Company are set out on page 1. All directors served throughout the period.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors.

Statement of directors' responsibilities

We confirm that to the best of our knowledge:

a) This condensed set of unaudited consolidated financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU; and

b) The interim management report includes a fair review of the information required, being an indication of important events during the first three months of the financial year and a description of principal risks and uncertainties for the remaining nine months.

/s/	/s/
HN Moser Director 27 November 2019	J Lowe Director 27 November 2019

Unaudited consolidated statement of comprehensive income
Three months ended 30 September 2019
Unless otherwise indicated, all amounts are stated in £m.

Income statement	**Note**	**Three months ended 30 September 2019**	**Three months ended 30 September 2018**
Interest receivable and similar income		92.5	82.2
Interest payable and similar charges	4	(31.8)	(28.4)
Net interest income		**60.7**	**53.8**
Fee and commission income		1.1	1.0
Fee and commission expense		(0.6)	(0.4)
Other net losses	5	(0.3)	—
Operating income		**60.9**	**54.4**
Administrative expenses		(23.9)	(19.7)
Operating profit		**37.0**	**34.7**
Impairment losses	9	(5.5)	(4.3)
Profit before taxation		**31.5**	**30.4**
Income tax	6	(4.4)	(3.4)
Profit after taxation		**27.1**	**27.0**
Other comprehensive losses			
Items that may be reclassified to the income statement			
Movement in the cash flow hedging reserve:			
Effective portion of changes in fair value of derivatives	8	(1.3)	—
Other comprehensive income for the year, net of tax		(1.3)	—
Total comprehensive income for the year		**25.8**	**27.0**

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

Unaudited consolidated statement of financial position
As at 30 September 2019
Unless otherwise indicated, all amounts are stated in £m.

	Note	30 September 2019	30 September 2018	30 June 2019
Assets				
Cash and cash equivalents	7	91.6	87.1	120.2
Derivative assets held for risk management	8	—	—	0.1
Loans and advances to customers	9	3,878.4	3,011.4	3,694.5
Inventories		0.6	0.6	0.6
Other assets	10	4.9	4.1	4.8
Investments		0.1	0.1	0.1
Property, plant and equipment	11	13.6	6.4	5.4
Intangible assets	12	9.1	8.6	8.8
Deferred tax asset	13	7.8	7.6	7.5
Total assets		**4,006.1**	**3,125.9**	**3,842.0**
Liabilities				
Derivative liabilities held for risk management	8	1.6	—	—
Current tax liabilities		2.6	5.5	8.7
Borrowings	14	3,164.8	2,388.2	3,015.7
Provisions for liabilities and charges	15	8.9	3.6	4.3
Other liabilities	16	40.9	35.4	50.5
Total liabilities		**3,218.8**	**2,432.7**	**3,079.2**
Equity				
Share capital	17	9.8	9.8	9.8
Share premium account		17.5	17.5	17.5
Merger reserve		(9.6)	(9.6)	(9.6)
Capital redemption reserve		1.3	1.3	1.3
Subordinated shareholding funding reserve		40.5	42.5	41.0
Share-based payment reserve		1.6	1.6	1.6
Cashflow-hedging reserve		(1.3)	—	—
Cost-of-hedging reserve		(0.2)	—	(0.2)
Retained earnings		727.7	630.1	701.4
Total equity		**787.3**	**693.2**	**762.8**
Total equity and liabilities		**4,006.1**	**3,125.9**	**3,842.0**

Unaudited consolidated statement of changes in equity
Three months ended 30 September 2019
Unless otherwise indicated, all amounts are stated in £m.

3 months to 30 September 2019	Called-up share capital	Share premium	Merger reserve	Capital redemption reserve	Subordinated shareholder funding reserve	Share-based payment reserve	Cash flow hedging reserve	Cost of hedging reserve	Retained earnings	Total
At beginning of the period	9.8	17.5	(9.6)	1.3	41.0	1.6	—	(0.2)	701.4	762.8
Changes on initial application of IFRS 16[4]	—	—	—	—	—	—	—	—	(1.3)	(1.3)
Restated balances at beginning of period	**9.8**	**17.5**	**(9.6)**	**1.3**	**41.0**	**1.6**	**—**	**(0.2)**	**700.1**	**761.5**
Retained profit for the financial period	—	—	—	—	—	—	—	—	27.1	27.1
Other comprehensive income: Hedging reserves										
Effective portion of changes in fair value	—	—	—	—	—	—	(1.3)	—	—	(1.3)
Transfer between reserves	—	—	—	—	(0.5)	—	—	—	0.5	—
At end of the period	**9.8**	**17.5**	**(9.6)**	**1.3**	**40.5**	**1.6**	**(1.3)**	**(0.2)**	**727.7**	**787.3**

3 months to 30 September 2018	Called-up share capital	Share premium	Merger reserve	Capital redemption reserve	Subordinated shareholder funding reserve	Share-based payment reserve	Retained earnings	Total
At beginning of the period	9.8	17.5	(9.6)	1.3	43.0	1.6	648.3	711.9
Changes on initial application of IFRS 9	—	—	—	—	—	—	(30.7)	(30.7)
Restated balances at beginning of the period	**9.8**	**17.5**	**(9.6)**	**1.3**	**43.0**	**1.6**	**617.6**	**681.2**
Retained profit for the financial period	—	—	—	—	—	—	27.0	27.0
Dividend paid	—	—	—	—	—	—	(15.0)	(15.0)
Transfer between reserves	—	—	—	—	(0.5)	—	0.5	—
At end of the period	**9.8**	**17.5**	**(9.6)**	**1.3**	**42.5**	**1.6**	**630.1**	**693.2**

4 See Note 2 to the financial statements for more detail on IFRS 16 transition

Unaudited consolidated statement of cash flows
Three months ended 30 September 2019
Unless otherwise indicated, all amounts are stated in £m.

	Note	Three months ended 30 September 2019	Three months ended 30 September 2018
Cash outflow from operating activities			
Cash outflow from operations	19	(123.5)	(20.8)
Income tax paid		(10.5)	(4.0)
Servicing of finance		(30.3)	(32.7)
Net cash outflow from operating activities		**(164.3)**	**(57.5)**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(0.2)	(0.5)
Acquisition of intangible assets		(1.1)	(0.9)
Net cash outflow from investing activities		**(1.3)**	**(1.4)**
Cash flows from financing activities			
Repayment of bank facilities		—	(5.7)
Drawdown of facilities		137.5	92.5
Capital element of finance lease payments		(0.5)	(0.1)
Dividend paid		—	(15.0)
Net cash inflow from financing activities		**137.0**	**71.7**
Net (decrease)/increase in cash and cash equivalents		**(28.6)**	**12.8**
Cash and cash equivalents at beginning of period		**120.2**	**74.3**
Cash and cash equivalents at end of period		**91.6**	**87.1**

At 30 September 2019 cash and cash equivalents include £74.7m (2018: £63.0m) of restricted cash (see Note 7).

Unaudited notes to the financial statements
Unless otherwise indicated, all amounts are stated in £m.

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 consolidated interim condensed 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 consolidated set of interim condensed financial statements have been prepared in accordance with the International Accounting Standard (IAS) 34 *Interim Financial Reporting*, as adopted by the European Union (EU). They do not include all the information required by International Financial Reporting Standards (IFRS) 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 2019 which were prepared in accordance with IFRS as adopted by the EU.

The information within this interim report relating to the year ended 30 June 2019 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, except for the adoption of a new accounting standard, IFRS 16, as set out below.

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 Group's latest audited annual financial statements.

Adoption of new accounting standards, amendments and interpretations

On 1 July 2019, the Group adopted the requirements of IFRS 16 *Leases*, the new standard that replaces IAS 17 *Leases*. The standard applies to all leasing arrangements and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessor and lessee accounting.

The Group has adopted IFRS 16 using a modified retrospective approach and, as such, comparative information for 2018 is not restated. Leases which were already classified as finance leases were not re-evaluated on adoption of IFRS 16. The Group's accounting policy applicable from 1 July 2019 is set out on pages 14-15 of the financial statements.

Transition

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease agreement as of 1 July 2019.

The effects of adopting IFRS 16 as at 1 July 2019 were as follows:

- Right-of-use assets of £8.6m were recognised and are presented in a new right-of-use leasehold-property category within property, plant and equipment in the statement of financial position.

Unless otherwise indicated, all amounts are stated in £m.

2. Significant accounting policies (continued)

Transition (continued)

- Lease liabilities of £10.2m were recognised and are presented within borrowings in the statement of financial position.
- A deferred tax asset of £0.3m was recognised and is included in the deferred tax asset in the statement of financial position.
- The net effect of these adjustments had a £1.3m impact on opening retained earnings.

	IAS 17 30 June 2019	Right-of-use asset	Lease liability	Deferred tax	IFRS 16 1 July 2019
Property, plant and equipment	5.4	8.6	—	—	14.0
Lease liability	(0.8)	—	(10.2)	—	(11.0)
Deferred tax asset	7.5	—	—	0.3	7.8
Retained earnings impact		8.6	(10.2)	0.3	

Operating lease commitments at 30 June 2019 as disclosed under IAS 17 were £14.0m. Once discounted using the interest rate implicit in the agreement, this was £10.2m at 1 July 2019.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as at 30 June 2019 as follows:

	1 July 2019
Operating lease commitments as at 30 June 2019	14.0
Effect of discounting using the interest rate implicit in the lease	(3.8)
	10.2
Finance lease liabilities already recognised as at 30 June 2019	0.8
Lease liabilities recognised at 1 July 2019	11.0

Leases

Policy applicable from 1 July 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 July 2019.

The Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone costs.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

2. Significant accounting policies (continued)

Leases (continued)

Policy applicable from 1 July 2019 (continued)

The Group as a lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses the interest rate implicit in the lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group as lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Rentals received under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Policy applicable before 1 July 2019

The Group as lessee

Assets held under finance leases which confer rights and obligations similar to those attached to owned assets are capitalised as tangible fixed assets and depreciated over the shorter of the lease terms and their useful lives. The capital element of future lease obligations is recorded within liabilities, while the interest element is charged to the income statement over the period of the leases to produce a constant rate of interest on the balance of capital repayments outstanding.

Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term and the related assets are not recognised in the statement of financial position.

The Group as lessor

Rentals received under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Unless otherwise indicated, all amounts are stated in £m.

2. Significant accounting policies (continued)

Going concern

The directors have assessed, in the light of current and anticipated economic conditions, the Group's ability to continue as a going concern. The directors confirm they are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future. For this reason, the going-concern basis for preparing accounts has been adopted.

Cash and cash equivalents

Cash which is restricted within securitisation vehicles has been reclassified from borrowings to cash and cash equivalents. The reclassifications have also been made within the comparatives for 30 September 2018, consistent with the change in accounting policy disclosed within the Group's latest audited annual financial statements. See Note 7 for further details of this reclassification.

3. Critical accounting judgements and key sources of estimation uncertainty

In preparing these financial statements, the Group's management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the amounts reported for the Group's performance and financial position.

Critical judgements in applying the Group's accounting policies

There is judgement involved in determining whether certain matters should be disclosed as a contingent liability and what reliable information can be included in this disclosure. In addition there is judgement in determining that a contingent liability disclosure is the appropriate treatment if a reliable estimate is not available to inform the estimation of a provision. Further disclosures in respect of this can be found in Note 15 to the financial statements.

There have been no other significant changes to the other critical judgements disclosed in the Group's Annual Report and Accounts for the period to 30 June 2019.

Key sources of estimation uncertainty

Estimates and associated assumptions are based on historical experience and other relevant factors, and are reviewed on a continuing basis. Actual results may differ from these estimates, and revisions to estimates are recognised prospectively.

The calculation of the Group's allowance for losses on its loans and advances to customers under IFRS 9 relies on the following key matters:

- 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.

Note 9 gives more details on the assumptions made.

The calculation of the Group's provisions contain significant estimation uncertainty. Further disclosures in respect of this can be found in Note 15 to the financial statements.

4. Interest payable and similar charges

	Three months ended 30 September 2019	Three months ended 30 September 2018
On borrowings	31.7	28.4
On lease liabilities	0.1	—
	31.8	**28.4**

Unaudited notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m.

5. Other net losses

	Three months ended 30 September 2019	30 September 2018
Net costs from financial instruments mandatorily measured at fair value through the income statement		
Interest-rate derivatives held for risk-management purposes	0.3	—

6. Income tax

	Three months ended 30 September 2019	30 September 2018
Current tax		
Corporation tax	4.4	3.2
	4.4	**3.2**
Deferred tax		
Origination and reversal of temporary differences	—	0.2
Total deferred tax	**—**	**0.2**
Total tax on profit	**4.4**	**3.4**

Corporation tax is calculated at 18.50% (30 September 2018: 19.00%) of the estimated 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 30 September 2019	30 September 2018
Profit before tax	31.5	30.4
Tax on profit at standard UK corporation tax rate of 18.50%/19.00%	5.8	5.8
Effects of:		
Expenses not deductible for tax purposes	0.1	0.8
Income not taxable	(0.1)	(0.7)
Group relief	(1.4)	(2.5)
Tax charge for period	**4.4**	**3.4**

7. Cash and cash equivalents

	30 September 2019	30 September 2018	30 June 2019
Unrestricted cash	16.9	24.1	22.6
Restricted cash	74.7	63.0	97.6
	91.6	**87.1**	**120.2**

Cash which is restricted within securitisation vehicles of £74.7m (30 September 2018: £63.0m, 30 June 2019: £97.6m) has been reclassified from borrowings to cash and cash equivalents. As such, reclassifications have been made within the comparatives for 30 September 2018, consistent with the change in accounting policy disclosed within the Group's latest audited annual financial statements.

Restricted cash is ring-fenced and held in securitisation vehicles for use in managing the Group's securitisation facilities under terms of the agreements. Within restricted cash £9.2m (30 September 2018: £18.6m, 30 June 2019: £32.4m) represents amounts which are not considered readily available, but can be accessed by the Group, for example by allocating additional eligible assets into the private securitisations.

8. 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,

Unless otherwise indicated, all amounts are stated in £m.

8. Derivatives held for risk management (continued)

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. The notional amounts of these derivatives correspond to the 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.

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

	30 September 2019		30 September 2018		30 June 2019	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest-rate swaps	—	(1.6)	—	—	—	—
Interest-rate caps	0.0	—	—	—	0.1	—
Derivatives designated in cashflow hedges	**0.0**	**(1.6)**	**—**	**—**	**0.1**	**—**

All derivatives mature in under five years. The average fixed interest rate on swaps is 0.73%. The average strike rate on caps is 2.5%.

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

	30 September 2019		
	Carrying amount of liabilities	Changes in fair value for calculating hedge ineffectiveness	Cashflow-hedging reserve
Hedged by interest-rate swaps			
Borrowings	228.7	(1.3)	(1.3)
Hedged by interest-rate caps			
Borrowings	98.1	(0.1)	—

	30 September 2018		
	Carrying amount of liabilities	Changes in fair value for calculating hedge ineffectiveness	Cashflow-hedging reserve
Hedged by interest-rate swaps			
Borrowings	—	—	—
Hedged by interest-rate caps			
Borrowings	—	—	—

	30 June 2019		
	Carrying amount of liabilities	Changes in fair value for calculating hedge ineffectiveness	Cashflow-hedging reserve
Hedged by interest-rate swaps			
Borrowings	—	—	—
Hedged by interest-rate caps			
Borrowings	98.9	(0.2)	—

Unless otherwise indicated, all amounts are stated in £m.

8. 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 directly in other net losses	Hedge ineffective-ness recognised in other net losses	Reclassified from cashflow-hedging reserve to interest payable
Three months ended 30 September 2019								
Interest-rate swaps	228.7	—	1.6	(1.3)	(1.3)	(0.3)	—	—
Interest-rate caps	98.1	—	—	(0.1)	0.0	0.0	—	—
Three months ended 30 September 2018								
Interest-rate swaps	—	—	—	—	—		—	—
Interest-rate caps	—	—	—	—	—		—	—
Year ended 30 June 2019								
Interest-rate swaps	—	—	—	—	—		—	—
Interest-rate caps	98.9	0.1	—	(0.2)	(0.2)	0.0	0.0	—

9. Loans and advances to customers

	30 September 2019			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances	3,190.8	399.5	356.6	3,946.9
Loss allowance	(10.7)	(8.9)	(48.9)	(68.5)
	3,180.1	**390.6**	**307.7**	**3,878.4**

	30 September 2018			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances	2,383.1	360.9	339.9	3,083.9
Loss allowance	(11.2)	(7.8)	(53.5)	(72.5)
	2,371.9	**353.1**	**286.4**	**3,011.4**

	30 June 2019			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances	3,025.3	419.5	316.7	3,761.5
Loss allowance	(11.2)	(9.6)	(46.2)	(67.0)
	3,014.1	**409.9**	**270.5**	**3,694.5**

None of the Group's financial assets are credit-impaired on purchase or origination.

Loans and advances to customers include total gross amounts of £9.8m (30 September 2018: £12.7m; 30 June 2019: £10.9m), equivalent to £6.9m net of allowances (30 September 2018: £10.6m; 30 June 2019: £8.0m) loaned to August Blake Developments Limited, Sunnywood Estates Limited and Edgworth Developments Limited, companies in which HN Moser is a director and shareholder. These loans are on a commercial basis secured on certain assets of those companies.

Measurement of expected credit losses (ECL)

ECL model

The Group considers default to occur in any of the following circumstances relating to a loan:

- It becomes 90 days or more past due
- Its security has been taken into possession
- The appointment of receivers
- There is evidence of fraud

9. Loans and advances to customers (continued)

Measurement of expected credit losses (ECL) (continued)

ECL model (continued)

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

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

ECL is calculated at an individual loan level as the product of PD, LGD and EAD. It is measured using the risk of default over the maximum contractual period adjusted for customer behaviour.

In accordance with IFRS 9, the Group uses a three-stage model for impairment based on changes in credit quality since initial recognition:

- A financial instrument not credit-impaired on initial recognition is classified in stage 1. The loss allowance for such instruments is calculated as the portion of lifetime ECL of those default events expected to occur within 12 months of the reporting date, weighted by the probability of that default occurring.
- An instrument moves to stage 2 if there is an increase in its credit risk that is significant but not such that the instrument is considered credit impaired. The loss allowance for stage 2 instruments is calculated as the lifetime ECL. The determination of significant increases in credit risk is explained further, later in this section.
- Stage 3 instruments are credit impaired, including defaulted loans, and the loss allowance calculated as the lifetime ECL.

Improvements in credit quality may result in instruments moving categorisation, from stage 3 to stage 2 where they are no longer considered credit impaired or to stage 1 where the credit risk is no longer significantly increased compared with initial recognition. Such transitions occur only after the completion of probationary periods.

Forbearance

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 under IFRS 9, 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.

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

Unless otherwise indicated, all amounts are stated in £m.

9. Loans and advances to customers (continued)

Measurement of expected credit losses (ECL) (continued)

Incorporation of forward-looking information (continued)

instruments, are unemployment, Bank Rate, economic activity as measured by GDP, and changes in house prices. The Group has developed a range of future economic scenarios of these variables, drawing on external forecasts where appropriate, and calculates ECL using a base case, an upside and a downside scenario, weighted 40%, 30% and 30% respectively. The base case is broadly aligned to the Group's internal planning assumptions. The downside scenario represents a recession during which house prices fall by 15% from peak to trough.

The most significant assumptions used for the ECL estimate as at 30 September 2018, 30 June 2019 and 30 September 2019 are in the following ranges for the next ten years:

At 30 September 2019	Minimum	Average	Maximum
Annual GDP growth (%)	(1.7)	1.5	3.8
Bank Rate (%)	0.00	1.50	2.75
Unemployment rate (%)	3.2	4.2	6.3
Annual change in house-price index (%)	(9.2)	2.6	10.7

At 30 September 2018	Minimum	Average	Maximum
Annual GDP growth (%)	(0.9)	1.8	3.6
Bank Rate (%)	0.25	1.75	3.50
Unemployment rate (%)	2.9	4.2	6.0
Annual change in house-price index (%)	(6.4)	2.9	8.7

At 30 June 2019	Minimum	Average	Maximum
Annual GDP growth (%)	(1.1)	1.6	3.6
Bank Rate (%)	0.00	1.50	2.75
Unemployment rate (%)	3.2	4.1	6.2
Annual change in house-price index (%)	(8.7)	2.6	10.4

To project the economic variables for the remaining term of each instrument, it is assumed that the forecasts used in all scenarios revert to our long-term base case forecast beyond a ten-year horizon.

Significant increase 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.

To determine whether credit risk has increased significantly the Group uses quantitative criteria, such as increases in lifetime PD and LTV, and qualitative criteria such as a borrower's status or credit quality. A 'backstop' criterion is also applied such that all loans more than 30 days past due are considered to have undergone a significant increase in credit risk.

Unless otherwise indicated, all amounts are stated in £m.

9. Loans and advances to customers (continued)

Loss allowance

A loss allowance is derived from the application of the foregoing techniques. The following tables analyse the movement of the loss allowance during the periods ended 30 September 2019 and 30 September 2018.

	Three months ended 30 September 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers at amortised cost				
Balance at beginning of period	**(11.2)**	**(9.6)**	**(46.2)**	**(67.0)**
Transfer to a 12-month ECL	—	0.1	—	0.1
Transfer to a lifetime ECL not credit impaired	1.0	(2.2)	0.3	(0.9)
Transfer to a lifetime ECL credit impaired	0.5	3.0	(6.4)	(2.9)
Other changes in credit risk during the period	(2.1)	(1.5)	1.1	(2.5)
Impairment of interest income on stage 3 loans	—	—	(3.2)	(3.2)
New financial assets originated	(1.3)	—	—	(1.3)
Financial assets derecognised	1.8	1.0	2.3	5.1
Changes in models and risk parameters	0.6	0.3	(0.2)	0.7
Impairment losses for the period charged to income statement	**0.5**	**0.7**	**(6.1)**	**(4.9)**
Unwind of discount	—	—	3.2	3.2
Write-offs net of recoveries	—	—	0.2	0.2
Balance at end of period	**(10.7)**	**(8.9)**	**(48.9)**	**(68.5)**

	Three months ended 30 September 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers at amortised cost				
Balance at beginning of period	**(10.5)**	**(9.5)**	**(54.0)**	**(74.0)**
Transfer to a 12-month ECL	(0.4)	1.0	—	0.6
Transfer to a lifetime ECL not credit impaired	0.6	(2.5)	0.3	(1.6)
Transfer to a lifetime ECL credit impaired	0.3	1.4	(3.5)	(1.8)
Other changes in credit risk during the period	(1.9)	—	(1.1)	(3.0)
Impairment of interest income on stage 3 loans	—	—	(2.5)	(2.5)
New financial assets originated	(1.2)	—	—	(1.2)
Financial assets derecognised	1.9	1.6	2.5	6.0
Changes in models and risk parameters	(0.3)	(0.2)	(0.3)	(0.8)
Impairment losses for the period charged to income statement	**(1.0)**	**1.3**	**(4.6)**	**(4.3)**
Unwind of discount	—	—	2.5	2.5
Write-offs net of recoveries	0.3	0.4	2.6	3.3
Balance at end of period	**(11.2)**	**(7.8)**	**(53.5)**	**(72.5)**

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

New mortgage loans originated during the period resulted in an increase of £1.3m (2018: £1.2m) in the loss allowance. The Group's highly cash-generative business model, with around half of all loans redeeming within two years, resulted in a release of ECLs totalling £5.1m (2018: £6.0m). ECL was positively impacted by £0.7m (2018: adverse impact £0.7m) due to updates to the macroeconomic outlook during the period.

The contractual amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity at the period end is £nil (2018: £nil.)

The net loss on modifications resulting from forbearance was already materially reflected in the ECL allowance.

Unaudited notes to the financial statements (continued)
Unless otherwise indicated, all amounts are stated in £m.

9. Loans and advances to customers (continued)

Movements in gross carrying amounts

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

	Three months ended 30 September 2019			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortised cost				
Balance at beginning of period	3,025.3	419.5	316.7	3,761.5
Transfer to a 12-month ECL	14.0	(14.0)	—	—
Transfer to a lifetime ECL not credit impaired	(78.2)	90.4	(12.2)	—
Transfer to a lifetime ECL credit impaired	(11.9)	(72.7)	84.6	—
New financial assets originated	495.9	6.3	—	502.2
Financial assets derecognised including write-offs	(254.3)	(30.0)	(32.5)	(316.8)
Balance at end of period	**3,190.8**	**399.5**	**356.6**	**3,946.9**

	Three months ended 30 September 2018			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortised cost				
Balance at beginning of period	2,305.5	358.5	356.0	3,020.0
Transfer to a 12-month ECL	67.2	(67.2)	—	—
Transfer to a lifetime ECL not credit impaired	(121.0)	134.0	(13.0)	—
Transfer to a lifetime ECL credit impaired	(14.8)	(34.5)	49.3	—
New financial assets originated	401.2	2.8	—	404.0
Financial assets derecognised including write-offs	(255.0)	(32.7)	(52.4)	(340.1)
Balance at end of period	**2,383.1**	**360.9**	**339.9**	**3,083.9**

Impairment losses for the period

	Three months ended	
	30 September 2019	30 September 2018
Movements in impairment allowance, charged to income	4.9	4.3
Amounts released from deferred income	0.1	0.3
Write-offs net of recoveries	0.5	(0.3)
	5.5	**4.3**

10. Other assets

	30 September 2019	30 September 2018	30 June 2019
Amounts owed by related parties	0.7	0.5	0.7
Other debtors	0.8	0.7	0.9
Prepayments and accrued income	3.4	2.9	3.2
	4.9	**4.1**	**4.8**

Amounts owed by related parties of the Group are in respect of companies in which HN Moser is a director and shareholder. Also included within amounts owed by related parties is £0.3m (30 September 2018: £0.2m; 30 June 2019: £0.3m) in relation to a director's loan. The loan is interest free and repayable on demand.

Unless otherwise indicated, all amounts are stated in £m.

11. Property, plant and equipment

For 3 month period ended 30 September 2019	Fixtures, fittings and equipment	Motor vehicles	Right-of-use assets – leasehold property	Total
Cost				
At beginning of period	7.9	1.8	13.7	23.4
Additions	0.2	—	—	0.2
Disposals	(0.1)	—	—	(0.1)
At end of period	**8.0**	**1.8**	**13.7**	**23.5**
Depreciation				
At beginning of period	3.5	0.8	5.1	9.4
Charge for the period	0.4	—	0.2	0.6
Disposals	(0.1)	—	—	(0.1)
At end of period	**3.8**	**0.8**	**5.3**	**9.9**
Net book value				
At end of period	**4.2**	**1.0**	**8.4**	**13.6**
At beginning of period	**4.4**	**1.0**	**8.6**	**14.0**

The right-of-use assets arise from the recognition of leases under IFRS 16, as explained more fully in Note 21. Refer to Note 2 for the impact on property, plant and equipment on adoption of IFRS 16.

For 3 month period ended 30 September 2018	Fixtures, fittings and equipment	Motor vehicles	Total
Cost			
At beginning of period	8.5	1.8	10.3
Additions	0.5	—	0.5
Disposals	—	—	—
At end of period	**9.0**	**1.8**	**10.8**
Depreciation			
At beginning of period	3.5	0.5	4.0
Charge for the period	0.3	0.1	0.4
Disposals	—	—	—
At end of period	**3.8**	**0.6**	**4.4**
Net book value			
At end of period	**5.2**	**1.2**	**6.4**
At beginning of period	5.0	1.3	6.3

For 12 month period ended 30 June 2019	Fixtures, fittings and equipment	Motor vehicles	Total
Cost			
At beginning of period	8.5	1.8	10.3
Additions	0.8	0.2	1.0
Disposals	(1.4)	(0.2)	(1.6)
At end of period	**7.9**	**1.8**	**9.7**
Depreciation			
At beginning of period	3.5	0.5	4.0
Charge for the period	1.4	0.3	1.7
Disposals	(1.4)	—	(1.4)
At end of period	**3.5**	**0.8**	**4.3**
Net book value			
At end of period	**4.4**	**1.0**	**5.4**
At beginning of period	5.0	1.3	6.3

Unless otherwise indicated, all amounts are stated in £m.

12. Intangible assets

Computer software	For the three months ended 30 September 2019	For the three months ended 30 September 2018	For the year ended 30 June 2019
Cost			
At beginning of period	14.5	11.4	11.4
Additions	1.1	0.9	3.2
Disposals	—	—	(0.1)
At end of period	**15.6**	**12.3**	**14.5**
Amortisation			
At beginning of period	5.7	3.1	3.1
Charge for the period	0.8	0.6	2.7
Disposals	—	—	(0.1)
At end of period	**6.5**	**3.7**	**5.7**
Net book value			
At end of period	**9.1**	**8.6**	**8.8**
At beginning of period	8.8	8.3	8.3

13. Deferred tax asset

	For the three month ended 30 September 2019	For the three month ended 30 September 2018	For the year ended 30 June 2019
At beginning of the period	7.5	1.4	1.4
IFRS 9 adjustment	—	6.4	6.4
IFRS 16 adjustment	0.3	—	—
Charge to income statement	—	(0.2)	(0.2)
Adjustment in respect of prior periods	—	—	(0.1)
	7.8	**7.6**	**7.5**

The deferred tax asset consisted of the following:

	30 September 2019	30 September 2018	30 June 2019
Accelerated capital allowances	(1.0)	(0.7)	(0.9)
Short-term timing differences	8.8	8.3	8.4
	7.8	**7.6**	**7.5**

14. Borrowings

	30 September 2019	30 September 2018	30 June 2019
Bank facilities	55.0	25.0	55.0
Loan notes	2,359.0	1,624.8	2,221.5
Subordinated shareholder loans	27.6	25.6	27.1
Senior secured notes	726.6	727.2	726.8
Finance leases[5]	10.5	1.0	0.8
	3,178.7	**2,403.6**	**3,031.2**
Debt issue costs	(13.9)	(15.4)	(15.5)
	3,164.8	**2,388.2**	**3,015.7**
Of which:			
Due for settlement within 12 months	72.4	39.7	74.5
Due for settlement after 12 months	3,092.4	2,348.5	2,941.2
	3,164.8	**2,388.2**	**3,015.7**

[5] Note that 30 September 2019 includes the impact of IFRS 16, whilst comparatives are presented under IAS 17

Unless otherwise indicated, all amounts are stated in £m.

14. Borrowings (continued)

The loan notes are provided through revolving facilities provided by Charles Street ABS, Lakeside ABS, Delta ABS, Highfield ABS and amortising facilities provided by Together ABS 1 and Together ABS 2. The Charles Street ABS facility was established in 2007 and is currently £1.255bn maturing in September 2023. The £255m Lakeside ABS facility matures in January 2021. The £200m Delta ABS 2 facility matures in March 2023, and the £525m Highfield ABS facility matures in 2022. The Group's £145.7m residential mortgage-backed securitisation via the special purpose vehicle Together ABS 1 has a call date of September 2021, and the £216.7m residential mortgage-backed securitisation issued via the special purpose vehicle Together ABS 2 has a call date of November 2022.

Subordinated shareholder loans were issued on 2 November 2016. The subordinated shareholder loans are interest-free loans totalling £68.1m, which comprise £25.1m due in 2024 and £43.0m due in 2036. The difference between the total nominal value of £68.1m and the initial fair value of £22.0m represents a non-distributable capital contribution of £46.1m, £5.6m of which has amortised by 30 September 2019 (30 September 2018: £3.6m; 30 June 2019: £5.1m). The remainder of the reserve will be released over the life of the instruments.

The Group has senior secured notes in issue of £375m and £350m, which are due to mature by 2021 and 2024 respectively.

Refer to Notes 2 and 21 for more details in relation to the finance leases.

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

Borrowings have the following maturities:

As at 30 September 2019	**<1 year**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Bank facilities	—	55.0	—	—	55.0
Loan notes	71.9	348.9	1,938.2	—	2,359.0
Subordinated shareholder loans	—	—	—	27.6	27.6
Senior secured notes	—	375.0	351.6	—	726.6
Finance leases	1.2	1.0	2.7	5.6	10.5
	73.1	**779.9**	**2,292.5**	**33.2**	**3,178.7**
Debt issue costs	(0.7)	(3.0)	(10.2)	—	(13.9)
	72.4	**776.9**	**2,282.3**	**33.2**	**3,164.8**

As at 30 September 2018	**<1 year**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Bank facilities	—	—	25.0	—	25.0
Loan notes	39.7	31.8	628.0	925.3	1,624.8
Subordinated shareholder loans	—	—	—	25.6	25.6
Senior secured notes	—	—	375.0	352.2	727.2
Finance leases	0.5	0.4	0.1	—	1.0
	40.2	**32.2**	**1,028.1**	**1,303.1**	**2,403.6**
Debt issue costs	(0.5)	(0.4)	(7.4)	(7.1)	(15.4)
	39.7	**31.8**	**1,020.7**	**1,296.0**	**2,388.2**

As at 30 June 2019	**<1 year**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Bank facilities	—	55.0	—	—	55.0
Loan notes	74.7	259.9	1,886.9	—	2,221.5
Subordinated shareholder loans	—	—	—	27.1	27.1
Senior secured notes	—	—	726.8	—	726.8
Finance leases	0.5	0.3	—	—	0.8
	75.2	**315.2**	**2,613.7**	**27.1**	**3,031.2**
Debt issue costs	(0.7)	(0.8)	(14.0)	—	(15.5)
	74.5	**314.4**	**2,599.7**	**27.1**	**3,015.7**

Unless otherwise indicated, all amounts are stated in £m.

15. Provisions and contingent liabilities

	Customer provisions	Other provisions	Total
Balance at 1 July 2019	2.7	1.6	4.3
Charge/(release) for the period	5.1	(0.2)	4.9
Provisions utilised	(0.2)	(0.1)	(0.3)
Balance at 30 September 2019	**7.6**	**1.3**	**8.9**

In previous periods, provision amounts were included in accruals and deferred income within other liabilities as the amounts were not material. As a result of the increase in provisions in the period ended 30 September 2019, provision amounts are now disclosed separately in the statement of financial position and reclassified in prior period comparatives.

a) Provisions

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

The Personal Finance division has continued to focus on the resolution of these matters, providing regular updates on progress to the FCA. Changes to operational processes for the application of forbearance and for communicating more clearly with customers have already been implemented. Experienced third-parties have been appointed to support this activity, including providing additional resource and support in establishing an appropriate assurance framework.

In order to address these matters in a timely and appropriate manner for customers, work is being undertaken in a phased approach, and activity relating to forbearance is being progressed as a priority for the first phase. In this first phase remediation is not intended to be based on individual customer-level reviews, but instead will be calculated using a defined set of parameters and criteria for the customer population, which simplifies and expedites progress whilst also ensuring customer detriment, where experienced, is fully addressed.

A provision for forbearance-related remediation has been estimated at £3.0m, which represents the estimated financial impact arising from both live and redeemed customers and comprises: (i) estimated customer settlement payments, (ii) expected accrued interest between the reporting date and the assumed remediation date, and (iii) estimated administration costs related to the remediation.

In calculating the provision, a number of judgements and assumptions have been necessary, including subjective judgements about the circumstances where customers may have been disadvantaged, the extent of the customer population included and the assumed timing of remediation activities. Depending on the outcome of further testing and the selection of certain judgements and assumptions, the financial impact for forbearance has been estimated to be in the range of £1.0m to £5.0m. It is expected that the estimate will be refined during the remediation phase, planned for the second half of the financial year.

Other customer provisions of £2.1m comprise provisions which are individually immaterial or where we have revised our estimates for existing provisions based on the number of customers expected to be offered a settlement such as provisions for redress relating to payment protection insurance.

b) Contingent liabilities

(i) Regulatory and conduct matters

In respect of the clarity of communications of accounts not expected to be repaid at their maturity date, the range of circumstances and work required to assess individual factors mean that, at this stage, it is not practicable to estimate the financial impact of any remediation activity, but it is expected that redress payments will be made to certain affected customers, and that this could be material for the entities involved.

Unaudited notes to the financial statements (continued)
Unless otherwise indicated, all amounts are stated in £m.

15. Provisions and contingent liabilities (continued)

b) Contingent liabilities (continued)

(ii) Fixed and floating charges

As at 30 September 2019, the Group's assets were subject to a fixed and floating charge in respect of £725m senior secure notes (30 September 2018: £725m; 30 June 2019: £725m) and £55m in respect of bank borrowings (30 September 2018: £25m; 30 June 2019: £55m).

16. Other liabilities

	30 September 2019	30 September 2018	30 June 2019
Trade creditors	1.4	1.2	1.9
Other creditors	2.2	3.1	2.7
Other taxation and social security	0.7	0.9	1.0
Accruals and deferred income	36.9	30.2	44.9
	40.9	**35.4**	**50.5**

As set out in note 15, provision amounts previously included within accruals and deferred income have been disclosed separately for the period ended 30 September 2019 and comparative amounts have been reclassified accordingly.

17. Share capital

Authorised	30 September 2019	30 September 2018	30 June 2019
10,405,653 A ordinary shares of 50 pence each	5.2	5.2	5.2
9,149,912 B ordinary shares of 49.9 pence each	4.6	4.6	4.6
921,501 C ordinary shares of 1 penny each	—	—	—
70,000 D ordinary shares of 1 penny each	—	—	—
10,000 E ordinary shares of 1 penny each	—	—	—
	9.8	**9.8**	**9.8**

Issued, allotted and fully paid	30 September 2019	30 September 2018	30 June 2019
10,405,653 A ordinary shares of 50 pence each	5.2	5.2	5.2
9,149,912 B ordinary shares of 49.9 pence each	4.6	4.6	4.6
921,501 C ordinary shares of 1 penny each	—	—	—
70,000 D ordinary shares of 1 penny each	—	—	—
	9.8	**9.8**	**9.8**

A ordinary shares carry voting rights, rights to certain dividends and rights to participate in a distribution (including on winding up) as set out in the articles of association. The holders of B, C and D ordinary shares do not have voting rights, but do have rights to certain dividends and participation in a distribution (including on winding up) as set out in the articles of association. E ordinary shares have been issued, and the directors of Together Financial Services Limited are authorised to allot up to 10,000 E ordinary shares to holders of D ordinary shares.

18. 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 rely on significant inputs not based on observable market data.

Unless otherwise indicated, all amounts are stated in £m.

18. Financial instruments and fair values (continued)

Financial instruments measured at fair value

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

Derivative assets/(liabilities) held for risk management	Level 1	Level 2	Level 3	Fair value	Carrying value
30 September 2019					
Interest-rate risk	—	(1.6)	—	(1.6)	(1.6)
30 September 2018					
Interest-rate risk	—	—	—	—	—
30 June 2019					
Interest-rate risk	—	0.1	—	0.1	0.1

The Group's derivative asset is an interest-rate cap and its derivative liability is an interest-rate swap. The valuations of both instruments are level 2, being derived from generally accepted valuation models that use forecast future interest-rate curves derived from market data. At the end of the reporting period, the value of the interest-rate cap was £28,000 and therefore is 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:

30 September 2019	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets					
Loans and advances to customers	—	—	3,944.1	3,944.1	3,878.4
Financial liabilities					
Borrowings	735.7	2,414.0	41.2	3,190.9	3,164.8

30 September 2018	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets					
Loans and advances to customers	—	—	3,048.6	3,048.6	3,011.4
Financial liabilities					
Borrowings	738.4	1,649.8	29.0	2,417.2	2,388.2

30 June 2019	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets					
Loans and advances to customers	—	—	3,723.5	3,723.5	3,694.5
Financial liabilities					
Borrowings	737.4	2,280.0	29.2	3,046.6	3,015.7

The fair value of loans and advances to customers is based on future interest cash flows (at funding rates) and principal cash flows discounted using the rate for new originations of mortgages with similar characteristics. 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 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.

The fair value of loans and advances to customers is higher than the carrying value, primarily due to the current origination rates used to discount future cash flows being below existing customer interest rates.

Unless otherwise indicated, all amounts are stated in £m.

18. Financial instruments and fair values (continued)

The borrowings stated at fair value in level 3 almost entirely represent subordinated shareholder loans and notes. 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.

19. Reconciliation of profit after tax to net cash outflow from operations

	Three months ended	
Group	**30 September 2019**	**30 September 2018**
Profit after tax	27.1	27.0
Adjustments for:		
Taxation	4.4	3.4
Depreciation and amortisation	1.4	1.0
Other net losses on derivatives	0.3	—
Interest expense	31.8	28.4
	65.0	**59.8**
Increase in loans and advances to customers	(183.9)	(84.7)
(Increase)/decrease in other assets	(0.1)	0.2
(Decrease)/increase in accruals and deferred income	(7.8)	6.8
Increase/(decrease) in provisions for liabilities and charges	4.6	(1.7)
Decrease in trade and other liabilities	(1.3)	(1.2)
	(188.5)	**(80.6)**
Cash outflow from operations	**(123.5)**	**(20.8)**

20. 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, and the DL Moser 1995 Family Settlement No1 Trust (together the Moser Shareholders). The Moser shareholders indirectly own 100% of the Company's voting share capital.

Besides the companies owned by Redhill Famco Limited, other entities owned by the Moser Shareholders 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 property.
Centrestand Limited	The Group collects rents and pays service charges and costs on behalf of Centrestand Limited.
Charles Street Commercial Investments Limited	The Group refers borrowers outside its lending criteria to Charles Street Commercial Investments Limited. The Group performs underwriting, collection and arrears-management activities for these loans. The Group also manages accounts payable on behalf of the company and provides ancillary accounting and treasury services for which it is reimbursed.

Unless otherwise indicated, all amounts are stated in £m.

20. Related party transactions (continued)

Relationships (continued)

a) Controlling party (continued)

Entity	Nature of transactions
Sterling Property Company Limited	Sterling Property Co. Limited provides property management services for properties repossessed or placed into LPA receivership by the Group.
August Blake Developments Limited, Edgworth Developments Limited, Sunnywood Estates Limited	The Group provides loans with interest charged on a commercial basis secured on certain assets of these companies. The Group also manages accounts payable on behalf of these entities.

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

b) Parent companies

During the period the Group transacted with the following parent companies owned by the Moser Shareholders:

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 14. The difference between the loans' maturity amounts and their fair values represents a capital contribution to the Group which is being amortised through income over the life of the loan.

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.

d) Key management personnel

Key management personnel comprise directors of the Group. There are no transactions with directors other than the director's loan disclosed in Note 10 and remuneration in the ordinary course of business.

Transactions

The amounts receivable from related parties by the Group are disclosed in Note 10. The Group had the following transactions with related parties during the period:

	Three months ended 30 September 2019		Three months ended 30 September 2018	
	Charge/ (credit) to income or equity	Paid	Charge/ (credit) to income or equity	Paid
Lease and insurance costs	0.4	0.4	0.4	0.4
Accounts payable transactions	—	0.2	—	0.6
Impairment of related party loans	0.2	—	0.2	—
Interest on related party loans	(0.2)	—	(0.2)	—
Related parties of the Moser Shareholders	**0.4**	**0.6**	**0.4**	**1.0**
Interest expense	0.5	—	0.5	—
Dividend paid	—	—	15.0	15.0
Parent companies	**0.5**	**—**	**15.5**	**15.0**
Total related parties	**0.9**	**0.6**	**15.9**	**16.0**

21. Leases

The Group leases its two head-office buildings. The leases run for 15 and 25 years. Previously these leases were classified as operating leases under IAS 17.

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 months ended 30 September 2019:

	Administrative expenses £m	Interest expense £m	Total £m
Depreciation expense of right-of-use assets	0.1	—	0.1
Interest expense on lease liabilities	—	0.1	0.1
Total recognised in the income statement	**0.1**	**0.1**	**0.2**

The below table sets out the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the three months ended 30 September 2019:

	Right-of-use assets – leasehold property £m	Lease liabilities £m
As at 1 July 2019	8.6	(11.0)
Depreciation expense	(0.2)	—
Interest expense on lease liabilities	—	0.0
Payments	—	0.5
As at 30 September 2019	**8.4**	**(10.5)**

The Group had total cash outflows for leases of £0.5m in the three months ended 30 September 2019.

22. 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 30 September 2019, the Group had undrawn commitments to lend of £159.2m (2018: £107.9m). These relate mostly to irrevocable lines of credit granted to 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 £0.1m (2018: £0.1m), and is classified within other liabilities.

The increase in undrawn commitments to lend is driven by an increase in both the Personal Finance and Commercial Finance loan pipeline as at 30 September 2019 compared with 30 September 2018.

23. Events after the reporting date

On 10 October 2019, the Group completed its third residential-mortgage-backed securitisation, Together Asset Backed Securitisation 2019-1 PLC (TABS 3). The transaction successfully raised £315.4m of external funding against a loan portfolio of £332.0m that was 79.0% funded by notes rated as AAA.

On 30 October 2019, the Group refinanced Lakeside ABS increasing the facility size from £255m to £500m and extended its maturity to November 2023.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Group and Company for that period.

In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

Overview of risk management within the Group

The Group's risk framework continues to mature and further progress was made during the year.

There are a number of risks and uncertainties which could have an impact on the Group. To identify and mitigate these risks the Group utilises an enterprise risk-management framework (ERMF). The ERMF, summarised in the diagram below, is overseen by the independent Risk Committee which is a sub-committee of the Board. There is additional focus in the Personal Finance division on specific risks such as compliance risk.

Enterprise risk management framework

The ERMF provides the organisational arrangements and foundation for managing risks in a consistent and structured manner. It sets out the different elements of risk management across the Group and how this is governed.

Risk governance & oversight

The Group Board has overall responsibility for determining the strategic direction of the Group and for creating the environment and structures for risk management to operate effectively. The Board delegates certain responsibilities to committees and the Risk Committee is responsible for oversight of risk management for the Group.

At the operational level, the Group's system of internal controls and risk management uses the "three lines of defence" model. As the first line of defence, business managers identify, manage and own the risks in their respective areas of the business.

The second line of defence ensures the first line of defence is properly designed, implemented and is operating as intended by providing oversight and challenge. This consists of risk and compliance functions which are organisationally separate and independent of the first line of defence.

The third line of defence is provided by the internal audit function. This provides independent assurance reviews covering the internal control framework, risk management framework and governance arrangements operated by the first and second lines of defence.

The key components of the ERMF, as portrayed by the diagram opposite, are described below.

ERMF application and management

The ERMF provides a structured approach to managing the risks the Group faces. Each area of the business is responsible for embedding and applying the ERMF, which includes identifying and assessing the risk and control environment.

Risk appetite

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

Risk appetite is set at a Group level and by risk category. The Board sets the Group's overall risk appetite, and divisional Boards have the flexibility to set their own risk appetites, which in the case of the Personal Finance division may be informed by regulatory requirements, but must also operate within Group limits.

Embedding risk framework, management & compliance

ERMF is an integral part of the Group's organisational processes and activities. Embedding the ERMF is dependent on the commitment of the:

- Group Board and senior management, who set the 'tone at the top';
- Governance committees, that provide oversight and ensure appropriate assignment of risk management responsibilities and resources within the Group; and
- Colleagues, who are required to adhere to the principles of the ERMF and to have a clear understanding of their responsibilities.

Overview of risk management within the Group (continued)

Risk policy framework

There is a risk policy framework which sets out the policy requirements for monitoring and managing the principal risks.

Risk universe

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

External environment

Some events are outside of our control but present risks to future performance, delivery of our existing strategy, or to the Group's business model. These are common to a number of businesses that operate in a similar business environment to us, or have similar operations. Key external risks faced by the business are:

Macroeconomic and political uncertainty
The ongoing uncertainty and lack of clarity as to how and when the UK will exit the European Union is generating adverse economic consequences. Amongst other impacts, Brexit may affect the availability of wholesale funding, reduce customer confidence, increase operating costs, affect property values and impact interest rates (see below).

What we did in 2018/19
The Group undertook stress testing activity to understand how the loan book might perform over a variety of macroeconomic stress scenarios and has in place a suite of early warning indicators which are closely monitored to identify changes in the economic environment.

The Group has extended the maturity dates of a number of funding facilities to ensure the Group is well placed to face any contraction in the wholesale funding market.

The Group has no operations outside of the UK and continues to focus on low LTV lending.

Read more on this in the Operating review.

Group expectations for 2019/20 and direction
The Group expects that there will continue to be uncertainty in the market which will be monitored on a regular basis. The Group continues to manage these risks by maintaining a low LTV, diversified product base, by remaining firmly focused in the UK, and continuing to monitor changes in the economic environment.

Exposure to real estate
The Group has a substantial lending exposure to the residential, buy-to-let, and commercial property sectors. Any property value falls or increase in unemployment may lead to a rising number of defaults or a reduction in the amount recovered in the event of default.

What we did in 2018/19
The Group lends at prudent LTVs at origination to provide protection from falls in house prices. Average origination LTV was 58.0% in 2018/19 (2017/18: 58.0%). Affordability assessments are carried out where appropriate with customers before extending a mortgage offer which reduces the likelihood of the Group needing to exercise its right with regard to the underlying real estate security.

Group expectations for 2019/20 and direction
These risks are expected to remain unchanged in the forthcoming year with the potential for increased downside risk should any exit from the EU take place under a "No Deal" scenario.

Interest rate environment
The low interest rate environment, introduced to stimulate growth following the financial crisis, has persisted for longer than first expected. If interest rates are increased faster than expected, loan servicing costs are likely to increase, which could cause an increase in credit losses.

What we did in 2018/19
The Group conducted specific stress testing on the loan portfolio. The Group maintains strict underwriting criteria which include, where appropriate, stressing affordability under a higher interest rate environment.

Group expectations for 2019/20 and direction
The Group expects that the interest rate outlook will continue to be uncertain in the coming year.

The Group will continue to monitor the external environment and respond to any interest rate rise as appropriate.

External environment (continued)

New entrants and 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.

What we did in 2018/19
The risk of competition has been incorporated into the Group's forward planning process and the external market is regularly monitored.

Furthermore, the Group has a well-established distribution network, a broad product range and a rich pool of experience and skills. The Group also continues to invest in technology and product innovation.

Group expectations for 2019/20 and direction
The Group will continue to monitor the external environment and is confident it can adapt accordingly given experience over many economic cycles and quality of offering, in particular an ability to service quickly customers who fall outside of mainstream lending criteria.

Cyber-crime
Cyber-crime is a significant threat in our increasingly interconnected world and exposes all businesses and in particular financial services companies to financial as well as reputational damage.

What we did in 2018/19
The Group continues to strengthen its defences against cyber-crime, with investment in market-leading tools and investment in the cyber security team during the year.

Group expectations for 2019/20 and direction
The Group expects that this will remain a key risk area in the coming year and the Group will continue to monitor the effectiveness of its defences in mitigating the risk of cyber attacks.

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

Furthermore, the FCA has been looking closely at the non-standard lending sectors.

What we did in 2018/19
Change in FCA regulation is monitored by the Personal Finance Compliance team. This monitoring process has included an assessment of developments as they arise from the FCA's Mortgage Market Study.

The Personal Finance division has progressed with the implementation of the FCA's Senior Managers and Certification Regime (SM&CR) which will apply from 9 December 2019.

The Group has also reviewed data handling processes to ensure the Group continues to comply with General Data Protection Regulation (GDPR) introduced in 2018.

Group expectations for 2019/20 and direction
The Group expects that this will continue to be a key focus area.

The compliance function will continue to monitor proposed changes to the regulatory landscape for emerging changes in regulation, to assess the potential impact of any changes, and adapt procedures and processes accordingly.

In addition, the Personal Finance division will finalise the implementation of SM&CR during the coming year.

External environment (continued)

Claims management companies (CMCs)
As evidenced in recent well-publicised cases, concerted efforts by CMCs can lead to a significant increase in the level of legal claims or complaints being received, whether these end up being settled or rejected.

What we did in 2018/19
During the year, the Group has seen an increase in the level of claims and complaints received from CMCs. The Group evaluates the merits of each claim individually and determines an appropriate course of action.

Group expectations for 2019/20 and direction
The Group expects activity from CMCs to continue in the coming year. FCA regulation of CMCs may reduce the number of CMCs along with raising the standards and practices.

Principal risks and uncertainties

The directors have identified the following as the principal risks and uncertainties facing the business. These are typical of the categories of risk traditionally identified by organisations operating in the financial services sector and are impacted by the matters detailed in the previous section. Each risk listed below is discussed in further detail throughout the remainder of this report:

- Strategic risk
- Credit risk[1]
- Liquidity and funding risk[1]
- Market risk[1]
- Capital risk[1]
- Operational risk
- Conduct risk
- Compliance risk

Strategic risk

Strategic risk is the risk of failure to achieve objectives that impact the long term interest of stakeholders, or from an inability to adapt to the external environment.

The Group's strategy is detailed on pages 12 and 13.

Strategic risk is managed and mitigated by:

- Regular Board oversight of the Group's strategy, including monitoring of financial and non-financial performance indicators.
- Identification of areas of the market where customers value our common-sense lending and a relationship-based approach.
- Listening to customers to learn how we can improve their experience and increase customer advocacy.
- Evaluation of opportunities to further incorporate technology into business processes to make the customer experience better and/or improve operational efficiency.
- Assessment and consideration of broader global and UK macroeconomic environment and key industry drivers.
- Periodic benchmarking to our peer group.
- Regular review and dissemination of market and competitor developments including product evolution, merger and acquisition activity and wider corporate developments.
- Ongoing monitoring of the funding markets in which we are active, including securitisation and high yield bond markets.
- Ongoing Board review of the Group's risk appetite, risk exposure and mitigation.
- Sensitivity and stress testing analysis are carried out against the loan book and business plans.
- Maintenance of a prudent statement of financial position with diversity of mix and tenor of funding structures, and closely monitored gearing levels.
- Annual budget process, with a 12-18 month outlook, which aligns with the Group's objectives.
- Delivery of significant change programmes and projects by a dedicated change delivery department in accordance with the Group's 'Change Delivery Framework'.

Credit risk

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

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1 This section forms part of the IFRS 7 disclosures in respect of the financial statements on pages 66 to 99.

Principal risks and uncertainties (continued)

Credit risk (continued)

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

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

Credit risk is managed and mitigated by:

- The Group's comprehensive underwriting procedures, which have regard to creditworthiness, specifically affordability levels, repayment strategies and property LTV ratios.
- Conservative LTVs are targeted across all products, providing mitigation to the risk of credit losses arising in the event of default and protection from the risk of falling collateral values.
- Customer affordability models are utilised by the Group where appropriate, and are tailored to the customer and loan type.
- Monitoring of customer performance throughout the life of the loan, with regard to arrears, proactive collections strategies, application of forbearance measures, and macroeconomic sensitivity analysis.
- Macroeconomic sensitivity analysis of the loan book.
- Continuing to focus lending on areas of the market where the Group has specific expertise.
- Monitoring of the characteristics of the loan portfolio, including geographical concentration and LTV.
- Oversight by the Executive Risk Committee of comprehensive credit risk data to enable an assessment of position versus risk appetite, which has been developed further during the year.
- Measuring and monitoring credit quality for impairment purposes from 1 July 2018 using a suite of IFRS 9 models. Our detailed disclosures in respect of IFRS 9 credit modelling are included within Notes 2, 3 and 14 to the financial statements.

The Group's Executive Risk Committee provides oversight and monitoring of credit risk and Board oversight is performed by the Risk Committee.

The Group cost of risk[2] remains low at 45bps (2018: 43bps) reflecting the rigorous underwriting process and current levels of arrears. The heightened uncertainty for the UK economy, with the impending departure from the EU has increased the possibility of a downturn; however, low average LTV provides the Group with significant mitigation against credit loss.

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2 Refer to appendix for definitions and calculations

Principal risks and uncertainties (continued)

Credit risk (continued)

Maximum exposure to credit risk

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

Audited	Note	2019 £m IFRS 9	2018 £m IAS 39
Included within the statement of financial position:			
Gross customer balances		**3,774.8**	3,031.4
Unsecured loans		**0.3**	0.8
Accounting adjustments		**(13.6)**	(12.2)
Less: allowance for impairment	14	**(67.0)**	(61.8)
Loans and advances to customers	14	**3,694.5**	2,958.2
Cash and cash equivalents	13	**120.2**	74.3
Derivative assets held for risk management	15	**0.1**	—
Amounts owed by related parties	17	**0.7**	0.5
Other debtors	17	**0.9**	0.9
		3,816.4	3,033.9
Not included within the statement of financial position:			
Commitments to lend (net of ECL)	31	**153.7**	107.6
Maximum exposure to credit risk		**3,970.1**	3,141.5

Cash and cash equivalents are primarily surplus cash placed overnight with institutions with sufficiently high credit ratings. The Group's material credit risk therefore relates to loans and advances to customers.

An impairment allowance is held against the gross exposures on loans and advances to customers. Prior to 1 July 2018, this was measured on an incurred loss basis under IAS 39. Since 1 July 2018, this has been measured on an expected credit loss basis under IFRS 9. Further details on the Group's expected credit loss methodology, and the movement in impairment losses through the year are shown in Notes 2, 3 and 14 to the financial statements.

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

Collateral held

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

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

	2019 £m	2019 % of gross customer balances	2018 £m	2018 % of gross customer balances
60% or less	**2,191.4**	**58.0%**	1,712.7	56.5%
61–85%	**1,453.1**	**38.5%**	1,176.1	38.8%
86–100%	**89.8**	**2.4%**	97.8	3.2%
Greater than 100%	**40.5**	**1.1%**	44.8	1.5%
Gross customer balances	**3,774.8**	**100.0%**	**3,031.4**	**100.0%**

Of the gross customer balances at 30 June 2019, 96.5% (30 June 2018: 95.3%) of loans had an indexed LTV of less than or equal to 85%.

Principal risks and uncertainties (continued)

Credit risk (continued)

Concentration of credit risk

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

	2019 %	2018 %
East Anglia	**2.5**	2.7
East Midlands	**3.2**	3.5
Ireland	**0.1**	0.1
London	**28.3**	28.9
North East	**1.7**	1.4
North West	**14.8**	15.3
Scotland	**4.4**	4.5
South East	**19.2**	18.5
South West	**7.3**	6.9
Wales	**3.8**	3.9
West Midlands	**8.2**	7.5
Yorks & Humber	**6.5**	6.8
Gross customer balances	**100.0**	**100.0**

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

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

	2019 %	2018 %
Up to £50,000	**11.8**	14.7
£50,000–£100,000	**15.8**	16.4
£100,000–£250,000	**22.0**	21.1
£250,000–£500,000	**14.8**	13.9
£500,000–£1,000,000	**9.8**	9.8
£1,000,000–£2,500,000	**11.8**	10.8
More than £2,500,000	**14.0**	13.3
Gross customer balances	**100.0**	**100.0**

Whilst the Group's exposure to loans in excess of £2.5m has increased since the prior year, 88.3% (30 June 2018: 91.3%) of these loans have an LTV of under 85% at 30 June 2019.

Forbearance

The Group offers forbearance to assist customers who are experiencing financial distress. Assistance is provided through trained colleagues in dedicated teams. As a result of undertaking internal reviews, within the regulated division, instances have been identified where, for certain customers in arrears the outcome may have been improved if different forbearance tools had been applied. Further details in respect of this matter can be found in the Conduct risk section of this report and in Note 28 to the financial statements. For those customers requiring additional assistance the Group works with a number of external not for-profit agencies.

Liquidity and funding risk

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

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

Principal risks and uncertainties (continued)

Liquidity and funding risk (continued)

Based on the business model of funding primarily via securitisation programmes and bond markets, the Board has set a liquidity risk appetite and closely monitors exposure to funding risk. This provides the Board with the assurance that the Group is able to meet its liabilities and commitments when they fall due, and holds sufficient headroom, with acceptable depth of maturity, to support anticipated loan book growth. Liquidity and funding, and capital risk (see page 58) are closely related given capital provides the necessary subordination to each of the facilities, which in turn provide liquidity.

Liquidity risk is managed and mitigated by:

- Close monitoring of liquidity risk against limits and triggers to ensure early identification of any liquidity stress.
- Regular stress testing, including on a forecast basis to test the ability of the Group to meet its obligations under normal and stressed conditions. During the year the Group agreed a set of stress scenarios which are modelled and monitored against a 150-day survival period.
- Reporting of management information which includes a range of additional quantitative measures of liquidity risk.
- Closely managing total liquidity resources, including cash, redemption cashflows, access to funding from securitisations and access to a revolving credit facility.
- Forecasting of expected cash inflows and outflows and monitoring of actual cashflows.
- Only placing surplus cash balances on overnight deposit ensuring they remain immediately available.

Funding risk is managed and mitigated by:

- The utilisation of a range of medium to long-term funding sources.
- Diversification of funding sources.
- Maintenance of prudent headroom in facilities.
- Maintenance of depth of maturity through regular new issuances and timely refinancing of existing sources of funding.
- Undertaking funding stress tests of our ability to withstand the emergence of risks under normal and stressed conditions.

The Group's Asset and Liability Committee (ALCO) provides oversight and monitoring of liquidity and funding risk and Board oversight is performed by the Risk Committee.

The Group's funding position was strengthened during the year with a number of treasury transactions, including a second RMBS for the Group – Together ABS 2, raising £272.6m on a loan portfolio of £286.9m. The Group repaid the Delta ABS 1 facility of £90m, replacing it with a £200m revolving facility, Delta ABS 2. The Group refinanced Charles Street ABS during the year, increasing the facility from £1bn to £1.25bn, and added mezzanine funding to the structure to improve its capital efficiency. An overview of the Group's sources of funding can be seen on pages 18 and 19.

Principal risks and uncertainties (continued)

Liquidity and funding risk (continued)

The following is an analysis of the gross undiscounted contractual cash flows payable on our financial liabilities, including expected future interest payments.

Audited 30 June 2019	**Carrying value £m**	**Repayable on demand and up to 1 year £m**	**1–2 years £m**	**2–5 years £m**	**More than 5 years £m**	**Total £m**
Bank facilities	55.0	2.2	57.3	—	—	59.5
Loan notes	2,221.5	153.7	339.7	2,186.5	—	2,679.9
Senior secured notes	726.8	44.9	44.9	801.0	—	890.8
Obligations under finance leases	0.8	0.5	0.3	—	—	0.8
Subordinated shareholder loans	27.1	—	—	—	68.1	68.1
	3,031.2	**201.3**	**442.2**	**2,987.5**	**68.1**	**3,699.1**
Debt issue costs	(15.5)	—	—	—	—	—
Borrowings	**3,015.7**	**201.3**	**442.2**	**2,987.5**	**68.1**	**3,699.1**
Trade creditors	1.9	1.9	—	—	—	1.9
Other creditors	2.7	2.7	—	—	—	2.7
Commitments to lend	—	153.8	—	—	—	153.8
	3,020.3	**359.7**	**442.2**	**2,987.5**	**68.1**	**3,857.5**

Audited 30 June 2018	**Carrying value £m**	**Repayable on demand and up to 1 year £m**	**1–2 years £m**	**2–5 years £m**	**More than 5 years £m**	**Total £m**
Bank facilities	30.7	6.7	1.0	26.1	—	33.8
Loan notes	1,526.7	95.3	92.0	1,608.0	—	1,795.3
Senior secured notes	727.4	45.0	45.0	474.9	374.0	938.9
Obligations under finance leases	1.1	0.4	0.5	0.2	—	1.1
Subordinated shareholder loans	25.1	—	—	—	68.1	68.1
	2,311.0	**147.4**	**138.5**	**2,109.2**	**442.1**	**2,837.2**
Debt issue costs	(19.9)	—	—	—	—	—
Borrowings	**2,291.1**	**147.4**	**138.5**	**2,109.2**	**442.1**	**2,837.2**
Trade creditors	1.2	1.2	—	—	—	1.2
Other creditors	2.5	2.5	—	—	—	2.5
Commitments to lend	—	107.6	—	—	—	107.6
	2,294.8	**258.7**	**138.5**	**2,109.2**	**442.1**	**2,948.5**

The weighted average maturity of the Group's borrowings is 3.6 years at 30 June 2019 (30 June 2018: 3.5 years).

Market risk

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

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

Interest rate risk is managed and mitigated by:

- Monitoring against risk appetite. During the year the Group defined triggers and limits for the measurement of interest rate risk.
- Regular monitoring of interest rate risk exposure, including a forward-looking view which incorporates new business assumptions and expected redemptions.

Principal risks and uncertainties (continued)

Market risk (continued)

- Closely monitoring the impact of a range of possible interest rate changes on the Group's performance and strategy.
- Undertaking hedging transactions as appropriate.

The Group's Asset and Liability Committee (ALCO) provides oversight and monitoring of interest rate risk and Board oversight is performed by the Risk Committee.

The table below sets out the annualised impact on profit before tax of a 0.5% immediate shift in interest rates, based on the interest rates prevalent at the year end.

	2019 £m	2018 £m
0.5% increase	**7.1**	6.6
0.5% decrease	**(7.1)**	(6.6)

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

Capital risk

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

Regulatory capital requirements must also be met at all times within certain of the Group's subsidiaries.

The Board has set a capital risk appetite which it considers to be appropriate to provide it with assurance that the Group is able to maintain a prudent and sustainable capital position providing a long term foundation for the business.

Current and forecast levels of Group capital, including the gearing ratio, are monitored and reported to the Board on a regular basis. Total shareholder funds[1] increased by £52.9m over the year (2018: £85.4m). The net debt gearing ratio[1] has increased to 78.0% at 30 June 2019 (30 June 2018: 74.6%) as a result of introducing more capital efficient funding facilities. For example, the Group issued a second RMBS obtaining funding of £272.6m (Together ABS 2) during the year. This issuance increased the capital efficiency of the Group and also provided funding at a lower cost, when compared to how the same loans were funded prior to the issuance.

Capital risk is managed and mitigated by:

- Regular monitoring of current and forecast levels of capital, including the gearing ratio.
- Continuous monitoring of the required regulatory capital requirements within relevant subsidiaries and the actual levels projected.
- Business planning over a horizon of 12-18 months to ensure the business continues to trade profitably, to grow retained earnings and provide the capital to support future growth.
- Reviewing the level of gearing within securitisation facilities, and seeking to manage these when refinancing to maximise the Group's capital efficiency whilst ensuring sufficient capital is available to support the facilities and mitigate refinancing risk.

The Group's ALCO provides oversight and monitoring of capital risk and Board oversight is performed by the Risk Committee.

[1] Refer to appendix for definitions and calculations

Principal risks and uncertainties (continued)

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes conduct and compliance risk and the associated reputational damage that can arise, but given their significance, these risks are classified as principal risks in their own right.

Operational risk is managed and mitigated by:

- A framework of systems, controls, policies and procedures.
- Frameworks to recruit, train and retain sufficient skilled personnel.
- Utilising a Risk and Control Self-Assessment (RCSA) approach to identify, manage and monitor key operational risks.
- A documented and tested business continuity plan.
- A specialist business change team dedicated to managing the change projects the business is undertaking.
- IT infrastructure, which is sufficiently resilient.
- Investment in cyber risk prevention systems, resulting in a mature cyber security capability which includes:
    - A dedicated cyber security team focused on prevention and detection.
    - Top tier industry standard tools for both anti-virus and firewalls, using multiple vendors used to maximise protection.
    - Market leading detection tools, continually monitoring the IT network and data.
    - Full penetration testing for externally facing networks.
    - Encryption of all mobile devices.

The Group's Executive Risk Committee (ERC) provides oversight and monitoring of operational risk and Board oversight is performed by the Risk Committee.

Conduct risk

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

This risk can arise from inadequate systems, procedures and product design, inappropriate terms and conditions, failure to recognise the needs of all customers, particularly vulnerable customers, and the risk that complaints are not managed in a fair, transparent and timely way, leading to poor customer outcomes. Failure to manage this risk sufficiently could result in reputational damage, regulatory sanction, remediation programmes, and impact the Group's operating model.

Conduct risk is managed and mitigated by:

- The communication of the Group's 'Beliefs' set by the Board, which define our organisational culture and focus on colleague conduct, respect, accountability and customer experience.
- Annual training and awareness sessions for colleagues, for example training to identify factors which may indicate that a customer is vulnerable.
- Simple and transparent product design. Products are approved through a 'Product Governance framework' with a focus on customer needs.
- Adherence to a system of processes and controls which mitigate conduct risk including monitoring and reporting against risk appetite.
- Identifying and supporting customers when things go wrong, for example, through forbearance and complaint handling.

Principal risks and uncertainties (continued)

Conduct risk (continued)

- Root cause analysis of complaints or failings, focusing on continuous improvement aiming to identify where we could improve the outcome for customers.
- Quality assurance frameworks.

The Group's Executive Risk Committee provides oversight and monitoring of conduct risk and Board oversight is performed by the Risk Committee. This is mirrored by the Personal Finance division's governance arrangements, while oversight for the Commercial Finance division is provided by its Board.

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

As a result of undertaking internal reviews within the regulated division, instances have been identified where some past written communications with customers should have been clearer and more complete, and other instances where, for certain customers in arrears the outcome may have been improved if different forbearance tools had been applied. The FCA has been notified of these matters, and a plan has been proactively developed by the Personal Finance division and communicated to the FCA as part of ongoing dialogue on this matter.

The Group is committed to delivering good customer outcomes and has already taken steps to improve these written customer communications. Quality assurance processes have been enhanced in relation to the selection of the most appropriate forbearance measures and additional training has been provided for some customer-facing colleagues to support them in selecting the most appropriate forbearance for our customers. Further evaluation of these findings is underway, and the Personal Finance division has appointed an experienced third-party to support this activity, with a view to identifying any instances where customers have been adversely affected. Upon completion of this assessment it will be possible to determine any appropriate action required.

Disclosures in respect of this can be found in Note 28 to the financial statements.

Compliance risk

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

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

Compliance risk is managed and mitigated by:

- Quality assurance reviews in operational areas with oversight provided by experienced risk and compliance departments.
- Independent monitoring reviews undertaken by second-line teams.
- Continued investment in staff training and awareness.
- Delivery of significant regulatory initiatives with the support of a dedicated change delivery department and in accordance with the Group's 'Change Delivery Framework'.
- Simple and transparent product design. Products are approved through a 'Product Governance framework' with a focus on customer needs.
- Monitoring of compliance with legal obligations by an in-house legal department.
- Continued activities to embed the requirements of GDPR within the business.
- Undertaking and evaluating the impact of the EU Securitisation Regulation which came into force during the year.
- Horizon scanning and impact assessments of potential regulatory and legal change.

Principal risks and uncertainties (continued)

Compliance risk (continued)

The FCA is currently conducting a thematic review of long-term arrears in the second charge market. In addition, the FCA's Business Plan for 2019/20 also highlights a number of areas of focus, including SM&CR implementation for financial services businesses, and for the retail lending sector they have identified business models that drive unaffordable lending as a priority area. The compliance function monitors all regulatory developments, including the matters identified by the FCA in their business plan.

The Group's Executive Risk Committee (ERC) provides oversight and monitoring of compliance risk and Board oversight is performed by the Risk Committee.

This is mirrored by the Personal Finance division's governance arrangements, while oversight of compliance risk applicable to the Commercial Finance division is provided by its Board.

Independent auditor's report

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

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Together Financial Services Limited (the 'company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and company statements of financial position;
- the consolidated and company statements of changes in equity;
- the consolidated and company statements of cash flows;
- the statement of accounting policies;
- the disclosures in the 'Principal Risks and Uncertainties' section of the Risk Management report on pages 52 to 60 of the Annual Report and Consolidated Financial Statements that are denoted as forming part of the financial statements and cross-referenced to from within the statement of accounting policies; and
- the related Notes 1 to 32.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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

Report on the audit of the financial statements (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

Report on other legal and regulatory requirements (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

Use of our report

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

David Heaton (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom
5 September 2019

Consolidated statement of comprehensive income
Year ended 30 June 2019
All amounts are stated in £m

Income statement	Note	2019	2018
Interest receivable and similar income	4	**343.1**	292.2
Interest payable and similar charges	5	**(116.8)**	(92.8)
Net interest income		**226.3**	199.4
Fee and commission income	6	**4.4**	4.7
Fee and commission expense	7	**(2.3)**	(2.1)
Other income	8	**0.1**	0.4
Operating income		**228.5**	202.4
Administrative expenses	9	**(82.8)**	(69.3)
Operating profit		**145.7**	133.1
Impairment losses	14	**(15.4)**	(11.4)
Profit before taxation		**130.3**	121.7
Income tax	12	**(18.6)**	(15.3)
Profit after taxation		**111.7**	106.4
Other comprehensive expense			
Items that may be reclassified to the income statement			
Net change in time value of cashflow hedges		**(0.2)**	—
Other comprehensive expense for the year, net of tax		**(0.2)**	—
Total comprehensive income for the year		**111.5**	106.4

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

Consolidated statement of financial position
As of 30 June 2019
All amounts are stated in £m

	Note	2019	2018
Assets			
Cash and cash equivalents	13	**120.2**	74.3
Loans and advances to customers	14	**3,694.5**	2,958.2
Derivative assets held for risk management	15	**0.1**	—
Inventories	16	**0.6**	0.6
Other assets	17	**4.8**	4.3
Investments		**0.1**	0.1
Property, plant and equipment	19	**5.4**	6.3
Intangible assets	20	**8.8**	8.3
Deferred tax asset	21	**7.5**	1.4
Total assets		**3,842.0**	3,053.5
Liabilities			
Current tax liabilities		**8.7**	6.3
Borrowings	22	**3,015.7**	2,291.1
Other liabilities	23	**54.8**	44.2
Total liabilities		**3,079.2**	2,341.6
Equity			
Share capital	24	**9.8**	9.8
Share premium account		**17.5**	17.5
Merger reserve		**(9.6)**	(9.6)
Capital redemption reserve		**1.3**	1.3
Subordinated shareholder funding reserve	22	**41.0**	43.0
Share-based payment reserve	30	**1.6**	1.6
Cost of hedging reserve		**(0.2)**	—
Retained earnings		**701.4**	648.3
Total equity		**762.8**	711.9
Total equity and liabilities		**3,842.0**	3,053.5

These financial statements were approved and authorised for issue by the Board of Directors on 5 September 2019.

Company Registration No. 02939389.

Signed on behalf of the Board of Directors

HN Moser
Director

J Lowe
Director

Company statement of financial position
As of 30 June 2019
All amounts are stated in £m

	Note	2019	2018
Assets			
Cash and cash equivalents		**34.2**	0.1
Amounts owed by subsidiaries	17	**1,291.9**	1,326.0
Other assets	17	**0.1**	0.1
Investments in subsidiaries	18	**25.3**	25.3
Total assets		**1,351.5**	1,351.5
Liabilities			
Borrowings	22	**81.8**	49.6
Amounts owed to subsidiaries	23	**738.3**	737.9
Other liabilities	23	**0.4**	0.9
Total liabilities		**820.5**	788.4
Equity			
Share capital	24	**9.8**	9.8
Share premium account		**17.5**	17.5
Capital redemption reserve		**1.3**	1.3
Subordinated shareholder funding reserve	22	**41.0**	43.0
Share-based payment reserve	30	**1.6**	1.6
Retained earnings		**459.8**	489.9
Total equity		**531.0**	563.1
Total equity and liabilities		**1,351.5**	1,351.5

Together Financial Services Limited (the Company) reported a loss after tax for the year ended 30 June 2019 of £2.2m (2018: £2.1m loss). As permitted by section 408 of the Companies Act 2006, no separate statement of comprehensive income is presented in respect of the Company.

These financial statements were approved and authorised for issue by the Board of Directors on 5 September 2019.

Company Registration No. 02939389.

Signed on behalf of the Board of Directors

HN Moser
Director

J Lowe
Director

Consolidated statement of changes in equity
Year ended 30 June 2019
All amounts are stated in £m

2019	Called-up share capital	Share premium	Merger reserve	Capital redemption reserve	Subordinated shareholder funding reserve	Share-based payment reserve	Cost of hedging reserve	Retained earnings	Total
At beginning of year	**9.8**	**17.5**	**(9.6)**	**1.3**	**43.0**	**1.6**	**—**	**648.3**	**711.9**
Changes on initial application of IFRS 9	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(30.7)**	**(30.7)**
Restated balances at beginning of year	**9.8**	**17.5**	**(9.6)**	**1.3**	**43.0**	**1.6**	**—**	**617.6**	**681.2**
Retained profit for the financial year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**111.7**	**111.7**
Transfer between reserves	**—**	**—**	**—**	**—**	**(2.0)**	**—**	**—**	**2.0**	**—**
Change in time value of cash flow hedge	**—**	**—**	**—**	**—**	**—**	**—**	**(0.2)**	**—**	**(0.2)**
Dividend	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(29.9)**	**(29.9)**
At end of year	**9.8**	**17.5**	**(9.6)**	**1.3**	**41.0**	**1.6**	**(0.2)**	**701.4**	**762.8**

Adjustments on transition to IFRS 9 are set out in Note 2 to the financial statements.

2018	Called-up share capital	Share premium	Merger reserve	Capital redemption reserve	Subordinated shareholder funding reserve	Share-based payment reserve	Cost of hedging reserve	Retained earnings	Total
At beginning of year	9.8	17.5	(9.6)	1.3	44.9	1.6	—	562.9	628.4
Retained profit for the financial year	—	—	—	—	—	—	—	106.4	106.4
Transfer between reserves	—	—	—	—	(1.9)	—	—	1.9	—
Dividend	—	—	—	—	—	—	—	(22.9)	(22.9)
	9.8	17.5	(9.6)	1.3	43.0	1.6	—	648.3	711.9

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

Company statement of changes in equity
Year ended 30 June 2019
All amounts are stated in £m

2019	**Called-up share capital**	**Share premium**	**Capital redemption reserve**	**Subordinated shareholder funding reserve**	**Share-based payment reserve**	**Retained earnings**	**Total**
At beginning of year	**9.8**	**17.5**	**1.3**	**43.0**	**1.6**	**489.9**	**563.1**
Retained loss for the financial year	**—**	**—**	**—**	**—**	**—**	**(2.2)**	**(2.2)**
Transfer between reserves	**—**	**—**	**—**	**(2.0)**	**—**	**2.0**	**—**
Dividend	**—**	**—**	**—**	**—**	**—**	**(29.9)**	**(29.9)**
At end of year	**9.8**	**17.5**	**1.3**	**41.0**	**1.6**	**459.8**	**531.0**

2018	**Called-up share capital**	**Share premium**	**Capital redemption reserve**	**Subordinated shareholder funding reserve**	**Share-based payment reserve**	**Retained earnings**	**Total**
At beginning of year	9.8	17.5	1.3	44.9	1.6	513.0	588.1
Retained profit for the financial year	—	—	—	—	—	(2.1)	(2.1)
Transfer between reserves	—	—	—	(1.9)	—	1.9	—
Dividend	—	—	—	—	—	(22.9)	(22.9)
At end of year	9.8	17.5	1.3	43.0	1.6	489.9	563.1

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

Consolidated statement of cash flows
Year ended 30 June 2019
All amounts are stated in £m

	Note	2019	2018
Cash outflow from operating activities			
Cash outflow from operations	26	**(505.3)**	(495.5)
Income tax paid		**(15.9)**	(15.3)
Servicing of finance		**(112.1)**	(87.6)
Net cash outflow from operating activities		**(633.3)**	(598.4)
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(1.0)**	(3.3)
Proceeds from disposal of property, plant and equipment		**0.1**	0.1
Investment in intangible assets		**(3.2)**	(5.9)
Net cash outflow from investing activities		**(4.1)**	(9.1)
Cash flows from financing activities			
Drawdown of bank facilities		**30.0**	30.7
Repayment of bank facilities		**(5.7)**	—
Drawdown of loan notes		**506.6**	403.1
Proceeds from issuance of loan notes		**272.6**	426.3
Repayment of loan notes		**(90.0)**	(415.0)
Proceeds from issuance of senior secured notes		**—**	152.4
(Decrease)/increase in finance leases		**(0.3)**	0.5
Dividends paid		**(29.9)**	(22.9)
Net cash inflow from financing activities		**683.3**	575.1
Net increase/(decrease) in cash and cash equivalents		**45.9**	(32.4)
Cash and cash equivalents at beginning of year		**74.3**	106.7
Cash and cash equivalents at end of year	13	**120.2**	74.3

At 30 June 2019 cash and cash equivalents include £97.6m (2018: £74.3m; 2017: £72.1m) of restricted cash (see Note 13).

Movements in balances are stated after adjustments on transition to IFRS 9, as set out in Note 2 to the financial statements.

Company statement of cash flows
Year ended 30 June 2019
All amounts are stated in £m

	Note	2019	2018
Cash inflow/(outflow) from operating activities			
Cash inflow from operations	26	**92.4**	24.6
Servicing of finance		**(58.4)**	(48.8)
Net cash inflow/(outflow) from operating activities		**34.0**	(24.2)
Cash flows from financing activities			
Drawdown of bank facilities		**30.0**	25.0
Dividends paid		**(29.9)**	(22.9)
Net cash inflow from financing activities		**0.1**	2.1
Net increase/(decrease) in cash and cash equivalents		**34.1**	(22.1)
Cash and cash equivalents at beginning of year		**0.1**	22.2
Cash and cash equivalents at end of year		**34.2**	0.1

Notes to the financial statements

1. Reporting entity and general information

Together Financial Services Limited is incorporated and domiciled in the UK. The Company is a private company, limited by shares, and is registered in England (company number: 02939389). These financial statements are prepared for Together Financial Services Limited and its subsidiaries under the Companies Act 2006. The registered address of the Company is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW. The consolidated financial statements comprise Together Financial Services Limited and its subsidiaries (the Group).

2. Significant accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current year and the preceding year unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

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

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

These financial statements have been prepared on the historical cost basis, except for derivative financial instruments and other long-term employee benefits which are stated at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Presentation of risk disclosures

Disclosures under IFRS 7 *Financial Instruments: Disclosures* concerning the nature and extent of risks relating to financial instruments have been presented within the sections denoted as forming part of these financial statements in the 'Principal risks and uncertainties' section of the Risk Management report.

Adoption of new accounting standards, amendments and interpretations

IFRS 9 Financial Instruments

The Group has adopted IFRS 9 Financial Instruments issued by the IASB in July 2014 with a date of application of 1 July 2018. The adoption of IFRS 9 represents a significant change from the requirements of IAS 39 Financial instruments: recognition and measurement, and has resulted in changes in our accounting policies for recognition, classification and measurement of financial instruments and the impairment of financial assets. It also significantly amends the disclosures relating to financial instruments.

Classification of financial instruments

IFRS 9 has replaced the classification categories of IAS 39, determining the appropriate classification of financial instruments based on the business model in which the assets are managed and the nature of the contractual cash flows, specifically whether they represent solely payments of principal and interest (SPPI). In practice this change has no effect for the Group as all of its financial instruments continue to be held at amortised cost.

Measurement of financial instruments and impairment of financial assets

IFRS 9 introduced a significant change in measurement of financial instruments, relating to non-substantial modifications of liabilities. Under IAS 39, the Group's policy for such modifications was to defer any

2. Significant accounting policies (continued)

Adoption of new accounting standards, amendments and interpretations (continued)

related transaction costs as adjustments to carrying value that were charged to income over the liability's remaining life. Under IFRS 9 however, gains or losses on non-substantial modifications are recognised immediately in the income statement and the Group also considers qualitative factors in determining whether a modification is substantial.

The most significant impact of IFRS 9 for the Group relates to the impairment of financial instruments. IFRS 9 replaces the 'incurred loss' model of IAS 39 with an 'expected loss' model that also applies to loan commitments. IFRS 9 therefore recognises credit losses earlier than IAS 39.

Transition to IFRS 9

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. The Group has taken advantage of the exemptions allowing it not to restate comparative years. Differences in the carrying amounts of financial instruments resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 July 2018. Accordingly, the information presented for the previous financial year does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for the current year under IFRS 9.

Reconciliation of statement of financial position from IAS 39 to IFRS 9

The only financial instruments affected by transition from IAS 39 to IFRS 9 are loans and advances to customers and borrowings. The following table reconciles the remeasurement changes in their carrying amounts together with the impact on deferred tax and retained earnings on 1 July 2018 (all amounts measured in £m):

	IAS 39 30 June 2018	Expected credit losses	Modification of financial liabilities	Total impact of adoption of IFRS 9	IFRS 9 1 July 2018
Loans and advances to customers	2,958.2	(31.5)	—	(31.5)	2,926.7
Borrowings	(2,291.1)	—	(5.6)	(5.6)	(2,296.7)
Deferred tax asset	1.4	5.4	1.0	6.4	7.8
Total equity impact		**(26.1)**	**(4.6)**	**(30.7)**	
Total equity	**711.9**	**(26.1)**	**(4.6)**	**(30.7)**	**681.2**

In addition, on transition to IFRS 9, loans and advances to customers of £19.3m that were fully impaired were written off, with no net impact on amortised cost.

The accounting policies for the recognition, classification and measurement of financial instruments under IFRS 9 are detailed later in this Note.

IFRS 15

IFRS 15 was issued in May 2014 and is effective for annual periods beginning on or after 1 January 2018. The effects of IFRS 15 are deemed to be immaterial for the Group, as the majority of income will be recognised in accordance with IFRS 9.

Going concern

The directors have assessed, in the light of current and anticipated economic conditions, the Group's ability to continue as a going concern. The directors confirm they are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going-concern basis for preparing these accounts.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;

2. Significant accounting policies (continued)

Basis of consolidation (continued)

- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Negative goodwill is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill arising on acquisitions in the year ended 30 June 1998 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by IFRS the goodwill previously written off has not been reinstated in the statement of financial position.

Merger accounting has continued to be used on transition to IFRS for the consolidation of the following subsidiaries:

- Together Commercial Finance Limited
- Together Personal Finance Limited
- Blemain Finance Limited
- FactFocus Limited
- Harpmanor Limited
- Jerrold Mortgage Corporation Limited
- Supashow Limited

Under this method any goodwill arising on consolidation is treated as a reduction in reserves.

On disposal or closure of a previously acquired business, the attributable amount of goodwill, including that previously written off to reserves, is included in determining the profit or loss on disposal.

Operating segments

The Group's only listed financial instruments are issued by a subsidiary, Jerrold Finco PLC, and the securitisations which are consolidated in the Group results, rather than the parent Company, Together Financial Services Limited. The Group is therefore outside the scope of IFRS 8, Operating Segments, and accordingly does not disclose segmental information in these financial statements.

Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all financial instruments measured at amortised cost using the effective interest method. The effective interest method calculates the amortised cost of a financial asset or a financial liability and allocates the interest income or interest expense over the expected life of the instrument. The effective interest rate is the rate that, at inception of the instrument, discounts its estimated future cash payments or receipts to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Group takes into account all contractual terms of the financial instrument but does not consider future credit losses except for

2. Significant accounting policies (continued)

Interest income and expense (continued)

credit-impaired assets. For credit-impaired assets a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses. The calculation includes all fees, transaction costs and other premiums or discounts that relate to the origination of the instrument.

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

Fee and commission income and expense

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

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

Leases

The Group as lessee

Assets held under finance leases which confer rights and obligations similar to those attached to owned assets are capitalised as tangible fixed assets and depreciated over the shorter of the lease terms and their useful lives. The capital element of future lease obligations is recorded within liabilities, while the interest element is charged to the income statement over the period of the leases to produce a constant rate of interest on the balance of capital repayments outstanding.

Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term and the related assets are not recognised in the statement of financial position.

The Group as lessor

Rentals received under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Pension benefits

During the period the Group operated a defined contribution scheme and made contributions to employees' personal pension plans.

The amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year to Group pension plans and personal pension schemes. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Share-based payments

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

The cost of providing the options is charged to the income statement over the vesting period of the related options. The corresponding credit is made to a share-based payment reserve within equity.

In the Company's financial statements the grant by the parent of options over its equity instruments to the employees of subsidiary undertakings is treated as an investment in subsidiaries. The fair value of services received, measured by reference to the fair value at the date of grant, is recognised over the vesting period as an increase in investments in subsidiary undertakings, with a corresponding credit to the share-based payment reserve within equity.

2. Significant accounting policies (continued)

Share-based payments (continued)

The cost of options is based on their fair value, determined using a Black-Scholes pricing model. The value of the charge is adjusted at each reporting date to reflect lapses and expected or actual levels of vesting, with a corresponding adjustment to the share-based payment reserve.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

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

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of the assets and liabilities in the financial statements and the corresponding amounts used for taxation purposes, and is accounted for using the balance sheet liability method. Deferred tax assets and liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Group intends to settle its current tax assets and liabilities on a net basis.

Cash and cash equivalents

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

Where cash is not freely available for the Group to use for its general purposes, it is disclosed as restricted cash; this includes cash collected in the securitisation vehicles prior to paying down loan notes.

Changes in accounting policy

During the year, cash which is restricted within securitisation vehicles has been reclassified from borrowings to cash and cash equivalents. As such, prior year comparatives have been reclassified throughout these financial statements. For further details please see Note 13 to the financial statements.

Financial assets and liabilities

Financial assets

All of the Group's financial assets are initially recognised at fair value plus any directly attributable transactions costs.

2. Significant accounting policies (continued)

Financial assets and liabilities (continued)

From 1 July 2018, all of the Group's financial assets are classified as measured at amortised cost, being the gross carrying amount less expected impairment allowance, using the effective interest rate method, as they meet both of the following conditions:

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

The Group's business model for its financial assets is to hold them to collect contractual cash flows, with sales of mortgage loans and advances to customers only made internally to consolidated special purpose vehicles for the purpose of collateralising the issuance of loan notes. The loans' cash flows are consistent with a basic lending arrangement, the related interest only including consideration for the time value of money, credit and other basic lending risks, and a profit margin consistent with such an arrangement. Cash and cash equivalents also meet these conditions and accordingly management has classified all of the Group's financial assets as measured at amortised cost.

Prior to 1 July 2018, all of the Group's financial assets were categorised as loans and receivables, and subsequent to initial recognition were measured at amortised cost using the effective interest rate method. The definition of amortised cost prior to 1 July 2018 excluded impairment allowances (which were subsequently deducted), in contrast to the definition of amortised cost applied after 1 July 2018 where impairment allowances are included.

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

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. The Group then assesses whether the new terms are substantially different from the original ones. If the terms of an asset are substantially different, it is derecognised and a new asset recognised at its fair value using its new effective interest rate. If the terms are not substantially different, the Group recalculates the gross carrying amount using the original effective interest rate and recognises a modification gain or loss in the income statement. Such modifications typically arise from forbearance because of financial difficulties of the borrower, and any gain or loss is included in impairment losses. From 1 July 2018, a modified loan's credit risk is assessed to see if it remains higher than on initial recognition for the purposes of calculating expected credit losses.

Financial liabilities

The Group's financial liabilities, which largely consist of borrowings, are all classified as measured at amortised cost for both the current and prior period. All of the Group's financial liabilities are recognised initially at fair value, less any directly attributable transaction costs.

Financial liabilities are derecognised when their contractual obligations are discharged, cancelled or have expired. An exchange of financial liabilities with substantially different terms or a substantial modification to the terms of an existing financial liability is treated as an extinguishment of the original liability and the recognition of a new one. It is assumed that terms are substantially different if the discounted present value of the cash flows under the new terms is at least 10% different from the discounted present value of the remaining cash flows of the original liability. From 1 July 2018, all gains or losses on non-substantial modifications, calculated as a change in the net present value of future cash flows, are recognised immediately in the income statement. The Group may also consider qualitative factors in determining whether a modification is substantial. Prior to 1 July 2018, the Group's policy for such modifications was to defer related transaction costs as adjustments to the carrying value of the instrument, amortised over its remaining expected life.

2. Significant accounting policies (continued)

Impairment of financial instruments

Policy applicable from 1 July 2018

From 1 July 2018, the Group recognises loss allowances for expected credit losses (ECLs) on loans and advances to customers and any exposures arising from loan commitments. ECLs are a probability-weighted estimate of the present value of credit losses discounted over the expected life of an instrument at its original effective interest rate (EIR). Credit losses for financial assets are the difference between the contractual cash flows, including the amount of committed pipeline lending which is expected to be drawn down, and the cash flows expected to be received.

The Group considers whether financial assets are credit impaired at each reporting date. A financial asset is credit impaired when one or more events that have a detrimental impact on its estimated future cash flows have occurred. Evidence of credit impairment includes:

- Significant financial difficulty of the borrower
- Breach of contract such as default, or becoming past due
- The granting of concessions to the borrower that the Group would not otherwise consider
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

For financial instruments on which credit risk has not increased significantly since initial recognition, the Group measures loss allowances at an amount equal to the 12-month ECL, i.e. the portion of lifetime ECL of those default events expected to arise within 12 months of the reporting date, weighted by probability of that event occurring. For all other financial instruments loss allowances are measured at an amount equal to the full lifetime ECL, i.e. the lifetime ECL arising from all default events that may occur over the life of the instrument, probability weighted. The latter category of instruments includes those that have objective evidence of impairment at the reporting date.

Besides instruments that become credit impaired on entering default, lifetime ECLs are also used for any that are credit impaired on origination. In the ordinary course of business the Group does not purchase or originate credit-impaired financial assets; management therefore considers any such balances to be immaterial.

If, due to the financial difficulties of the borrower, the terms of a financial asset are renegotiated or modified, or the asset is replaced with a new one, then an assessment is made of whether the asset should be derecognised. A loan to a borrower granted such concessions due to forbearance is considered to be credit impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In the latter case, the measurement of the loss allowance on the new asset will generally be based on a 12-month ECL.

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

Loans are written off when the Group expects no further recovery and the amount of the loss has been determined. The Group may continue to apply enforcement activities to loans written off and any subsequent recoveries are recognised as impairment gains in the income statement.

Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amount of financial assets measured at amortised cost and as a provision in the case of loan commitments.

Policy applicable before 1 July 2018

Financial assets were impaired and impairment losses incurred if, and only if, there was objective evidence of impairment as a result of one of more loss events that occurred after the initial recognition of the assets and prior to the reporting date and that had an impact on the estimated future cash flows of the financial asset that could be reliably estimated.

2. Significant accounting policies (continued)

Policy applicable before 1 July 2018 (continued)

For loans and receivables, the amount of the loss was measured as the difference between the loan's carrying amount and the present value of estimated future cash flows, excluding future credit losses that had not been incurred, discounted at the original effective interest rate. All impairment losses were reviewed at least at each reporting date. If subsequently the amount of the loss decreased as a result of a new event, the relevant element of the outstanding impairment loss was reversed. Impairment losses and any subsequent reversals were recognised in the income statement.

Impairment losses were assessed individually for financial assets that were individually significant and individually or collectively for assets that were not individually significant. In making collective assessment of impairment, financial assets were grouped into portfolios on the basis of similar risk characteristics.

Future cash flows in a group of financial assets that were collectively evaluated for impairment were estimated on the basis of the contractual cash flows of the asset group and historical loss experience for assets with similar credit risk characteristics. Historical loss experience was adjusted on the basis of current observable data to reflect the effects of then-current conditions. In addition, the Group used its experienced judgement to correct model deficiencies and systemic risks where appropriate and supported by historic loss experience data. The use of such judgements and reasonable estimates was considered by management to be an essential part of the process and improved reliability.

Where a loan was uncollectable, it was written off against the related provision. Such loans were written off after all the necessary procedures had been completed and the amount of the loss determined. Subsequent recoveries of amounts previously written off were taken through the income statement.

Derivatives held for risk-management purposes and hedge accounting

During the year the Group has accounted for derivative instruments in accordance with IFRS 9, having held none in the prior year.

The Group does not hold derivative financial instruments for trading but may enter into contracts for derivatives to manage exposure to interest-rate risk.

Derivatives are initially recognised at fair value at the date the contract is entered into and subsequently measured at fair value. The timing of recognition of any resulting gain or loss on the derivative depends on the nature of the hedging relationship. The Group will designate such derivatives as hedging instruments of the fair value of recognised assets or liabilities or of future cash flows.

At inception, the Group documents the relationship between the hedging instrument and the hedged item along with its risk-management objectives and strategy. At inception and afterwards on a continuing basis, the Group assesses whether the hedging instrument is effective in offsetting changes in the fair value or cash flows of the hedged item attributable to the hedged risk. Any ineffective portion of changes in fair value of the derivative is recognised immediately in the income statement.

If a hedging relationship ceases to meet the hedge-effectiveness requirements but the risk management objective remains the same, the Group adjusts the hedge, i.e. it rebalances the relationship, so that it again meets the qualifying criteria. Hedge accounting is discontinued only for that part of the hedged item or hedging instrument that is no longer part of the relationship.

In hedge relationships involving options, the Group designates only the option's intrinsic value. In such cases the time value component of the option's fair value is deferred in other comprehensive income, as a cost of hedging, over the term of the hedge to the extent that it relates to the hedged item. The hedged items so designated by the Group are related to time periods, and the amount of the original time value of the option that relates to the hedged item is amortised from equity to the income statement, within other net income, on a straight-line basis over the term of the hedging relationship.

The Group has no fair-value hedges. The effective portion of changes in the fair value of derivatives designated as cash flow hedges is recognised through other comprehensive income in the cash flow hedging reserve. Amounts so recognised are reclassified to the income statement in the periods when the cash flows of the hedged item affect the income statement and in the same line of the income statement as those cash flows.

2. **Significant accounting policies (continued)**

Derivatives held for risk-management purposes and hedge accounting (continued)

The Group discontinues hedge accounting when the derivative is terminated or when the hedging relationship ceases to meet the qualifying criteria. Any cumulative amount existing in equity at that time remains until the hedged cash flows affect the income statement when it is reclassified to the income statement.

Securitisation

Where the Group securitises its own financial assets, this is achieved via the sale of these assets to a special purpose entity (SPE), which in turn issues securities to investors.

SPEs used to raise funds through securitisation transactions are consolidated into the Group's operations in accordance with IFRS 10 Consolidated Financial Statements as if they were wholly-owned subsidiaries. Financial assets transferred to SPEs under securitisation agreements are not derecognised by the Group because it retains the risks and rewards of ownership, and all financial assets and liabilities related to the SPE continue to be held on the Group's consolidated statement of financial position.

Inventories

Inventories consist of stock properties and are valued at the lower of cost and estimated net realisable value. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

Investments

Fixed asset investments are stated at cost less provision for impairment.

Property, plant and equipment

Property, plant and equipment are shown at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Fixtures and fittings	***10-15 years straight-line on cost***
Motor vehicles	***25% reducing balance***
Computer equipment	***3-5 years straight-line on cost***

All items of property, plant and equipment are reviewed for indications of impairment on a regular basis and at each statement of financial position date. If impairment is indicated, the asset's recoverable amount (being the greater of fair value less cost to sell and value in use) is estimated. Value in use is calculated by discounting the future cash flows generated from the continuing use of the asset. If the carrying value of the asset is less than the recoverable amount, an impairment charge is recognised in the income statement.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within administrative expenses in the income statement.

Intangible assets

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment allowances. The estimated useful life of three to five years is reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets consist wholly of expenditure relating to computer software incurred in respect of individual projects and are capitalised only if all of the following conditions are met:

- an intangible asset is created that can be separately identified;
- it is probable that the intangible asset created will generate future economic benefits; and

2. Significant accounting policies (continued)

Intangible assets (continued)

- the development cost of the intangible asset can be measured reliably.

This type of expenditure primarily relates to internally developed software and is amortised on a straight-line basis over the expected useful life of the asset.

Where the above conditions for capitalisation are not met, development expenditure is recognised as an expense in the period in which it is incurred.

All intangibles assets are reviewed for indications of impairment at least annually. If impairment is indicated, the asset's recoverable amount (being the greater of fair value less cost to sell and value in use) is estimated. Value in use is calculated by discounting the future cash flows generated from the continuing use of the asset. If the carrying value of the asset is less than the recoverable amount, an impairment charge is recognised in the income statement.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation as a result of a past event, which is reliably measurable and where it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Where matters are less certain, such as when it is possible an obligation exists, or where the outflow of economic resources is possible but not probable, then a contingent liability is disclosed.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 July 2018 and not early adopted:

There are a number of standards, amendments and interpretations which have been issued by the International Accounting Standards Board (IASB) but which are not yet effective and which the Group has not adopted early. The most significant of these are IFRS 16 Leases, the replacement for IAS 17 Leases.

IFRS 16

Implementation

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-statement of financial position model similar to the accounting for finance leases under IAS 17. The new standard requires lessees to recognise right-of-use assets and lease liabilities for most leases over 12 months long. Lessor accounting is mostly unchanged.

The Group plans to apply IFRS 16 initially on 1 July 2019. Changes in accounting policies resulting from adoption of IFRS 16 will generally be applied retrospectively. As such, the cumulative effect of initially applying IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings. The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement.

Lessor accounting

Lessor accounting under IFRS 16 is largely unchanged from IAS 17 and lessors will continue to classify leases as either finance or operating leases. No significant impact is expected for leases in which the Group acts as a lessor.

Lessee accounting

IFRS 16 introduces a single lessee accounting model that requires a lessee to recognise all leases on-statement of financial position. A lessee will recognise a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items.

2. Significant accounting policies (continued)

IFRS 16 (continued)

Estimated financial impact on adoption

On transition to IFRS 16, the Group will recognise a right of use asset of £9.0m, a corresponding lease liability of £10.1m and a deferred tax asset of £0.2m. The Group will apply the modified retrospective approach on transition, allowing the cumulative transition adjustment to be recognised in equity on 1 July 2019. The day one adjustment is expected to have an impact of £1.1m on retained earnings.

3. Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the Group to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities. The critical judgements which have a significant impact on the financial statements are described in the relevant Note to the financial statements. These include:

- the determination of whether credit risk has increased significantly (described in Note 14);
- the determination of whether the Group has met the requirements to recognise a provision, or a contingent liability (described in the accounting policy in Note 2, and in Note 28);
- establishing if a substantial modification has occurred when refinancing our borrowing facilities (described in Note 2).

Our critical estimates are:

a) Loan impairment allowances

The Group recognises loss allowances on loans and advances to customers using an ECL model approach. Key areas of estimation within the ECL models include those regarding the probability of default (PD), loss given default (LGD) and forward looking macroeconomic scenarios. Sensitivities included in the section below were performed by recalculating the impairment allowance by changing only those assumptions stated, and with all other variables unchanged.

Loss given default (LGD)

The Group has an LGD model, which includes a number of estimated inputs including probability of repossession given default, forced-sale discounts, discount periods and property valuations. The LGD is sensitive to property values which are updated at each reporting date, by indexing using established regional house price indices (HPI), to estimate the current security value and in some cases they are updated to reflect a more recent valuation of the security.

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% relative reduction in forecast house prices, applied in each scenario, would result in an increase in the impairment allowance of £11.1m at 30 June 2019; conversely a 10% relative increase, would result in a decrease in the impairment allowance by £7.5m at 30 June 2019.

Multiple economic scenarios

IFRS 9 contains a requirement that multiple economic scenarios are incorporated into the expected loss calculation. In practice, incorporating the effect of multiple economic scenarios is achieved by modelling an ECL for each scenario and taking a probability-weighted total. The Group has used a minimum of three probability-weighted scenarios, including base, upside and downside scenarios. The most significant macroeconomic assumptions used for the ECL estimate are shown in Note 14. If, at 30 June 2019 a 100% weighting was applied to the downside scenario, an incremental £61.9m of impairment allowance would be required.

3. Critical accounting estimates and judgements (continued)

a) Loan impairment allowances (continued)

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

In order to link the macroeconomic scenarios with the ECL calculation, it is necessary to determine which economic indicators are predictive of changes in credit performance and then develop a modelling approach which links these indicators to the calculations in our ECL. The Group's approach to modelling the probability of default is based on analysis of historical data, which is done in two stages: firstly to calculate raw PDs using a roll-rate approach, and secondly to apply scalars to the PDs to reflect the different macroeconomic scenarios.

The PPGD is the probability of the property being repossessed post default. Historical experience of repossessions are used to derive a probability, which is applied to the LGD within the calculation of the overall ECL. This probability reduces the expected losses for the proportion of accounts that we expect to cure or to redeem and will therefore not go into repossession.

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 £4.6m at 30 June 2019. 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 £4.3m at 30 June 2019.

b) Revenue

Interest income

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

4. Interest receivable and similar income

	2019	2018
Interest on loans and advances to customers	**343.1**	292.2

Included within interest on loans and advances to customers is £12.2m (2018: £8.9m) relating to impaired loans.

5. Interest payable and similar charges

	2019	2018
On borrowings	**116.8**	92.8

6. Fee and commission income

	2019	2018
Fee income on loans and advances to customers	**4.2**	4.6
Other fees receivable	**0.2**	0.1
	4.4	4.7

7. Fee and commission expense

	2019	2018
Legal, valuations and other fees	**1.3**	1.0
Insurance commissions and charges	**1.0**	1.1
	2.3	2.1

8. Other income

	2019	2018
Rental income	**0.1**	0.1
Other income	**—**	0.3
	0.1	0.4

9. Administrative expenses

	Note	2019	2018
Staff costs	10	**52.7**	41.2
Auditor's remuneration	11	**0.4**	0.7
Depreciation of property, plant and equipment	19	**1.7**	1.4
Amortisation of intangible assets	20	**2.7**	3.3
Operating lease rentals		**1.5**	1.4
Other administrative costs		**23.8**	21.3
		82.8	69.3

There were no material gains or losses on the disposal of property, plant and equipment (2018: £nil).

10. Staff costs

The average monthly number of employees, including executive directors, was:

	2019 No.	2018 No.
Management and administration		
Full time	**695**	630
Part time	**45**	33
	740	663

The aggregate remuneration of staff and executive directors was as follows:

Staff remuneration	Note	2019	2018
Wages and salaries		**39.7**	28.5
Social security costs		**4.4**	3.8
Pension	29	**1.1**	0.8
		45.2	33.1
Directors' remuneration			
Emoluments		**7.5**	8.0
Company contribution to personal pension schemes	29	—	0.1
		7.5	8.1
Total staff costs		**52.7**	41.2

The emoluments of the highest paid director were £2.6m (2018: £3.0m) including £nil (2018: £nil) of Company contributions to a defined contribution pension scheme for any directors. Details of the pension arrangements operated by the Group are given in Note 29.

Staff are employed by a Group subsidiary, and no staff are employed by the Company.

11. Auditor's remuneration

	2019	2018
Fees payable for the audit of the Company's accounts	**0.1**	0.1
Fees payable for the audit of the Company's subsidiaries	**0.2**	0.2
Tax advisory and compliance services	**—**	0.1
Other services	**0.1**	0.3
	0.4	0.7

12. Income tax

	2019	2018
Current tax		
Corporation tax	**17.7**	16.1
Adjustment in respect of prior years	**0.5**	(1.8)
	18.2	14.3
Deferred tax		
Origination and reversal of temporary differences	**0.2**	1.2
Adjustment in respect of prior years	**0.2**	(0.2)
	0.4	1.0
Total tax on profit	**18.6**	15.3

Corporation tax is calculated at 19.00% (2018: 19.00%) of the estimated taxable profit for the year.

The differences between the Group tax charge for the year and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2019	2018
Profit before tax	**130.3**	**121.7**
Tax on profit at standard UK corporation tax rate of 19.00% (2018: 19.00%)	**24.8**	23.1
Effects of:		
Expenses not deductible for tax purposes	**2.8**	2.5
Income not taxable	**(2.4)**	(1.8)
Group relief*	**(7.1)**	(6.5)
Adjustment in respect of prior years	**0.5**	(2.0)
Group tax charge for year	**18.6**	15.3

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

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2018) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2017. This will reduce the Group's current tax charge accordingly. The deferred tax asset at 30 June 2019 has been calculated based on these rates.

13. Cash and cash equivalents

	2019	2018
Unrestricted cash	**22.6**	**—**
Restricted cash	**97.6**	**74.3**
Total cash and cash equivalents	**120.2**	**74.3**

During the year, cash which is restricted within securitisation vehicles of £97.6m (2018: £74.3m, 2017: £72.1m) has been reclassified from borrowings to cash and cash equivalents. As such, prior year comparatives have been reclassified throughout these financial statements.

Restricted cash is ring-fenced and held in securitisation vehicles for use in managing the Group's securitisation facilities under terms of the agreements. Within restricted cash £32.4m (2018: £ 26.6m, 2017: £44.7m) represents amounts which are not considered readily available, but can be accessed by the Group, for example by allocating additional eligible assets into the private securitisations.

All cash and cash equivalents held by the Group are denominated in pounds sterling.

14. Loans and advances to customers

	2019 IFRS 9 Stage 1	Stage 2	Stage 3	Total	2018 IAS 39
Gross loans and advances	**3,025.3**	**419.5**	**316.7**	**3,761.5**	3,020.0
Loss allowance	**(11.2)**	**(9.6)**	**(46.2)**	**(67.0)**	(61.8)
	3,014.1	**409.9**	**270.5**	**3,694.5**	2,958.2

Financial assets which are credit-impaired on purchase or origination are not material. Comparative amounts for 2018 reflect the measurement basis under IAS 39.

Loans and advances to customers include total gross amounts of £10.9m (2018: £12.5m), equivalent to £8.0m (2018: £10.2m) net of allowances, loaned to August Blake Developments Limited, Sunnywood Estates Limited and Edgworth Developments Limited, companies of which HN Moser is a director and shareholder. These loans are on a commercial basis secured on certain assets of those companies.

Gross loans and advances are repayable:

	IFRS 9 2019	IAS 39 2018
Due within one year	**1,453.1**	1,288.9
Due within 1-5 years	**1,104.7**	901.8
Due after five years	**1,203.7**	829.3
	3,761.5	3,020.0

Measurement of expected credit losses (ECL)

ECL model

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

- It becomes 90 days or more past due
- Its security has been taken into possession
- The appointment of receivers
- There is evidence of fraud

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

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

ECL is calculated at an individual loan level as the product of PD, LGD and EAD, discounted at the original effective rate to the reporting date. It is measured using the risk of default over the maximum contractual period adjusted for expected customer prepayment behaviour.

14. Loans and advances to customers (continued)

Measurement of expected credit losses (ECL) (continued)

In accordance with IFRS 9, the Group uses a three-stage model for impairment based on changes in credit quality since initial recognition:

- A financial instrument not credit-impaired on initial recognition is classified in stage 1. The loss allowance for such instruments is calculated as the portion of lifetime ECL of those default events expected to occur within 12 months of the reporting date, weighted by the probability of that default occurring.
- An instrument moves to stage 2 if there is an increase in its credit risk that is significant but not such that the instrument is considered credit impaired. The loss allowance for stage 2 instruments is calculated as the lifetime ECL. The determination of significant increases in credit risk is explained further, later in this section.
- Stage 3 instruments are credit impaired and the loss allowance calculated as the lifetime ECL.

Improvements in credit quality may result in instruments moving categorisation, from stage 3 to stage 2 where they are no longer considered credit impaired or to stage 1 where the credit risk is no longer significantly increased compared with initial recognition. Such transitions occur only after the completion of probationary periods.

Forbearance

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 under IFRS 9, 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.

Incorporation of forward-looking information

The Group uses forward-looking information in its measurement of ECL and in identifying significant increases in credit risk, which is 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, economic activity as measured by Gross Domestic Product (GDP), and changes in house prices. The Group uses a range of forecast economic scenarios, drawing on external forecasts where appropriate, and calculates ECL using a base case, an upside and a downside scenario, weighted 40%, 30% and 30% respectively. The base case is aligned to the Group's internal planning assumptions.

The most significant assumptions used for the ECL estimate as at 1 July 2018 and 30 June 2019 are in the following ranges for the next ten years:

At 30 June 2019	**Minimum**	**Average**	**Maximum**
Annual GDP growth (%)	**(1.1)**	**1.6**	**3.6**
Bank Rate (%)	**0.00**	**1.50**	**2.75**
Unemployment rate (%)	**3.2**	**4.1**	**6.2**
Annual change in house-price index (%)	**(8.7)**	**2.6**	**10.4**

At 1 July 2018	**Minimum**	**Average**	**Maximum**
Annual GDP growth (%)	(0.6)	1.7	3.3
Bank Rate (%)	0.25	2.00	3.50
Unemployment rate (%)	3.0	4.3	6.0
Annual change in house-price index (%)	(6.2)	3.0	8.7

To project the economic variables for the remaining term of each instrument, it is assumed that the forecasts used in all scenarios revert to our long-term base case forecast beyond a ten-year horizon.

14. Loans and advances to customers (continued)

Measurement of expected credit losses (ECL) (continued)

Significant increase 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.

To determine whether credit risk has increased significantly the Group uses quantitative criteria, such as increases in lifetime PD and LTV, and qualitative criteria such as a borrower's status or credit quality. A 'backstop' criterion is also applied such that all loans more than 30 days past due are considered to have undergone a significant increase in credit risk.

Movement in loss allowance

Loss allowance

A loss allowance is derived from the foregoing techniques. The following tables analyse the movement of the loss allowance. Comparative amounts for 2018 represent the allowance for credit losses and reflect the measurement basis under IAS 39.

	2019 (IFRS 9 basis)			
Loss allowance	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
At beginning of year	**(10.4)**	**(9.4)**	**(54.3)**	**(74.1)**
Transfer to a 12-month ECL	**(2.9)**	**4.4**	**—**	**1.5**
Transfer to a lifetime ECL not credit impaired	**5.3**	**(15.1)**	**4.1**	**(5.7)**
Transfer to a lifetime ECL credit impaired	**1.0**	**5.4**	**(13.3)**	**(6.9)**
Other changes in credit risk during the year	**(5.5)**	**0.1**	**1.6**	**(3.8)**
Impairment of interest income on stage 3 loans	**—**	**—**	**(12.1)**	**(12.1)**
New financial assets originated	**(6.7)**	**(0.4)**	**—**	**(7.1)**
Financial assets derecognised	**7.5**	**4.4**	**8.3**	**20.2**
Changes in models and risk parameters	**0.5**	**1.0**	**(1.0)**	**0.5**
Impairment losses for the year charged to income statement	**(0.8)**	**(0.2)**	**(12.4)**	**(13.4)**
Unwind of discount (recognised within interest receivable)	**—**	**—**	**12.1**	**12.1**
Write-offs net of recoveries	**—**	**—**	**8.4**	**8.4**
At end of year	**(11.2)**	**(9.6)**	**(46.2)**	**(67.0)**

Transfers between stages are presented to show the change in ECL, including any remeasurement, on the transition of loans between stages. Changes in credit risk include the development or cure of loan arrears and other changes in status. The loss allowance on new financial assets originated represents the ECL on initial recognition. Subsequent changes in ECL are reflected in other movements in the above table.

Allowance for impairment losses on an IAS 39 basis	**2018**
At beginning of year	(62.2)
Charges to the income statement	(9.1)
Unwind of discount	8.9
Write-offs net of recoveries	0.6
At end of year	(61.8)

14. Loans and advances to customers (continued)

Movements in gross carrying amounts

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

Loans and advances to customers at amortised cost on an IFRS 9 basis	Stage 1	Stage 2	Stage 3	2019
Gross loans and advances at beginning of year	**2,305.5**	**358.5**	**356.0**	**3,020.0**
Transfer to 12-month ECL	**257.3**	**(254.7)**	**(2.6)**	**—**
Transfer to lifetime ECL not credit impaired	**(467.9)**	**552.2**	**(84.3)**	**—**
Transfer to lifetime ECL credit impaired	**(33.5)**	**(164.5)**	**198.0**	**—**
New financial assets originated, net of fees and adjustments	**1,907.0**	**24.9**	**(0.9)**	**1,931.0**
Financial assets derecognised including write-offs	**(943.1)**	**(96.9)**	**(149.5)**	**(1,189.5)**
Gross loans and advances at end of year	**3,025.3**	**419.5**	**316.7**	**3,761.5**

New mortgage loans originated during the year resulted in an increase of £7.1m in the loss allowance. The Group's highly cash-generative business model, with around half of all loans redeeming within two years, resulted in a release of ECLs totalling £20.2m. The ECL charge was adversely impacted by £0.9m due to a changing macroeconomic outlook during the year, primarily due to a reduction in forecast house price growth, when compared to the forecast at 1 July 2018.

The contractual amount outstanding on financial assets that were written off during the year and are still subject to enforcement activity at the year-end is £nil (2018: £nil). The gross loss on modifications resulting from forbearance was already materially reflected in the ECL allowance and therefore there was no additional impact recognised in the income statement for such loans.

Impairment losses for the year

	IFRS 9 2019	IAS 39 2018
Movements in impairment allowance, charged to income	**(13.4)**	(9.1)
Amounts released from deferred income	**1.7**	2.3
Write-offs net of recoveries	**(3.7)**	(4.6)
Charged to the income statement	**(15.4)**	(11.4)

15. Derivative assets held for risk management

	Notional amount 2019	Fair value 2019	Notional amount 2018	Fair value 2018
Interest-rate options	**98.9**	**0.1**	—	—

In order to cap any exposure to changes in cash flows from interest-rate movements in its Together ABS 2 securitisation, in November 2018 the Group purchased an option under which it will receive interest to the extent that libor exceeds a strike rate. The initial notional amount of the cap was for £100.6m, reducing to nil within five years. The fair value of the instrument at origination was £0.3m. The Group held no derivative instruments in previous years.

16. Inventories

	2019	2018
Properties held for resale	**0.6**	0.6

17. Other assets

Group	2019	2018
Amounts owed by related parties	**0.7**	0.5
Other debtors	**0.9**	0.9
Prepayments and accrued income	**3.2**	2.9
	4.8	4.3

Company	2019	2018
Amounts owed by subsidiaries	**1,291.9**	1,326.0
Prepayments and accrued income	**0.1**	0.1
	1,292.0	1,326.1

Amounts owed by related parties of the Group are in respect of companies in which HN Moser is a director and shareholder. Also included within amounts owed by the related parties is £0.3m (2018: £0.2m) in relation to a director's loan. The loan is interest free and repayable on demand.

The Company regularly assesses whether there is evidence that financial assets are impaired. The Group has continued to report substantial, increasing profits and the directors do not consider that there has been a significant increase in credit risk; accordingly an ECL for the amounts owed by subsidiaries is considered to be immaterial.

18. Investments in subsidiaries

The Company held the following investments in subsidiary undertakings:

	2019	2018
Investments in subsidiaries	**25.3**	25.3

The Company has the following subsidiaries, all of which are incorporated in Great Britain and are registered in England and Wales and operate throughout the United Kingdom:

	Shares and voting rights	Principal activities
Auction Finance Limited	100%	Commercial lending
Blemain Finance Limited	100%	Retail lending
Bridging Finance Limited	100%	Commercial lending
Harpmanor Limited	100%	Commercial lending
Jerrold Finco PLC	100%	Financier
Spot Finance Limited	100%	Retail lending
Together Commercial Finance Limited	100%	Commercial lending
Together Personal Finance Limited	100%	Retail lending
FactFocus Limited	100%	Property investment
General Allied Properties Limited	100%	Non-trading
Heywood Finance Limited	100%	Non-trading
Heywood Leasing Limited	100%	Non-trading
Jerrold Mortgage Corporation Limited	100%	Non-trading
Phone-a-Loan Limited	100%	Non-trading
Supashow Limited	100%	Non-trading
BridgingFinance.co.uk Limited (Company registration number 04159852)	100%	Dormant
Classic Car Finance Limited (Company registration number 03237779)	100%	Dormant
Jerrold Holdings Limited (Company registration number 04950229)	100%	Dormant
Together123 Limited (Company registration number 10758537)	100%	Dormant

The above are all direct holdings of the ordinary share capital of the companies, with the exception of Spot Finance Limited which is held by Blemain Finance Limited. The dormant subsidiaries have taken advantage

18. Investments in subsidiaries (continued)

of the exemption from audit under section 479A of the Companies Act 2006. The registered address of all subsidiaries is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW.

The results of the following securitisation vehicles and trusts are also consolidated in the Group accounts:

Charles Street Conduit Asset Backed Securitisation 1 Limited
Delta Asset Backed Securitisation 1 Limited
Delta Asset Backed Securitisation 2 Limited
Highfield Asset Backed Securitisation 1 Limited
Jerrold Holdings Employee Benefit Trust
Lakeside Asset Backed Securitisation 1 Limited
Together Asset Backed Securitisation 1 Holdings Limited
Together Asset Backed Securitisation 1 PLC
Together Asset Backed Securitisation 2018 – 1 Holdings Limited
Together Asset Backed Securitisation 2018 – 1 PLC

19. Property plant and equipment

2019 Group	Fixtures, fittings and equipment	Motor vehicles	Total
Cost			
At beginning of year	**8.5**	**1.8**	**10.3**
Additions	**0.8**	**0.2**	**1.0**
Disposals	**(1.4)**	**(0.2)**	**(1.6)**
At end of year	**7.9**	**1.8**	**9.7**
Depreciation			
At beginning of year	**3.5**	**0.5**	**4.0**
Charge for the year	**1.4**	**0.3**	**1.7**
Disposals	**(1.4)**	**—**	**(1.4)**
At end of year	**3.5**	**0.8**	**4.3**
Net book value			
At 30 June 2019	**4.4**	**1.0**	**5.4**
At 30 June 2018	5.0	1.3	6.3

2018 Group	Fixtures, fittings and equipment	Motor vehicles	Total
Cost			
At beginning of year	6.5	1.6	8.1
Additions	2.8	0.5	3.3
Disposals	(0.8)	(0.3)	(1.1)
At end of year	8.5	1.8	10.3
Depreciation			
At beginning of year	3.2	0.5	3.7
Charge for the year	1.1	0.3	1.4
Disposals	(0.8)	(0.3)	(1.1)
At end of year	3.5	0.5	4.0
Net book value			
At 30 June 2018	5.0	1.3	6.3
At 30 June 2017	3.3	1.1	4.4

20. Intangible assets

Group	Computer software 2019	Computer software 2018
Cost		
At beginning of year	**11.4**	7.2
Additions	**3.2**	5.9
Disposals	**(0.1)**	(1.7)
At end of year	**14.5**	11.4
Amortisation		
At beginning of year	**3.1**	1.5
Charge for the year	**2.7**	3.3
Disposals	**(0.1)**	(1.7)
At end of year	**5.7**	3.1
Net book value		
At end of year	**8.8**	8.3
At beginning of year	**8.3**	5.7

21. Deferred tax asset

2019	Accelerated capital allowances	Short-term timing differences	Total
At beginning of year	**(0.7)**	**2.1**	**1.4**
IFRS 9 adjustment	**—**	**6.4**	**6.4**
Charge to income statement	**(0.1)**	**(0.1)**	**(0.2)**
Adjustment in respect of prior years	**(0.1)**	**—**	**(0.1)**
At end of year	**(0.9)**	**8.4**	**7.5**

2018	Accelerated capital allowances	Short-term timing differences	Total
At beginning of year	(0.1)	2.5	2.4
Charge to income statement	(0.1)	(1.1)	(1.2)
Adjustment in respect of prior years	(0.6)	0.8	0.2
At end of year	**(0.8)**	**2.2**	**1.4**

22. Borrowings

Group	2019	2018
Bank facilities	**55.0**	30.7
Loan notes	**2,221.5**	1,526.7
Senior secured notes	**726.8**	727.4
Obligations under finance leases	**0.8**	1.1
Subordinated shareholder loans	**27.1**	25.1
	3,031.2	2,311.0
Debt issue costs	**(15.5)**	(19.9)
Total borrowings	**3,015.7**	2,291.1
Of which:		
Due for settlement within 12 months	**74.5**	48.2
Due for settlement after 12 months	**2,941.2**	2,242.9
	3,015.7	2,291.1

Company	2019	2018
Bank facilities	**55.0**	25.0
Subordinated shareholder loans	**27.1**	25.1
	82.1	50.1
Debt issue costs	**(0.3)**	(0.5)
Total borrowings	**81.8**	49.6
Of which:		
Due for settlement within 12 months	**—**	—
Due for settlement after 12 months	**81.8**	49.6
	81.8	49.6

Loan notes have the following features:

Loan facility	Established	Facility type	Facility size (£m)	Expiry
Charles Street ABS	2007	Revolving	1,255.0	Sept 2023
Delta ABS 2	2019	Revolving	200.0	Mar 2023
Highfield ABS	2018	Revolving	525.0	Jun 2022
Lakeside ABS	2015	Revolving	255.0	Jan 2021
Together ABS 1	2017	Amortising	275.0	Sept 2021
Together ABS 2	2018	Amortising	273.0	Nov 2022

Subordinated shareholder loans were issued as part of the refinancing transaction undertaken on the 2 November 2016. The subordinated shareholder loans are interest-free loans totalling £68.1m, which comprise £25.1m due in 2024 and £43.0m due in 2036. The difference between the total nominal value of £68.1m and the initial fair value of £22.0m represented a non-distributable capital contribution, of which £5.1m had amortised by 30 June 2019 (2018: £3.1m), representing the subordinated shareholder funding reserve of £41.0m (2018: £43.0m). The remainder of the reserve will be amortised over the life of the instruments.

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.

On 13 September 2018, the Group completed the refinancing of its revolving funding facility, Charles Street ABS on improved terms. The facility has also been increased from £1,000.0m to £1,255.0m, with the facility's maturity date extended to September 2023.

Notes to the financial statements (continued)

22. Borrowings (continued)

On 8 November 2018, the Group announced the completion of its second residential mortgage-backed securitisation, Together ABS 2, raising £272.6m of rated notes on a loan portfolio of £286.9m.

On 29 March 2019, the Group repaid its revolving £90.0m Delta ABS 1 programme, replacing it with a £200.0m revolving facility maturing in 2023, Delta ABS 2.

Borrowings have the following maturities:

As at 30 June 2019:

Group	**<1 year**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Bank facilities	**—**	**55.0**	**—**	**—**	**55.0**
Loan notes	**74.7**	**259.9**	**1,886.9**	**—**	**2,221.5**
Senior secured notes	**—**	**—**	**726.8**	**—**	**726.8**
Finance leases	**0.5**	**0.3**	**—**	**—**	**0.8**
Subordinated shareholder loans	**—**	**—**	**—**	**27.1**	**27.1**
	75.2	**315.2**	**2,613.7**	**27.1**	**3,031.2**
Debt issue costs	**(0.7)**	**(0.8)**	**(14.0)**	**—**	**(15.5)**
	74.5	**314.4**	**2,599.7**	**27.1**	**3,015.7**

Company	**<1 year**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Bank loans	**—**	**55.0**	**—**	**—**	**55.0**
Subordinated shareholder loans	**—**	**—**	**—**	**27.1**	**27.1**
	—	**55.0**	**—**	**27.1**	**82.1**
Debt issue costs	**—**	**(0.3)**	**—**	**—**	**(0.3)**
	—	**54.7**	**—**	**27.1**	**81.8**

As at 30 June 2018:

Group	**<1 year**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Bank facilities	5.7	—	25.0	—	30.7
Loan notes	42.6	34.2	1,449.9	—	1,526.7
Senior secured notes	—	—	375.0	352.4	727.4
Finance leases	0.4	0.5	0.2	—	1.1
Subordinated shareholder loans	—	—	—	25.1	25.1
	48.7	34.7	1,850.1	377.5	2,311.0
Debt issue costs	(0.5)	(0.4)	(15.0)	(4.0)	(19.9)
	48.2	34.3	1,835.1	373.5	2,291.1

Company	**<1 year**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Bank loans	—	—	25.0	—	25.0
Subordinated shareholder loans	—	—	—	25.1	25.1
	—	—	25.0	25.1	50.1
Debt issue costs	—	—	(0.5)	—	(0.5)
	—	—	24.5	25.1	49.6

23. Other liabilities

Group	2019	2018
Trade creditors	**1.9**	1.2
Other creditors	**2.7**	2.5
Other taxation and social security	**1.0**	2.7
Accruals and deferred income	**49.2**	37.8
	54.8	44.2

Company	2019	2018
Amounts owed to subsidiaries	**738.3**	737.9
Accruals and deferred income	**0.4**	0.9
	738.7	738.8

24. Share capital

Authorised	2019	2018
10,405,653 A ordinary shares of 50 pence each	**5.2**	5.2
9,149,912 B ordinary shares of 49.9 pence each	**4.6**	4.6
921,501 C ordinary shares of 1 penny each	**—**	—
70,000 D ordinary shares of 1 penny each	**—**	—
10,000 E ordinary shares of 1 penny each	**—**	—
	9.8	9.8

Issued, allotted and fully paid	2019	2018
10,405,653 A ordinary shares of 50 pence each	**5.2**	5.2
9,149,912 B ordinary shares of 49.9 pence each	**4.6**	4.6
921,501 C ordinary shares of 1 penny each	**—**	—
70,000 D ordinary shares of 1 penny each	**—**	—
	9.8	9.8

A ordinary shares carry voting rights, rights to certain dividends and rights to participate in a distribution (including on winding up) as set out in the articles of association. The holders of B, C and D ordinary shares do not have voting rights, but do have rights to certain dividends and participation in a distribution (including on winding up) as set out in the articles of association. E ordinary shares have been issued, and the directors of Together Financial Services Limited are authorised to allot up to 10,000 E ordinary shares to holders of D ordinary shares.

25. 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 rely on significant inputs not based on observable market data.

25. Financial instruments and fair values (continued)

Financial instruments measured at fair value

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

Derivative assets held for risk management	Level 1	Level 2	Level 3	Total
2019				
Interest-rate risk	**—**	**0.1**	**—**	**0.1**
	—	**0.1**	**—**	**0.1**
2018				
Interest-rate risk	—	—	—	—

The Group's only derivative is an interest-rate cap, used to hedge the cash flows on certain of the Group's floating-rate loan notes. The valuation is a level 2 measurement, being derived from generally accepted valuation models that use a forecast future interest-rate curve derived from market data.

Financial instruments not measured at fair value

All the Group's other financial assets and liabilities are held at amortised cost. The carrying value is a reasonable approximation of fair value for all financial instruments other than for loans and advances to customers and for borrowings. For loans and advances to customers and for borrowings, fair value is calculated based upon the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The fair value of financial assets is adjusted for expected credit losses under IFRS 9 in the current year, and incurred losses under IAS 39 in prior years.

The following table summarises the carrying and fair values of loans and advances and of borrowings as at the year end, analysing the fair values into the three different valuation levels:

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 rely on significant inputs not based on observable market data.

2019 on an IFRS 9 basis	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets					
Loans and advances to customers	**—**	**—**	**3,723.5**	**3,723.5**	**3,694.5**
Financial liabilities					
Borrowings	**737.4**	**2,280.0**	**29.2**	**3,046.6**	**3,015.7**

2018 on an IAS 39 basis	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets					
Loans and advances to customers	—	—	3,011.7	3,011.7	2,958.2
Financial liabilities					
Borrowings	737.2	1,554.4	33.9	2,325.5	2,291.1

The fair value of loans and advances to customers is based on future interest cash flows (at funding rates) and principal cash flows discounted using the rate for new originations of mortgages with similar characteristics. 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 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.

The fair value of loans and advances to customers in total is 1% higher than the carrying value as at 30 June 2019 (2018: 2% higher). This is primarily due to the current origination rates used to discount future cash flows being below existing customer interest rates. A 1% increase in the discount rate would result in a reduction in the fair value of loans and advances to customers of £208m (2018: £70m) and a 1% decrease would result in an increase of £137m (2018: £74m).

Notes to the financial statements (continued)

25. Financial instruments and fair values (continued)

Financial instruments not measured at fair value (continued)

The borrowings stated at fair value in level 3 almost entirely represent subordinated shareholder loans and notes. 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. The loans repayable in 2024 are discounted at 6.75% (2018: 7.25%) and those in 2036 at 7.50% (2018: 7.75%). A 1% reduction in the discount rate would result in an increase in the fair value of approximately £3.1m (2018: £3.0m) and a 1% increase in the rate would result in a decrease in the fair value of approximately £2.7m (2018: £2.6m).

26. Notes to the cash flow statement

Reconciliation of profit after tax to net cash outflow from operations

Group	**2019**	**2018**
Profit after tax	**111.7**	106.4
Adjustments for:		
Taxation	**18.6**	15.3
Depreciation and amortisation	**4.4**	4.7
Losses on disposal of fixed assets	**0.1**	—
Interest expense	**116.8**	92.8
Purchase of derivatives held for risk management	**(0.3)**	—
Increase in loans and advances to customers	**(767.8)**	(717.3)
(Increase)/decrease in other assets	**(0.5)**	0.1
Decrease in inventories	**—**	0.3
Increase in accruals and deferred income	**12.5**	1.7
(Decrease)/increase in trade and other liabilities	**(0.8)**	0.5
Cash outflow from operations	**(505.3)**	(495.5)

Company	**2019**	**2018**
Loss after tax	**(2.2)**	(2.1)
Adjustments for:		
Interest expense	**60.6**	50.9
Intergroup recharges and treasury transfers	**34.5**	(25.1)
(Decrease)/increase in accruals	**(0.5)**	0.9
Cash inflow from operations	**92.4**	24.6

Reconciliation of changes in liabilities arising from financing activities

As at 30 June 2019:

			Non-cash changes			
Group	**At beginning of year**	**Net cash flows**	**IFRS 9 adjustment**	**Prepaid fees**	**Amortisation of premiums and discounts**	**At end of year**
Bank facilities	**30.7**	**24.3**	—	—	—	**55.0**
Loan notes	**1,526.7**	**700.4**	**(5.6)**	—	—	**2,221.5**
Senior secured notes	**727.4**	—	—	—	**(0.6)**	**726.8**
Finance leases	**1.1**	**(0.3)**	—	—	—	**0.8**
Subordinated shareholder loans	**25.1**	—	—	—	**2.0**	**27.1**
	2,311.0	**724.4**	**(5.6)**	—	**1.4**	**3,031.2**
Net debt issue costs	**(19.9)**	—	—	**4.4**	—	**(15.5)**
Total borrowings	**2,291.1**	**724.4**	**(5.6)**	**4.4**	**1.4**	**3,015.7**

Notes to the financial statements (continued)

26. Notes to the cash flow statement (continued)

Reconciliation of changes in liabilities arising from financing activities (continued)

As at 30 June 2018:

Group	At beginning of year	Net cash flows	Non-cash changes Prepaid fees	Non-cash changes Amortisation of premiums and discounts	At end of year
Bank facilities	—	30.7	—	—	30.7
Loan notes	1,097.2	429.5	—	—	1,526.7
Senior secured notes	575.0	152.4	—	—	727.4
Finance leases	0.6	0.5	—	—	1.1
Subordinated shareholder loans	23.2	—	—	1.9	25.1
	1,696.0	613.1	—	1.9	2,311.0
Net debt issue costs	(18.8)	—	(1.1)	—	(19.9)
Total borrowings	1,677.2	613.1	(1.1)	1.9	2,291.1

As at 30 June 2019:

Company	At beginning of year	Net cash flows	Non-cash changes Prepaid fees	Non-cash changes Amortisation of premiums and discounts	At end of year
Bank facilities	**25.0**	**30.0**	**—**	**—**	**55.0**
Subordinated shareholder loans	**25.1**	**—**	**—**	**2.0**	**27.1**
	50.1	**30.0**	**—**	**2.0**	**82.1**
Net debt issue costs	**(0.5)**	**—**	**0.2**	**—**	**(0.3)**
Total borrowings	**49.6**	**30.0**	**0.2**	**2.0**	**81.8**

As at 30 June 2018:

Company	At beginning of year	Net cash flows	Non-cash changes Prepaid fees	Non-cash changes Amortisation of premiums and discounts	At end of year
Bank facilities	—	25.0	—	—	25.0
Subordinated shareholder loans	23.2	—	—	1.9	25.1
	23.2	25.0	—	1.9	50.1
Net debt issue costs	(0.7)	—	0.2	—	(0.5)
Total borrowings	22.5	25.0	0.2	1.9	49.6

27. 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, and the DL Moser 1995 Family Settlement No1 Trust (together the Moser Shareholders). The Moser Shareholders indirectly own 100% of the Company's voting share capital.

27. Related party transactions (continued)

Relationships (continued)

a) Controlling party (continued)

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

Entity	Nature of transactions
Bracken House Properties LLP	The Group pays operating lease and insurance costs to Bracken House Properties LLP for its provision of the Group's head office property.
Centrestand Limited	The Group collects rents and pays service charges and costs on behalf of Centrestand Limited.
Charles Street Commercial Investments Limited	The Group refers borrowers outside its lending criteria to Charles Street Commercial Investments Limited. The Group performs underwriting, collection and arrears-management activities for these loans. The Group also manages accounts payable on behalf of the company and provides ancillary accounting and treasury services for which it is reimbursed.
Sterling Property Co. Limited	Sterling Property Co. Limited provides property management services for properties repossessed or placed into LPA receivership by the Group.
SP Assets LLP	The Group provides loans with interest charged on a commercial basis secured on certain assets of this entity.
August Blake Developments Limited, Edgworth Developments Limited, Sunnywood Estates Limited	The Group provides loans with interest charged on a commercial basis secured on certain assets of these companies. The Group also manages accounts payable on behalf of these entities.

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

b) Parent companies

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

Entity	Nature of transactions
Bracken Midco2 Limited	In November 2016, the Company received subordinated funding from Bracken Midco2 Limited. The subordinated loans are interest-free and for fixed terms, as set out in Note 22. The difference between the loans' maturity amounts and their fair values represents a capital contribution to the Group which is being amortised through income over the life of the loan.

c) Subsidiaries

Details of the Company's interest in its subsidiaries are listed in Note 18. 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. The cost of equity funding is not charged. All amounts are repayable on demand.

d) Key management personnel

Key management personnel comprise directors of the Group. There are no transactions with directors other than the director's loan disclosed in Note 17 and remuneration in the ordinary course of business (Note 10).

27. Related party transactions (continued)

Transactions

The amounts receivable from and payable to related parties by the Group and Company are disclosed in Notes 17 and 23 to the financial statements. The Group and Company had the following transactions with related parties during the year:

	2019		2018	
Group	**Charge/ (credit) to income or equity**	**Paid**	**Charge/ (credit) to income or equity**	**Paid**
Lease and insurance costs	**1.4**	**1.4**	1.3	1.0
Accounts payable transactions	**—**	**1.9**	—	1.4
Impairment of related party loans	**0.7**	**—**	1.0	—
Interest on related party loans	**(0.8)**	**—**	(0.7)	—
Related parties of the Moser Shareholders	**1.3**	**3.3**	1.6	2.4
Interest expense	**2.0**	**—**	1.9	—
Dividends paid	**29.9**	**29.9**	22.9	22.9
Parent companies	**31.9**	**29.9**	24.8	22.9
Total related parties	**33.2**	**33.2**	26.4	25.3

Operating lease costs and insurance costs are paid to Bracken House Properties LLP on a prepaid basis. The future amounts payable under operating leases are as follows:

	2019	**2018**
Within one year	**1.2**	1.1
Between one and five years	**4.9**	4.3
After five years	**7.9**	4.3
Total operating leases	**14.0**	9.7

	2019		2018	
Company	**Charge/ (credit) to income or equity**	**Paid/ (received)**	**Charge/ (credit) to income or equity**	**Paid**
Interest expense	**2.0**	**—**	1.9	—
Dividends paid	**29.9**	**29.9**	22.9	22.9
Parent companies	**31.9**	**29.9**	24.8	22.9
Costs including management recharges	**0.7**	**—**	0.9	—
Interest recharges	**(10.2)**	**—**	(6.0)	—
Net provision of treasury funding	**—**	**(65.1)**	—	20.2
Subsidiary companies	**(9.5)**	**(65.1)**	(5.1)	20.2
Total related parties	**22.4**	**(35.2)**	19.7	43.1

28. Contingent liabilities

a) Regulatory and conduct matters

As described in the Principal risks and uncertainties section of the Risk Management report, as a result of undertaking internal reviews, within the regulated division, instances have been identified where some past written communications with customers should have been clearer and more complete, and other instances where, for certain customers in arrears the outcome may have been improved if different forbearance tools had been applied. The FCA has been notified of these matters, and a plan has been proactively developed by the Personal Finance division and communicated to the FCA as part of ongoing dialogue on this matter.

Further evaluation of these issues is underway, and the Personal Finance division has appointed an experienced third-party to support this activity, with a view to identifying any instances where customers

28. Contingent liabilities (continued)

a) Regulatory and conduct matters (continued)

have been adversely affected. Given the nature of individual circumstances that may have arisen, this assessment could result in individual case reviews being required. The range of circumstances and work required to assess individual factors means that, at this stage, it is not practicable to estimate the financial impact of any remediation activity, but it is expected that redress payments will be made to certain affected customers, and that this could be material for the entities involved.

The Group is committed to delivering good customer outcomes and has already taken steps to improve these written customer communications. Quality assurance processes have been enhanced in relation to the selection of the most appropriate forbearance measures and additional training has been provided for some customer-facing colleagues to support them in selecting the most appropriate forbearance for our customers.

b) Fixed and floating charges

As at 30 June 2019, the Group's assets were subject to a fixed and floating charge in respect of £725m senior secured notes (30 June 2018: £725m) and £55m in respect of bank borrowings (30 June 2018: £25m).

29. Pension arrangements

During the year the Group contributed to employees' personal pension plans. The total cost for the year amounted to £1.1m (2018: £0.9m). Additionally, the Group operated a defined contribution scheme for which the pension costs charge for the year amounted to £nil (2018: £nil).

30. Share-based payments

Senior management has previously been granted D shares and options over E shares of the Company. The ability to dispose of such shares and execute such options is conditional on sale of shares held by other shareholders amounting to 25% or more of the Company's share capital on a cumulative basis. The value of these shares is dependent upon the value of the Company at the time of granting. Such awards are treated as equity settled by virtue of where the obligation rests on such awards being realised. The options over the E shares have not yet been exercised.

31. 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 30 June 2019, the Group had undrawn commitments to lend of £153.8m (30 June 2018: £107.6m). These relate mostly to irrevocable lines of credit granted to 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 £0.1m (30 June 2018: £nil), and is classified within other liabilities.

The increase in undrawn commitments to lend is largely driven by an increase in the Personal Finance loan pipeline as at 30 June 2019 compared with 30 June 2018.

32. Ultimate parent company

The largest (and only additional) group of which Together Financial Services Limited is a member, and for which group financial statements will be drawn up, is that headed by Redhill Famco Limited, the company's ultimate parent company. The immediate parent company of Together Financial Services Limited is Bracken Midco2 Limited.

The registered office of Redhill Famco Limited and Bracken Midco2 Limited is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW.

Glossary

2021 Senior Secured Notes (SSNs 2021)	£375m senior secured notes issued by a subsidiary of the Group, Jerrold Finco PLC.
2024 Senior Secured Notes (SSNs 2024)	£350m senior secured notes issued by a subsidiary of the Group, Jerrold Finco PLC.
ALCO	Asset and Liabilities Committee. Responsible for managing the Group's exposure to capital, liquidity, interest rate risk and market risk.
Bank Rate	Bank of England Bank Rate, also known as base rate.
BTL	Buy-to-let.
Capital risk	The risk that the Group fails to hold adequate capital buffers and to appropriately manage the Group's capital base.
Charles Street ABS	Charles Street Conduit Asset Backed Securitisation 1 Limited – £1,255m facility with a maturity date of September 2023.
Company	Together Financial Services Limited is a private company, limited by shares, and is registered in England (company number: 02939389).
Compliance risk	The risk arising from the failure to comply with existing or new legislation or regulations in the markets within which the Group operates.
Conduct risk	The risk arising from business activities that fail to deliver appropriate and consistent outcomes to customers and stakeholders.
Credit risk	The risk arising as result of default by customers or counterparties due to failure to honour obligations when they fall due.
Delta ABS 1	Delta Asset Backed Securitisation 1 Limited – £90m facility with a maturity date of January 2021. This was fully repaid on 29 March 2019.
Delta ABS 2	Delta Asset Backed Securitisation 2 Limited – £200m facility with a maturity date of November 2023.
Development loans	Development loans are loans that we extend to finance the development of land or property primarily into residential units with repayments typically being made out of the sale of the units.
EBITDA	Earnings before interest, tax, depreciation and amortisation. The calculation of this is shown in the alternative performance measures.
Expected Credit Loss (ECL)	ECLs are a probability- weighted estimate of the present value of credit losses discounted over the expected life of an instrument at its original effective interest rate. Calculated using a statistical model based on probability of default, loss given default and exposure at default.
EIR	Effective interest rate, i.e. the rate that, at inception of the instrument, discounts its estimated future cash payments or receipts to the gross carrying amount, in the case of financial assets, or to the amortised cost in the case of financial liabilities.
Enterprise risk-management framework (ERMF)	This provides the requisite organisational arrangements and foundation for managing risks in a consistent and structured manner.
Fair value	The amount at which an asset could be exchanged, or a liability settled, between willing parties in an arm's length transaction.
Financial Conduct Authority (FCA)	The FCA is the conduct regulator for financial services firms and financial markets in the UK.
Forbearance	A concession that is made on the contractual terms of a loan or mortgage in response to a borrower's financial difficulties.
FRC	Financial Reporting Council, the independent regulator in the UK responsible for regulating auditors, accountants and actuaries, and setting the UK's Corporate Governance and Stewardship Codes.

Glossary (continued)

Gross domestic product (GDP)	GDP measures the total value of all of the goods made and services provided in a country in a year.
Highfield ABS	Highfield Asset Backed Securitisation 1 Limited – £525m facility size with a maturity date of June 2022.
IFRS	International Financial Reporting Standards.
IFRS 9	International Financial Reporting Standard 9 – *Financial Instruments*. This standard replaces International Accounting Standard 39 – *Financial Instruments: recognition and measurement*. The Group adopted this standard from 1 July 2018, and further details regarding the impact of the transition are contained within Note 2 to the financial statements.
Lakeside ABS	Lakeside Asset Backed Securitisation 1 Limited – £255m facility with a maturity date of January 2021.
Liquidity and funding risk	The risk that the Group is unable to maintain sufficient accessible liquid financial resources to meet the Group's financial obligations as they fall due.
Loan book	This refers to the gross loans and advances to customers i.e. loans and advances to customers before impairment allowances.
Loan originations	The process of creating a loan(s) or mortgage(s).
Loss given default (LGD)	An estimate of the likely loss percentage in the event of a default.
LPA	Law of Property Act. The act provides a means by which a secured lender can gain control of a freehold property against a defaulting borrower.
Loan to value (LTV)	The ratio of the amount of a loan to the value of the property on which it is secured. A low LTV denotes a high level of security for our loan. For a first charge loan this is the ratio of the aggregate of (i) the principal amount of a mortgage loan and (ii) the accrued interest and fees, compared to the value of the property securing the loan. For a second charge loan the aggregate of (i) the principal amount of such mortgage, (ii) the accrued interest and fees, (iii) net of impairment and (iv) the prior charge mortgages also secured by the same property, compared to the appraised value.
Market risk	The risk arising from the Group's exposure to movements in market values.
Net loan book	This refers to the net loans and advances to customers i.e. loans and advances to customers after impairment allowances. Prior to 1 July 2018, this is presented on an IAS 39 basis, and from 1 July 2018, this is presented on an IFRS 9 basis. For more details on the impact of the transition to IFRS 9, see Note 2 to the financial statements.
Net promoter score (NPS)	The Net Promoter Score is an index ranging from -100 to 100 that measures the willingness of customers to recommend Together to others based on the service they receive. It is used as a proxy for gauging the overall satisfaction and measuring the customer experience Together provides. The NPS score is collated by Together based on feedback from customers, over a rolling six month period.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
PIK toggle notes	A toggle note is a payment-in-kind (PIK) bond in which the issuer has the option, subject to certain conditions being met, to defer an interest payment by agreeing to pay an increased coupon in the future.
Probability of default (PD)	An estimate of the likelihood of default over a given time horizon, estimated at a point in time.
Revolving credit facility (RCF)	Syndicated revolving credit loan facility of £71.9m with a maturity date of June 2021.

Repossession and LPA Receivership	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. LPA receivership is typically used to exercise security over property used for commercial-purpose loans to enable us subsequently to sell the property ("LPA Sales").
RMBS	Residential mortgage-backed securitisation.
Senior borrower group	The Company and its subsidiaries, not including Charles Street ABS, Delta ABS, Delta ABS 2, Highfield ABS, Lakeside ABS, Together ABS 1 or Together ABS 2.
Shareholder funds	Equity and shareholder loans and notes. The calculation of this is shown in the section on alternative performance measures.
Strategic risk	The risk of failure to achieve objectives that impact the long term interest of stakeholders.
The Group	Together Financial Services Limited and its subsidiaries.
The tax group	This is the Redhill corporation tax group, which is Redhill Famco Limited, the ultimate parent company of Together Financial Services Limited, together with its subsidiaries, excluding the securitisation vehicles.
Together ABS 1	Together Asset Backed Securitisation 1 PLC – this is an amortising facility which raised £275.0m with a contractual maturity date of 2049 and an option to call the facility in September 2021.
Together ABS 2	Together Asset Backed Securitisation 2018 – 1 PLC – this is an amortising facility, which raised £272.6m against a loan portfolio of £286.9m with a contractual maturity of 2050 and an option to call the facility in November 2022.
Underlying profit before tax	Underlying profit before tax (PBT) is the Group's statutory profit before tax adjusted for one-off exceptional items. There have been no such exceptional items in 2019 or 2018. However in 2017, underlying PBT excluded one-off refinancing and transaction costs of £23.0m.
Weighted average LTV of originations	For loans originated during the period, this is the percentage of the gross mortgage loan at origination, represented by the appraised value at the point of origination, of the property securing the loan. This is sometimes referred to as 'WA LTV of originations'.
Weighted average LTV of portfolio	This is the percentage of the gross mortgage loan at the statement of financial position date represented by, the current indexed value, using established regional house price indices to estimate the current security value of the property securing the loan, excluding shortfall accounts.

Alternative performance measures

In the reporting of financial information, we use certain measures that are not required under IFRS, the Generally Accepted Accounting Principles ('GAAP') under which we report. These measures are consistent with those used by management to assess underlying performance. In addition, a number of non-IFRS metrics are calculated which we consider to be helpful in understanding the performance of the Group.

These alternative performance measures have been defined below:

Cost of risk

Impairment charge expressed as a percentage of the average of the opening and closing gross loans and advances to customers.

	IFRS 9 2019 £m	IAS 39 2018 £m
Impairment charge	**15.4**	11.4
Average gross loans and advances to customers	**3,390.7**	2,661.6
	0.45%	0.43%

Cost/income ratio

Administrative expenses including depreciation and amortisation divided by operating income.

	2019 £m	2018 £m
Administrative expenses	**82.8**	69.3
Operating income	**228.5**	202.4
	36.2%	34.2%

Earnings before interest, tax, depreciation and amortisation (EBITDA)

Profit after taxation adding back interest payable and similar charges, tax on profit and depreciation and amortisation.

	2019 £m	2018 £m
Profit after tax	**111.7**	106.4
Add back:		
Interest payable and similar charges	**116.8**	92.8
Depreciation and amortisation	**4.4**	4.7
Tax on profit	**18.6**	15.3
	251.5	219.2

Interest cover ratio

The ratio of EBITDA to interest payable and similar charges.

	2019 £m	2018 £m
EBITDA	**251.5**	219.2
Interest payable and similar charges	**116.8**	92.8
	2.15:1	2.36:1

Alternative performance measures (continued)

Net debt gearing

Net debt expressed as a percentage of loans and advances to customers. The senior secured notes premium relates to an amortising issue premium on the 2024 senior secured notes.

	2019 £m	2018 £m
Total borrowings	**3,015.7**	2,291.1
Add back debt issue costs	**15.5**	19.9
Less shareholder loans	**(27.1)**	(25.1)
Less obligations under finance leases	**(0.8)**	(1.1)
Less senior secured notes premium	**(1.8)**	(2.4)
Less cash and cash equivalents	**(120.2)**	(74.3)
Net debt	**2,881.3**	2,208.1
Loans and advances to customers	**3,694.5**	2,958.2
	78.0%	74.6%

Net interest margin (NIM)

Net interest income, adding back shareholder loan interest as a percentage of the average of the opening and closing net loans and advances to customers.

	2019 £m	2018 £m
Net interest income	**226.3**	199.4
Average loans and advances to customers	**3,326.3**	2,599.5
	6.8%	7.7%

Return on equity (ROE)

Calculated as profit after tax adding back shareholder loan interest as a percentage of the average of the opening and closing shareholder funds (which include shareholder loans of £27.1m (2018: £25.1m)).

	2019 £m	2018 £m
Profit after tax	**111.7**	106.4
Add back shareholder loan interest	**2.0**	1.9
Total return to shareholder	**113.4**	108.3
Average shareholder funds	**763.4**	694.3
	14.9%	15.6%

Shareholder funds

This is equity plus subordinated shareholder loans of £27.1m (2018: £25.1m)

	2019 £m	2018 £m
Equity	**762.8**	711.9
Shareholder loans	**27.1**	25.1
	789.9	737.0

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

Overview of risk management within the Group

Our vision for risk management is to continue to foster a risk-aware culture across the Group, where all decision-makers are informed of risks, and risks are managed to help achieve our strategic objectives. During the year, the Group continued its growth whilst identifying and managing risks.

There are a number of potential risks and uncertainties which could have an impact on the Group's performance. To identify and control these risks the Group utilises an enterprise risk-management framework (ERMF). The ERMF, summarised in the diagram below, is overseen by the independent Risk Committee which is a sub-committee of the Board.

Enterprise Risk Management Framework

The ERMF provides the requisite organisational arrangements and foundation for managing risks in a consistent and structured manner. It explains how the Group ensures that risk is effectively managed, embedded in strategic decisions, translated into operational objectives and integrated into the day-to-day business processes.

The key components of the ERMF, as portrayed by the diagram on the previous page are described below.

Risk governance and oversight

The Group Board has overall responsibility for determining the strategic direction of the Group and for creating the environment and structures for risk management to operate effectively.

At the operational level, the Group's system of internal controls and risk management uses the three-lines-of-defence model. At the first line of defence, business managers identify, manage and own the risks in their respective areas of the business.

The second line of defence ensures the first line of defence is properly designed, implemented and is operating as intended by providing oversight and challenge. This consists of risk and compliance functions which are organisationally separate and independent of the first line of defence.

The third line of defence is provided by the internal audit function. This provides an independent internal review and assurance on the first and second lines of defence, and the governance, risk-management and internal control framework operated by the Group.

Risk universe

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

Risk appetite

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

Risk appetite is assessed at a Group level and by risk category. The Group's risk appetite is defined by the Board and translated into key risk indicators that can be assessed against tolerances for each category of risk.

Risk policy framework

Principal risks are underpinned by appropriate risk policies for monitoring and controlling risks.

Embedding risk framework, management & compliance

ERMF is an integral part of the Group's organisational processes and activities. Embedding the ERMF is dependent on the commitment of the:

- Group Board and senior management, who set the 'tone at the top';
- Governance committees, that provide oversight and ensure appropriate assignment of risk management responsibilities and resources within the Group; and
- Colleagues, who are required to adhere to the principles of the ERMF and have a clear understanding of their responsibilities.

Overview of risk management within the Group (continued)

ERMF application and management

The ERMF provides a structured approach to managing the risks the Group faces. Each area of the business is responsible for embedding and applying the ERMF, which includes identifying and assessing the risk and control environment. In sequence, the process begins with risk and control identification establishing the context for risk management as outlined in the risk and control cycle opposite.

Transparency and communication

Transparency and communication is an essential part of risk management. The Group operates a culture of openness, and continuously strives to ensure the control environment is proportionate with risk appetite.

1) Risk and control identification

The process of risk and control identification occurs within the first line of defence. Risk identification includes all principal risks across the core business processes in all business units.

2) Risk and control assessment

Risks and controls are assessed using a Risk and Control Self-Assessment ('RCSA') process to facilitate the risk and control assessment within each business area.

Risks are assessed by considering: the extent of operational disruption; the effect on customers, stakeholders and the group's overall reputation; the potential financial impact; and, the likelihood of the risk occurring.

3) Risk treatment

This step enables the formulation of an action plan for mitigating risks. Risk treatment and control strategies may include risk acceptance, risk reduction, and risk avoidance.

4) Risk monitoring

Risk management is a dynamic process and to be effective, requires ongoing monitoring and review to ensure that risk treatment plans are constantly updated to reflect changes in the environment in which the Group operates.

5) Risk reporting

The Group operates a formal governance framework, through which the risk and control environment is reviewed and challenged to determine the appropriateness of risk mitigation to manage the risk exposure within risk appetite levels.

Principal risks and uncertainties

The directors have identified the following as the principal risks and uncertainties facing the business. These are typical of the categories of risk traditionally identified by organisations operating in the financial services sector and are impacted by the emerging risks detailed in the previous section.

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

- Strategic risk
- Credit risk[22]
- Liquidity and funding risk[22]
- Market risk[22]
- Capital risk[22]
- Conduct risk
- Compliance risk
- Operational risk

Strategic risk

Strategic risk is the risk of failure to achieve objectives that impact the long term interest of stakeholders, or from an inability to adapt to the external environment.

Management and mitigation of strategic risk

Key activities undertaken to manage and mitigate strategic risk include:

- Regular Board oversight of performance including financial and non-financial indicators.
- Ongoing Board review of the Group's risk appetite, risk exposure and mitigation.
- Sensitivity and stress testing analysis are carried out against the loan book.
- Maintenance of a prudent balance sheet with a mix of funding structures and closely monitored gearing levels.
- Annual budget process, with 5 year outlook, which aligns with the Group's risk appetite.
- Dedicated Change delivery department that executes and oversees the implementation of Group wide major change programmes.
- A Group 'Change Delivery Framework' for all business change programmes and projects.

We continue to monitor a broad range of management information, and key performance and risk appetite metrics in relation to our budgets and profit figures. We have enhanced our monitoring of key performance metrics in relation to major change projects, and reputational risk during 2017/18.

Credit risk

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

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

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

[22] This section forms part of the IFRS 7 disclosures in respect of the financial statements on pages 65 to 100.

Principal risks and uncertainties (continued)

Credit risk (continued)

Management and mitigation of credit risk

- Our comprehensive underwriting procedures, which have regard to customer affordability levels, creditworthiness, repayment strategies and property loan-to-value (LTV) ratios.
- Customer affordability models are utilised by the Group and are tailored to the customer and loan type.
- Monitoring of customer loan performance throughout the loan, with regard to arrears, proactive collections strategies, application of forbearance measures and macro-economic sensitivity analysis.
- Macroeconomic sensitivity analysis of the loan book.
- Continuing to focus our lending on areas of the market where we have specific expertise.
- Monitoring of the characteristics of our loan portfolio, including, geographical concentration, and LTV.
- Oversight by the Executive Risk Committee.

The Group impairment ratio[23] remains low at 43bps (2017: 36bps) reflecting the rigorous underwriting process and current levels of arrears. The heightened uncertainty for the UK economy, with the impending departure from the EU has increased the possibility of a downturn, however; our low average LTV provides the Group with mitigation against loss.

Maximum exposure to credit risk

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

Audited	**Note**	**2018 £m**	**2017 £m**
Gross loans and advances to customers	13	3,020.0	2,303.1
Allowance for impairment	13	(61.8)	(62.2)
Loans and advances to customers	**—**	**2,958.2**	**2,240.9**
Amounts owed by related parties	15	0.5	0.8
Other debtors	15	0.9	0.6
Cash and balances at bank	—	—	17.3
Maximum exposure to credit risk		**2,959.6**	**2,259.6**

Cash and cash equivalents are primarily surplus cash placed overnight with institutions with sufficiently high credit ratings. The Group's material credit risk therefore relates to its loans and advances to customers.

The above table represents the maximum credit risk exposure to the Group at 30 June 2018 and 2017 without taking account of any underlying security.

Impaired and past-due loans

The analysis in this section is presented based upon gross customer balances. This differs to the total loan book balance recognised in the statement of financial position as a result of various accounting adjustments required under IFRS. A reconciliation is presented below:

	Note	**2018 £m**	**2017 £m**
Gross loans and advances to customers	13	3,020.0	2,303.1
Unsecured loans		(0.8)	(1.7)
Accounting adjustments		12.2	8.0
Maximum exposure to credit risk on customer balances		**3,031.4**	**2,309.4**

[23] Annual impairment losses expressed as a percentage of average opening and closing gross loans and advances to customers.

Principal risks and uncertainties (continued)

Credit risk (continued)

Loans and advances to customers are reviewed regularly to determine whether there is any objective evidence of impairment. Specific provisions are made for assets individually assessed, and collective provisions are made for assets assessed individually but for which no specific impairment is identified.

Loan assets are categorised as:

Performing

Loans which are not in arrears and which do not meet the definition for specific impairment, in accordance with our accounting policies.

Non-performing but no impairment provision

Loans which meet the definition for specific impairment because the loan is in arrears or there is other objective evidence of impairment in accordance with our accounting policies. However, no impairment provision is recognised against the loan when the expected cash flows, discounted at the original effective interest rate, exceed the carrying amount of the loan.

Impaired

Loans which meet the definition for specific impairment because the loan is in arrears or there is other objective evidence of impairment in accordance with our accounting policies and where the carrying amount of the loan exceeds the expected cash flows, discounted at the original effective interest rate.

Customer balances are analysed as follows:

Audited	**2018 £m**	**2018 % of gross customer balances**	**2017 £m**	**2017 % of gross customer balances**
Not past due	2,715.5	89.6%	1,851.2	80.2%
Past due less than 2 months	56.9	1.9%	224.6	9.7%
Performing	**2,772.4**	**91.5%**	**2,075.8**	**89.9%**
Past due 2-3 months	30.7	1.0%	22.9	1.0%
Past due over 3 months	77.3	2.6%	74.0	3.2%
Non performing but no impairment provision	**108.0**	**3.6%**	**96.9**	**4.2%**
Impaired	**151.0**	**4.9%**	**136.7**	**5.9%**
Gross customer balances	**3,031.4**	**100.0%**	**2,309.4**	**100.0%**

Reported arrears are in relation to contractual amounts due, and have not been amended to reflect changes in customers' preferred payment dates or to reflect agreed payment arrangements as part of our collection and forbearance policies.

In applying IAS 39, observable data is considered to identify potential loss events. Management considers that contractual arrears of two months or more constitutes one such trigger for a potential loss event. On identification of a loss event a provision for impairment is considered based on the probability of default of the loan (based on historical evidence) and the expected loss given default amount (arrived at by calculating the present value of expected future cash flows compared to the carrying value of the loan).

Collateral held

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

Principal risks and uncertainties (continued)

Credit risk (continued)

Impaired (continued)

A key measure the business uses in assessing credit risk is the ratio of the loan amount to the value of the underlying security (LTV). Prior valuations are indexed using established regional house price indices to estimate the current security value. The table below shows gross customer balances by indexed LTV banding:

Audited	2018 £m	2018 % of gross customer balances	2017 £m	2017 % of gross customer balances
60% or less	1,712.7	56.5%	1,443.6	62.5%
60–85%	1,176.1	38.8%	738.9	32.0%
85–100%	97.8	3.2%	92.1	4.0%
More than 100%	44.8	1.5%	34.8	1.5%
Gross customer balances	**3,031.4**	**100.0%**	**2,309.4**	**100.0%**

Of the gross customer balances at 30 June 2018, 95.3% of loans had an indexed LTV of less than or equal to 85% (2017: 94.5%).

Concentration of credit risk

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

	2018 %	2017 %
East Anglia	2.6	2.8
East Midlands	3.5	3.0
Ireland	0.2	0.2
London Regions	28.8	28.3
North East	1.4	1.6
North West	15.8	18.1
Scotland	4.4	4.6
South East	18.2	17.9
South West	6.5	5.8
Wales	4.1	4.3
West Midlands	7.3	6.6
Yorks & Humber	7.2	6.8
Gross customer balances	**100.0**	**100.0**

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

	2018 %	2017 %
Up to £50,000	14.7	19.3
£50,000–£100,000	16.4	17.5
£100,000–£250,000	21.1	20.9
£250,000–£500,000	13.9	12.6
£500,000–£1,000,000	9.8	8.9
£1,000,000–£2,500,000	10.8	12.2
More than £2,500,000	13.3	8.6
Gross customer balances	**100.0**	**100.0**

Whilst the Group's exposure to loans in excess of £2.5m has increased since the prior year, 91.3% of these loans have an LTV of under 85% (2017: 89.3%).

Principal risks and uncertainties (continued)

Credit risk (continued)

Impaired (continued)

Forbearance

The Group offers a range of approaches to assist customers who are experiencing financial distress. Assistance is provided through trained colleagues in dedicated teams. For those customers requiring more assistance the Group works with a number of external not-for-profit agencies.

The Group considers an account as forborne at the time a customer in financial difficulty is granted a concession. The Group actively operates timely collections and arrears management processes to ensure early identification of issues to support our customers and minimise credit losses. The Group's offer of forbearance is considered separately for each customer dependent on their individual circumstances. Forbearance can be temporary or permanent in nature depending on the circumstances of the customer and the concession agreed. Examples of concessions agreed include reduced payment arrangements, or a change in the repayment profile.

Liquidity and funding risk

Liquidity risk is the risk that the Group is unable to maintain sufficient accessible liquid financial resources to meet the Group's financial obligations as they fall due.

This includes the risk of reduced funding options due to a tightening in the wholesale funding market, potentially caused by political and economic uncertainty leading to the inability to secure additional funding for new business, or refinance existing securities.

Based on the business model of funding primarily via securitisation programmes and bond markets, the Board has set a liquidity risk appetite which it considers to be appropriate, to provide it with the assurance that the Group is able to meet its liabilities and commitments when they fall due, and provide sufficient facility headroom to support anticipated loan book growth. Liquidity and funding, and capital risk (see page 59) are closely related given capital provides the necessary subordination to our bond funding and secured facilities.

Management and mitigation of liquidity risk

Liquidity risk is managed and mitigated by:

- Forecasting of expected cash inflow and outflows.
- The utilisation of a range of medium to long-term funding sources.
- Diversification of funding sources.
- Having access to a revolving credit facility.
- Maintenance of prudent headroom in facilities, along with cash flows from redemptions are used to provide liquidity resources, which are monitored daily.
- We undertake liquidity stress tests to test our ability to withstand the emergence of risks under normal and stressed conditions.
- Surplus cash balances are only placed on overnight deposit ensuring they remain immediately available.

The Group's liquidity position was strengthened during the year with a number of treasury transactions, including the increase in the RCF facility in April 2018 from £57.5m to £71.9m, and funding facilities.

The Group has increased its wholesale funding in successive years in order to fund the growth in its loan portfolio. Key sources of funding are:

- Charles Street ABS[24] – this securitisation is for a total facility of £1bn and is available to fund the majority of asset types, subject to eligibility criteria and loan portfolio concentration limits.
- Lakeside ABS – this securitisation which is for a total facility of £255m and is available primarily to fund new short-term commercial-purpose loans, and is also subject to eligibility criteria and loan portfolio concentration limits.

[24] Charles Street Conduit Asset Backed Securitisation 1 Limited

Principal risks and uncertainties (continued)

Credit risk (continued)

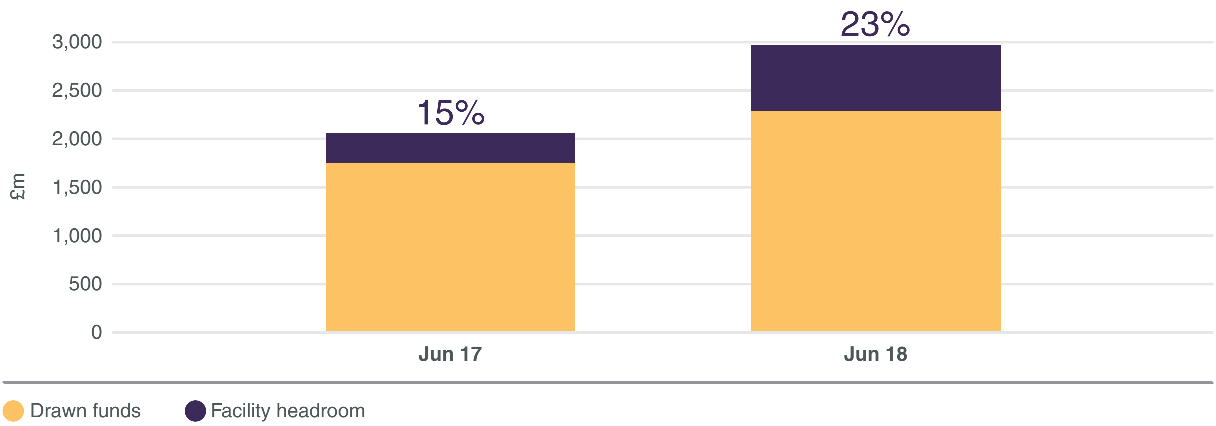
Liquidity and funding risk (continued)

- Delta ABS[25] – this is for a total of £90m and is available primarily to fund new short-term commercial-purpose loans and loans secured on commercial property, again subject to eligibility criteria and loan portfolio concentration limits.
- Together ABS – this facility is an amortising facility for £275m and is for residential-purpose loans only.
- Highfield ABS – this facility is for a total of £525m and is available for smaller balance commercial purpose loans.
- Senior secured notes, which total £725m and mature in 2021 and 2024.
- Revolving credit facility of £79.1m.

At 30 June 2018 facility headroom was £567m (2017: £308m). The Group aims to keep a minimum of six months of facility headroom available and manages this by arranging new facilities, extending existing facilities or by adjusting new origination levels. The Group successfully continued its strategy of increasing, extending and diversifying its funding structure during the year:

The diversity of funding sources is evidenced by the following chart (opposite):

Continued diversification in funding provides capacity for growth (£m)



The following is an analysis of the gross undiscounted contractual cash flows payable on our financial liabilities, including expected future interest payments.

Audited **At 30 June 2018**	**Carrying value £m**	**Gross nominal cash flow £m**	**Up to 1 year £m**	**1–2 years £m**	**2–5 years £m**	**More than 5 years £m**
Bank facilities	30.7	33.8	6.7	1.0	26.1	—
Loan notes	1,452.4	1,795.3	95.3	92.0	1,608.0	—
Subordinated shareholder loans	25.1	68.1	—	—	—	68.1
Senior secured notes	727.4	938.9	45.0	45.0	474.9	374.0
Obligations under finance leases	1.1	1.1	0.4	0.5	0.2	—
	2,236.7	**2,837.2**	**147.4**	**138.5**	**2,109.2**	**442.1**
Debt issue costs	(19.9)	—	—	—	—	—
Borrowings	**2,216.8**	**2,837.2**	**147.4**	**138.5**	**2,109.2**	**442.1**
Trade creditors	1.2	1.2	1.2	—	—	—
Other creditors	2.5	2.5	2.5	—	—	—
Gross customer balances	**2,220.5**	**2,840.9**	**151.1**	**138.5**	**2,019.2**	**442.1**

[25] Delta Asset Backed Securitisation 1 Limited

Principal risks and uncertainties (continued)

Credit risk (continued)

Liquidity and funding risk (continued)

Audited At 30 June 2017	**Carrying value £m**	**Gross nominal cash flow £m**	**Up to 1 year £m**	**1–2 years £m**	**2–5 years £m**	**More than 5 years £m**
Loan notes	1,022.9	1,196.1	26.0	199.6	970.5	—
Subordinated shareholder loans	23.2	68.1	—	—	—	68.1
Senior secured notes	575.0	779.6	35.9	35.9	482.8	225.0
Obligations under finance leases	0.6	0.7	0.3	0.2	0.2	—
	1,621.7	**2,044.5**	**62.2**	**235.7**	**1,453.5**	**293.1**
Debt issue costs	(18.8)	—	—	—	—	—
Borrowings	**1,602.9**	**2,044.5**	**62.2**	**235.7**	**1,453.5**	**293.1**
Trade creditors	2.3	2.3	2.3	—	—	—
Other creditors	2.9	2.9	2.9	—	—	—
Gross customer balances	**1,608.1**	**2,049.7**	**67.4**	**235.7**	**1,453.5**	**293.1**

The weighted average maturity of the Group's borrowings is 3.5 years at 30 June 2018 (30 June 2017: 4.1 years).

Market risk

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

The main market risk faced by the Group is interest-rate risk, the risk of loss through mismatched asset and liability positions sensitive to changes in interest rates.

Management and mitigation of market risk

Market risk is managed and mitigated by:

- The fact that the Group does not carry out proprietary trading or hold positions in assets or equities which are actively traded.
- The Group has no foreign currency exposure.
- The Risk Committee, which has responsibility for oversight of the monitoring of the Group's exposure to, and management of, interest rate risk.
- The ability to undertake hedging transactions.

The Group's approach remains prudent and underlying risks remain unchanged. The Group's performance is not at material risk from changes in interest rates that are reasonably expected for the next 12 months.

Capital risk

Capital risk is the risk of failure to hold adequate capital buffers and to appropriately manage the Group's capital base. Given capital also comprises a material source of funding via subordination in bond and securitisation structures, insufficient capital also gives rise to funding and liquidity risk.

The Group maintains adequate levels of capital to provide prudent headroom to gearing limits in order to support day to day operations and mitigate refinancing risk. Regulatory capital requirements must also be met at all times within certain of the Group's subsidiaries.

The Board has set a capital risk appetite which it considers to be appropriate to provide it with the assurance that the Group is able to maintain a prudent and sustainable capital position providing a long term foundation for the business.

Principal risks and uncertainties (continued)

Credit risk (continued)

Capital risk (continued)

Management and mitigation of capital risk

Capital risk is managed and mitigated by:

- Regular monitoring of current and forecast levels of capital, including the gearing ratio, which is reported to the Board.
- Undertaking internal capital stress tests to test our ability to withstand the emergence of risks under normal and stressed conditions.
- Continuous monitoring of the forecast facility headroom, and facility repricing profile.

Current and forecast levels of Group capital, including the gearing ratio, are monitored and reported to the Board on a regular basis. Total shareholder funds increased £85.4m over the year (2017: £76.6m). The net debt gearing ratio stood at 3.0:1 at 30 June 2018 (30 June 2017: 2.4:1). During the year, the Group issued its first RMBS for £275m (Together ABS). Such facility, being rated investment grade, provided greater capital efficiency at a lower margin. In addition, during the year the Group also raised an additional £150m via a bond issuance, an additional £525m on the introduction of Highfield ABS, and refinanced its Lakeside ABS on more favourable terms.

	Note	2018 £m	2017 £m
Net debt[26]		**2,211.6**	**1,581.1**
Equity		711.9	628.4
Subordinated shareholder loans	20	25.1	23.2
Total shareholder funds		**737.0**	**651.6**
Net debt gearing ratio[27]		**3.0:1**	**2.4:1**

Conduct risk

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

This risk can arise from inadequate product design, inappropriate terms and conditions, failure to recognise the needs of all of our customers, particularly vulnerable customers, and the risk that complaints are not managed in a fair, transparent and timely way, leading to poor customer outcomes.

Management and mitigation of conduct risk

Conduct risk is managed and mitigated by:

- The Group's aim to provide simple and transparent products.
- The Group's 'Beliefs' which define our organisational culture and focuses on colleague conduct, respect, accountability and customer experience.
- Annual conduct related training and awareness sessions for colleagues, including identifying customers in vulnerable situations.
- Products are designed and approved through a robust 'Product Governance framework' with a focus on customer needs.
- Key conduct risks are captured through the RCSA process, with a specific assessment made of the risk impact on customers and third parties.
- Our established Conduct risk and Vulnerable Customer policies.

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26 Net debt is calculated as borrowings, excluding debt issue costs and excluding subordinated shareholder loans of £25.1m (£23.2m), which are included in total shareholder funds.

27 Net debt expressed as ratio to total shareholder funds.

Principal risks and uncertainties (continued)

Credit risk (continued)

Conduct risk (continued)

- Identifying and supporting our customers when things go wrong through effective forbearance and complaint handling.
- Root cause analysis focusing on continuous improvement aiming to reduce the number of complaints.
- Our quality assurance frameworks.

Compliance risk

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

This includes the risk that we misinterpret regulation or legislation e.g. MCOB, DISP and GDPR. This could include the risk of developing business practices and processes that do not adhere to or are not in line with the spirit of the law or regulation, leading to customer dissatisfaction or detriment and fines from the regulator.

Furthermore, as a Group which undertakes some regulated activities, there is a risk that our activities do not meet the standards expected by the regulators when working with customers.

Management and mitigation of compliance risk

Key activities undertaken to manage and mitigate credit risk include:

- The Group seeks to provide simple and transparent products, and operates solely in the UK market.
- Continued investment in staff training and awareness.
- Quality assurance reviews in operational areas supported by experienced risk and compliance departments.
- Independent monitoring reviews undertaken by both the Compliance and Financial Crime team.
- Horizon scanning and impact assessments of potential regulatory change.
- All significant regulatory initiatives are managed by structured programmes overseen by the Group's Business Change team and are sponsored at an Executive level.
- Experienced legal department in place to ensure the Group meets all its legal obligations.

During the year, we reviewed our approach to data handling to ensure we were prepared for GDPR when it came into force in May 2018.

Operational risk

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

Management and mitigation of operational risk

Operational risk is managed and mitigated by:

- A robust framework of systems, controls, policies and procedures.
- Frameworks to recruit and retain sufficient skilled personnel.
- Monitoring of the risk of ineffective design or operation of business processes, utilising an RCSA approach to managing and monitoring these operational risks.
- A documented and tested business continuity plan.
- A business change team dedicated to managing the change projects the business is undertaking.
- Robust IT infrastructure, which is sufficiently resilient.

Principal risks and uncertainties (continued)

Credit risk (continued)

Operational risk (continued)

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

Independent auditor's report

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

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Together Financial Services Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company statements of cash flows;
- the statement of accounting policies; and
- the disclosures in the 'Principal Risks and Uncertainties' section of the Risk Management Report on pages 52 to 61 of the Annual Report and Consolidated Financial Statements that are denoted as forming part of the financial statements and cross-referenced to from within the statement of accounting policies; and
- the related Notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Together Financial Services Limited. (continued)

Report on the audit of the financial statements (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006.

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

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

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Independent auditor's report to the members of Together Financial Services Limited. (continued)

Report on other legal and regulatory requirements (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

Use of our report

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

We have nothing to report in respect of these matters.

David Heaton

David Heaton (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom
6 September 2018

Consolidated statement of comprehensive income
Year ended 30 June 2018
All amounts are stated in £m

Income statement	Note	2018	2017
Interest receivable and similar income	4	292.2	246.5
Interest payable and similar charges	5	(92.8)	(88.8)
Net interest income		**199.4**	**157.7**
Fee and commission income	6	4.7	4.2
Fee and commission expense	7	(2.1)	(2.1)
Other income	8	0.4	0.1
Operating income		**202.4**	**159.9**
Administrative expenses	9	(69.3)	(58.4)
Operating profit		**133.1**	**101.5**
Impairment losses	13	(11.4)	(7.4)
Profit before taxation		**121.7**	**94.1**
Income tax	12	(15.3)	(15.9)
Profit after taxation		**106.4**	**78.2**

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

Consolidated statement of financial position
As of 30 June 2018
All amounts are stated in £m

	Note	2018	2017
Assets			
Cash and balances at bank		—	17.3
Loans and advances to customers	13	2,958.2	2,240.9
Inventories	14	0.6	0.9
Other assets	15	4.3	4.4
Investments		0.1	0.1
Property, plant and equipment	17	6.3	4.4
Intangible assets	18	8.3	5.7
Deferred tax asset	19	1.4	2.4
Total assets		**2,979.2**	**2,276.1**
Liabilities			
Borrowings	20	2,216.8	1,602.9
Other liabilities	21	44.2	37.5
Current tax liabilities		6.3	7.3
Total liabilities		**2,267.3**	**1,647.7**
Equity			
Share capital	22	9.8	9.8
Share premium account		17.5	17.5
Merger reserve		(9.6)	(9.6)
Capital redemption reserve		1.3	1.3
Subordinated shareholder funding reserve	20	43.0	44.9
Share-based payment reserve	28	1.6	1.6
Retained earnings		648.3	562.9
Total equity		**711.9**	**628.4**
Total equity and liabilities		**2,979.2**	**2,276.1**

These financial statements were approved and authorised for issue by the Board of Directors on 6 September 2018.

Company Registration No. 02939389.

Signed on behalf of the Board of Directors

HN Moser
Director

J Lowe
Director

Company statement of financial position
As of 30 June 2018
All amounts are stated in £m

	Note	2018	2017
Assets			
Cash and balances at bank		0.1	22.2
Other assets	15	1,326.1	1,191.9
Investments in subsidiaries	16	25.3	25.3
Total assets		**1,351.5**	**1,239.4**
Liabilities			
Borrowings	20	49.6	22.5
Other liabilities	21	738.8	628.8
Total liabilities		**788.4**	**651.3**
Equity			
Share capital	22	9.8	9.8
Share premium account		17.5	17.5
Capital redemption reserve		1.3	1.3
Subordinated shareholder funding reserve	20	43.0	44.9
Share-based payment reserve	28	1.6	1.6
Retained earnings		489.9	513.0
Total equity		**563.1**	**588.1**
Total equity and liabilities		**1,351.5**	**1,239.4**

Together Financial Services Limited (the Company) reported a loss after tax for the year ended 30 June 2018 of £2.1m (2017: £461.9m profit). As permitted by section 408 of the Companies Act 2006, no separate statement of comprehensive income is presented in respect of the Company.

These financial statements were approved and authorised for issue by the Board of Directors on 6 September 2018.

Company Registration No. 02939389.

Signed on behalf of the Board of Directors

HN Moser
Director

J Lowe
Director

Consolidated statement of changes in equity
Year ended 30 June 2018
All amounts are stated in £m

2018	Called-up share capital	Share premium	Merger reserve	Capital redemption reserve	Subordinated shareholder funding reserve	Share-based payment reserve	Retained earnings	Total
At beginning of year	9.8	17.5	(9.6)	1.3	44.9	1.6	562.9	628.4
Retained profit for the financial year	—	—	—	—	—	—	106.4	106.4
Transfer between reserves	—	—	—	—	(1.9)	—	1.9	—
Dividend	—	—	—	—	—	—	(22.9)	(22.9)
At end of year	**9.8**	**17.5**	**(9.6)**	**1.3**	**43.0**	**1.6**	**648.3**	**711.9**

2017	Called-up share capital	Share premium	Merger reserve	Capital redemption reserve	Subordinated shareholder funding reserve	Share-based payment reserve	Retained earnings	Total
At beginning of year	9.8	17.5	(9.6)	1.3	—	1.2	494.8	515.0
Retained profit for the financial year	—	—	—	—	—	—	78.2	78.2
Capital contribution	—	—	—	—	46.1	—	—	46.1
Share-based payments	—	—	—	—	—	0.4	1.2	1.6
Transfer between reserves	—	—	—	—	(1.2)	—	1.2	—
Dividend	—	—	—	—	—	—	(12.5)	(12.5)
At end of year	**9.8**	**17.5**	**(9.6)**	**1.3**	**44.9**	**1.6**	**562.9**	**628.4**

Company statement of changes in equity
Year ended 30 June 2018
All amounts are stated in £m

2018	Called-up share capital	Share premium	Capital redemption reserve	Subordinated shareholder funding reserve	Share-based payment reserve	Retained earnings	Total
At beginning of year	9.8	17.5	1.3	44.9	1.6	513.0	588.1
Retained loss for the financial year	—	—	—	—	—	(2.1)	(2.1)
Transfer between reserves	—	—	—	(1.9)	—	1.9	—
Dividend	—	—	—	—	—	(22.9)	(22.9)
At end of year	**9.8**	**17.5**	**1.3**	**43.0**	**1.6**	**489.9**	**563.1**

2017	Called-up share capital	Share premium	Capital redemption reserve	Subordinated shareholder funding reserve	Share-based payment reserve	Retained earnings	Total
At beginning of year	9.8	17.5	1.3	—	1.2	61.2	91.0
Retained profit for the financial year	—	—	—	—	—	461.9	461.9
Capital contribution	—	—	—	46.1	—	—	46.1
Share-based payments	—	—	—	—	0.4	1.2	1.6
Transfer between reserves	—	—	—	(1.2)	—	1.2	—
Dividend	—	—	—	—	—	(12.5)	(12.5)
At end of year	**9.8**	**17.5**	**1.3**	**44.9**	**1.6**	**513.0**	**588.1**

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

Consolidated statement of cash flows
Year ended 30 June 2018
All amounts are stated in £m

	Note	2018	2017
Cash outflow from operating activities			
Cash outflow from operations	24	(495.5)	(253.1)
Income tax paid		(15.3)	(17.2)
Servicing of finance		(87.6)	(85.9)
Net cash outflow from operating activities		**(598.4)**	**(356.2)**
Cash flows from investing activities			
Proceeds from disposal of investments		—	0.1
Acquisition of property, plant and equipment		(3.3)	(1.2)
Proceeds from disposal of property, plant and equipment		0.1	0.1
Investment in intangible assets		(5.9)	(3.5)
Proceeds on sale of shares by employee-benefit trust		—	1.2
Net cash outflow from investing activities		**(9.1)**	**(3.3)**
Cash flows from financing activities			
Drawdown/(repayment) of bank facilities		30.7	(29.0)
Drawdown of loan facilities		418.2	138.9
Proceeds from issuance of residential mortgage-backed securitisation		261.3	—
Repayment of loan facilities		(415.0)	—
Proceeds from issuance of loan facility		165.0	—
Repayment of subordinated shareholder notes		—	(60.0)
Proceeds from issuance of subordinated shareholder funding		—	68.1
Repayment of senior secured notes		—	(304.4)
Proceeds from issuance of senior secured notes		152.4	575.0
Increase in finance leases		0.5	0.2
Dividends paid		(22.9)	(12.5)
Net cash inflow from financing activities		**590.2**	**376.3**
Net (decrease)/increase in cash and cash equivalents		**(17.3)**	**16.8**
Cash and cash equivalents at the beginning of the year		**17.3**	**0.5**
Cash and cash equivalents at end of year		**—**	**17.3**

Company statement of cash flows
Year ended 30 June 2018
All amounts are stated in £m

	Note	2018	2017
Cash outflow from operating activities			
Cash inflow/(outflow) from operations	24	24.6	(336.7)
Servicing of finance		(48.8)	(60.8)
Net cash outflow from operating activities		**(24.2)**	**(397.5)**
Cash flows from investing activities			
Investments in subsidiaries		—	(14.7)
Proceeds on sale of shares by employee-benefit trust		—	1.2
Dividends received		—	464.5
Net cash inflow from investing activities		**—**	**451.0**
Cash flows from financing activities			
Repayment of bank facilities		—	(29.0)
Drawdown of bank facilities		25.0	—
Repayment of subordinated shareholder notes		—	(60.0)
Proceeds from issuance of subordinated shareholder funding		—	68.1
Dividends paid		(22.9)	(12.5)
Net cash inflow/(outflow) from financing activities		**2.1**	**(33.4)**
Net (decrease)/increase in cash and cash equivalents		**(22.1)**	**20.1**
Cash and cash equivalents at the beginning of the year		**22.2**	**2.1**
Cash and cash equivalents at end of year		**0.1**	**22.2**

Notes to the financial statements
All amounts are stated in £m

1. Reporting entity and general information

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

2. Significant accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current year and the preceding year.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

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

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

These financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Presentation of risk disclosures

Disclosures under IFRS 7 *Financial Instruments: Disclosures* concerning the nature and extent of risks relating to financial instruments have been presented within the sections denoted as forming part of these financial statements in the 'Principal risks and uncertainties" section of the Risk Management Report.

Amendments to IAS 7 Statement of Cash flows

The Group has applied the amendment in respect of IAS 7 disclosures for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statement to evaluate the changes in liabilities arising from financing activities, including both cash and non cash changes.

A reconciliation of changes in liabilities arising from financing activities is provided in Note 24. Apart from the additional disclosure in Note 24, the application of the amendments has had no impact on the Group or Company's consolidated financial statements.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 July 2017 and not early adopted:

There are a number of standards, amendments and interpretations which have been issued by the International Accounting Standards Board (IASB) but which are not yet effective and which the Group has not adopted early. The most significant of these are IFRS 9 *Financial Instruments*, the replacement for IAS 39

Financial Instruments: Recognition and Measurement, IFRS 16 *Leases*, the replacement for IAS 17 *Leases* and IFRS 15 *Revenue from Contracts with Customers*, the replacement for IAS 11.

2. Significant accounting policies (continued)

IFRS 9

Implementation and governance

IFRS 9 was issued in July 2014 and is effective for annual periods beginning on or after 1 January 2018. The Group plans to apply IFRS 9 initially on 1 July 2018 and expects to report under IFRS 9 in its interim statements for the quarter to 30 September 2018.

Changes in accounting policies resulting from adoption of IFRS 9 will generally be applied retrospectively. The Group plans to take advantage of the exemption allowing it to not restate comparative information for prior periods with respect to classification and measurement. Differences in carrying amounts of financial assets and liabilities resulting from the adoption of IFRS 9 will be recognised in retained earnings at 1 July 2018. IFRS 9 will also require extensive new disclosures, in particular about credit risk and expected credit losses (ECLs).

Estimated financial impact on adoption

Adoption of IFRS 9 is expected to result in:

- a reduction in the carrying value of loans and advances to customers of £28m to £38m due to an increase in the allowance for impairment in particular the introduction of an expected credit loss for assets that currently show no sign of impairment,
- an increase in the carrying value of borrowings of £6m due to a change in measurement of financial liabilities; and
- the recognition of a deferred tax asset of £6m to £8m.

The result is a net combined reduction in reserves of £28m to £36m. The changes are explained in more detail in the section below. All estimates are subject to finalisation.

Classification and measurement

IFRS 9 makes little change to the classification of financial liabilities but determines the appropriate classification of financial assets based on the business model, and the nature of the contractual cash flows. Under IFRS 9 a financial asset can be measured at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and if the contractual term of the assets give rise to cash flows that are solely payments of principal and interest (SPPI). Financial assets whose cash flows are SPPI, but which are held within a business model whose objective is both to hold to collect contractual cash flows and to sell the assets, are measured at fair value through other comprehensive income. Other financial assets are measured at fair value through profit and loss (FVTPL).

The Group has completed the assessment of its financial instruments and expects the IFRS 9 classification change to have no significant effect. All its financial instruments will continue to be held at amortised cost. The principal assessment relates to the Group's loans and advances to customers (which largely consist of mortgage assets):

- The business model is considered to be hold-to-collect because the Group manages the assets based on their interest margin and credit risk.
- A review of the Group's mortgage portfolios concluded that the related cash flows included no features other than those of a basic lending arrangement, and are therefore considered to be SPPI.

Like IAS 39, IFRS 9 requires the derecognition of a financial liability, and recognition of a new one for a modification that is substantially different from the original terms. The standard continues to deem that changes of 10% or more in the present value of a liability qualify as substantially different. The only significant change from IAS 39 relates to non-substantial modifications of liabilities. Under IAS 39, the Group's policy for such modifications is to defer any related transaction costs as adjustments to carrying value that are charged to income over the liability's remaining life. Under IFRS 9 however, all gains or losses on non-substantial modifications calculated as a change in the net present value of future cashflows

2. Significant accounting policies (continued)

IFRS 9 (continued)

will be recognised immediately in the income statement. The Group may also consider qualitative factors in determining whether a modification is substantial. It is expected that the impact of these changes will be an increase in the carrying value of the Group's borrowings of £6m on transition to IFRS 9 at 1 July 2018.

Impairment

The most significant impact of IFRS 9 is expected to result from new impairment requirements. IFRS 9 replaces IAS 39's incurred-loss approach to impairment with a forward-looking one based on ECLs of financial assets and loan commitments measured at amortised cost. ECLs are an unbiased, probability-weighted estimate of the present value of credit losses.

In accordance with IFRS 9, the Group will generally use a three-stage model for impairment based on changes in credit quality since initial recognition:

- A financial instrument not credit-impaired on initial recognition will be classified in stage 1. The loss allowance for such instruments is calculated as the portion of lifetime ECL of those default events that are possible within 12 months of the reporting date, weighted by the probability of that default occurring.
- An instrument will move to stage 2 if there is an increase in its credit risk that is significant but not such that the instrument is considered credit impaired. The loss allowance for stage 2 instruments will be calculated as the lifetime ECL.
- Stage 3 instruments are credit impaired and the loss allowance will be calculated as the lifetime ECL, similar to specific incurred losses under IAS 39.

Besides instruments that become credit impaired on entering default, lifetime ECLs are also used for any that are credit impaired on origination. In the ordinary course of business the Group does not purchase or originate credit impaired financial assets; management therefore considers any such balances to be immaterial.

Interest income on loans measured at amortised cost is calculated at the effective interest rate (EIR) on the gross carrying value for instruments in stage 1 or 2, and at the EIR applied to the amortised cost, i.e. after deduction of the loss allowance, for instruments in stage 3.

In categorising assets as credit impaired, the Group will determine default on the basis of quantitative criteria, such as the number of renewals for certain types of bridging loans, and on qualitative criteria such as forbearance, loans past term, repossessions and fraud. Additionally a general 'backstop' assumption for arrears of 90 days past due is also used.

The Group will calculate its ECL using a statistical model based on probability of default (PD), loss given default (LGD) and exposure at default (EAD).

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

2. Significant accounting policies (continued)

IFRS 9 (continued)

ECLs are discounted to their present values from the date of expected default.

The Group will use forward-looking information in its measurement of ECL. The Group's statistical analysis of historical data confirms that the key economic variables that drive credit risk, and the ECL for its financial instruments, are unemployment, Bank Rate, economic activity as measured by GDP, and changes in house prices. The Group will develop a range of future economic scenarios of these variables, drawing on external forecasts where appropriate, and expects to calculate ECL using a base case, an upside and a downside scenario. The base case will be broadly aligned to the Group's internal planning assumptions.

If an instrument undergoes a significant increase in credit risk then the Group will measure the loss allowance based on a lifetime ECL. To determine whether credit risk has increased significantly, for term loans the Group will use quantitative criteria such as increases in lifetime PD and LTV, and qualitative criteria such as a borrower's status or credit quality. A backstop criterion, i.e. when a loan becomes more than 30 days' past due, is also applied.

Instruments whose credit performance has improved such that they meet the criteria for inclusion in a lower ECL stage must complete a 'probationary' period of performance before they will be moved back.

The estimation of the change in the Group's loss allowance on transition to IFRS 9 is nearing finalisation. Management expect the initial impact to be a reduction in the carrying value of loans and advances to customers of £28m to £38m.

IFRS 16

IFRS 16 was issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019. The Group plans to apply IFRS 16 initially on 1 July 2019.

IFRS 16 provides a single lease accounting model, recognising most leases in the statement of financial position. This may also introduce a degree of volatility to assets and liabilities for lessees due to the requirements to reassess certain key estimates and judgements at each reporting date. The standard replaces the dual lease accounting model approach of IAS 17 which treats finance leases and operating leases differently. It has not yet been possible to estimate the financial impact of adoption of the standard but it is unlikely to be material to the Group's results.

Changes in accounting policies resulting from adoption of IFRS 16 will generally be applied retrospectively. The Group plans to take advantage of the exemption allowing it to not restate comparative information for prior periods. Differences in carrying amounts of lease assets and liabilities resulting from the adoption of IFRS 16 will be recognised in retained earnings at 1 July 2019.

IFRS 15

IFRS 15 was issued in May 2014 and is effective for annual periods beginning on or after 1 January 2019. The effects of IFRS 15 are deemed to be immaterial for the Group, as the majority of income will be recognised in accordance with IFRS 9.

Going concern

The directors have assessed, in the light of current and anticipated economic conditions, the Group's ability to continue as a going concern. The directors confirm they are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going-concern basis for preparing these accounts.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

2. Significant accounting policies (continued)

Basis of consolidation (continued)

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Negative goodwill is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill arising on acquisitions in the year ended 30 June 1998 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by IFRS the goodwill previously written off has not been reinstated in the statement of financial position.

Merger accounting has continued to be used on transition to IFRS for the consolidation of the following subsidiaries:

- Together Commercial Finance Limited
- Together Personal Finance Limited
- Blemain Finance Limited
- FactFocus Limited
- Harpmanor Limited
- Jerrold Mortgage Corporation Limited
- Supashow Limited

Under this method any goodwill arising on consolidation is treated as a reduction in reserves.

On disposal or closure of a previously acquired business, the attributable amount of goodwill, including that previously written off to reserves, is included in determining the profit or loss on disposal.

Operating segments

The Group's only listed financial instruments are issued by a subsidiary, Jerrold Finco PLC, rather than the parent Company, Together Financial Services Limited. The Group is therefore outside the scope of IFRS 8, *Operating Segments*, and accordingly does not disclose segmental information in these financial statements.

Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all financial instruments measured at amortised cost using the effective interest method. The effective interest method calculates the amortised cost of a financial asset or a financial liability and allocates the interest income or interest expense over the expected life of the instrument.

2. Significant accounting policies (continued)

Interest income and expense (continued)

The effective interest rate is the rate that, at inception of the instrument, discounts its estimated future cash payments or receipts to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Group takes into account all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees, transaction costs and other premiums or discounts that relate to the origination of the instrument.

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

Fee and commission income and expense

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

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

Leases

The Group as lessee

Assets held under finance leases which confer rights and obligations similar to those attached to owned assets are capitalised as tangible fixed assets and depreciated over the shorter of the lease terms and their useful lives. The capital element of future lease obligations is recorded within liabilities, while the interest element is charged to the income statement over the period of the leases to produce a constant rate of interest on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term and the related assets are not recognised in the statement of financial position.

The Group as lessor

Rentals received under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Pension benefits

During the period the Group operated a defined contribution scheme and made contributions to employees' personal pension schemes.

The amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year to Group pension schemes and personal pension schemes. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Share-based payments

The Group has granted options to key employees under an equity-settled scheme.

The cost of providing the options to group employees is charged to the income statement over the vesting period of the related options. The corresponding credit is made to a share-based payment reserve within equity.

In the company's financial statements the grant by the parent of options over its equity instruments to the employees of subsidiary undertakings is treated as an investment in subsidiaries. The fair value of employee

2. Significant accounting policies (continued)

Share-based payments (continued)

services received, measured by reference to the fair value at the date of grant, is recognised over the vesting period as an increase in investments in subsidiary undertakings, with a corresponding credit to the share-based payment reserve within equity.

The cost of options is based on their fair value, determined using a Black-Scholes pricing model. The value of the charge is adjusted at each reporting date to reflect lapses and expected or actual levels of vesting, with a corresponding adjustment to the share-based payment reserve.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

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

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of the assets and liabilities in the financial statements and the corresponding amounts used for taxation purposes, and is accounted for using the balance sheet liability method. Deferred tax assets/ liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Group intends to settle its current tax assets and liabilities on a net basis.

Cash and cash equivalents

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

Financial assets & liabilities

Financial assets

All the Group's financial assets are categorised as loans and receivables. Loans and receivables are predominantly mortgage loans and advances to customers with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell in the near term. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less impairment losses.

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

Financial liabilities

All the Group's financial liabilities are designated as financial liabilities at amortised cost and largely consist of borrowings. A financial liability is measured initially at fair value less the transaction costs that

2. Significant accounting policies (continued)

Financial assets & liabilities (continued)

are directly attributable to its issue. Interest and fees payable on the borrowings are recognised in the income statement over the expected term of the instruments using the effective interest rate method.

Financial liabilities are derecognised when the contractual obligation is discharged, cancelled or has expired.

The Group accounts for a substantial modification of the terms of an existing financial liability as an extinguishment of the original liability and the recognition of a new one. It is assumed that the terms are substantially different if the present value of the cash flows under the new terms, discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

Impairment of financial assets (IAS 39)

The Group regularly assesses whether there is evidence that financial assets are impaired. Financial assets are impaired and impairment losses recognised if, and only if, there is objective evidence of impairment as a result of one of more loss events that occurred after the initial recognition of the assets and prior to the reporting date and that have had an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For loans and receivables, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. All impairment losses are reviewed at least at each reporting date. If subsequently the amount of the loss decreases as a result of a new event, the relevant element of the outstanding impairment loss is reversed. Impairment losses and any subsequent reversals are recognised in the income statement.

Impairment losses are assessed individually for financial assets that are individually significant and collectively for assets that are not individually significant. In making collective assessment of impairment, financial assets are grouped into portfolios on the basis of similar risk characteristics.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the asset group and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions. In addition, the Group uses its experienced judgement to correct model deficiencies and systemic risks where appropriate and supported by historical loss experience data. The use of such judgements and reasonable estimates is considered by management to be an essential part of the process, and improves reliability.

Where a loan is uncollectable, it is written off against the related allowance. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised in the income statement.

Securitisation

Where the Group securitises its own financial assets, this is achieved via the sale of these assets to a special purpose entity (SPE), which in turn issues securities to investors.

SPEs used to raise funds through securitisation transactions are consolidated into the Group's operations in accordance with IFRS 10 *Consolidated Financial Statements* as if they were wholly-owned subsidiaries. Financial assets transferred to SPEs under securitisation agreements are not derecognised by the Group because it retains the risks and rewards of ownership, and all financial assets and liabilities related to the SPE continue to be held on the Group's consolidated statement of financial position.

Inventories

Inventories consist of stock properties and are valued at the lower of cost and estimated net realisable value. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

2. Significant accounting policies (continued)

Investments

Fixed asset investments are stated at cost less provision for impairment.

Property, plant and equipment

Property, plant and equipment are shown at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Fixtures and fittings	***10-15 years straight-line on cost***
Motor vehicles	***25% reducing balance***
Computer equipment	***3-5 years straight-line on cost***

All items of property, plant and equipment are reviewed for indications of impairment on a regular basis and at each statement of financial position date. If impairment is indicated, the asset's recoverable amount (being the greater of fair value less cost to sell and value in use) is estimated. Value in use is calculated by discounting the future cash flows generated from the continuing use of the asset. If the carrying value of the asset is less than the recoverable amount, an impairment charge is recognised in the income statement.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within administrative expenses in the income statement.

Intangible assets

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment allowances. The estimated useful life of five years is reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets consist wholly of expenditure relating to computer software incurred in respect of individual projects and are capitalised only if all of the following conditions are met:

- an intangible asset is created that can be separately identified;
- it is probable that the intangible asset created will generate future economic benefits; and
- the development cost of the intangible asset can be measured reliably.

This type of expenditure primarily relates to internally developed software and is amortised on a straight-line basis over the expected useful life of the asset.

Where the above conditions for capitalisation are not met, development expenditure is recognised as an expense in the period in which it is incurred.

All intangibles assets are reviewed for indications of impairment at least annually. If impairment is indicated, the asset's recoverable amount (being the greater of fair value less cost to sell and value in use) is estimated. Value in use is calculated by discounting the future cash flows generated from the continuing use of the asset. If the carrying value of the asset is less than the recoverable amount, an impairment charge is recognised in the income statement.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, which is reliably measurable and where it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

All amounts are stated in £m

3. Critical accounting estimates and judgements

In applying the accounting policies set out above, the Group makes no critical accounting judgements but makes the following significant estimates and assumptions that affect the reported amounts of assets and liabilities:

a) Loan impairment allowances

Allowances for loan impairment represent management's best estimate of the losses incurred in the loan portfolios at the reporting date. Charges to the allowances for loan impairment are reported in the consolidated income statement as impairment losses. Impairment allowances are made if there is objective evidence of impairment as a result of one or more events regarding a significant loan or a portfolio of loans and where the impact can be reliably estimated.

Individual impairment losses are determined as the difference between the carrying value and the present value of estimated future cash flows, discounted at the loan's original effective interest rate. Impairment losses determined on a portfolio basis are calculated using a formulaic approach which allocates a loss rate dependent on the arrears status of the loan. Loss rates are based on the discounted expected future cash flows, from historical experience and are regularly benchmarked against actual outcomes to ensure they remain appropriate.

Estimating the amount and timing of future recoveries involves significant judgement, and considers the level of arrears as well as the assessment of matters such as future economic conditions and the value of collateral. All impairment losses are reviewed at least annually.

b) Revenue

Interest income

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

Fees and commission

Fee and commission income is recognised depending on the nature of service provided:

- Income which forms an integral part of the effective interest rate is recognised and recorded in interest income;
- Income earned from provision of services is recognised as the services are provided; and
- Income earned on the execution of a significant act is recognised when the act is completed.

4. Interest receivable and similar income

	2018	2017
Interest on loans and advances to customers	**292.2**	**246.5**

Included within interest on loans and advances to customers is £8.9m (2017: £9.6m) relating to impaired loans.

5. Interest payable and similar charges

	2018	2017
On borrowings	**92.8**	**88.8**

Interest payable and similar charges include £nil (2017: £14.8m) of costs relating to the refinancing of senior secured notes.

Notes to the financial statements (continued)
All amounts are stated in £m

6. Fee and commission income

	2018	2017
Fee income on loans and advances to customers	4.6	3.9
Other fees receivable	0.1	0.3
	4.7	**4.2**

7. Fee and commission expense

	2018	2017
Legal, valuations and other fees	1.0	1.0
Insurance commissions and charges	1.1	1.1
	2.1	**2.1**

8. Other income

	2018	2017
Rental income	0.1	0.1
Other income	0.3	—
	0.4	**0.1**

9. Administrative expenses

	Note	2018	2017
Staff costs	10	41.2	38.9
Auditor's remuneration	11	0.7	0.5
Depreciation of property, plant and equipment	17	1.4	1.2
Amortisation of intangible assets	18	3.3	1.0
Operating lease rentals		1.4	1.1
Other administrative costs		21.3	15.7
		69.3	**58.4**

There were no material gains or losses on the disposal of property, plant and equipment (2017: £nil).

10. Staff costs

The average monthly number of employees, including executive directors, was:

	2018 No.	2017 No.
Management and administration		
Full time	630	495
Part time	33	27
	663	**522**

Notes to the financial statements (continued)
All amounts are stated in £m

10. Staff costs (continued)

The aggregate remuneration of employees and directors was as follows:

Staff remuneration	Note	2018	2017
Wages and salaries		28.5	28.8
Social security costs		3.8	3.7
Pension	27	0.8	0.4
		33.1	**32.9**
Directors' remuneration			
Emoluments		8.0	5.9
Company contribution to personal pension schemes	27	0.1	0.1
		8.1	**6.0**
Total staff costs		**41.2**	**38.9**

The emoluments of the highest paid director were £3.0m (2017: £2.0m) including £nil (2017: £nil) of Company contributions to a defined contribution pension scheme for any directors (2017: nil). Details of the pension arrangements operated by the Group are given in Note 27.

Staff are employed by a Group subsidiary, and no staff are employed by the Company. Remuneration for employees and directors included £nil (2017: £8.2m) of one-off costs.

11. Auditor's remuneration

	2018	2017
Fees payable for the audit of the Company's accounts	0.1	0.2
Fees payable for the audit of the Company's subsidiaries	0.2	0.0
Tax advisory and compliance services	0.1	0.1
Other services	0.3	0.2
	0.7	**0.5**

12. Income tax

	2018	2017
Current tax		
Corporation tax	16.1	15.1
Adjustment in respect of prior years	(1.8)	(2.9)
	14.3	**12.2**
Deferred tax		
Origination and reversal of temporary differences	1.2	0.1
Adjustment in respect of prior years	(0.2)	3.2
Effect of changes in tax rate	—	0.4
	1.0	**3.7**
Total tax on profit	**15.3**	**15.9**

Corporation tax is calculated at 19.00% (2017: 19.75%) of the estimated taxable profit for the year.

All amounts are stated in £m

12. Income tax (continued)

The differences between the Group tax charge for the year and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2018	2017
Profit before tax	**121.7**	**94.1**
Tax on profit at standard UK corporation tax rate of 19.00% (2017: 19.75%)	23.1	18.6
Effects of:		
Expenses not deductible for tax purposes	2.5	1.0
Income not taxable	(1.8)	(0.1)
Group relief	(6.5)	(4.3)
Adjustment in respect of prior years	(2.0)	0.3
Changes in tax rate	—	0.4
Group tax charge for year	**15.3**	**15.9**

13. Loans and advances to customers

	2018	2017
Gross loans and advances	3,020.0	2,303.1
Less: allowances for impairment on loans and advances	(61.8)	(62.2)
	2,958.2	**2,240.9**

Gross loans and advances are repayable:

	2018	2017
Due within one year	1,299.4	967.9
Due within 1-5 years	694.6	571.6
Due after five years	1,026.0	763.6
	3,020.0	**2,303.1**

Allowance for impairment losses	2018	2017
At beginning of year	(62.2)	(68.8)
Charges to the income statement	(9.1)	(8.8)
Unwind of discount	8.9	9.6
Write-offs net of recoveries	0.6	5.8
At end of year	**(61.8)**	**(62.2)**

Impairment losses for year	2018	2017
Charges to the income statement	(9.1)	(8.8)
Amounts written off	(6.2)	(0.1)
Amounts released from deferred income	2.3	1.3
Recoveries of amounts previously written off	1.6	0.2
	(11.4)	**(7.4)**

Loans and advances to customers include total gross amounts of £12.5m (2017: £11.1m), equivalent to £10.2m net of allowances (2017: £9.3m), loaned to August Blake Developments Limited, Sunnywood Estates Limited and Edgworth Developments Limited, companies of which HN Moser is a director and shareholder. These loans are on a commercial basis secured on certain assets of those companies.

14. Inventories

	2018	2017
Properties held for resale	**0.6**	**0.9**

All amounts are stated in £m

15. Other assets

Group	2018	2017
Amounts owed by related parties	0.5	0.8
Other debtors	0.9	0.6
Prepayments and accrued income	2.9	3.0
	4.3	**4.4**

Company	2018	2017
Amounts owed by subsidiaries	1,326.0	1,191.8
Prepayments and accrued income	0.1	0.1
	1,326.1	**1,191.9**

Amounts owed by related parties of the Group are in respect of companies in which HN Moser is a director and shareholder. Also included within amounts owed by the related parties is £0.2m (2017: £0.2m) in relation to a director's loan. The loan is interest free and repayable on demand.

16. Investments in subsidiaries

The Company held the following investments in subsidiary undertakings:

	2018	2017
At beginning of year	25.3	11.5
Capital injections	—	13.5
Disposals	—	0.4
Debt forgiveness	—	1.2
Impairment of investments during the year	—	(1.3)
At end of year	**25.3**	**25.3**

The Company has the following subsidiaries, all of which are incorporated in Great Britain and are registered in England and Wales and operate throughout the United Kingdom:

The following dormant subsidiaries were dissolved via voluntary strike off during the year:

Briar Hill Court Limited
Monarch Recoveries Limited
Finance Your Property Limited
Proactive Bridging Limited
Proactive Lending Limited
Privileged Estates Limited
Provincial & Northern Properties Limited

	Shares and voting rights	Principal activities
Trading subsidiaries		
Auction Finance Limited	100%	Commercial lending
Blemain Finance Limited	100%	Retail lending
Bridging Finance Limited	100%	Commercial lending
Harpmanor Limited	100%	Commercial lending
Jerrold Finco PLC	100%	Financier
Spot Finance Limited	100%	Retail lending
Together Commercial Finance Limited	100%	Commercial lending
Together Personal Finance Limited	100%	Retail lending

All amounts are stated in £m

16. Investments in subsidiaries (continued)

	Shares and voting rights	Principal activities
Non-trading subsidiaries		
FactFocus Limited	100%	
General Allied Properties Limited	100%	
Heywood Finance Limited	100%	
Heywood Leasing Limited	100%	
Jerrold Mortgage Corporation Limited	100%	
Phone-a-Loan Limited	100%	
Supashow Limited	100%	
Dormant subsidiaries		**Company registration number**
BridgingFinance.co.uk Limited	100%	04159852
Classic Car Finance Limited	100%	03237779
Jerrold Holdings Limited	100%	04950229
Together123 Limited	100%	10758537

The above are all direct holdings of the ordinary share capital of the companies, with the exception of Spot Finance Limited which is held by Blemain Finance Limited. The dormant subsidiaries have taken advantage of the exemption from audit under section 479A of the Companies Act 2006. The registered address of all subsidiaries is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW.

The results of the following securitisation vehicles and trusts are also consolidated in the Group accounts:

Charles Street Conduit Asset Backed Securitisation 1 Limited
Delta Asset Backed Securitisation 1 Limited
Highfield Asset Backed Securitisation 1 Limited
Jerrold Holdings Employee Benefit Trust
Lakeside Asset Backed Securitisation 1 Limited
Together Asset Backed Securitisation 1 Holdings Limited
Together Asset Backed Securitisation 1 PLC

17. Property, plant and equipment

2018 Group	Fixtures, fittings and equipment	Motor vehicles	Total
Cost			
At beginning of year	6.5	1.6	8.1
Additions	2.8	0.5	3.3
Disposals	(0.8)	(0.3)	(1.1)
At end of year	**8.5**	**1.8**	**10.3**
Depreciation			
At beginning of year	3.2	0.5	3.7
Charge for the year	1.1	0.3	1.4
Disposals	(0.8)	(0.3)	(1.1)
At end of year	**3.5**	**0.5**	**4.0**
Net book value			
At 30 June 2018	**5.0**	**1.3**	**6.3**
At 30 June 2017	**3.3**	**1.1**	**4.4**

All amounts are stated in £m

17. Property, plant and equipment (continued)

2017 Group	Fixtures, fittings and equipment	Motor vehicles	Total
Cost			
At beginning of year	5.9	1.3	7.2
Additions	0.6	0.6	1.2
Disposals	—	(0.3)	(0.3)
At end of year	**6.5**	**1.6**	**8.1**
Depreciation			
At beginning of year	2.2	0.5	2.7
Charge for the year	1.0	0.2	1.2
Disposals	—	(0.2)	(0.2)
At end of year	**3.2**	**0.5**	**3.7**
Net book value			
At 30 June 2017	**3.3**	**1.1**	**4.4**
At 30 June 2016	**3.7**	**0.8**	**4.5**

18. Intangible assets

Group	Computer software 2018	Computer software 2017
Cost		
At beginning of year	7.2	3.7
Additions	5.9	3.5
Disposals	(1.7)	—
At end of year	**11.4**	**7.2**
Amortisation		
At beginning of year	1.5	0.5
Charge for the year	3.3	1.0
Disposals	(1.7)	—
At end of year	**3.1**	**1.5**
Net book value		
At end of year	**8.3**	**5.7**
At beginning of year	**5.7**	**3.2**

19. Deferred tax asset

	2018	2017
At beginning of year	2.4	6.1
Charge to income statement	(1.2)	(0.1)
Adjustment in respect of prior years	0.2	(3.2)
Effect of changes in tax rates	—	(0.4)
At end of year	**1.4**	**2.4**

The deferred tax asset consisted of the following:

	2018	2017
Accelerated capital allowances	(0.7)	(0.1)
Short-term timing differences	2.1	2.5
	1.4	**2.4**

Notes to the financial statements (continued)
All amounts are stated in £m

20. Borrowings

Group	2018	2017
Bank facilities	30.7	—
Loan notes	1,452.4	1,022.9
Subordinated shareholder loans	25.1	23.2
Senior secured notes	727.4	575.0
Obligations under finance leases	1.1	0.6
	2,236.7	**1,621.7**
Debt issue costs	(19.9)	(18.8)
Total borrowings	**2,216.8**	**1,602.9**
Of which:		
Due for settlement within 12 months	48.1	0.3
Due for settlement after 12 months	2,168.7	1,602.6
	2,216.8	**1,602.9**

Company	2018	2017
Bank facilities	25.0	—
Subordinated shareholder loans	25.1	23.2
	50.1	**23.2**
Debt issue costs	(0.5)	(0.7)
Total borrowings	**49.6**	**22.5**
Of which:		
Due for settlement within 12 months	—	—
Due for settlement after 12 months	49.6	22.5
	49.6	**22.5**

The loan notes are provided through revolving facilities provided by Charles Street ABS, Lakeside ABS, Delta ABS, Highfield ABS and an amortising facility provided by Together ABS. The Charles Street ABS was established in 2007 and is currently a £1bn facility that expires in January 2021. The Lakeside ABS is a £255m facility established in 2015, and has an expiry date in January 2021. Delta ABS is a £90m facility which was established in January 2017 and expires in January 2021. The Together ABS is a £275m facility which was established in September 2017 and expires in September 2021. The Highfield ABS is a £525m facility which was established in June 2018, expires in June 2022.

Subordinated shareholder loans were issued as part of the refinancing transaction undertaken on the 2 November 2016. The subordinated shareholder loans are interest-free loans totalling £68.1m, which comprise £25.1m due in 2024 and £43.0m due in 2036. The difference between the total nominal value of £68.1m and the initial fair value of £22.0m represented a non-distributable capital contribution, of which £3.1m had amortised by 30 June 2018 (2017: £1.2m). The remainder of the reserve will be amortised over the life of the instruments.

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.

On 26 September 2017, the Group announced the completion of a £275m residential mortgage-backed securitisation via the special purpose vehicle Together ABS.

On 10 January 2018, the Group announced the refinancing of the special purpose vehicle Lakeside ABS 1 Limited extending its maturity to 2021 on favourable commercial terms.

All amounts are stated in £m

20. Borrowings (continued)

On 31 January 2018, a subsidiary of the Company, Jerrold Finco PLC, completed the issuance of an additional £150m of 6 1⁄8% senior secured notes due 2024.

On 27 April 2018, the Group's revolving credit facility was increased from £57.5m to £71.9m. All other terms under the facility remain substantially unchanged.

On 27 June 2018, the Group announced the completion of a £525m commercial real estate warehouse facility via the special purpose vehicle Highfield ABS 1 Limited.

Borrowings have the following maturities.

As at 30 June 2018:

Group	<1 year	1–2 years	2–5 years	>5 years	Total
Bank facilities	5.7	—	25.0	—	30.7
Loan notes	42.6	34.2	1,375.6	—	1,452.4
Subordinated shareholder loans	—	—	—	25.1	25.1
Senior secured notes	—	—	375.0	352.4	727.4
Finance leases	0.4	0.5	0.2	—	1.1
	48.7	**34.7**	**1,775.8**	**377.5**	**2,236.7**
Debt issue costs	(0.5)	(0.4)	(15.0)	(4.0)	(19.9)
	48.2	**34.3**	**1,760.8**	**373.5**	**2,216.8**

Company	<1 year	1–2 years	2–5 years	>5 years	Total
Bank loans	—	—	25.0	—	25.0
Subordinated shareholder loans	—	—	—	25.1	25.1
	—	**—**	**25.0**	**25.1**	**50.1**
Debt issue costs	—	—	(0.5)	—	(0.5)
	—	**—**	**24.5**	**25.1**	**49.6**

As at 30 June 2017:

Group	<1 year	1–2 years	2–5 years	>5 years	Total
Loan notes	—	151.0	871.9	—	1,022.9
Subordinated shareholder loans	—	—	—	23.2	23.2
Senior secured notes	—	—	375.0	200.0	575.0
Finance leases	0.3	0.3	—	—	0.6
	0.3	**151.3**	**1,246.9**	**223.2**	**1,621.7**
Debt issue costs	—	—	(16.3)	(2.5)	(18.8)
	0.3	**151.3**	**1,230.6**	**220.7**	**1,602.9**

Company	<1 year	1–2 years	2–5 years	>5 years	Total
Subordinated shareholder loans	—	—	—	23.2	23.2
Debt issue costs	—	—	—	(0.7)	(0.7)
	—	**—**	**—**	**22.5**	**22.5**

Notes to the financial statements (continued)
All amounts are stated in £m

21. Other liabilities

Group	2018	2017
Trade creditors	1.2	2.3
Other creditors	2.5	2.9
Other taxation and social security	2.7	0.7
Accruals and deferred income	37.8	31.6
	44.2	**37.5**

Company	2018	2017
Amounts owed to subsidiaries	737.9	628.8
Accruals and deferred income	0.9	—
	738.8	**628.8**

22. Share capital

Authorised	2018	2017
10,405,653 A ordinary shares of 50 pence each	5.2	5.2
9,149,912 B ordinary shares of 49.9 pence each	4.6	4.6
921,501 C ordinary shares of 1 penny each	—	—
70,000 D ordinary shares of 1 penny each	—	—
10,000 E ordinary shares of 1 penny each	—	—
	9.8	**9.8**

Issued, allotted and fully paid	2018	2017
10,405,653 A ordinary shares of 50 pence each	5.2	5.2
9,149,912 B ordinary shares of 49.9 pence each	4.6	4.6
921,501 C ordinary shares of 1 penny each	—	—
70,000 D ordinary shares of 1 penny each	—	—
	9.8	**9.8**

23. Financial instruments and fair values

All the Group's 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 fair value of financial assets is adjusted for incurred loss provisions.

The following table summarises the carrying and fair values of loans and advances and of borrowings as at the year end, analysing the fair values into different levels according to the degree to which they are based on observable inputs:

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 rely on significant inputs not based on observable market data.

All amounts are stated in £m

23. Financial instruments and fair values (continued)

2018	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets					
Loans and advances to customers	—	—	3,011.7	**3,011.7**	**2,958.2**
Financial liabilities					
Borrowings	737.2	1,480.1	33.9	**2,251.2**	**2,216.8**

2017	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets					
Loans and advances to customers	—	—	2,349.8	**2,349.8**	**2,240.9**
Financial liabilities					
Borrowings	593.8	1,087.3	23.8	**1,704.9**	**1,602.9**

The fair value of loans and advances to customers is based on future interest cash flows (at funding rates) and principal cash flows discounted using the rate for new originations of mortgages with similar characteristics. 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 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.

The fair value of loans and advances to customers in total is 2% higher than the carrying value as at 30 June 2018 (2017: 5% higher). This is primarily due to the current origination rates used to discount future cash flows being below existing customer interest rates. A 1% increase in the discount rate would result in a reduction in the fair value of loans and advances to customers of £70m (2017: £116m) and a 1% decrease would result in an increase of £74m (2017: £131m).

The borrowings stated at fair value in level 3 almost entirely represent subordinated shareholder loans and notes. Market prices are not available for these instruments, and market prices for quoted subordinated instruments are not suitable as they do not reflect the relationship of the shareholders to the Group. The estimated fair value of these financial instruments has been based on expected future cash flows. Management has estimated the discount rate for the shareholder loans by reference to the rates payable on other instruments issued by the Group and for which market prices are available, and also those issued by its intermediate holding companies as part of the restructuring of the Group's ownership in November 2016. The effect of factors such as differing tenor, degree of subordination and the structure of interest payments are taken into account in these estimates.

The loans repayable in 2024 are discounted at 7.25% (2017: 8.0%) and those in 2036 at 7.75% (2017: 8.75%). A 1% reduction in the discount rate would result in an increase in the fair value of approximately £3.0m (2017: £2.7m) and a 1% increase in the rate would result in a decrease of approximately £2.6m (2017: £2.3m).

Notes to the financial statements (continued)
All amounts are stated in £m

24. Notes to the cash flow statement

Reconciliation of profit after tax to net cash outflow from operations

Group	2018	2017
Profit after tax	106.4	78.2
Adjustments for:		
Taxation	15.3	15.9
Depreciation and amortisation	4.7	2.2
Share-based payments	—	0.4
Interest expense	92.8	88.8
	219.2	**185.5**
Increase in loans and advances to customers	(717.3)	(440.2)
Decrease/(increase) in other assets	0.1	(2.1)
Decrease in inventories	0.3	—
Increase in accruals and deferred income	1.7	1.9
Increase in trade and other liabilities	0.5	1.8
	(714.7)	**(438.6)**
Cash outflow from operations	**(495.5)**	**(253.1)**

Company	2018	2017
(Loss)/profit after tax	(2.1)	461.9
Adjustments for:		
Dividends received	—	(464.5)
Interest expense	50.9	53.1
Impairment of investment in subsidiaries	—	1.3
	48.8	**51.8**
Increase in prepayments	—	(0.1)
Intergroup recharges and treasury transfers	(25.1)	(388.4)
Increase in accruals	0.9	—
	(24.2)	**(388.5)**
Cash inflow/(outflow) from operations	**24.6**	**(336.7)**

Reconciliation of changes in liabilities arising from financing activities

As at 30 June 2018:

			Non-cash changes		
Group	At beginning of year	Net cash flows	Prepaid fees	Amortisation of fair value adjustments	At end of year
Bank facilities	—	30.7	—	—	30.7
Loan notes	1,022.9	429.5	—	—	1,452.4
Subordinated shareholder loans	23.2	—	—	1.9	25.1
Senior secured notes	575.0	152.4	—	—	727.4
Finance leases	0.6	0.5	—	—	1.1
	1,621.7	**613.1**	**—**	**1.9**	**2,236.7**
Net debt issue costs	(18.8)	—	(1.1)	—	(19.9)
Total borrowings	**1,602.9**	**613.1**	**(1.1)**	**1.9**	**2,216.8**

All amounts are stated in £m

24. Notes to the cash flow statement (continued)

Reconciliation of changes in liabilities arising from financing activities

As at 30 June 2017:

			Non-cash changes		
Group	**At beginning of year**	**Net cash flows**	**Prepaid fees**	**Amortisation of fair value adjustments**	**At end of year**
Bank facilities	29.0	(29.0)	—	—	—
Loan notes	884.0	138.9	—	—	1,022.9
Shareholder notes	60.0	(60.0)	—	—	—
Subordinated shareholder loans	—	68.1	—	(44.9)	23.2
Senior secured notes	304.4	270.6	—	—	575.0
Finance leases	0.4	0.2	—	—	0.6
	1,277.8	**388.8**	**—**	**(44.9)**	**1,621.7**
Net debt issue costs	(18.4)	—	(0.4)	—	(18.8)
Total borrowings	**1,259.4**	**388.8**	**(0.4)**	**(44.9)**	**1,602.9**

As at 30 June 2018:

			Non-cash changes		
Company	**At beginning of year**	**Net cash flows**	**Prepaid fees**	**Amortisation of fair value adjustments**	**At end of year**
Bank facilities	—	25.0	—	—	25.0
Subordinated shareholder loans	23.2	—	—	1.9	25.1
	23.2	**25.0**	**—**	**1.9**	**50.1**
Net debt issue costs	(0.7)	—	0.2	—	(0.5)
Net debt	**22.5**	**25.0**	**0.2**	**1.9**	**49.6**

As at 30 June 2017:

			Non-cash changes		
Company	**At beginning of year**	**Net cash flows**	**Prepaid fees**	**Amortisation of fair value adjustments**	**At end of year**
Bank facilities	29.0	(29.0)	—	—	—
Subordinated shareholder loans	—	68.1	—	(44.9)	23.2
Shareholder notes	60.0	(60.0)	—	—	—
	89.0	**(20.9)**	**—**	**(44.9)**	**23.2**
Net debt issue costs	(0.3)	—	(0.4)	—	(0.7)
Net debt	**88.7**	**(20.9)**	**(0.4)**	**(44.9)**	**22.5**

25. 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 the Moser Shareholders. HN Moser, a director of Together Financial Services Limited, and the DL Moser 1995 Family Settlement No1 Trust (together the Moser Shareholders) indirectly own 100% of the Company's voting share capital.

25. Related party transactions (continued)

Relationships (continued)

a) Controlling party (continued)

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

Entity	Nature of transactions
Bracken House Properties LLP	The Group pays operating lease and insurance costs to Bracken House Properties LLP for its provision of the Group's head office property.
Centrestand Limited	The Group collects rents and pays service charges and costs on behalf of Centrestand Limited.
Charles Street Commercial Investments Limited	The Group refers borrowers outside its lending criteria to Charles Street Commercial Investments Limited in return for introduction fees. The Group performs underwriting, collection and arrears-management activities for these loans.
Sterling Property Co. Limited	Sterling Property Co. Limited provides property management services for properties repossessed or placed into LPA receivership by the Group.
August Blake Developments Limited, Edgworth Developments Limited, Sunnywood Estates Limited	The Group provides loans on a commercial basis secured on certain assets of these companies. These loans are assessed for impairment in keeping with loans and advances to third-party customers. The Group also manages accounts payable on behalf of these entities, for which it is reimbursed.

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

b) Parent companies

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

Entity	Nature of transactions
Bracken Midco2 Limited	During November 2016, the Company received subordinated funding from Bracken Midco2 Limited as part of the Exit Transactions. The subordinated loans are interest-free and for fixed terms, as set out in Note 20. The difference between the loans' maturity amounts and their fair values represents a capital contribution to the Group which is being amortised through income over the life of the loan.

c) Subsidiaries

Details of the Company's interest in its subsidiaries are listed in Note 16. 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 borrowing and the risk of the assets funded. The cost of equity funding is not charged. All amounts are repayable on demand.

All amounts are stated in £m

25. Related party transactions (continued)

Relationships (continued)

d) Key management personnel

Key management personnel comprise directors of the Group. There are no transactions with directors other than the director's loan disclosed in Note 15 and remuneration in the ordinary course of business (Note 10) and the disposal of D shares in the prior year, disclosed in Note 28.

Transactions

The amounts receivable from and payable to related parties by the Group and Company are disclosed in Notes 15 and 21 to the financial statements. The Group and Company had the following transactions with related parties during the year:

	2018		2017	
Group	**Charge/ (credit) to income or equity**	**Paid**	**Charge/ (credit) to income or equity**	**Paid**
Lease and insurance costs	1.3	1.0	1.1	1.3
Accounts payable transactions	—	1.4	—	0.5
Impairment of related party loans	1.0	—	—	—
Interest on related party loans	(0.7)	—	(0.8)	—
Related parties of the Moser Shareholders	**1.6**	**2.4**	**0.3**	**1.8**
Interest expense	1.9	—	1.2	—
Receipt of funding and capital	—	—	(46.1)	—
Dividends paid	22.9	22.9	12.5	12.5
Parent companies	**24.8**	**22.9**	**(32.4)**	**12.5**
Total related parties	**26.4**	**25.3**	**(32.1)**	**14.3**

Operating lease costs and insurance costs are paid to Bracken House Properties LLP on a prepaid basis. The future amounts payable under operating leases are as follows:

	2018	**2017**
Within one year	1.1	1.1
Between one and five years	4.3	4.3
After five years	4.3	4.8
Total operating leases	**9.7**	**10.2**

	2018		2017	
Company	**Charge/ (credit) to income or equity**	**Paid**	**Charge/ (credit) to income or equity**	**Paid/ (received)**
Interest expense	0.9	—	1.2	—
Receipt of funding and capital	—	—	(46.1)	—
Dividends paid	22.9	22.9	12.5	12.5
Parent companies	**23.8**	**22.9**	**(32.4)**	**12.5**
Dividends receivable	—	—	(464.5)	(464.5)
Costs including management recharges	0.9	—	0.5	—
Interest recharges	(6.0)	—	(10.9)	—
Debts forgiven	—	—	1.2	—
Net provision of treasury funding	—	20.2	—	379.2
Subsidiary companies	**(5.1)**	**20.2**	**(473.7)**	**(85.3)**
Total related parties	**18.7**	**43.1**	**(506.1)**	**(72.8)**

26. Contingent liabilities

As at 30 June 2018 the Company's assets were subject to a fixed and floating charge in respect of £725m senior secured notes (2017: £575m) and £25m in respect of bank borrowings of the Group (2017: £nil).

27. Pension arrangements

During the year the Group contributed to employees' personal pension plans. The total cost for the year amounted to £0.9m (2017: £0.5m). Additionally, the Group operated a defined contribution scheme for which the pension costs charge for the year amounted to £nil (2017: £nil).

28. Share-based payments

Senior management has previously been granted D shares and options over E ordinary shares of the Company. The ability to dispose of such shares and execute such options is conditional on sale of ordinary shares held by other shareholders amounting to 25% or more of the Company's share capital on a cumulative basis. The value of these shares is dependent upon the value of the Company at the time. Such awards are treated as equity settled by virtue of where the obligation rests on such awards being realised.

The purchase of the share capital of Together Financial Services Limited by Bracken Midco2 Limited on 2 November 2016 triggered the ability to dispose of a proportion of the D ordinary shares and as such resulted in the vesting of a proportion of this share scheme and the sale of all the vested shares. As such the full fair value of £1.6m was recognised in 2017 in the statement of comprehensive income to the extent not previously recognised. The charge relating to the remainder of the D ordinary shares has not been recognised as the event, upon which the shares vesting is contingent, is not considered to be foreseeable by management at this time.

The options over the E ordinary shares have not yet been exercised.

29. Ultimate parent company

The largest (and only additional) group of which Together Financial Services Limited is a member, and for which group financial statements will be drawn up, is that headed by Redhill Famco Limited, the company's ultimate parent company.

The registered office of Redhill Famco Limited is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for the year. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group and parent Company's ability to continue as a going concern.

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

Overview of risk management within the Group

There are a number of potential risks and uncertainties which could have an impact on the Group's performance. To identify and control these risks the Group utilises an enterprise risk-management framework (ERMF). The ERMF is overseen by the Risk Committee which reports to the Board.

The ERMF provides the requisite organisational arrangements and foundation for managing risks in a consistent and structured manner. It explains how the Group ensures that risk is effectively managed, embedded in all strategic decisions, translated into operational objectives and integrated into the day-to-day business processes. Risk appetite is assessed at a consolidated group level and by risk categories. The Group's risk appetite is defined and translated into key risk indicators that can be assessed against tolerances for each category of risks.

At the operational level, the Group's system of internal controls and risk management operates utilising the three-lines-of-defence model. At the first line of defence, operational managers identify, manage and own the risks in their respective areas of business.

The second line of defence ensures the first line of defence is properly designed, in place, and operating as intended. This consists of the Group's risk management, legal and financial control functions. Oversight is provided by the Executive Risk Committee, Retail and Commercial Credit Risk Committees and the Conduct Excellence Committee. These functions are organisationally separate and independent of the first line of defence.

The third line of defence is provided by the internal audit function. This provides an independent internal review and assurance on the first and second lines of defence, and the governance, risk-management and internal-control frameworks operated by the Group.

Principal risks and uncertainties

The directors have identified the following as the principal risks and uncertainties facing the business:

- Strategic risk
- Credit risk
- Liquidity and funding risk
- Market risk
- Capital risk
- Conduct risk
- Compliance (regulatory and legal) risk
- Operational risk

The following sections provide detailed discussion of these risks, including financial disclosures.
The disclosures provided are based upon information used by management in overseeing the Group's activities.

Risk management disclosures

Strategic risk

Strategic risk is the risk of failure to achieve objectives that impact the long-term interest of stakeholders, or from an inability to adapt to the external environment.

When setting strategic objectives the Board takes into account the current economic conditions and their potential impacts on the markets in which the Group operates, on the affordability of new loans to customers, and on the existing book. Sensitivity and stress testing analysis are carried out against the loan book and the Group maintains a prudent balance sheet with a mix of funding structures and managed gearing levels.

Credit risk

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

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

These risks are managed through comprehensive underwriting policies and monitored by the Credit Risk Committee. Credit risk is managed at loan inception, via stringent underwriting policies with regard to affordability levels, creditworthiness, repayment strategies and property loan-to-value ratios, and throughout the life of the loan, via monitoring of arrears levels, proactive collections strategies, application of forbearance measures, and by applying macro-economic sensitivity analysis.

Affordability

The Group utilises several affordability models to ensure the customer is able to meet repayments. These are tailored to the customer and loan type.

For mortgages a full assessment at underwriting stage is made of customer income and expenditure throughout the projected life of the loan. Individual affordability is stress-tested to consider potential changes during the life of the loans such as changes in interest rates or customer retirement. Affordability of commercial mortgages is assessed against verified income utilising debt-to-income to assess affordability, while that for buy-to-let mortgages utilises an assessment of rental income to loan repayment.

Maximum exposure to credit risk

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

Audited	**2017 £m**	**2016 £m**
Gross loans and advances	2,303.1	1,869.5
Allowance for impairment	(62.2)	(68.8)
Loans and advances to customers	**2,240.9**	**1,800.7**
Amounts owed by related parties	0.8	0.1
Other debtors	0.6	0.1
Cash and balances at bank	17.3	0.5
	2,259.6	**1,801.4**

Cash and cash equivalents are primarily surplus cash placed overnight with institutions with sufficiently high credit ratings. The Group's only material credit risk therefore relates to its loans and advances to customers. The above table represents the maximum credit risk exposure to the Group at 30 June 2017 and 2016 without taking account of any underlying security.

Risk management disclosures (continued)

Credit risk (continued)

Impaired and past-due loans

The Group manages credit risk based on gross customer balances. The gross customer balances reconcile to gross loans and advances recognised in the annual accounts as follows:

	2017 £m	2016 £m
Gross loans and advances	2,303.1	1,869.5
Unsecured loans	(1.7)	(2.2)
Accounting adjustments	8.0	3.2
Gross customer balances	**2,309.4**	**1,870.5**

Reported loans and advances differ from customer balances mainly due to various accounting adjustments necessary to comply with IFRS.

Loans and advances to customers are reviewed regularly to determine whether there is any objective evidence of impairment. Specific provisions are made for assets individually assessed, and collective provisions are made for assets assessed individually but for which no specific impairment is identified.

Loan assets are categorised:

Neither past due nor impaired

Loans which are not in arrears and which do not meet the definition for specific impairment, in accordance with our accounting policies.

Past due but not impaired

Loans which meet the definition for specific impairment because the loan is in arrears or there is other objective evidence of impairment in accordance with our accounting policies. However, no impairment provision is recognised against the loan when the expected cash flows, discounted at the original effective interest rate, exceed the carrying amount of the loan.

Impaired assets

Loans which meet the definition for specific impairment because the loan is in arrears or there is other objective evidence of impairment in accordance with our accounting policies and where the carrying amount of the loan exceeds the expected cash flows, discounted at the original effective interest rate.

Gross customer balances are analysed as follows:

Audited	2017 £m	2016 £m
Performing		
Not past due	1,851.2	1,430.8
Past due less than 2 months	224.6	202.0
	2,075.8	**1,632.8**
Non performing but not impaired		
Past due 2–3 months	22.9	21.9
Past due over 3 months	74.0	65.9
	96.9	**87.8**
Impaired	136.7	149.9
Gross customer balances	**2,309.4**	**1,870.5**

Reported arrears are in relation to contractual amounts due and have not been amended to reflect changes in customers' preferred payment dates or to reflect agreed payment arrangements as part of our collection and forbearance policies.

Risk management disclosures (continued)

Credit risk (continued)

Past due but not impaired (continued)

In applying IAS 39, observable data is considered to identify potential loss events. Management considers that contractual arrears of two months or more constitutes one such trigger for a potential loss event. On identification of a loss event a provision for impairment is considered based on the probability of default of the loan (based on historical evidence) and the expected loss given default amount (arrived at by calculating the present value of expected future cash flows compared to the carrying value of the loan).

Collateral held

The Group enters into agreements with customers taking security for loan receivables over immovable property. A key measure the business uses in assessing credit risk is the ratio of the loan amount to the value of the underlying security (LTV). Prior valuations are indexed using established regional house price indices to estimate the current security value. The table below shows gross customer balances by indexed LTV banding:

	2017 **£m**	**2016** **£m**
60% or less	1,443.6	1,242.4
60–85%	738.9	510.1
85–100%	92.1	76.3
More than 100%	34.8	41.7
Gross customer balances	**2,309.4**	**1,870.5**

Of the gross customer balances at 30 June 2017, 94.5% of loans had an indexed LTV of less than or equal to 85% (2016: 93.7%).

Concentration of credit risk

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

	2017 **%**	**2016** **%**
East Anglia	2.8	2.4
East Midlands	3.0	3.6
Ireland	0.2	0.3
London regions	28.3	28.0
North East	1.6	2.3
North West	18.1	18.5
Scotland	4.6	5.0
South East	17.9	16.2
South West	5.8	5.7
Wales	4.3	5.0
West Midlands	6.6	6.9
Yorks & Humber	6.8	6.1
Gross customer balances	**100.0**	**100.0**

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

	2017 **%**	**2016** **%**
Up to £50,000	19.3	24.2
£50,000–100,000	17.5	17.8
£100,000–250,000	20.9	18.6
£250,000–500,000	12.6	11.5
£500,000–1,000,000	8.9	8.3
£1,000,000–2,500,000	12.2	11.5
More than £2,500,000	8.6	8.1
Gross customer balances	**100.0**	**100.0**

Risk management disclosures (continued)

Credit risk (continued)

Past due but not impaired (continued)

Forbearance

The Group offers a range of approaches to assist customers who are experiencing financial distress. Assistance is provided through trained colleagues in dedicated teams. For those customers requiring more assistance the Group works with a number of external not-for-profit agencies.

The Group considers an account as forborne at the time a customer in financial difficulty is granted a concession. The Group actively operates timely collections and arrears management processes to ensure early identification of issues to support our customers and minimise credit losses. The Group's offer of forbearance is considered separately for each customer dependent on their individual circumstances. Forbearance can be temporary or permanent in nature depending on the circumstances of the customer and the concession agreed. Examples of concessions agreed include reduced payment arrangements, extension of the mortgage term, or a change in the repayment profile.

Liquidity and funding risk

Liquidity risk is the risk that the Group is unable to meet its current and future financial obligations as they fall due, or can do so only at excessive cost.

To manage its funding requirements, the Group uses a number of medium to long-term funding sources, combined with a small shorter-term revolving credit facility. Headroom held in such facilities, in combination with cash flows from redemptions, is used to provide a liquidity buffer. The liquidity buffer is monitored on a daily basis to ensure there are sufficient liquid assets at all times to cover cashflow movements and to enable the Group to meet all financial obligations and commitments when they fall due.

Within commitments we include liquidity to cover for the outstanding pipeline of loan offers. Although certain pipeline offers may not be legally binding, the failure to honour an expression of intent to finance a loan contract could otherwise cause customer detriment and result in reputational risk.

The Group places surplus cash balances on overnight deposit with institutions with sufficiently high long-term and short-term ratings.

Based on the business model of funding primarily via securitisation programmes and debt capital markets, the Board has set a liquidity risk appetite which it considers to be appropriate to provide it with the assurance that the Group is able to meet its liabilities and commitments when they fall due, and provide sufficient headroom to support anticipated loan book growth.

The Group has increased its wholesale funding in successive years in order to fund the growth in its loan portfolio.

The Charles Street securitisation is for a total facility of £1bn and is available to fund the majority of asset types, subject to eligibility criteria and loan portfolio concentration limits. The Lakeside securitisation is for a total facility of £255m and is available primarily to fund new short-term commercial-purpose loans, and is also subject to eligibility criteria and loan portfolio concentration limits.

The Delta facility is for a total of £90m and is available primarily to fund new short-term commercial-purpose loans and loans secured on commercial property, again subject to eligibility criteria and loan portfolio concentration limits.

Risk management disclosures (continued)

Credit risk (continued)

Liquidity and funding risk (continued)

The gross contractual maturities of the Group's borrowings, inclusive of interest but excluding any non-utilisation fees that may arise, and other financial liabilities are as follows:

Audited At 30 June 2017	Carrying value £m	Gross nominal cash flow £m	Up to 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m
Loan notes	1,022.9	1,196.1	26.0	199.6	970.5	—
Subordinated shareholder loans	23.2	68.1	—	—	—	68.1
Senior secured notes	575.0	779.6	35.9	35.9	482.8	225.0
Obligations under finance leases	0.6	0.7	0.3	0.2	0.2	—
	1,621.7	**2,044.5**	**62.2**	**235.7**	**1,453.5**	**293.1**
Debt issue costs	(18.8)	—	—	—	—	—
Borrowings	**1,602.9**	**2,044.5**	**62.2**	**235.7**	**1,453.5**	**293.1**
Trade creditors	2.3	2.3	2.3	—	—	—
Other creditors	2.9	2.9	2.9	—	—	—
	1,608.1	**2,049.7**	**67.4**	**235.7**	**1,453.5**	**293.1**

Audited At 30 June 2016	Carrying value £m	Gross nominal cash flow £m	Up to 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m
Bank loans	29.0	30.4	1.2	29.2	—	—
Loan notes	884.0	1,089.8	31.4	32.0	1,026.4	—
Shareholder notes	60.0	71.0	2.1	2.1	6.3	60.5
Senior secured notes	304.4	373.1	29.3	29.2	314.6	—
Obligations under finance leases	0.4	0.4	0.2	0.1	0.1	—
	1,277.8	**1,564.7**	**64.2**	**92.6**	**1,347.4**	**60.5**
Debt issue costs	(18.4)	—	—	—	—	—
Borrowings	**1,259.4**	**1,564.7**	**64.2**	**92.6**	**1,347.4**	**60.5**
Trade creditors	1.2	1.2	1.2	—	—	—
Other creditors	2.3	2.3	2.3	—	—	—
	1,262.9	**1,568.2**	**67.7**	**92.6**	**1,347.4**	**60.5**

Market risk

Market risk is the risk arising from adverse movements in market values, including movements in interest rates.

The Group does not carry out proprietary trading or hold positions in assets or equity which are actively traded, nor does it engage in any treasury trading operations. It also has no foreign currency exposure. Therefore the main market risk potentially faced by the Group is interest-rate risk, the risk of loss through mismatched asset and liability positions sensitive to changes in interest rates. This would primarily arise from debt securities issued by the Group securitisation vehicles and shareholder notes. Interest-rate risk is monitored on a monthly basis, and the Group's profit before taxation and equity are not at material risk from changes in interest rates that are reasonably expected for the next 12 months.

Capital risk

Capital and funding management risk is the risk of failure to hold adequate capital buffers and to appropriately manage the Group's capital base.

The Group has always maintained adequate levels of capital, and aims to maintain an efficient capital structure that meets the requirements of its funding facilities of its regulated subsidiaries. Current and forecast levels of

Risk management disclosures (continued)

Credit risk (continued)

Capital risk (continued)

capital, including the gearing ratio, are monitored and reported to the Board on a regular basis. Total shareholder funds increased £76.6m over the year:

	2017 £m	2016 £m
Equity	628.4	515.0
Subordinated shareholder funds	23.2	60.0
Total shareholder funds	**651.6**	**575.0**
Net debt gearing ratio	**2.4:1**	**2.1:1**

Conduct risk

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

All areas of the Group are required to assess the delivery of appropriate outcomes for stakeholders. The Group has no appetite for activities that may cause detriment to customers and requires all colleagues to behave and conduct business activities in accordance with the Group's values. Key conduct risks are captured through the risk control self-assessment (RCSA) process with a specific assessment made of the risk impact to customers and third parties. Individual departments monitor conduct risk in their areas through quantitative and qualitative measures. The Conduct Excellence Committee monitors the effectiveness of this and reports on it to the Board. The Group also considers risks arising in relation to other key stakeholders such as our shareholders, funders (bondholders and banks), brokers, others who introduce business to us and suppliers. This includes both the impact to our operations from their actions, or a failure of a key stakeholder, and also the impact of our actions on our relationship with stakeholders.

Compliance (regulatory and legal) risk

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

The Group operates in both regulated and unregulated markets and is therefore at risk for failing to comply with existing regulation and the potential impacts of changes in regulation on its markets and operational activities. The Group mitigates this risk through robust control frameworks and quality assurance reviews in operational areas supported by experienced risk and compliance departments. The compliance department undertakes monitoring reviews to ensure compliance with legal and regulatory standards is maintained and monitors the changing regulatory environment, providing assessments in relation to forthcoming regulatory changes to ensure that the Group is appropriately prepared.

In addition the Group has in place an experienced legal department to ensure it meets all its legal obligations.

Operational risk

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

The Group aims to have in place a robust framework to manage operational risks, including systems, controls, policies and procedures.

The Group ensures it recruits and retains sufficient skilled personnel to deliver its business objectives. Salaries are set to reward employees for performance and additionally the Group offers a range of benefits including a defined-contribution pension scheme and an annual profit-and-conduct-related bonus scheme.

The Group monitors the risk of ineffective design or operation of its business processes, utilising a RCSA approach to identify, assess and manage key operational risks. As part of this, robust financial crime-prevention controls are in place across the Group which are overseen by the risk department.

Risk management disclosures (continued)

Credit risk (continued)

Operational risk (continued)

The Group has taken steps to ensure that the IT infrastructure is robust so as to meet operational performance needs and is sufficiently resilient. There is a documented and tested business continuity plan in place to enable the Group to recover operations in the event of an incident.

As for many institutions, the Group's principal external risk it faces is the increased cyber risk prevalent across the industry. The Group has invested heavily in this area over many years and its systems have proven robust against all the recently-publicised attacks.

Independent auditor's report

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

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Together Financial Services Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated and company statements of cash flows;
- the statement of accounting policies; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent auditor's report (continued)

Independent auditor's report to the members of Together Financial Services Limited. (continued)

Report on the audit of the financial statements (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent auditor's report (continued)

Independent auditor's report to the members of Together Financial Services Limited. (continued)

Report on other legal and regulatory requirements (continued)

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

David Heaton (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom
8 September 2017

Consolidated statement of comprehensive income
Year ended 30 June 2017
All amounts are stated in £m

Income statement	Note	2017	2016
Interest receivable and similar income	4	246.5	210.8
Interest payable and similar charges	5	(88.8)	(67.5)
Net interest income		**157.7**	**143.3**
Fee and commission income	6	4.2	4.2
Fee and commission expense	7	(2.1)	(1.7)
Other income	8	0.1	0.2
Operating income		**159.9**	**146.0**
Administrative expenses	9	(58.4)	(41.9)
Operating profit		**101.5**	**104.1**
Impairment losses	13	(7.4)	(13.8)
Profit before taxation		**94.1**	**90.3**
Income tax	12	(15.9)	(18.5)
Profit after taxation		**78.2**	**71.8**

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

Consolidated statement of financial position
As of 30 June 2017
All amounts are stated in £m

	Note	2017	2016
Assets			
Cash and balances at bank		17.3	0.5
Loans and advances to customers	13	2,240.9	1,800.7
Inventories	14	0.9	0.9
Other assets	15	4.4	2.3
Investments		0.1	0.2
Property, plant and equipment	17	4.4	4.5
Intangible assets	18	5.7	3.2
Deferred tax asset	19	2.4	6.1
Total assets		**2,276.1**	**1,818.4**
Liabilities			
Borrowings	20	1,602.9	1,259.4
Other liabilities	21	37.5	31.7
Current tax liabilities		7.3	12.3
Total liabilities		**1,647.7**	**1,303.4**
Equity			
Share capital	22	9.8	9.8
Share premium account		17.5	17.5
Merger reserve		(9.6)	(9.6)
Capital redemption reserve		1.3	1.3
Subordinated shareholder funding reserve	20	44.9	—
Share-based payment reserve	28	1.6	1.2
Retained earnings		562.9	494.8
Total equity		**628.4**	**515.0**
Total equity and liabilities		**2,276.1**	**1,818.4**

These financial statements were approved by the Board of Directors on 8 September 2017.

Company Registration No. 02939389.

Signed on behalf of the Board of Directors.

HN Moser
Director

GD Beckett
Director

Company statement of financial position
As of 30 June 2017
All amounts are stated in £m

	Note	2017	2016
Assets			
Cash and balances at bank		22.2	2.1
Other assets	15	1,191.9	483.2
Investments in subsidiaries	16	25.3	11.5
Total assets		**1,239.4**	**496.8**
Liabilities			
Borrowings	20	22.5	88.7
Other liabilities	21	628.8	317.1
Total liabilities		**651.3**	**405.8**
Equity			
Share capital	22	9.8	9.8
Share premium account		17.5	17.5
Capital redemption reserve		1.3	1.3
Subordinated shareholder funding reserve	20	44.9	—
Share-based payment reserve	28	1.6	1.2
Retained earnings		513.0	61.2
Total equity		**588.1**	**91.0**
Total equity and liabilities		**1,239.4**	**496.8**

These financial statements were approved by the Board of Directors on 8 September 2017.

Company Registration No. 02939389.

Signed on behalf of the Board of Directors.

HN Moser
Director

GD Beckett
Director

Consolidated statement of changes in equity
Year ended 30 June 2017
All amounts are stated in £m

2017	Called-up share capital	Share premium	Merger reserve	Capital redemption reserve	Subordinated shareholder funding reserve	Share-based payment reserve	Retained earnings	Total
At beginning of year	9.8	17.5	(9.6)	1.3	—	1.2	494.8	515.0
Retained profit for the financial year	—	—	—	—	—	—	78.2	78.2
Capital contribution	—	—	—	—	46.1	—	—	46.1
Share-based payments	—	—	—	—	—	0.4	1.2	1.6
Transfer between reserves	—	—	—	—	(1.2)	—	1.2	—
Dividend	—	—	—	—	—	—	(12.5)	(12.5)
At end of year	**9.8**	**17.5**	**(9.6)**	**1.3**	**44.9**	**1.6**	**562.9**	**628.4**

2016	Called-up share capital	Share premium	Merger reserve	Capital redemption reserve	Share-based payment reserve	Retained earnings	Total
At beginning of year	9.8	17.5	(9.6)	1.3	—	423.0	442.0
Retained profit for the financial year	—	—	—	—	—	71.8	71.8
Share-based payments	—	—	—	—	1.2	—	1.2
At end of year	**9.8**	**17.5**	**(9.6)**	**1.3**	**1.2**	**494.8**	**515.0**

Company statement of changes in equity
Year ended 30 June 2017
All amounts are stated in £m

2017	Called-up share capital	Share premium	Capital redemption reserve	Subordinated shareholder funding reserve	Share-based payment reserve	Retained earnings	Total
At beginning of year	9.8	17.5	1.3	—	1.2	61.2	91.0
Retained profit for the financial year	—	—	—	—	—	461.9	461.9
Capital contribution	—	—	—	46.1	—	—	46.1
Share-based payments	—	—	—	—	0.4	1.2	1.6
Transfer between reserves	—	—	—	(1.2)	—	1.2	—
Dividend	—	—	—	—	—	(12.5)	(12.5)
At end of year	**9.8**	**17.5**	**1.3**	**44.9**	**1.6**	**513.0**	**588.1**

2016	Called-up share capital	Share premium	Merger reserve	Share-based payment reserve	Retained earnings	Total
At beginning of year	9.8	17.5	1.3	—	58.7	87.3
Retained profit for the financial year	—	—	—	—	2.5	2.5
Share-based payments	—	—	—	1.2	—	1.2
At end of year	**9.8**	**17.5**	**1.3**	**1.2**	**61.2**	**91.0**

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

Consolidated statement of cash flows
Year ended 30 June 2017
All amounts are stated in £m

	Note	2017	2016
Cash outflow from operating activities			
Cash outflow from operations	24	(253.1)	(214.8)
Income tax paid		(17.2)	(16.7)
Servicing of finance		(85.9)	(71.1)
Net cash outflow from operating activities		**(356.2)**	**(302.6)**
Cash flows from investing activities			
Proceeds from disposal of investments		0.1	—
Acquisition of property, plant and equipment		(1.2)	(1.4)
Proceeds from disposal of property, plant and equipment		0.1	0.1
Acquisition of intangible assets		(3.5)	(2.6)
Proceeds on sale of shares by employee-benefit trust		1.2	—
Net cash outflow from investing activities		**(3.3)**	**(3.9)**
Cash flows from financing activities			
Repayment of syndicated loan		(29.0)	—
Drawdown of facilities		138.9	304.1
Repayment of subordinated shareholder notes		(60.0)	—
Proceeds from issuance of subordinated shareholder funding		68.1	—
Repayment of senior secured notes		(304.4)	—
Proceeds from issuance of senior secured notes		575.0	—
Capital element of finance lease payments		0.2	0.1
Dividends paid		(12.5)	—
Net cash inflow from financing activities		**376.3**	**304.2**
Net increase/(decrease) in cash and cash equivalents		**16.8**	**(2.3)**
Cash and cash equivalents at beginning of year		**0.5**	**2.8**
Cash and cash equivalents at end of year		**17.3**	**0.5**

Company statement of cash flows
Year ended 30 June 2017
All amounts are stated in £m

	Note	2017	2016
Cash outflow from operating activities			
Cash (outflow)/inflow from operations	24	(336.7)	6.4
Servicing of finance		(60.8)	(40.5)
Net cash outflow from operating activities		**(397.5)**	**(34.1)**
Cash flows from investing activities			
Increase in investments		(14.7)	—
Proceeds on sale of shares by employee-benefit trust		1.2	—
Dividends received		464.5	2.6
Net cash inflow from investing activities		**451.0**	**2.6**
Cash flows from financing activities			
Repayment of syndicated loan		(29.0)	—
Drawdown of syndicated loan		—	29.0
Repayment of subordinated shareholder notes		(60.0)	—
Proceeds from issuance of subordinated shareholder funding		68.1	—
Dividends paid		(12.5)	—
Net cash (outflow)/inflow from financing activities		**(33.4)**	**29.0**
Net increase/(decrease) in cash and cash equivalents		**20.1**	**(2.5)**
Cash and cash equivalents at the beginning of the year		**2.1**	**4.6**
Cash and cash equivalents at end of year		**22.2**	**2.1**

Notes to the financial statements
All amounts are stated in £m

1. Reporting entity and general information

Together Financial Services Limited, formerly Jerrold Holdings Limited, (the Company) is incorporated and domiciled in the UK. The registered address of the Company is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW. The consolidated financial statements comprise Together Financial Services Limited and its subsidiaries (the Group).

2. Significant accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current year and the preceding year.

Basis of preparation

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). No individual income statement or related notes are presented for the Company as permitted by Section 408 (4) of the Companies Act 2006.

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

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 July 2017 and not early adopted:

There are a number of standards, amendments and interpretations which have been issued by the International Accounting Standards Board (IASB) but which have not yet been endorsed by the EU. The most significant of these are IFRS 9 *Financial Instruments,* the planned replacement for IAS 39 *Financial Instruments: Recognition and Measurement,* and IFRS 16 *Leases,* the planned replacement for IAS 17 *Leases.*

IFRS 9

IFRS 9 was issued in July 2014 and is effective for annual periods beginning on or after 1 January 2018. The Group plans to apply IFRS 9 initially on 1 July 2018.

Under IFRS 9 a financial asset can be measured at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and if the contractual terms of the asset give rise to cash flows that are solely payments of principal and interest. Based on its preliminary high-level assessment, the Group's current expectation is that loans and advances to customers would in general continue to be measured at amortised cost under IFRS 9. However, this assessment has not included a detailed review of the contractual terms of all financial assets and is not final.

The most significant impact of IFRS 9 is expected to result from its new impairment requirements. IFRS 9 replaces IAS 39's incurred-loss approach to impairment with a forward-looking one based on expected credit losses (ECLs). This will require considerable judgement over how changes in economic factors affect ECLs. The actual impact of adopting IFRS 9 on the Group's results in 2018-19 is not known and cannot be reasonably estimated because it will depend on the financial instruments the Group holds and economic conditions at that time, as well as on accounting elections and judgements it will make in the future. However, management expects loss allowances under IFRS 9 to be larger than under IAS 39 and that IFRS 9 will require extensive new disclosures, in particular about credit risk and ECLs.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The changes to hedge accounting requirements under IFRS 9 are not expected to affect the Group's results as it currently has no hedging arrangements in place.

2. Significant accounting policies (continued)

IFRS 9 (continued)

Changes in accounting policies resulting from adoption of IFRS 9 will generally be applied retrospectively. The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement. Differences in carrying amounts of financial assets and liabilities resulting from the adoption of IFRS 9 will be recognised in retained earnings at 1 July 2018.

IFRS 16

IFRS 16 was issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019. The Group plans to apply IFRS 16 initially on 1 July 2019.

IFRS 16 provides a single lease accounting model, recognising most leases on the statement of financial position. This may also introduce a degree of volatility to assets and liabilities for lessees due to the requirements to reassess certain key estimates and judgements at each reporting date. The standard replaces the dual lease accounting model approach of IAS 17 which treats finance leases and operating leases separately. It has not yet been possible to estimate the financial impact of adoption of the standard but it is unlikely to be material to the Group's results.

Changes in accounting policies resulting from adoption of IFRS 16 will generally be applied retrospectively. The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods. Differences in carrying amounts of lease assets and liabilities resulting from the adoption of IFRS 16 will be recognised in retained earnings at 1 July 2019.

Going concern

The directors have assessed, in the light of current and anticipated economic conditions, the Group's ability to continue as a going concern. The directors confirm they are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going-concern basis for preparing accounts.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value. Acquisition-related costs are recognised in the Income Statement as incurred.

2. Significant accounting policies (continued)

Business combinations (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Negative goodwill is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill arising on acquisitions in the year ended 30 June 1998 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by IFRS the goodwill previously written off has not been reinstated in the statement of financial position.

Merger accounting has continued to be used on transition to IFRS for the consolidation of the following subsidiaries:

Together Commercial Finance Limited
Together Personal Finance Limited
Blemain Finance Limited
Briar Hill Court Limited
FactFocus Limited
Harpmanor Limited
Jerrold Mortgage Corporation Limited
Monarch Recoveries Limited
Supashow Limited

Under this method any goodwill arising on consolidation is treated as a reduction in reserves.

On disposal or closure of a previously acquired business, the attributable amount of goodwill, including that previously written off to reserves, is included in determining the profit or loss on disposal.

Operating segments

The Group's only listed financial instruments are issued by a subsidiary, Jerrold Finco PLC, rather than the parent Company, Together Financial Services Limited. The Group is therefore outside the scope of IFRS 8, *Operating Segments,* and accordingly does not disclose segmental information in these financial statements.

Interest income and expense

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

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

2. Significant accounting policies (continued)

Fee and commission income and expense

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

Fees and commissions which are not considered integral to the effective interest rate are generally recognised on an accruals basis when the service has been provided.

Fees and commissions expenses primarily consist of legal and valuations fees and credit search fees.

Leases

The Group as lessee

Assets held under finance leases which confer rights and obligations similar to those attached to owned assets are capitalised as tangible fixed assets and depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the income statement over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term and the related assets are not recognised on the statement of financial position.

The Group as lessor

Rentals received under operating leases are recognised in the income statement on a straight line basis over the term of the lease.

Pension benefits

During the period the Group operated a defined contribution scheme and made contributions to employees' personal pension schemes.

The amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year to personal pension schemes. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Share-based payments

The group has granted options to key employees under an equity-settled scheme.

The cost of providing the options to group employees is charged to the income statement over the vesting period of the related options. The corresponding credit is made to a share-based payment reserve within equity.

In the company's financial statements the grant by the parent of options over its equity instruments to the employees of subsidiary undertakings is treated as an investment in subsidiaries. The fair value of employee services received, measured by reference to the fair value at the date of grant, is recognised over the vesting period as an increase in investments in subsidiary undertakings, with a corresponding credit to the share-based payment reserve within equity.

The cost of options is based on their fair value, determined using a Black-Scholes pricing model. The value of the charge is adjusted at each reporting date to reflect lapses and expected or actual levels of vesting, with a corresponding adjustment to the share-based payment reserve.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

2. Significant accounting policies (continued)

Taxation (continued)

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of the assets and liabilities in the financial statements and the corresponding amounts used for taxation purposes, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Group intends to settle its current tax assets and liabilities on a net basis.

Cash and cash equivalents

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

Financial assets & liabilities

Financial assets

All the Group's financial assets are categorised as loans and receivables. Loans and receivables are predominantly mortgage loans and advances to customers with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell in the near term. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less impairment losses.

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

Financial liabilities

All the Group's financial liabilities are designated as financial liabilities at amortised cost and largely consist of borrowings. A financial liability is measured initially at fair value less the transaction costs that are directly attributable to its issue. Interest and fees payable on the borrowings are recognised in the income statement over the expected term of the instruments using the effective interest rate method.

Financial liabilities are derecognised when their contractual obligations are discharged, cancelled or have expired.

Impairment of financial assets

The Group regularly assesses whether there is evidence that financial assets are impaired. Financial assets are impaired and impairment losses incurred if, and only if, there is objective evidence of impairment as a result of one of more loss events that occurred after the initial recognition of the assets and prior to the reporting date and that have had an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

2. Significant accounting policies (continued)

Impairment of financial assets (continued)

For loans and receivables, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the original effective interest rate. All impairment losses are reviewed at least at each reporting date. If subsequently the amount of the loss decreases as a result of a new event, the relevant element of the outstanding impairment loss is reversed. Impairment losses and any subsequent reversals are recognised in the income statement.

Impairment losses are assessed individually for financial assets that are individually significant and individually or collectively for assets that are not individually significant. In making collective assessment of impairment, financial assets are grouped into portfolios on the basis of similar risk characteristics.

Future cash flows in a Group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the asset group and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions. In addition, the Group uses its experienced judgement to correct model deficiencies and systemic risks where appropriate and supported by historical loss experience data. The use of such judgements and reasonable estimates is considered by management to be an essential part of the process and improves reliability.

Where a loan is uncollectable, it is written off against the related allowance. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are taken through the income statement.

Securitisation

Where the Group securitises its own financial assets, this is achieved via the sale of these assets to a special purpose entity (SPE), which in turn issues securities to investors.

SPEs used to raise funds through securitisation transactions are consolidated into the Group's operations in accordance with IFRS 10 *Consolidated Financial Statements* as if they were wholly-owned subsidiaries. Financial assets transferred to SPEs under securitisation agreements are not derecognised by the Group because it retains the risks and rewards of ownership, and all financial assets and liabilities related to the SPE continue to be held on the Group's consolidated statement of financial position.

Inventories

Inventories consist of stock properties and are valued at the lower of cost and estimated net realisable value. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

Investments

Fixed asset investments are stated at cost less provision for impairment.

Property, plant and equipment

Property, plant and equipment are shown at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life as follows:

Fixtures and fittings	***10-15 years straight-line on cost***
Motor vehicles	***25% reducing balance***
Computer equipment	***3-5 years straight-line on cost***

2. Significant accounting policies (continued)

Property, plant and equipment (continued)

All items of property, plant and equipment are reviewed for indications of impairment on a regular basis and at each balance sheet date. If impairment is indicated, the asset's recoverable amount (being the greater of fair value less cost to sell and value in use) is estimated. Value in use is calculated by discounting the future cash flows generated from the continuing use of the asset. If the carrying value of the asset is less than the recoverable amount, an impairment charge is recognised in the income statement.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within operating expenses in the income statement.

Intangible assets

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. The estimated useful life of five years and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets consist wholly of expenditure relating to computer software incurred in respect of individual projects and are capitalised only if all of the following conditions are met:

- an intangible asset is created that can be separately identified;
- it is probable that the intangible asset created will generate future economic benefits; and
- the development cost of the intangible asset can be measured reliably.

This type of expenditure primarily relates to internally developed software and is amortised on a straight-line basis over the life of the asset.

Where the above conditions for capitalisation are not met, development expenditure is recognised as an expense in the period in which it is incurred.

All intangibles assets are reviewed for indications of impairment at least annually. If impairment is indicated, the asset's recoverable amount (being the greater of fair value less cost to sell and value in use) is estimated. Value in use is calculated by discounting the future cash flows generated from the continuing use of the asset. If the carrying value of the asset is less than the recoverable amount, an impairment charge is recognised in the income statement.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, which is reliably measurable and when it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

3. Critical accounting estimates and judgements

In applying the accounting policies set out above, the Group makes no critical accounting judgements but makes the following significant estimates and assumptions that affect the reported amounts of assets and liabilities:

a) Loan impairment allowances

Allowances for loan impairment represent management's best estimate of the losses incurred in the loan portfolios at the reporting date. Charges to the allowances for loan impairment are reported in the consolidated income statement as impairment losses on loans and advances. Impairment allowances are made if there is objective evidence of impairment as a result of one or more subsequent events regarding a significant loan or a portfolio of loans and its impact can be reliably estimated.

All amounts are stated in £m

3. Critical accounting estimates and judgements (continued)

a) Loan impairment allowances (continued)

Individual impairment losses are determined as the difference between the carrying value and the present value of estimated future cash flows, discounted at the loan's original effective interest rate. Impairment losses determined on a portfolio basis are calculated using a formulaic approach which allocates a loss rate dependent on the arrears status of the loan. Loss rates are based on the discounted expected future cash flows, from historical experience and are regularly benchmarked against actual outcomes to ensure they remain appropriate.

Estimating the amount and timing of future recoveries involves significant judgement, and considers the level of arrears as well as the assessment of matters such as future economic conditions and the value of collateral. All impairment losses are reviewed at least annually.

b) Revenue

Interest income

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

Fees and commission

Fee and commission income is recognised depending on the nature of service provided:

- Income which forms an integral part of the effective interest rate is recognised as an adjustment to the contractual interest rate and recorded in interest income;
- Income earned from provision of services is recognised as the services are provided; and
- Income earned on the execution of a significant act is recognised when the act is completed.

4. Interest receivable and similar income

	2017	2016
Interest on loans and advances to customers	**246.5**	**210.8**

Included within interest on loans and advances to customers is £9.6m (2016: £11.7m) relating to impaired loans.

5. Interest payable and similar charges

	2017	2016
On borrowings	**88.8**	**67.5**

Interest payable and similar charges include £14.8m (2016: £nil) of costs relating to the refinancing of senior secured notes.

6. Fee and commission income

	2017	2016
Fee income on loans and advances to customers	3.9	3.8
Other fees receivable	0.3	0.4
	4.2	**4.2**

All amounts are stated in £m

7. Fee and commission expense

	2017	2016
Legal, valuations and other fees	1.0	0.8
Insurance commissions and charges	1.1	0.9
	2.1	**1.7**

8. Other income

	2017	2016
Rental income	0.1	0.1
Other income	—	0.1
	0.1	**0.2**

9. Administrative expenses

	Note	2017	2016
Staff costs	10	38.9	21.9
Auditor's remuneration	11	0.5	0.9
Depreciation of property, plant and equipment		1.2	1.0
Amortisation of intangible assets		1.0	0.4
Operating lease rentals		1.1	1.1
Other administrative costs		15.7	16.6
		58.4	**41.9**

There were no material gains or losses on the disposal of property, plant and equipment (2016: £nil).

10. Staff costs

The average monthly number of employees, including executive directors, was:

Management and administration	2017 No.	2016 No.
Full time	495	401
Part time	27	23
	522	**424**

The aggregate remuneration of employees and directors was as follows:

Staff remuneration	2017	2016
Wages and salaries	28.8	15.8
Social security costs	3.7	2.1
Pension costs	0.4	0.2
	32.9	**18.1**
Director's remuneration		
Emoluments	5.9	3.7
Company contribution to personal pension schemes	0.1	0.1
	6.0	**3.8**
Total staff costs	**38.9**	**21.9**

The emoluments of the highest paid director were £2.0m (2016: £0.8m) including £nil (2016: £nil) of Company contributions to a defined contribution pension scheme. Details of the pension arrangements operated by the Group are given in note 27.

Notes to the financial statements (continued)
All amounts are stated in £m

10. Staff costs (continued)

All staff are employed by a Group subsidiary. Remuneration for employees and directors included £8.2m (2016: £nil) of one-off costs associated with the corporate restructuring transaction.

11. Auditor's remuneration

	2017	2016
Fees payable for the audit of the Company's accounts	0.2	0.1
Fees payable for the audit of the Company's subsidiaries	0.0	0.0
Tax advisory and compliance services	0.1	0.1
Other services	0.2	0.7
	0.5	**0.9**

12. Income tax

	2017	2016
Current tax		
Corporation tax	15.1	21.0
Adjustment in respect of prior years	(2.9)	0.1
	12.2	**21.1**
Deferred tax		
Origination and reversal of temporary differences	0.1	(3.1)
Adjustment in respect of prior years	3.2	(0.1)
Effect of changes in tax rate	0.4	0.6
	3.7	**(2.6)**
Total tax on profit	**15.9**	**18.5**

Corporation tax is calculated at 19.75% (2016: 20.00%) of the estimated profit for the year. Amounts in respect of prior years relate to the finalisation of the adjustments on transition to IFRS.

The differences between the Group 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:

	2017	2016
Profit before tax	**94.1**	**90.3**
Tax on profit at standard UK corporation tax rate of 19.75%/20.00%	18.6	18.1
Effects of:		
Expenses not deductible for tax purposes	1.0	0.2
Income not taxable	(0.1)	(0.4)
Group relief	(4.3)	—
Adjustment in respect of prior years	0.3	—
Changes in tax rate	0.4	0.6
Group tax charge for year	**15.9**	**18.5**

Notes to the financial statements (continued)
All amounts are stated in £m

13. Loans and advances to customers

	2017	2016
Gross loans and advances	2,303.1	1,869.5
Less: allowances for impairment on loans and advances	(62.2)	(68.8)
	2,240.9	**1,800.7**

Gross loans and advances are repayable:

	2017	2016
Due within one year	967.9	811.4
Due within 1-5 years	571.6	489.4
Due after five years	763.6	568.7
	2,303.1	**1,869.5**

Allowance for impairment losses	2017	2016
At beginning of year	(68.8)	(69.3)
Charges to the income statement	(8.8)	(16.0)
Unwind of discount	9.6	11.7
Write-offs net of recoveries	5.8	4.8
At end of year	**(62.2)**	**(68.8)**

Impairment losses for year	2017	2016
Charges to the income statement	(8.8)	(16.0)
Amounts written off	(0.1)	(0.1)
Amounts released from deferred income	1.3	2.0
Recoveries of amounts previously written off	0.2	0.3
	(7.4)	**(13.8)**

Loans and advances to customers include total amounts of £11.1m (2016: £10.6m) loaned to August Blake Developments Limited, Sunnywood Estates Limited and Edgworth Developments Limited, companies in which HN Moser is a director and shareholder. These loans are on a commercial basis secured on certain assets of these companies.

14. Inventories

	2017	2016
Properties held for resale	**0.9**	**0.9**

15. Other assets

Group	2017	2016
Amounts owed by related parties	0.8	0.1
Other debtors	0.6	0.1
Prepayments and accrued income	3.0	2.1
	4.4	**2.3**

Company	2017	2016
Amounts owed by subsidiaries	1,191.8	483.2
Prepayments and accrued income	0.1	—
	1,191.9	**483.2**

Amounts owed by related parties of the Group are in respect of companies in which HN Moser is a director and shareholder (see note 25).

All amounts are stated in £m

16. Investments in subsidiaries

The Company held the following investments in subsidiary undertakings:

	2017	2016
At beginning of year	11.5	10.3
Additions	13.8	1.2
At end of year	**25.3**	**11.5**

The Company has the following subsidiaries, all of which are incorporated in Great Britain and are registered in England and Wales and operate throughout the United Kingdom:

	Shares and voting rights	Principal activities
Trading subsidiaries		
Auction Finance Limited	100%	Commercial lending
Blemain Finance Limited	100%	Retail lending
Bridging Finance Limited	100%	Commercial lending
Harpmanor Limited	100%	Commercial lending
Jerrold FinCo PLC	100%	Financier
Phone-a-Loan Limited	100%	Mortgage brokerage
Spot Finance Limited	100%	Retail lending
Together Commercial Finance Limited	100%	Commercial lending
(formerly Lancashire Mortgage Corporation Limited)		
Together Personal Finance Limited	100%	Retail lending
(formerly Cheshire Mortgage Corporation Limited)		
Non-trading subsidiaries		
Briar Hill Court Limited	100%	
FactFocus Limited	100%	
General Allied Properties Limited	100%	
Heywood Finance Limited	100%	
Heywood Leasing Limited	100%	
Jerrold Mortgage Corporation Limited	100%	
Monarch Recoveries Limited	100%	
Supashow Limited	100%	
Together123 Limited	100%	
Dormant subsidiaries		
BridgingFinance.co.uk Limited	100%	
Classic Car Finance Limited	100%	
Finance Your Property Limited	100%	
Jerrold Holdings Limited	100%	
(formerly Together Financial Services Limited)		
Privileged Estates Limited	100%	
Proactive Bridging Limited	100%	
Proactive Lending Limited	100%	
Provincial & Northern Properties Limited	100%	

The above are all direct holdings of the ordinary share capital of the companies, with the exception of Spot Finance Limited which is held by Blemain Finance Limited. The dormant subsidiaries have taken advantage of the exemption from audit under section 479A of the Companies Act 2006. The registered address of all subsidiaries is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW.

The consolidated results include the following securitisation vehicles and trusts:

Charles Street Conduit Asset Backed Securitisation 1 Limited
Delta Asset Backed Securitisation 1 Limited
Lakeside Asset Backed Securitisation 1 Limited
Jerrold Holdings Employee Benefit Trust

Notes to the financial statements (continued)
All amounts are stated in £m

17. Property, plant and equipment

2017 Group	Fixtures, fittings and equipment	Motor vehicles	Total
Cost			
At beginning of year	5.9	1.3	7.2
Additions	0.6	0.6	1.2
Disposals	—	(0.3)	(0.3)
At end of year	**6.5**	**1.6**	**8.1**
Depreciation and amortisation			
At beginning of year	2.2	0.5	2.7
Charge for the year	1.0	0.2	1.2
Disposals	—	(0.2)	(0.2)
At end of year	**3.2**	**0.5**	**3.7**
Net book value			
At 30 June 2017	**3.3**	**1.1**	**4.4**
At 30 June 2016	**3.7**	**0.8**	**4.5**

2016 Group	Fixtures, fittings and equipment	Motor vehicles	Total
Cost			
At beginning of year	5.3	1.0	6.3
Additions	0.9	0.5	1.4
Disposals	(0.3)	(0.2)	(0.5)
At end of year	**5.9**	**1.3**	**7.2**
Depreciation and amortisation			
At beginning of year	1.7	0.4	2.1
Charge for the year	0.8	0.2	1.0
Disposals	(0.3)	(0.1)	(0.4)
At end of year	**2.2**	**0.5**	**2.7**
Net book value			
At 30 June 2016	**3.7**	**0.8**	**4.5**
At 30 June 2015	**3.6**	**0.6**	**4.2**

18. Intangible assets

Group	2017	2016
Cost		
At beginning of year	3.7	1.1
Additions	3.5	2.6
At end of year	**7.2**	**3.7**
Depreciation and amortisation		
At beginning of year	0.5	0.1
Charge for the year	1.0	0.4
At end of year	**1.5**	**0.5**
Net book value		
At end of year	**5.7**	**3.2**
At beginning of year	**3.2**	**1.0**

All amounts are stated in £m

19. Deferred tax asset

	2017	2016
At beginning of year	6.1	3.5
(Charge)/credit to income statement	(0.1)	3.1
Adjustment in respect of prior years	(3.2)	0.1
Effect of tax rates	(0.4)	(0.6)
At end of year	**2.4**	**6.1**

The deferred tax asset consisted of the following:

	2017	2016
Accelerated capital allowances	(0.1)	(0.3)
Short-term timing differences	2.5	6.4
	2.4	**6.1**

20. Borrowings

Group	2017	2016
Bank loans	—	29.0
Loan notes	1,022.9	884.0
Shareholder notes	—	60.0
Subordinated shareholder loans	23.2	—
Senior secured notes	575.0	304.4
Obligations under finance leases	0.6	0.4
	1,621.7	**1,277.8**
Debt issue costs	(18.8)	(18.4)
Total borrowings	**1,602.9**	**1,259.4**
Of which:		
Due for settlement within 12 months	0.3	0.2
Due for settlement after 12 months	1,602.6	1,259.2
	1,602.9	**1,259.4**

Company	2017	2016
Bank loans	—	29.0
Shareholder notes	—	60.0
Subordinated shareholder loans	23.2	—
	23.2	**89.0**
Debt issue costs	(0.7)	(0.3)
Total borrowings	**22.5**	**88.7**
Of which:		
Due for settlement within 12 months	—	—
Due for settlement after 12 months	22.5	88.7
	22.5	**88.7**

As part of the Exit Transactions described in the Chief Financial Officer's review and in note 25, of £60m of shareholder loan notes previously issued by Together Financial Services Limited, £17m was repaid and £43m was novated via the new intermediate holding companies to Redhill Famco Limited. This funding was replaced with interest-free subordinated shareholder loans totalling £60m due to Bracken Midco2 Limited, which comprised a £43.0m loan with a maturity date of 2 November 2036 and £17.0m with a maturity of 2 November 2022. In addition a further interest-free subordinated shareholder loan of £8.1m with a maturity

All amounts are stated in £m

20. Borrowings (continued)

of 2 November 2022 was provided to Together Financial Services Limited by Bracken Midco2 Limited to fund payments made under a management incentive scheme and certain other expenses which crystallised on completion of the Exit Transactions. On 22 February 2017 the loans with a maturity date of 2 November 2022 totalling £25.1m had their maturity dates extended to 30 September 2024. The difference between the total nominal value of £68.1m and the initial fair value of £22.0m represents a non-distributable capital contribution of £46.1m, £1.2m of which had amortised by the year end. The remainder of the reserve will be released over the life of the instruments.

On 13 October 2016, Jerrold FinCo PLC (a subsidiary of Together Financial Services Limited) successfully issued £375m 6¼% senior secured notes due in 2021, refinancing the £300m 9¾% senior secured notes due in 2018. This resulted in a net charge to the income statement of £14.8m (2016: £nil), relating specifically to an early repayment penalty and the accelerated release of debt purchase costs net of the release of the debt issue premium.

On 26 January 2017, the Company successfully completed a new £90m credit facility, Delta Asset Backed Securitisation 1 Limited. The facility will run until January 2021 and support the Group's commercial lending activity.

On 22 February 2017, Jerrold FinCo PLC successfully issued £200m of senior secured notes due in 2024.

On 5 June 2017 the Group's revolving credit facility was extended on favourable terms to 2021 and increased from £29m to £57.5m.

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

Borrowings have the following maturities:

As at 30 June 2017:

Group	**<1 year**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Loan notes	—	151.0	871.9	—	1,022.9
Subordinated shareholder loans	—	—	—	23.2	23.2
Senior secured notes	—	—	375.0	200.0	575.0
Finance leases	0.3	0.3	—	—	0.6
	0.3	**151.3**	**1,246.9**	**223.2**	**1,621.7**
Debt issue costs	—	—	(16.3)	(2.5)	(18.8)
	0.3	**151.3**	**1,230.6**	**220.7**	**1,602.9**

Company					
Subordinated shareholder loans	—	—	—	23.2	23.2
Debt issue costs	—	—	—	(0.7)	(0.7)
	—	**—**	**—**	**22.5**	**22.5**

Notes to the financial statements (continued)
All amounts are stated in £m

20. Borrowings (continued)

As at 30 June 2016:

Group	<1 year	1-2 years	2-5 years	>5 years	Total
Bank loans	—	29.0	—	—	29.0
Loan notes	—	—	884.0	—	884.0
Shareholder notes	—	—	—	60.0	60.0
Senior secured notes	—	—	304.4	—	304.4
Finance leases	0.2	0.1	0.1	—	0.4
	0.2	**29.1**	**1,188.5**	**60.0**	**1,277.8**
Debt issue costs	—	—	(18.4)	—	(18.4)
	0.2	**29.1**	**1,170.1**	**60.0**	**1,259.4**

Company	<1 year	1-2 years	2-5 years	>5 years	Total
Bank loans	—	29.0	—	—	29.0
Shareholder notes	—	—	—	60.0	60.0
	—	**29.0**	**—**	**60.0**	**89.0**
Debt issue costs	—	(0.3)	—	—	(0.3)
	—	**28.7**	**—**	**60.0**	**88.7**

21. Other liabilities

Group	2017	2016
Trade creditors	2.3	1.2
Other creditors	2.9	2.3
Other taxation and social security	0.7	0.6
Accruals and deferred income	31.6	27.6
	37.5	**31.7**

Company	2017	2016
Amounts owed to subsidiaries	628.8	308.6
Accruals and deferred income	—	8.5
	628.8	**317.1**

22. Share capital

Authorised	2017	2016
10,405,653 A ordinary (2016: 10,850,092 preferred) shares of 50 pence each	5.2	5.4
Nil (2016: 22) A deferred ordinary shares of 0.1 pence each	—	—
Nil (2016: 2,744,974) B1 ordinary shares of 49.9 pence each	—	1.4
Nil (2016: 6,404,938) B2 ordinary shares of 49.9 pence each	—	3.2
9,149,912 (2016: nil) B ordinary shares of 49.9 pence each	4.6	—
Nil (2016: 154,690) C1 ordinary shares of 1 penny each	—	—
Nil (2016: 696,049) C2 ordinary shares of 1 penny each	—	—
Nil (2016: 64,250) C3 ordinary shares of 1 penny each	—	—
921,501 (2016: nil) C ordinary shares of 1 penny each	—	—
70,000 (2016: 100,000) D ordinary shares of 1 penny each	—	—
10,000 E ordinary shares of 1 penny each	—	—
	9.8	**10.0**

All amounts are stated in £m

22. Share capital (continued)

Issued, allotted and fully paid	2017	2016
10,405,653 A ordinary (2016: preferred) shares of 50 pence each	5.2	5.2
Nil (2016: 13) A deferred ordinary shares of 0.1 pence each	—	—
Nil (2016: 2,744,974) B1 ordinary shares of 49.9 pence each	—	1.4
Nil (2016: 6,404,938) B2 ordinary shares of 49.9 pence each	—	3.2
9,149,912 (2016: nil) B ordinary shares of 49.9 pence each	4.6	—
Nil (2016: 131,202) C1 ordinary shares of 1 penny each	—	—
Nil (2016: 696,049) C2 ordinary shares of 1 penny each	—	—
Nil (2016: 64,250) C3 ordinary shares of 1 penny each	—	—
921,501 (2016: nil) C ordinary shares of 1 penny each	—	—
70,000 (2016: 100,000) D ordinary shares of 1 penny each	—	—
	9.8	**9.8**

On 2 November 2016, as part of the Exit Transactions described in the Chief Financial Officer's review and in note 25, Bracken Midco2 Limited purchased 26,805 and 3,195 D ordinary shares from senior management and an employee benefit trust respectively (upon which such transferring D ordinary shares automatically converted into C ordinary shares). Following the exit of the funds, the share capital structure was also simplified, with the consolidation of the B1 and B2 ordinary shares into a single B class and the consolidation of the C1, C2 and C3 ordinary shares into a single C class. In addition the A deferred ordinary shares of 0.1 pence were bought back and cancelled.

23. Financial instruments and fair values

All the Group's 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 fair value of financial assets is adjusted for incurred loss provisions.

The following table summarises the carrying and fair values of loans and advances and of borrowings as at the year end, analysing the fair values into different levels according to the degree to which they are based on observable inputs:

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 rely on significant inputs not based on observable market data.

	Level 1	Level 2	Level 3	Fair value	Carrying value
2017					
Financial assets					
Loans and advances to customers	—	—	2,349.8	2,349.8	2,240.9
Financial liabilities					
Borrowings	593.8	1,087.3	23.8	1,704.9	1,602.9
2016					
Financial assets					
Loans and advances to customers	—	—	1,873.9	1,873.9	1,800.7
Financial liabilities					
Borrowings	308.3	982.0	43.0	1,333.3	1,259.4

The fair value of loans and advances to customers is based on future interest cash flows (at funding rates) and principal cash flows discounted using the rate for new originations of mortgages with similar characteristics. 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.

23. Financial instruments and fair values (continued)

Forecast principal repayments are based on redemption at maturity with 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.

The fair value of loans and advances to customers in total is 5% higher than the carrying value as at 30 June 2017 (2016: 4%). This is primarily due to the current origination rates used to discount future cash flows being below existing customer interest rates. A 1% increase in the discount rate would result in a reduction in the fair value of loans and advances to customers of £116m and a 1% decrease would result in an increase of £131m.

The borrowings stated at fair value in level 3 almost entirely represent subordinated shareholder loans and notes. Market prices are not available for these instruments, and market prices for quoted subordinated instruments are not suitable as they do not reflect the relationship of the shareholders to the Group.

The estimated fair value of these instruments has been based on expected future cash flows. Management has estimated the discount rate for the shareholder loans by reference to the rates payable on other instruments. These instruments are those issued by the Group and for which market prices are available, and those issued by its intermediate holding companies as part of the restructuring of the Group's ownership. The effect of factors such as differing tenor, degree of subordination and the structure of interest payments are taken into account in these estimates. The loans repayable in 2024 are discounted at 8.0% and those in 2036 at 8.75% (2016 shareholder notes: 10%). A 1% reduction in the discount rate would result in an increase in the carrying value of approximately £2.7m and a 1% increase in the rate would result in a decrease of approximately £2.3m.

Explanation and disclosures of risks associated with the Group's business, including its financial instruments, are given in the risk-management section of the annual report.

Notes to the financial statements (continued)
All amounts are stated in £m

24. Reconciliation of profit after tax to net cash outflow from operations

Group	2017	2016
Profit after tax	78.2	71.8
Adjustments for:		
Taxation	15.9	18.5
Depreciation and amortisation	2.2	1.4
Share-based payments	0.4	1.2
Interest expense	88.8	67.5
	185.5	**160.4**
Increase in loans and advances to customers	(440.2)	(377.2)
(Increase)/decrease in other assets	(2.1)	0.1
Increase in accruals and deferred income	1.9	3.1
Increase/(decrease) in trade and other liabilities	1.8	(1.2)
	(438.6)	**(375.2)**
Cash outflow from operations	**(253.1)**	**(214.8)**

Company	2017	2016
Profit after tax	461.9	2.5
Adjustments for:		
Dividends received	(464.5)	(2.5)
Interest expense	53.1	37.4
Impairment of investment in subsidiaries	1.3	—
	51.8	**37.4**
Increase in prepayments	(0.1)	—
Inter-group recharges and treasury transfers	(388.4)	(31.0)
	(388.5)	**(31.0)**
Cash (outflow)/inflow from operations	**(336.7)**	**6.4**

25. Related party transactions

Relationships

The Company has the following related parties:

a) Controlling party

During the year, HN Moser, a director of Together Financial Services Limited, and the DL Moser 1995 Family Settlement No1 Trust (together the Moser Shareholders) indirectly acquired the equity interest in the Company of funds managed by Equistone Partners Europe and Standard Life Investments (the Exit Transactions). The Exit Transactions resulted in a series of holding companies being incorporated above the Company: all the voting shares of Together Financial Services Limited were acquired by Bracken Midco2 Limited, a company whose ultimate parent is Redhill Famco Limited, which is wholly controlled by the Moser Shareholders. As a result the Moser Shareholders indirectly own 100% of the Company's voting share capital.

25. Related party transactions (continued)

Relationships (continued)

a) Controlling party (continued)

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

Entity	Nature of transactions
Bracken House Properties LLP	The Group pays operating lease and insurance costs to Bracken House Properties LLP for its provision of the Group's head office property.
Centrestand Limited	The Group collects rents and pays service charges and costs on behalf of Centrestand Limited.
Charles Street Commercial Investments Limited	The Group refers borrowers outside its lending criteria to Charles Street Commercial Investments Limited in return for introduction fees. The Group performs underwriting, collection and arrears-management activities for these loans.
Sterling Property Co. Limited	Sterling Property Co. Limited provides property management services for properties repossessed or placed into LPA receivership by the Group.
August Blake Developments Limited, Edgworth Developments Limited, Sunnywood Estates Limited	The Group provides loans on a commercial basis secured on certain assets of these companies.

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

b) Parent companies

During the year the Group transacted with the following parent companies owned by the Moser Shareholders:

Entity	Nature of transactions
Bracken Midco2 Limited	The Company received subordinated funding from Bracken Midco2 Limited as part of the Exit Transactions. The subordinated loans are interest-free and for fixed terms, as set out in Note 20. The difference between the loans' maturity amounts and their fair values represents a capital contribution to the Group.

c) Subsidiaries

Details of the Company's interest in its subsidiaries are listed in note 16. The Company utilises its bank and subordinated shareholder funding, and bonds raised by a subsidiary company, to provide treasury funding to its lending subsidiaries. All interest is recharged at cost. All amounts are repayable on demand.

d) Key management personnel

Key management personnel comprise directors of the Group. There are no transactions with directors other than remuneration in the ordinary course of business and the disposal of D shares disclosed in note 28.

All amounts are stated in £m

25. Related party transactions (continued)

Transactions

The amounts receivable from and payable to related parties by the Group and Company are disclosed in notes 15 and 21 to the financial statements. The Group and Company had the following transactions with related parties during the year:

	2017		2016	
Group	**Charge/ (credit) to income or equity**	**Paid**	**Charge/ (credit) to income or equity**	**Paid**
Lease and insurance costs	1.1	1.3	1.1	0.8
Accounts payable transactions	—	0.5	—	—
Collections transferred on loans to related party	—	—	—	0.1
Related parties of the Moser Shareholders	**1.1**	**1.8**	**1.1**	**0.9**
Interest expense	1.2	—	—	—
Receipt of funding and capital	(46.1)	—	—	—
Dividends paid	12.5	12.5	—	—
Parent companies	**(32.4)**	**12.5**	**—**	**—**
Total related parties	**(31.3)**	**14.3**	**1.1**	**0.9**

Operating lease costs and insurance costs are paid to Bracken House Properties LLP on a prepaid basis. The future amounts payable under operating leases are as follows:

Group	**2017**	**2016**
Within one year	1.1	1.1
Between one and five years	4.3	4.3
After five years	4.8	5.9
Total operating leases	**10.2**	**11.3**

	2017		2016	
Company	**Charge/ (credit) to income or equity**	**Paid/ (received)**	**Charge/ (credit) to income or equity**	**Paid/ (received)**
Interest expense	1.2	—	—	—
Receipt of funding and capital	(46.1)	—	—	—
Dividends paid	12.5	12.5	—	—
Parent companies	**(32.4)**	**12.5**	**—**	**—**
Dividends receivable	(464.5)	(464.5)	—	—
Costs including management recharges	0.5	—	(0.2)	—
Interest recharges	(10.9)	—	(11.5)	—
Debts forgiven	1.2	—	—	—
Net provision of treasury funding	—	379.2	—	21.4
Subsidiary companies	**(473.7)**	**(85.3)**	**(11.7)**	**21.4**
Total related parties	**(506.1)**	**(72.8)**	**(11.7)**	**21.4**

26. Contingent liabilities

As at 30 June 2017 the Company's assets were subject to a fixed and floating charge in respect of £575m senior secured notes (2016: £300m) and £nil in respect of bank borrowings of the Group (2016: £29m).

27. Pension arrangements

During the year the Group contributed to employees' personal pension plans. The total cost for the year amounted to £0.5m (2016: £0.3m). Additionally, the Group operated a defined contribution scheme for which the pension costs charge for the year amounted to £nil (2016: £nil).

28. Share-based payments

Senior management has previously been granted D shares and options over E shares of the Company. The ability to dispose of such shares and execute such options is conditional on sale of shares held by other shareholders amounting to 25% or more of the Company's share capital on a cumulative basis. The value of these shares is dependent upon the value of the Company at the time. Such awards are treated as equity settled by virtue of where the obligation rests on such awards being realised.

The purchase of the share capital of Together Financial Services Limited by Bracken Midco2 Limited on 2 November 2016 triggered the ability to dispose of a proportion of the D shares and as such resulted in the vesting of a proportion of this share scheme and the sale of all the vested shares. As such the full fair value of £1.6m (2016: £1.2m) has now been recognised in the statement of comprehensive income to the extent not previously recognised. The charge relating to the remainder of the D shares has not been recognised as the event, upon which the shares vesting is contingent on, is not considered to be foreseeable by Management at this time.

The options over the E shares have not yet been exercised.

29. Ultimate parent company

The largest group of which Together Financial Services Limited is a member, and for which group financial statements will be drawn up, is that headed by Redhill Famco Limited, the company's ultimate parent company.

The registered office of Redhill Famco Limited is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW.

Registered Office of the Issuer
Bracken Midco1 plc
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Registered Office of the Company
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Jerrold FinCo plc

£435,000,000 4⅞% Senior Secured Notes due 2026

OFFERING MEMORANDUM

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January 30, 2020

Donnelley Financial Solutions 846184